ANNUAL REPORT 2002

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, 2002 totalled US $957 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.

A new, three-year, medium-term business plan, the <Create21 Plan>, commenced on April 2001. This plan is the basis for the concept of consistently creating new value, and thereby raising prosperity for all. The ultimate aim of our company and the entire GS Group is to develop with the era as a corporation that contributes increasingly to society as a whole.

Japan Storage Battery is implementing a <Create 8 Businesses> project in preparation for operations in the 21st century, and expanding the activities of the subsidiary GS-Melcotec Co., Ltd. This involves establishing next-generation technology, particularly for batteries, power supply systems, lighting and special equipments. The eight operations referred to comprise (1) the three growth areas — communication systems, small-sized lithium-ion batteries, and large-sized lithium-ion batteries (for special applications and industrial use); and (2) development of five new areas — environmental energy (photovoltaic generation systems, load leveling systems, dispersed-type power systems), high-voltage cells for automobiles, batteries and new applications for electric vehicles and hybrid electric vehicles, ceramic-metal halide lamps, and fuel cells.

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.

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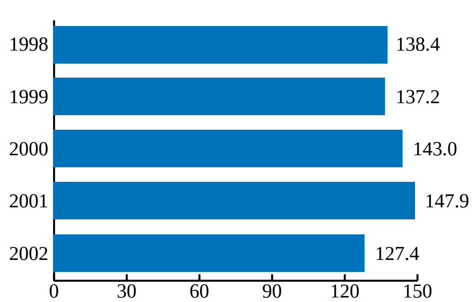
FINANCIAL HIGHLIGHTS

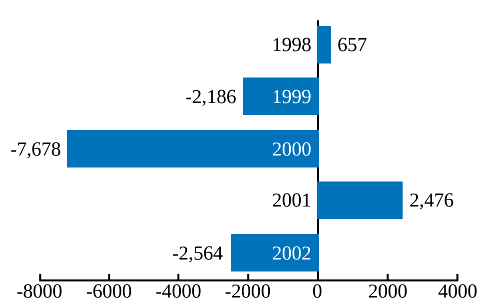
	Millions of Yen (Except for Per Share Amounts)		Thousands of U.S. Dollars (Note 3) (Except for Per Share Amounts)
	2002	2001	2002
Net sales	¥127,403	¥147,997	$957,917
Costs and operating expenses	128,210	141,408	963,984
Other income (expenses), net	(2,939)	(3,133)	(22,097)
Income (loss) before income taxes and minority interests	(3,746)	3,454	(28,165)
Net income (loss)	(2,564)	2,476	(19,278)
Amounts per common share (in yen, in U.S. dollars):			
Net income (loss) (Note 1)	(14.45)	13.88	(0.10)
Cash dividends applicable to the year (Note 2)		4.00	
Property, plant and equipment	53,288	53,243	400,661
Total assets	148,633	157,171	1,117,541
Shareholders' equity	32,714	36,461	245,969

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, 2002, of ¥133 to U.S.$1.

Net Sales (¥ Billions)



Net Income (¥ Millions)



The national economy ended the fiscal year in a bleak state, due to a lack of progress in dealing with structural problems stemming from the “bubble economy,” accompanied by a sharp slowdown in the American economy. Private corporate activity contracted, marked inevitably by falling production and curtailment of capital investment. In addition, wholesale prices and consumer prices both slipped into a deflationary vortex. The decline in product prices had a substantial negative impact on corporate profits. With high unemployment, depressed share prices and other factors feeding anxiety over the future, consumer spending continued to contract.

Amid such a business environment, we took resolute steps to expand sales, develop new products and new technologies, and to reinforce new businesses. In the end, sales amounted to ¥127,403 million, a decline of ¥20,594 million (13.9%) from the previous fiscal year.

On the earnings side, we made sound progress in implementation of measures in the <Create21 Plan>. This is a medium-term management plan, launched in April 2001 for the purpose of reducing overall costs and improving asset efficiency. Even so, this was not sufficient to compensate for the fall in sales stemming from the business conditions referred to above. Operating loss thus reached ¥807 million, a decline of ¥7,395 million (112.3%) from last year.

Extraordinary Losses were incurred on recognition of appraisal losses on shares of GS-Melcotec Co., Ltd., a subsidiary that manufactures and markets small lithium-ion batteries, and from realization of losses on investment securities. In consequence, after application of tax effect accounting, we recorded an after-tax net loss for the fiscal year of ¥2,564 million. (Net income for the previous year was ¥2,476 million.)

Regarding the outlook, there are indications that certain areas of the economy have bottomed out. However, there are no signs of improvement in deflationary trend or unemployment level. Continuation of harsh conditions is expected. Therefore, we are preparing for intensified competition with competitor companies in FY143. A series of measures for improvement of income is being introduced in support of our determination to step ahead of the competition and improve business performance.

The medium-term <Create21 Plan>, launched in April 2001 and now in the midst of implementation, has been buffeted by the sharp deterioration in business environment. However, we believe there is no need to alter the basic rationale for preparation of the <Create21 Plan>, namely: “Batteries, the core of our operations, are of growing importance in view of the advance of information technology and increasing mobility of equipment, as well as the demand for clean energy. The three key objectives of the plan— 1) Enhancement of business efficiency and strengthening of the profit-making infrastructure; 2) Reinforcement of global marketing and operations systems; and 3) Strengthening of growth areas and development of new business fields— are equally valid in FY143. We remain dedicated to creative innovation to enhance the foundations of a strong business structure.

Thank you for your continued support for our endeavors.

Chiaki Tanaka	Shinichiro Murakami
Chairman	President
Chiaki Tanaka	Shinichiro Murakami

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 8,259	¥ 6,554	$ 62,097
Time deposits (Note 7)	995	2,004	7,481
Notes and accounts receivable - trade:			
Notes	7,401	10,923	55,646
Accounts	31,982	33,584	240,466
Unconsolidated subsidiaries and affiliated companies	767	1,781	5,766
Allowance for doubtful notes and accounts	(182)	(181)	(1,368)
Inventories (Note 4)	19,098	21,508	143,593
Deferred tax assets (Note 12)	1,052	1,142	7,909
Other current assets	2,197	2,271	16,518
Total current assets	71,573	79,588	538,142
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	9,657	9,604	72,609
Buildings and structures	31,473	29,464	236,639
Machinery and equipment	82,581	78,373	620,909
Construction in progress	1,835	2,487	13,796
Total	125,548	119,930	943,969
Accumulated depreciation	(72,260)	(66,686)	(543,308)
Net property, plant and equipment	53,288	53,243	400,661
INVESTMENTS AND OTHER ASSETS:			
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 6)	3,870	3,663	29,097
Investment securities (Notes 5 and 7)	14,742	16,977	110,842
Goodwill	154	155	1,157
Deferred tax assets (Note 12)	2,081	660	15,646
Other assets	2,921	2,881	21,962
Total investments and other assets	23,770	24,339	178,721
TOTAL	¥148,633	¥157,171	$1,117,541

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 48,853	¥ 42,464	$ 367,315
Current portion of long-term debt (Note 7)	3,000	10,719	22,556
Notes and accounts payable - trade:			
Notes	8,044	17,110	60,481
Accounts	15,122	13,960	113,699
Unconsolidated subsidiaries and affiliated companies	22	337	165
Income taxes payable	348	394	2,616
Deferred tax liabilities (Note 12)	2		15
Accrued expenses and other current liabilities	5,379	6,718	40,443
Total current liabilities	80,774	91,706	607,323
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	21,829	16,481	164,127
Long-term deposits received	3,839	3,830	28,864
Liability for retirement benefits (Note 8)	6,055	6,069	45,526
Deferred tax liabilities (Note 12)	1,334	1,295	10,030
Total long-term liabilities	33,059	27,676	248,563
MINORITY INTERESTS	2,084	1,326	15,669
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14 and 16)			
SHAREHOLDERS' EQUITY (Note 9):			
Common stock - authorized, 400,000,000 shares; issued, 178,354,986 shares at March 31, 2002 and 2001	14,353	14,353	107,917
Additional paid-in capital	13,249	13,249	99,616
Retained earnings	3,715	6,994	27,932
Unrealized gain on available-for-sale securities (Note 2-d)	3,394	4,271	25,518
Foreign currency translation adjustments (Note 2-l)	(1,528)	(2,405)	(11,488)
Total	33,183	36,461	249,496
Treasury stock - at cost: 1,238,140 shares in 2002 (Note 10)	(468)		(3,518)
Total shareholders' equity	32,714	36,461	245,969
TOTAL	¥148,633	¥157,171	$1,117,541

CONSOLIDATED STATEMENTS OF OPERATIONS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
NET SALES (Notes 6 and 11)	¥127,403	¥147,997	$957,917
COSTS AND OPERATING EXPENSES (Note 11):			
Cost of sales (Notes 6 and 13)	100,460	112,494	755,338
Selling, general and administrative expenses (Note 13)	27,750	28,914	208,646
Total	128,210	141,408	963,984
OPERATING INCOME (LOSS) (Note 11)	(807)	6,588	(6,067)
OTHER INCOME (EXPENSES):			
Interest expense	(1,739)	(2,090)	(13,075)
Interest and dividend income	239	280	1,796
Gain on sales of property, plant and equipment	271	9	2,037
Loss on disposal of property, plant and equipment	(485)	(1,368)	(3,646)
Loss from revaluation of land	(27)	(1,729)	(203)
Foreign exchange gain	138	165	1,037
Write-down of investment securities	(1,112)	(232)	(8,360)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	479	638	3,601
Gain from contribution of available-for-sale securities to the employee retirement benefit trust (Note 2.f)		16,464	
Charge for full amount of transitional obligation for employees' retirement benefits (Note 2.f)		(13,993)	
Other - net	(703)	(1,277)	(5,285)
Total	(2,939)	(3,133)	(22,097)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	(3,746)	3,454	(28,165)
INCOME TAXES (Note 12):			
Current	708	607	5,323
Deferred	(678)	408	(5,097)
Total	29	1,015	218
MINORITY INTERESTS IN NET LOSS OF SUBSIDIARIES	1,210	37	9,097
NET INCOME (LOSS)	¥ (2,564)	¥ 2,476	$ (19,278)

	Yen		U.S. Dollars
AMOUNTS PER COMMON SHARE (Note 2-j):			
Net income (loss)	¥(14.45)	13.88	$(0.10)
Cash dividends applicable to the year		4.00	

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Issued Number of Shares of Common Stock	Millions of Yen					
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2000	178,354,986	¥14,353	¥13,249	¥5,176			
Net income				2,476			
Cash dividends, ¥4.00 per share				(713)			
Effect on retained earnings of merger of subsidiaries and affiliates				54			
Net increase in unrealized gain on available-for-sale securities					¥4,271		
Net change in foreign currency translation adjustments						¥ (2,405)	
BALANCE, MARCH 31, 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)

	Thousands of U.S. Dollars (Note 3)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2001	$107,917	$99,616	$52,586	$32,112	$ (18,082)	
Net loss			(19,278)			
Cash dividends, $4.00 per share			(5,360)			
Net decrease in unrealized gain on available-for-sale securities				(6,586)		
Net change in foreign currency translation adjustments					6,593	
Increase in treasury stock (1,238,140 shares)						$ (3,518)
BALANCE, MARCH 31, 2002	$107,917	$99,616	$27,932	$25,518	$ (11,488)	$ (3,518)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ (3,746)	¥ 3,454	$ (28,165)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Income taxes - paid	(758)	(512)	(5,699)
Depreciation and amortization	7,694	7,792	57,849
Amortization of goodwill	173	303	1,300
Loss on disposal of property, plant and equipment	485	1,368	3,646
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(479)	(638)	(3,601)
Decrease in liability for retirement benefits	(13)	(2,828)	(97)
Write-down of investment securities	1,112	232	8,360
Gain on sales of property, plant and equipment	(271)	(9)	(2,037)
Loss from revaluation of land	27	1,729	203
Changes in operating assets and liabilities, net of effects of merger and newly consolidated subsidiaries:			
Notes and accounts receivable - trade	6,935	(404)	52,142
Inventories	2,717	(1,025)	20,428
Other current assets	232	917	1,744
Notes and accounts payable - trade	(8,882)	581	66,781
Accrued expenses and other current liabilities	(659)	(322)	(4,954)
Long-term deposits	65	207	488
Decrease in interest and dividend receivable	530	199	3,984
Increase (decrease) in interest payable	(32)	15	(240)
Other - net	(161)	906	(1,210)
Net cash provided by operating activities	4,969	11,966	37,360
INVESTING ACTIVITIES:			
Capital expenditures	(8,898)	(8,438)	(66,902)
Proceeds from sales of property, plant and equipment	1,148	1,133	8,631
Proceeds from sales of investment securities	40	23	300
Payments to acquire marketable and investment securities	(493)	(160)	(3,706)
Increase in time deposits	1,008	421	7,578
Acquisition of business, net of cash acquired (Note 2-a)		(75)	
Other investing activities	39	(631)	293
Net cash used in investing activities	(7,154)	(7,726)	(53,789)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	5,451	(4,514)	40,984
Increase in long-term bank loans	5,285	1,239	39,736
Proceeds from issuance of unsecured bonds	3,000		22,556
Repayments of long-term debt	(2,719)	(2,688)	(20,443)
Redemption of unsecured bonds	(8,000)		(60,150)
Investment in consolidated subsidiaries by minority shareholder	1,618	203	12,165
Payments to acquire treasury stock	(468)		(3,518)
Dividends paid	(712)	(711)	(5,353)
Net cash provided by (used in) financing activities	3,455	(6,471)	25,977
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,704	(1,904)	12,812
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AND MERGED AFFILIATES AT BEGINNING OF YEAR		197	
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	434	129	3,263
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,554	8,459	49,278
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 8,259	¥ 6,554	$ 62,097
ASSETS ACQUIRED AND LIABILITIES ASSUMED IN PURCHASE:			
Fair value of assets acquired		¥ 2,328	
Liabilities assumed		1,808	
Minority interests		272	
Cash paid for the capital		247	
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Available-for-sale securities contributed to the employee retirement benefit trust: Fair value of available-for-sale securities contributed		¥201,724	

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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting 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 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 2001, the Company made additional investments in an affiliated company, Kansai Storage Battery Co., Ltd. increasing the Company's ownership percentage from 42.6% to 51.0%. Accordingly, Kansai Storage Battery Co., Ltd. was consolidated from March 31, 2001.

In 2001, GS-Melcotec Shanghai Ltd. was changed from an unconsolidated subsidiary to a consolidated subsidiary due to its growing significance. The effect of such change was reflected in the consolidated statement of shareholders' equity for the year ended March 31, 2001.

In 2001, GS Nagoya Manufacturing Co., Ltd. was liquidated. Accordingly, GS Nagoya Manufacturing Co., Ltd. was excluded from the Company's consolidated financial statements for the year ended March 31, 2001.

In the first quarter of 2001, Nishinihon GS Co., Ltd. merged with Iwanami-Denso Co., Ltd. (consolidated subsidiary), Iwanami Inc. and Nagase Co., Ltd. (unconsolidated subsidiaries) and changed its company name to GS Kyushu Co., Ltd. The newly combined company was consolidated from April 1, 2001.

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 the equity method due to its growing significance.

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 domestic consolidated subsidiaries have contributory funded pension plans and unfunded retirement benefit plans for employees which cover approximately 75% and 25%, respectively, of their benefits.

Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The full amount of the transitional obligation of ¥13,993 million at the beginning of the year was charged to income and presented as other expense in the consolidated statement of operations for the year ended March 31, 2001. As a result, net periodic benefit costs as compared with the prior method, increased by ¥44 million and income before income taxes and minority interests decreased by ¥40 million for the year ended March 31, 2001.

In August 2000, the Company contributed certain available-for-sale securities with a fair value of ¥201,724 million to the employee retirement benefit trust, and recognized a non-cash gain of ¥16,464 million. The securities held in this trust are qualified as plan assets.

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.) Net Income and Cash Dividends Per Common Share - The computation of net income and net loss per common share is based on the weighted average number of shares outstanding during each year. The weighted average number of common shares used in the computation was 177,497,105 shares and 178,354,986 shares for 2002 and 2001, respectively.

Diluted net income per common share is not disclosed because of the Group's net loss position for 2002 and there are no potential dilutive securities outstanding for 2001.

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.

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 historical 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 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.

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 ¥133 to $1, the approximate exchange rate at March 31, 2002. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4.INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Finished products	¥ 8,928	¥ 9,156	$ 67,127
Semi-finished products	1,704	3,253	12,812
Work-in-process	4,197	4,366	31,556
Raw materials and supplies	4,267	4,730	32,082
Total	¥19,098	¥21,508	$143,593

5.INVESTMENT SECURITIES

Investment securities at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Non-current:			
Marketable equity securities	¥13,935	¥16,219	$104,774
Government and corporate bonds	161	38	1,210
Other	646	720	4,857
Total	¥14,742	¥16,977	$110,842

Information for the investment securities at March 31, 2002 and 2001 was as follows:

	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

	Millions of Yen 2001 Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥8,801	¥7,855	¥437	¥16,219
Debt securities	36			36
Other	5			4

	Thousands of U.S. Dollars 2002 Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$60,563	$46,368	$2,165	$104,774
Debt securities	1,210			1,210
Other	23			23

Securities whose fair value is not readily determinable at March 31, 2002 and 2001 were as follows:

	Carrying Amount Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Equity securities and other	¥643	¥715	$4,835

Proceeds from sales of securities for the years ended March 31, 2002 and 2001 were ¥37 million ($278 thousand) and ¥19 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥1 million ($7 thousand) and ¥2 million ($15 thousand), respectively for the year ended March 31, 2002. Gross realized gains on these sales were ¥3 million for the year ended March 31, 2001. These amounts exclude the gain on the transfer of securities to the retirement benefit trust discussed in Note 2-f.

The carrying values of debt securities by contractual maturities at March 31, 2002 and 2001 were as follows:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Due in one year or less	¥ 1	¥ 5	$ 7
Due after one year through five years	162	33	1,218
Total	¥163	¥38	$1,225

6.INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Investments at cost	¥3,189	¥3,235	$23,977
Equity in undistributed earnings	681	382	5,120
Advances		46	
Total	¥3,870	¥3,663	$29,097

Sales to and purchases from unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2002 and 2001, were as follows:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Sales	¥1,522	¥1,871	$11,443
Purchases	609	732	4,578

7.SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Bank loans	¥39,916	¥38,783	$300,120
Commercial paper	8,936	3,681	67,187
Total	¥48,853	¥42,464	$367,315

At March 31, 2002, short-term bank loans of ¥10,810 million ($81,278 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 1.14% and 2.02% at March 31, 2002 and 2001, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
Collateralized loans, principally from banks, 0.60% to 8.09% maturing serially through July 2007	¥ 3,002	¥ 3,584	$ 22,571
Unsecured bank loans, 0.52% to 2.9% maturing serially through December 2003	8,827	5,616	66,368
Unsecured bonds, 1.55% due September 2001		3,000	
Unsecured bonds, 2.325% due December 2001		5,000	
Unsecured bonds, 2.28% due August 2004	10,000	10,000	75,187
Unsecured bonds, 0.66% due September 2005	3,000		22,556
Total	24,829	27,200	186,684
Less current portion	(3,000)	(10,719)	(22,556)
Long-term debt	¥21,829	¥16,481	$164,127

The aggregate annual maturities of long-term debt for the years following March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2003	¥ 3,000	$ 22,556
2004	4,825	36,278
2005	11,482	86,330
2006	4,330	32,556
2007	1,137	8,548
2008 and thereafter	55	413
Total	¥24,829	$186,684

The carrying values of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 143	$ 1,075
Land	2,105	15,827
Buildings and structures	1,373	10,323
Investment securities	6,712	50,466
Total	¥10,335	$77,706

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. The Company and certain consolidated subsidiaries have unfunded non-contributory pension plans. The Company also maintains two trusteed pension plans which, in the aggregate, cover 75% of the expected future obligations arising from services rendered by employees.

The portions of the liability for retirement benefits attributable to directors and corporate auditors at March 31, 2002 and 2001 were ¥639 million ($4,805 thousand) and ¥565 million, respectively.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement payments at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Projected benefit obligation	¥76,857	¥64,702	$577,872
Fair value of plan assets	(45,552)	(51,193)	(342,496)
Unrecognized prior service benefit	1,749		13,150
Unrecognized actuarial loss	(27,742)	(8,075)	(208,586)
Net liability	¥ 5,312	¥ 5,432	$ 39,939

The net liabilities for employees' retirement payments were comprised of a ¥104 million ($782 thousand) asset on the books of the Company and a ¥5,416 million ($40,721 thousand) liability on the books of the Group at March 31, 2002 and a ¥71 million asset on the books of the Company and a ¥5,503 million liability on the books of the Group at March 31, 2001.

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, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service cost	¥1,758	¥1,766	$13,218
Interest cost	2,184	2,139	16,421
Expected return on plan assets	(1,372)	(1,375)	(10,315)
Amortization of prior service benefit	(21)		(157)
Recognized actuarial loss	576		4,330
Net periodic benefit costs	¥3,125	¥2,530	$23,496

Assumptions used for the years ended March 31, 2002 and 2001 were set forth as follows:

	2002	2001
Discount rate	2.0%	3.5%
Expected rate of return on plan assets	3.5% ~ 3.8%	3.5% ~ 3.8%
Amortization period of prior service benefit/cost	14 years	
Recognition period of actuarial gain/loss	14 years	14 years
Amortization period of transitional obligation		1 year

9.SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥2,679 million ($20,142 thousand) and ¥2,603 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing 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 after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. However, a semiannual interim dividend may 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, 2002 and 2001 was as follows:

(1) Operations in Different Industries

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

	Millions of Yen				
	2001				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	¥124,633	¥13,216	¥10,146		¥147,997
Operating expenses	114,207	13,236	10,016	¥ 3,948	141,408
Operating income (loss)	¥ 10,426	¥ (19)	¥ 130	¥(3,948)	¥ 6,588

b.) Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2001				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consoli-dated
Assets	¥125,611	¥12,914	¥10,747	¥7,897	¥157,171
Depreciation	7,460	273	56	3	7,793
Capital expenditures	7,463	277	18		7,760

a.) Sales and Operating Income

	Thousands of U.S. Dollars				
	2002				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	$785,496	$89,827	$82,586		$957,917
Operating expenses	760,127	92,992	79,097	$ 31,751	963,984
Operating income (loss)	$ 25,360	$ (3,165)	$ 3,481	$(31,751)	$ (6,067)

b.) Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2002				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consoli-dated
Assets	$914,503	$80,676	$77,037	$45,308	$1,117,541
Depreciation	55,443	1,887	488	22	57,849
Capital expenditures	56,240	2,481	721		59,443

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, 2002 and 2001 were summarized as follows:

	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 (loss)	¥ 2,137	¥ 1,219	¥ 56	¥ (4,219)	¥ (807)
Assets	¥123,982	¥20,471	¥2,815	¥ 1,363	¥148,633

	Millions of Yen				
	2001				
	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥130,757	¥10,647	¥6,592		¥147,997
Interarea transfer	8,671	3,401	113	¥(12,185)	
Total sales	139,428	14,048	6,706	(12,185)	147,997
Operating expenses	130,345	12,852	6,672	(8,461)	141,408
Operating income	¥ 9,082	¥ 1,196	¥ 33	¥ (3,723)	¥ 6,588
Assets	¥129,840	¥19,872	¥2,624	¥ 4,834	¥157,171

	Thousands of U.S. Dollars				
	2002				
	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	$823,285	$ 74,511	$60,112		$ 957,917
Interarea transfer	61,315	33,744	759	$(95,827)	
Total sales	884,609	108,255	60,872	(95,827)	957,917
Operating expenses	868,541	99,090	60,451	(64,097)	963,984
Operating income (loss)	$ 16,067	$ 9,165	$ 421	$ 31,721	$ (6,067)
Assets	$932,195	$153,917	$21,165	$ 10,248	$1,117,541

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, 2002 and 2001 were summarized as follows:

	Net Sales to Customers Outside Japan			Percentage of Consolidated Net Sales	
	Millions of Yen		Thousands of U.S. Dollars		
	2002	2001	2002	2002	2001
Asia	¥20,541	¥18,920	$154,443	16.1%	12.8%
Other	10,734	11,033	80,706	8.4	7.4
Total	¥31,275	¥29,953	$235,150	24.5%	20.2%

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, 2002 and 2001.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred Tax Assets:			
Accrued bonuses	¥ 677	¥749	$ 5,090
Severance payments	10,126	10,334	76,135
Write-down of investment securities	1,024	561	7,699
Unrealized profit	180	217	1,353
Tax loss carryforwards	4,146	2,544	31,172
Other	1,380	1,647	10,375
Less valuation allowance	(4,767)	(3,048)	(35,842)
Deferred tax assets	12,768	13,008	96,000

Deferred Tax Liabilities:			
Valuation excess of property	1,364	1,589	10,255
Unrealized gain on available-for-sale securities	2,460	3,107	18,496
Gain from contribution of available-for-sale securities to the retirement benefit trust	6,835	7,504	51,390
Undistributed earnings of foreign subsidiaries	204	192	1,533
Deferred gains on sales of property	64	60	481
Other	41	47	308
Deferred tax liabilities	10,971	12,501	82,488
Net deferred tax assets	¥ 1,796	¥ 507	$13,503

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, 2002 and 2001 are as follows:

	2002	2001
Normal effective statutory tax rate:	42.0%	42.0%
Expenses not deductible for income tax purposes	(6.6)	7.3
Non-taxable dividend income	2.6	(5.8)
Per capita levy	(1.3)	1.5
Net increase/decrease in valuation allowance	(45.9)	(6.3)
Effective from overseas subsidiaries not to be adopted accounting standard for interperiod allocation of income taxes	5.5	(5.9)
Amortization of goodwill	(2.0)	3.7
Equity in earnings of unconsolidated subsidiaries and affiliated companies	3.1	(5.4)
Other - net	1.8	(1.6)
Actual effective tax rate	(0.8)%	29.4%

13.RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,227 million ($31,781 thousand) and ¥4,354 million for the years ended March 31, 2002 and 2001, 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, 2002 and 2001 were ¥1,089 million ($8,187 thousand) and ¥983 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, 2002 and 2001 was as follows:

	Millions of Yen					
	2002			2001		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥5,263	¥1,705	¥6,968	¥4,846	¥1,975	¥6,821
Accumulated depreciation	1,650	1,055	2,706	968	1,194	2,163
Net leased property	¥3,612	¥ 649	¥4,262	¥3,877	¥ 780	¥4,658

	Thousands of U.S. Dollars		
	2002		
	Machinery and Equipment	Other	Total
Acquisition cost	$39,571	$12,819	$52,390
Accumulated depreciation	12,406	7,932	20,345
Net leased property	$27,157	$ 4,879	$32,045

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, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥1,015	¥1,007	$ 7,631
Due after one year	3,246	3,650	24,406
Total	¥4,262	¥4,658	$32,045

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 were ¥1,089 million ($8,187 thousand) and ¥983 million for the years ended March 31, 2002 and 2001, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥17	¥10	$127
Due after one year	8	2	60
Total	¥25	¥12	$187

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 and 2001:

	Millions of Yen					
	2002			2001		
	Contract or Notional Amount	Fair Value	Unrealized Loss	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest Rate Options	¥3,000		¥(28)	¥3,000		¥(28)
(Premium paid for the option)	(28)			(28)		

	Thousands of U.S. Dollars		
	2002		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest Rate Options	$22,556		$(210)
(Premium paid for the option)	(210)		

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, 2002, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥228	$1,714
Guarantees of bank loans of certain affiliated companies and items of a similar nature	889	6,684

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 examined the consolidated balance sheets of Japan Storage Battery Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Japan Storage Battery Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with a new accounting standard for employees' retirement benefits.

Our examinations also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

	Millions of Yen (Except for Per Share Amounts)					Thousands of U.S. Dollars (Note 3) (Except for Per Share Amounts)
	2002	2001	2000	1999	1998	2002
Net sales	¥127,403	¥147,997	¥143,055	¥137,278	¥138,472	$ 957,917
Costs and operating expenses	128,210	141,408	140,361	140,295	134,193	963,984
Other income (expenses), net	(2,939)	(3,133)	(15,195)	111	(1,097)	(22,097)
Income (loss) before income taxes and minority interests	(3,746)	3,454	(12,502)	(2,905)	3,181	(28,165)
Net income (loss)	(2,564)	2,476	(7,678)	(2,186)	657	(19,278)
Amounts per common share (in yen, in U.S. dollars):						
Net income (loss) (Note 1)	(14.45)	13.88	(43.05)	(12.26)	3.68	(0.10)
Cash dividends applicable to the year (Note 2)		4.00	4.00	4.00	5.00	
Property, plant and equipment	53,288	53,243	55,087	58,713	55,828	400,661
Total assets	148,633	157,171	162,700	164,708	166,467	1,117,541
Shareholders' equity	32,714	36,461	32,779	40,436	43,114	245,969

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, 2002, of ¥133 to U.S.$1.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman

Chiaki Tanaka

President

Shinichiro Murakami

Senior Managing Director

Hitoshi Tamura

Managing Directors

Kazumasa Okuda
Masanori Yamachi
Yoshitami Saito
Haruyuki Ueda
Isao Takeuchi
Makoto Yoda

Directors

Masakazu Otani
Syunsuke Kusuyama
Katsuyuki Ono
Akira Tamura
Tadashi Shimizu
Atsuaki Osumi
Naoyuki Inoue

Auditors

Koichi Shimazu
Toshinori Nomura
Isao Fujii
Susumu Watanabe

(as of June 27, 2002)

OUTLINE OF COMPANY

Established :	January 17, 1917
Number of Employees :	2,075
Paid-in Capital :	¥14,353,144,222
Number of Shareholders :	26,209
Shares Outstanding :	178,354,986

PRINCIPAL SHAREHOLDERS

The Meiji Mutual Life Insurance Company

Nippon Life Insurance Company

The Bank of Tokyo-Mitsubishi, Ltd.

The Mitsubishi Trust and Banking Corporation

Toyota Motor Corporation

The Tokio Marine and Fire Insurance Company, Limited

The Dai-ichi Mutual Life Insurance Company

The Bank of Kyoto, Limited

The Shiga Bank., Ltd.

The Mitsubishi Trust and Banking Corporation (Trust Account)

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*Our Plant Accreditation
Head Office: EC97J1151(Dec.24,1997)

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Printed in Japan