ANNUAL REPORT

2003

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, 2003 totalled US $1,095 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.

The mission of our company and the GS group is to consistently create new values and ensure economic affluence. With an aim to become a company that grows up with the times and contributes widely to society, we have been implementing "CREATE 21 Plan", a three-year medium-term management plan since April 2001. By establishing next-generation technology in batteries, power supply systems, lighting and special equipment, we are advancing "CREATE 8 PROJECTS" to reinforce three growing areas (telecom; small-sized lithium-ion batteries; large-sized lithium-ion batteries) and to respond to the development needs of five new areas (environmental energy; high-voltage cells for automobiles; batteries and new applications for electric vehicles/hybrid electric vehicles; ceramic-metal-halide-lamps; fuel cells).

However, due to the prolonged economic fluctuation and declining stock prices in US along with the deepening deflationary slump, there have been worldwide growing concerns over the future. Reflecting such economic trends, our business environment is rapidly deteriorating. In an effort to achieve a breakthrough in the crucial economic stage, we have been engaged on the "Business Reconstruction Plan" from November 2002 through March 2003 aiming at radical improvement of management constitution and early business recovery.

The key goals of the "Business Reconstruction Plan" include:
1) Reform of Organization: reorganizing the corporate management structure to respond quickly to changes
2) Structural Reform of Business Operations: performing a fundamental review and realignment of operating divisions into strong business units with quick response in order to survive in difficult conditions
3) Total Cost Reduction: implementing serious cutbacks of variable costs and reviewing fixed costs in order to redress the existing cost structure
4) Reinforcement of Financial Strength: improving company's cash-flow situation and streamlining balance sheets to enhance the soundness of the financial base

Under these fundamental reforms, the company is aiming at more than a billion non-consolidated recurring profit in March 2004.

Furthermore, in 1997, we obtained ISO14001 certification. Based on a sound environmental management system, we are using ecologically safe materials and implementing environmentally friendly practices wherever possible. Business activities, product manufacture and services are aligned with environmental considerations and the keywords Reduce, Reuse, Recycle, with the ultimate goal of achieving a recycling society.

CONTENTS

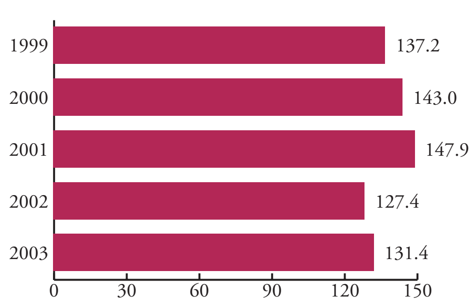
FINANCIAL HIGHLIGHTS — 1
A LETTER FROM TOP MANAGEMENT — 2
CONSOLIDATED BALANCE SHEETS — 4
CONSOLIDATED STATEMENTS OF OPERATIONS — 6
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY — 7
CONSOLIDATED STATEMENTS OF CASH FLOWS — 8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — 9
INDEPENDENT AUDITOR'S REPORT — 14
FIVE-YEAR SUMMARY — 15

FINANCIAL HIGHLIGHTS

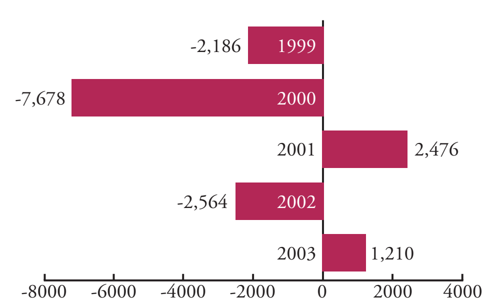
	Millions of Yen (Except for Per Share Amounts)		Thousands of U.S. Dollars (Note 3) (Except for Per Share Amounts)
	2003	2002	2003
Net sales	¥131,488	¥127,403	$1,095,733
Costs and operating expenses	129,064	128,210	1,075,533
Other income (expenses), net	(1,181)	(2,939)	(9,841)
Income (loss) before income taxes and minority interests	1,242	(3,746)	10,350
Net income (loss)	1,210	(2,564)	10,083
Amounts per common share (in yen, in U.S. dollars) - Net income (loss) (Note 1)	6.83	(14.45)	0.06
Property, plant and equipment	38,638	53,288	321,983
Total assets	121,533	148,633	1,012,775
Shareholders' equity	31,583	32,714	263,191

Notes : 1.Computation of net income (loss) per common share is based on the weighted average number of 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, 2003, of ¥120 to U.S.$1.

Net Sales (¥ Billions)



Net Income (¥ Millions)



A LETTER FROM TOP MANAGEMENT

The Japanese economy in this term showed a sign of temporary pickup in production along with the increase in export. However, corporate performance, as a whole, continued to be in a difficult situation due to a low level of public investment, private equipment investment, and personal consumption. In addition, growing deflationary trend aggravated the stock market situation, which resulted in a profound effect on corporate profits.

Our company group, in such severe business environment, launched full-scale efforts in deploying aggressive sales measures, developing new technology and products and reinforcing new fields of business, which generated a turn-over of ¥131,488 million, an increase of ¥4,085 million (3.2%) from the last period.

Based on the "Emergency Measures for Improving Profit" implemented from the beginning of the term, and the "Business Reconstruction Plan" aimed to achieve a sweeping management turnaround, we have been promoting a number of measures in order to reduce costs and beef up marketing and sales operations. The measures for cost reduction comprise overall labor cost reduction including recruiting voluntary early retirement, personnel retrenchment and reduction of procurement cost. However, those measures did not offset the revenue decline caused by fiercer competition. Our non-consolidated financial statement for the term posted operating and ordinary losses. On the other hand, the performance of domestic marketing, manufacturing and servicing subsidiaries stayed at the same level as in the previous fiscal year, although they suffered from the effects of the non-consolidated financial results. Overseas subsidiaries, Ztong Yee Industrial Group in Taiwan and Tianjin, China and overseas affiliated companies in Thailand and Indonesia remained steady. GS-MELCOTEC Co., Ltd. (The new name under the joint capitalization is SANYO GS Soft Energy Co., Ltd.) mainly manufacturing small-sized lithium-ion batteries, has achieved a great earnings recovery, with its turn into operating profit from operating loss in the previous year. Consequently, we had ¥2,423 million operating profit (¥807 million operating loss in the previous term).

Extraordinary profits were earned from gain on exemption from future pension obligation of the governmental program and gain on sales of investment in subsidiaries while extraordinary losses were incurred by severance payment of voluntary early retirement and by write-down of investment securities. As a result, by adopting tax effect accounting, the net profit after taxes in this term was ¥1,210 million. (¥2,564 million net loss in the previous term).

Since the world economy has a lot of causes for concern and the worsening deflation is generating further confusion in Japanese economy, it is anticipated that the severe economic conditions will continue. In the face of those factors, our business environment will be increasingly deteriorated in FY144. In order to go through the difficult phase, we think it crucial to fulfill the "Business Reconstruction Plan" announced on November 22, 2002 and radical improvement of our management constitution.

Aiming at more than a billion non-consolidated operating profit in FY144, we focus on the four targeted items in the "Business Reconstruction Plan": ① Reform of Organization ② Structural Reform of Business Operations ③ Total Cost Reduction ④ Reinforcement of Financial Base.

Regarding the reform of organization, we adopted the in-house company system and the centers system as of March 1st, 2003 for the purpose of strengthening our strategic function of management and business operations. We also implemented other reforms focusing on establishing the Management Strategy Room, the Management Meeting and the Business Operation Meeting. Additionally, we have separated the function of the board of directors from that of business operation and have reduced the number of the board members. As a result, the board is able to focus on supervising management and management strategy, which will lead to rapid managerial decision-making. At the same time, we have adopted operating officers system to clarify responsibility for business operations and to establish business accomplishment framework.

To restructure business operations, we intend to deploy efficient measures for the speeding-up of business operations and strong competitive power in sales and marketing by further selecting growing businesses and concentrating on them. In addition, we continue to put all efforts into reducing total cost including reduction of distribution/procurement cost, personnel cost, subcontracting cost, and outsourcing cost. Last but not least, we are going to establish a solid management base for effective reinforcement of financial strength by positively squeezing the assets.

Thank you for your continued support.

Chiaki Tanaka
Chairman
Chiaki Tanaka

Shinichiro Murakami
President
Shinichiro Murakami

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 3,192	¥ 8,259	$ 26,600
Time deposits (Note 7)	690	995	5,750
Notes and accounts receivable - trade:			
Notes (Notes 7 and 17)	7,023	7,401	58,525
Accounts (Note 17)	29,018	31,982	241,816
Unconsolidated subsidiaries and affiliated companies	1,761	767	14,675
Allowance for doubtful notes and accounts	(219)	(182)	(1,825)
Inventories (Note 4)	14,304	19,098	119,200
Deferred tax assets (Note 12)	804	1,052	6,700
Other current assets	1,743	2,197	14,525
Total current assets	58,320	71,573	486,000
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	9,042	9,657	75,350
Buildings and structures	28,932	31,473	241,100
Machinery and equipment	59,738	82,581	497,816
Construction in progress	1,292	1,835	10,766
Total	99,005	125,548	825,041
Accumulated depreciation	(60,367)	(72,260)	(503,058)
Net property, plant and equipment	38,638	53,288	321,983
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliated companies (Note 6)	5,017	3,870	41,808
Investment securities (Notes 5 and 7)	11,108	14,742	92,566
Long-term assets for employees' retirement benefits (Note 8)	1,720		14,333
Goodwill	18	154	150
Deferred tax assets (Note 12)	4,290	2,081	35,750
Other assets	2,419	2,921	20,158
Total investments and other assets	24,574	23,770	204,783
TOTAL	¥121,533	¥148,633	$1,012,775

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 42,885	¥ 48,853	$ 357,375
Current portion of long-term debt (Note 7)	2,970	3,000	24,750
Notes and accounts payable - trade:			
Notes	4,811	8,044	40,091
Accounts	10,495	15,122	87,458
Unconsolidated subsidiaries and affiliated companies	1,036	22	8,633
Income taxes payable	417	348	3,475
Deferred tax liabilities (Note 12)		2	
Accrued expenses and other current liabilities	4,859	5,379	40,491
Total current liabilities	67,476	80,774	562,300
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	12,631	21,829	105,258
Long-term deposits received	4,044	3,839	33,700
Liability for retirement benefits (Notes 2-f and 8)	2,595	6,055	21,625
Deferred tax liabilities (Note 12)	1,348	1,334	11,233
Total long-term liabilities	20,620	33,059	171,833
MINORITY INTERESTS	1,853	2,084	15,441
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14 and 16)			
SHAREHOLDERS' EQUITY (Note 9):			
Common stock - authorized, 400,000,000 shares; issued, 178,354,986 shares	14,353	14,353	119,608
Capital surplus - Additional paid-in capital	13,249	13,249	110,408
Retained earnings	4,887	3,715	40,725
Unrealized gain on available-for-sale securities (Note 2-d)	1,710	3,394	14,250
Foreign currency translation adjustments (Note 2-l)	(2,135)	(1,528)	(17,791)
Total	32,064	33,183	267,200
Treasury stock - at cost: 1,309,468 shares in 2003 and 1,238,140 shares in 2002 (Note 10)	(481)	(468)	(4,008)
Total shareholders' equity	31,583	32,714	263,191
TOTAL	¥121,533	¥148,633	$1,012,775

CONSOLIDATED STATEMENTS OF OPERATIONS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
NET SALES (note 6)	¥131,488	¥127,403	$1,095,733
COSTS AND OPERATING EXPENSES:			
Cost of sales (Notes 6 and 13)	102,536	100,460	854,466
Selling, general and administrative expenses (Note 13)	26,528	27,750	221,066
Total	129,064	128,210	1,075,533
OPERATING INCOME (LOSS)	2,423	(807)	20,191
OTHER INCOME (EXPENSES):			
Interest expense	(1,282)	(1,739)	(10,683)
Interest and dividend income	262	239	2,183
Gain (loss) on sales of property, plant and equipment	(8)	271	(66)
Loss on disposal of property, plant and equipment	(729)	(485)	(6,075)
Gain on exemption from future pension obligation of the governmental program (Note 2-f)	3,046		25,383
Gain (loss) on sales of investment securities	904	(1)	7,533
Loss from revaluation of land		(27)	
Foreign exchange gain (loss)	(290)	138	(2,416)
Write-down of investment securities	(727)	(1,112)	(6,058)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	683	479	5,691
Gain on sales of investment in subsidiaries	2,163		18,025
Loss on business restructuring of subsidiaries and affiliated companies	(1,508)		(12,566)
Severance payment of voluntary early retirement	(3,531)		(29,425)
Other - net	(161)	(702)	(1,341)
Total	(1,181)	(2,939)	(9,841)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	1,242	(3,746)	10,350
INCOME TAXES (Note 12):			
Current	641	708	5,341
Deferred	(648)	(678)	(5,400)
Total	(6)	29	(50)
MINORITY INTERESTS IN NET LOSS OF SUBSIDIARIES	38	1,210	316
NET INCOME (LOSS)	¥ 1,210	¥ (2,564)	$ 10,083

	Yen		U.S. Dollars
AMOUNTS PER COMMON SHARE (Note 2-n) -			
Net income (loss)	¥6.83	¥ (14.45)	$0.06

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

		Millions of Yen					
			Capital Surplus				
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2001	178,354,986	¥14,353	¥13,249	¥6,994	¥4,271	¥(2,405)	
Net loss				(2,564)			
Cash dividends, ¥4.00 per share				(713)			
Net decrease in unrealized gain on available-for-sale securities					(876)		
Net change in foreign currency translation adjustments						877	
Increase in treasury stock (1,238,140 shares)							¥(468)
BALANCE, MARCH 31, 2002	178,354,986	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)	
Increase in treasury stock (71,328 shares)							(12)
BALANCE, MARCH 31, 2003	178,354,986	¥14,353	¥13,249	¥4,887	¥1,710	¥(2,135)	¥(481)

	Thousands of U.S. Dollars (Note 3)					
		Capital Surplus				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2002	$119,608	$110,408	$30,958	$28,283	$(12,733)	$(3,900)
Net income			10,083			
Effect from inclusion of newly consolidated subsidiaries (Note 2-a)			(341)			
Effect on retained earnings of merger of subsidiaries (Note 2-a)			16			
Net decrease in unrealized gain on available-for-sale securities				(14,025)		
Net change in foreign currency translation adjustments					(5,050)	
Increase in treasury stock (71,328 shares)						(100)
BALANCE, MARCH 31, 2003	$119,608	$110,408	$40,725	$14,250	$(17,791)	$(4,008)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 1,242	¥(3,746)	$ 10,350
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Income taxes - paid	(573)	(758)	(4,775)
Depreciation	7,523	7,694	62,691
Amortization of goodwill	53	173	441
Loss (gain) on sales of property, plant and equipment	8	(271)	66
Loss on disposals of property, plant and equipment	729	485	6,075
Gain on exemption from future pension obligation of the governmental program	(3,046)		(25,383)
Loss (gain) on sales of investment securities	(904)	1	(7,533)
Write-down of investment securities	727	1,112	6,058
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(683)	(479)	(5,691)
Gain on sales of investment in subsidiaries	(2,163)		(18,025)
Loss on business restructuring of subsidiaries and affiliated companies	1,146		9,550
Decrease in liability for retirement benefits	(2,080)	(13)	(17,333)
Changes in operating assets and liabilities, net of effects of merger and newly consolidated subsidiaries:			
Notes and accounts receivable - trade	(4,685)	6,935	(39,041)
Inventories	1,457	2,717	12,141
Notes and accounts payable - trade	2,279	(8,882)	18,991
Long-term deposits	307	65	2,558
Decrease in interest and dividend receivable	209	530	1,741
Increase (decrease) in interest payable	28	(32)	233
Other-net	314	(560)	2,616
Net cash provided by operating activities	1,890	4,969	15,750
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	378	1,148	3,150
Purchases of property, plant and equipment	(7,878)	(8,898)	(65,650)
Proceeds from sales of investment securities	1,109	40	9,241
Payments to acquire investment securities	(309)	(493)	(2,575)
Proceeds from sales of securities of consolidated subsidiaries	1,175		9,791
Payments to acquire securities of consolidated subsidiaries	(1,434)		(11,950)
Increase in time deposits	266	1,008	2,216
Other investing activities	(212)	39	(1,766)
Net cash used in investing activities	(6,905)	(7,154)	(57,541)
FINANCING ACTIVITIES:			
Net increase in short-term borrowings	4,211	5,451	35,091
Increase in long-term bank loans	1,716	5,285	14,300
Proceeds from issuance of unsecured bonds		3,000	
Repayments of long-term debt	(2,834)	(2,719)	(23,616)
Redemption of unsecured bonds	(3,000)	(8,000)	(25,000)
Investment in consolidated subsidiaries by minority shareholder		1,618	
Payments to acquire treasury stock	(12)	(468)	(100)
Dividends paid	(4)	(712)	(33)
Net cash provided by financing activities	76	3,455	633
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	¥ (4,938)	¥ 1,270	$ (41,150)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AND MERGED AFFILIATES AT BEGINNING OF YEAR	130		1,083
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(258)	434	(2,150)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,259	6,554	68,825
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 3,192	¥ 8,259	$ 26,600
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets and liabilities decreased by removing subsidiaries from consolidation (Note 2-a):			
Current assets	¥11,796		$ 98,300
Long-term assets	13,660		113,833
Total	¥25,457		$212,141
Current liabilities	¥17,422		$145,183
Long-term liabilities	4,635		38,625
Total	¥22,058		$183,816

See notes to consolidated financial statements.

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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2002 financial statements to conform to the classifications used in 2003.

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 2002, Japan Storage Battery Finance Europe B.V. was liquidated. Accordingly, Japan Storage Battery Finance Europe B.V. was excluded from the Company's consolidated financial statements for the year ended March 31, 2002.

In 2002, Siam GS Sales Co., Ltd. was newly accounted for using the equity method due to its growing significance.

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 newly consolidated because the entity was established in 2003.

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 56.3% 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 and Kumiyama Electric Co., Ltd. were excluded from the Company's consolidated financial statements for the year ended March 31, 2003.

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 ($25,383 thousand) 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, is ¥16,843 million ($140,358 thousand).

Retirement benefits to directors and corporate auditors 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 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.

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 statement 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.

n.) Per Share Information - Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The effect on the consolidated financial statements of adopting the new accounting standard is immaterial. The weighted average number of common shares used in the computation was 177,095,624 shares and 177,497,105 shares for 2003 and 2002, respectively.

Diluted net income per common share is not disclosed because it is anti-dilutive for 2003 and because of the Group's net loss position for 2002.

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

The Company paid no dividend applicable to the 2003 and 2002 fiscal year.

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 ¥120 to $1, the approximate exchange rate at March 31, 2003. 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, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Finished products	¥ 7,306	¥ 8,928	$ 60,883
Semi-finished products	546	1,704	4,550
Work-in-process	3,441	4,197	28,675
Raw materials and supplies	3,009	4,267	25,075
Total	¥14,304	¥19,098	$119,200

5.INVESTMENT SECURITIES

Investment securities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Non-current:			
Marketable equity securities	¥10,442	¥13,935	$87,016
Government and corporate bonds	161	161	1,341
Other	505	646	4,208
Total	¥11,108	¥14,742	$92,566

Information for the investment securities at March 31, 2003 and 2002 was as follows:

	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

	Millions of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥8,055	¥6,167	¥288	¥13,935
Debt securities	161			161
Other	3			3

	Thousands of U.S. Dollars			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$62,766	$27,833	$3,591	$87,016
Debt securities	1,325	8		1,341
Other	50		8	41

Securities whose fair value is not readily determinable at March 31, 2003 and 2002 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Equity securities and other	¥499	¥643	$4,158

Proceeds from sales of securities for the years ended March 31, 2003 and 2002 were ¥1,109 million ($9,241 thousand) and ¥37 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥904 million ($7,533 thousand) for the year ended March 31, 2003. Gross realized gains and losses on these sales were ¥1 million and ¥2 million, respectively for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due in one year or less	¥131	¥ 1	$1,091
Due after one year through five years	31	162	258
Total	¥162	¥163	$1,350

6.INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Investments at cost	¥5,950	¥3,189	$49,583
Equity in undistributed earnings	(933)	681	(7,775)
Total	¥5,017	¥3,870	$41,808

Sales to and purchases from unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Sales	¥1,484	¥1,522	$12,366
Purchases	1,042	609	8,683

7.SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Bank loans	¥31,454	¥39,916	$262,116
Commercial paper	11,431	8,936	95,258
Total	¥42,885	¥48,853	$357,375

At March 31, 2003, short-term bank loans of ¥6,477 million ($53,975 thousand) were collateralized.

As is customary in Japan, the Group obtains financing by discounting trade notes receivable with banks. Such discounted notes and the related contingent liabilities are not included in the balance sheets but are disclosed as contingent liabilities (see Note 16). The weighted average annual interest rates for the Group's short-term bank loans, commercial paper were 1.32% and 1.14% at March 31, 2003 and 2002, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Collateralized loans, principally from banks, 0.60% to 8.09% maturing serially through July 2007	¥ 3,316	¥ 3,002	$ 27,633
Unsecured bank loans, 0.52% to 2.9% maturing serially through December 2003	2,285	8,827	19,041
Unsecured bonds, 2.28% due August 2004	10,000	10,000	83,333
Unsecured bonds, 0.66% due September 2005		3,000	
Total	15,601	24,829	130,008
Less current portion	(2,970)	(3,000)	(24,750)
Long-term debt	¥12,631	¥21,829	$105,258

The aggregate annual maturities of long-term debt for the years following March 31, 2003 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 2,970	$ 24,750
2005	11,008	91,733
2006	907	7,558
2007	565	4,708
2008	150	1,250
Total	¥15,601	$130,008

The carrying values of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 25	$ 208
Notes receivable	63	525
Land	1,259	10,491
Buildings and structures	714	5,950
Investment securities	5,147	42,891
Total	¥7,209	$60,075

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 and corporate auditors at March 31, 2003 and 2002 were ¥584 million ($4,866 thousand) and ¥639 million, respectively.

The liability for employees' retirement payments at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥42,078	¥76,857	$350,650
Fair value of plan assets	(18,765)	(45,552)	(156,375)
Unrecognized prior service benefit	945	1,749	7,875
Unrecognized actuarial loss	(23,989)	(27,742)	(199,908)
Net liability	¥ 269	¥ 5,312	$ 2,241

The net liabilities for employees' retirement payments were comprised of a ¥20 million ($166 thousand) current asset and a ¥1,720 million ($14,333 thousand) fixed asset on the books of the Company and a ¥2,010 million ($16,750 thousand) liability on the books of the Group at March 31, 2003 and a ¥104 million current asset on the books of the Company and a ¥5,416 million liability on the books of the Group at March 31, 2002, respectively.

The commencement age of life-time annuity payments for the "basic portion" will increase progressively from age 60 to age 65, in accordance with a revision in the Welfare Pension Insurance Law in March, 2000. The effect of this change is reflected as "prior service benefit" in the computation of projected benefit obligation.

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥1,754	¥1,758	$14,616
Interest cost	1,137	2,184	9,475
Expected return on plan assets	(901)	(1,372)	(7,508)
Amortization of prior service benefit	(95)	(21)	(791)
Recognized actuarial loss	1,525	576	12,708
Net periodic benefit costs	¥3,420	¥3,125	$28,500

Assumptions used for the years ended March 31, 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.5% ~ 3.8%	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 certain amendments became effective from 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 beginning April 1, 2002. 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 ¥3,337 million ($27,808 thousand) as of March 31, 2003, 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.STOCK OPTION PLAN

On June 28, 2001, the Company's shareholders approved a stock option plan for the Company's directors and key employees to repurchase up to 1,230,000 shares of the Company's common stock or ¥800 million in the period from October 1, 2001 to September 30, 2003. The options will be granted at an exercise price of 103% of the fair market value of the Company's common stock at the date of option grant. The Company plans to reissue acquired treasury stock upon exercise of the stock options.

11.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, 2003 and 2002 was as follows:

(1) Operations in Different Industries

a.) Sales and Operating Income

	Millions of Yen				
	2003				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consoli-dated
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	Consoli-dated
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

	Millions of Yen				
	2002				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	¥104,471	¥11,947	¥10,984		¥127,403
Operating expenses	101,097	12,368	10,520	4,223	128,210
Operating income (loss)	¥ 3,373	¥ (421)	¥ 463	¥(4,223)	¥ 807

b.) Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2002				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consoli-dated
Assets	¥121,629	¥10,730	¥10,246	¥6,026	¥148,633
Depreciation	7,374	251	65	3	7,694
Capital expenditures	7,480	330	96		7,906

a.) Sales and Operating Income

	Thousands of U.S. Dollars				
	2003				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	$868,933	$141,783	$85,008		$1,095,733
Operating expenses	827,266	138,566	75,525	$ 34,166	1,075,533
Operating income	$ 41,666	$ 3,208	$ 9,483	$(34,166)	$ 20,191

b.) Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2003				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consoli-dated
Assets	$793,408	$104,316	$77,275	$37,758	$1,012,775
Depreciation	60,233	1,883	283	275	62,691
Capital expenditures	58,708	1,366	133		60,216

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, 2003 and 2002 were summarized as follows:

	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

	Millions of Yen				
	2002				
	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥109,497	¥ 9,910	¥7,995		¥127,403
Interarea transfer	8,155	4,488	101	¥(12,745)	
Total sales	117,653	14,398	8,096	(12,745)	127,403
Operating expenses	115,516	13,179	8,040	(8,525)	128,210
Operating income	¥ 2,137	¥ 1,219	¥ 56	¥ (4,219)	¥ (807)
Assets	¥123,982	¥20,471	¥2,815	¥ 1,363	¥148,633

	Thousands of U.S. Dollars				
	2003				
	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	$922,025	$104,808	$68,900		$1,095,733
Interarea transfer	59,800	35,741	591	$(96,141)	
Total sales	981,825	140,550	69,491	(96,141)	1,095,733
Operating expenses	937,608	130,958	68,883	(61,925)	1,075,533
Operating income	$ 44,208	$ 9,583	$ 608	$(34,216)	$ 20,191
Assets	$818,325	$157,916	$12,508	$ 24,016	$1,012,775

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, 2003 and 2002 were summarized as follows:

	Net Sales to Customers Outside Japan			Percentage of Consolidated Net Sales	
	Millions of Yen		Thousands of U.S. Dollars		
	2003	2002	2003	2003	2002
Asia	¥25,195	¥20,541	$209,958	19.2%	16.1%
Other	11,230	10,734	93,583	8.5	8.4
Total	¥36,425	¥31,275	$303,541	27.7%	24.5%

12.INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2003 and 2002.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred Tax Assets:			
Accrued bonuses	¥ 678	¥ 677	$ 5,650
Retirement benefits	1,299	3,291	10,825
Write-down of investment securities	1,341	1,024	11,175
Unrealized profit	28	180	233
Tax loss carryforwards	2,895	4,146	24,125
Other	1,006	1,380	8,383
Less valuation allowance	(664)	(4,767)	(5,533)
Deferred tax assets	6,585	5,933	54,875
Deferred Tax Liabilities:			
Valuation excess of property	1,345	1,364	11,208
Unrealized gain on available-for-sale securities	1,161	2,460	9,675
Undistributed earnings of foreign subsidiaries	232	204	1,933
Deferred gains on sales of property	58	64	483
Other	41	41	341
Deferred tax liabilities	2,839	4,136	23,658
Net deferred tax assets	¥3,746	¥1,796	$31,216

Reconciliations 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, 2003 and 2002 are as follows:

	2003	2002
Normal effective statutory tax rate:	42.0%	42.0%
Expenses not deductible for income tax purposes	32.5	(6.6)
Non-taxable dividend income	(8.4)	2.6
Per capita levy	4.0	(1.3)
Net increase (decrease) in valuation allowance	12.0	(45.9)
Tax benefit not recognized on operating losses of overseas subsidiaries	(18.2)	5.5
Amortization of goodwill	1.8	(2.0)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(3.4)	3.1
Loss on sales of investment in subsidiaries	(84.6)	
Unrecognized tax effects on the eliminated inter-company unrealized income	5.0	
Effect of tax rate reduction	16.9	
Tax credit	(1.5)	
Other - net	1.4	1.8
Actual effective tax rate	(0.5)%	(0.8)%

At March 31, 2003, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥7,150 million ($59,583 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
2004	¥ 184	$ 1,533
2005	348	2,900
2006	44	367
2007	51	425
2008	6,522	54,350
Total	¥7,150	$59,583

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 ($1,391 thousand) and ¥210 million ($1,750 thousand), respectively, and to increase net unrealized gain on available-for-sale securities by ¥42 million ($350 thousand) for the year ended March 31, 2003.

13.RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,077 million ($33,975 thousand) and ¥4,227 million for the years ended March 31, 2003 and 2002, respectively.

14.LEASES

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

Total lease payments under finance leases not deemed to transfer ownership of the leased property to the lessee for the years ended March 31, 2003 and 2002 were ¥1,030 million ($8,583 thousand) and ¥1,089 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, 2003 and 2002 was as follows:

	Millions of Yen					
	2003			2002		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥347	¥1,109	¥1,456	¥5,263	¥1,705	¥6,968
Accumulated depreciation	175	623	798	1,650	1,055	2,706
Net leased property	¥172	¥ 485	¥ 657	¥3,612	¥ 649	¥4,262

	Thousands of U.S. Dollars		
	2003		
	Machinery and Equipment	Other	Total
Acquisition cost	$2,891	$9,241	$12,133
Accumulated depreciation	1,458	5,191	6,650
Net leased property	$1,433	$4,041	$ 5,475

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, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥258	¥1,015	$2,150
Due after one year	399	3,246	3,325
Total	¥657	¥4,262	$5,475

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 operations, computed by the straight-line method.

The minimum rental commitments under noncancelable operating leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 33	¥17	$ 275
Due after one year	167	8	1,391
Total	¥200	¥25	$1,666

15.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 the following derivatives contracts outstanding at March 31, 2002:

	Millions of Yen		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest Rate Options	¥3,000		¥(28)
(Premium paid for the option)	(28)		

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

16.CONTINGENT LIABILITIES

At March 31, 2003, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 36	$ 300
Guarantees of bank loans of certain affiliated companies and items of a similar nature	639	5,325

17.SUBSEQUENT EVENTS

On June 2, 2003, Fuwa Electric Co., Ltd., a dealership of the Group, defaulted on payment of notes and was suspended from engaging in business transactions with banks. The Group has ¥361 million ($3,008 thousand) of notes and accounts receivable - trade outstanding from Fuwa Electric Co., Ltd. on June 27, 2003 and expects to write off the anticipated unrecoverable amounts in 2004.

INDEPENDENT AUDITORS' REPORT

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Deloitte Touche Tohmatsu

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

We have audited the accompanying consolidated balance sheets of Japan Storage Battery Co., Ltd. and consolidated subsidiaries (the "Group") as of March 31, 2003 and 2002, 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, procedures and practices generally accepted and applied 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As discussed in Note 17 to the consolidated financial statements, Fuwa Electric Co., Ltd., a dealership of the Group, defaulted on payment of notes and was suspended from engaging in business transactions with banks on June 2, 2003. The Group has ¥361 million ($3,008 thousand) of notes and accounts receivable - trade outstanding from Fuwa Electric Co., Ltd. on June 27, 2003.

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 27, 2003

FIVE-YEAR SUMMARY

	Millions of Yen (Except for Per Share Amounts)					Thousands of U.S. Dollars (Note 3) (Except for Per Share Amounts)
	2003	2002	2001	2000	1999	2003
Net sales	¥131,488	¥127,403	¥147,997	¥143,055	¥137,278	$1,095,733
Costs and operating expenses	129,064	128,210	141,408	140,361	140,295	1,075,533
Other income (expenses), net	(1,181)	(2,939)	(3,133)	(15,195)	111	(9,841)
Income (loss) before income taxes and minority interests	1,242	(3,746)	3,454	(12,502)	(2,905)	10,350
Net income (loss)	1,210	(2,564)	2,476	(7,678)	(2,186)	10,083
Amounts per common share (in yen, in U.S. dollars):						
Net income (loss) (Note 1)	6.83	(14.45)	13.88	(43.05)	(12.26)	0.06
Cash dividends applicable to the year (Note 2)			4.00	4.00	4.00	
Property, plant and equipment	38,638	53,288	53,243	55,087	58,713	321,983
Total assets	121,533	148,633	157,171	162,700	164,708	1,012,775
Shareholders' equity	31,583	32,714	36,461	32,779	40,436	263,191

Notes : 1. Computation of net income (loss) per common share is based on the weighted average number of 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, 2003, of ¥120 to U.S.$1.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman

Chiaki Tanaka

President

Shinichiro Murakami

Senior Managing Director

Hitoshi Tamura

Managing Directors

Masanori Yamachi
Yoshitami Saito
Haruyuki Ueda
Isao Takeuchi
Makoto Yoda

Auditors

Koichi Shimazu
Toshinori Nomura
Isao Fujii
Susumu Watanabe

Directors

Katsuyuki Ono
Tadashi Shimizu

Senior Excecutive Officers

Masakazu Otani
Syunsuke Kusuyama
Atsuaki Osumi

Excecutive Officers

Akira Tamura
Naoyuki Inoue
Mikio Noda

(as of June 27, 2003)

OUTLINE OF COMPANY

Established :	January 17, 1917
Number of Employees :	1,721
Paid-in Capital :	¥14,353,144,222
Number of Shareholders :	25,819
Shares Outstanding :	178,354,986

PRINCIPAL SHAREHOLDERS

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

SERVICE NETWORK

*Our Plant Accreditation
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