ANNUAL REPORT 2001

GS

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, 2001 totalled US $1,193 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 ISO14000 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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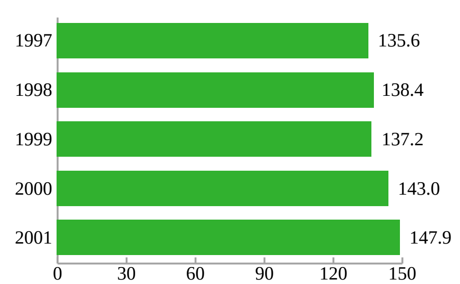
FINANCIAL HIGHLIGHTS

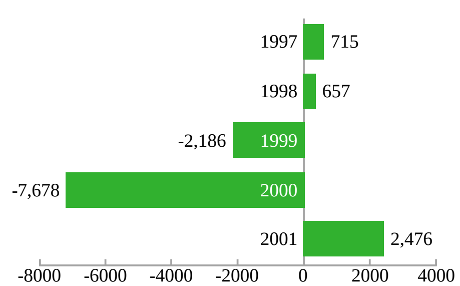
	Millions of Yen (Except for Per Share Amounts)		Thousands of U.S. Dollars (Note 3) (Except for Per Share Amounts)
	2001	2000	2001
Net sales	¥147,997	¥143,055	$1,193,524
Costs and operating expenses	141,408	140,361	1,140,387
Other income (expenses), net	(3,133)	(15,195)	(25,266)
Income (loss) before income taxes and minority interests	3,454	(12,502)	27,854
Net income (loss)	2,476	(7,678)	19,967
Amounts per common share (in yen, in U.S. dollars):			
Net income (loss) (Note 1)	13.88	(43.05)	0.11
Cash dividends applicable to the year (Note 2)	4.00	4.00	0.03
Property, plant and equipment	53,243	55,087	429,379
Total assets	157,171	162,700	1,267,508
Shareholders' equity	36,461	32,779	294,040

Notes : 1. Computation of net income 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, 2001, of ¥124 to U.S.$1.

Net Sales (¥ Billions)



Net Income (¥ Millions)



A LETTER FROM TOP MANAGEMENT

Towards the middle of the fiscal year, the Japanese economy appeared to be brightening a little. However, with slowing of the American economy from late last year, appraisals of the overall business situation continue to have bearish tones. The rising trend in corporate earnings and capital investment also inevitably retreated. In addition, deflationary trends became apparent in wholesaler and consumer prices. This had a considerable effect on corporate profits, through lower prices for finished goods. While the unemployment rate rose to new highs, individual consumer expenditure remained roughly level and failed to lift the economy.

In the midst of this business environment, our company implemented aggressive sales policies, developed new technology and new products, and endeavored to strengthen new operations. Sales consequently rose to ¥147,997 million, an increase of ¥4,941 million (3.5%) from the previous fiscal year.

On the earnings side, the <Business Improvement Plan> launched in January 1999 was completed, as planned, in March 2001. This plan embraced a wide range of total cost reduction efforts. The key measures were personnel cuts, which were achieved chiefly by not hiring to replace retiring or resigning employees, consolidation of factories, and unification and reorganization of distribution, depots and sales operations. Both operating income and ordinary profit improved as a result. Furthermore, the subsidiary company GS-Melcotec Co., Ltd. returned to surplus, enjoying substantial improvement at the operating income and ordinary profit levels. Domestically, subsidiary companies involved in sales, production and services all showed overall improved performance. Overseas, subsidiaries, Ztong Yee Industrial Co., Ltd. in Taiwan, Tianjin Tong Yee Industrial Co., Ltd. in China, also recorded increased profits. Affiliated companies in Thailand and in Indonesia performed well.

As a result, operating income reached ¥6,588 million. This was an increase of ¥3,894 million, or 144.6%, from the previous fiscal year.

Under Extraordinary Profits & Losses, imbalances stemming from changes to the basis of accounting, accompanying introduction of retirement benefit accounting, were written off together as an Extraordinary Loss. Meanwhile, establishment of a retirement benefit trust using shares held by the company led to a trust establishment gain that was recorded under Extraordinary Profits. Other items included losses from sales of fixed assets. Net income was ¥2,476 million.

Regarding cash flow from business operations over the fiscal year, negative factors included increases in Accounts Receivable and inventory assets, as well as reduction in retirement benefit provisions. However, there were significant positive factors, such as good earnings and depreciation expenses. Net cash provided by operating activities was thus ¥11,966 million. In contrast, net cash used in investing activities totaled △¥7,726 million due to expenditure associated with acquisition of tangible fixed assets, etc. In financial activities, the excess of the positive cash flow from business operations over the negative cash flow of investment activity enabled reduction of borrowings. Net cash used in financing activities was △¥6,471 million. The cash and equivalent at year end was ¥6,554 million, resulting in a net decrease in cash and cash equivalents of ¥1,904 million.

Concerning the outlook for the future, economic improvement has clearly come to a halt. Economic research institutes are in agreement, with forecasts that growth for the 2001 fiscal year will fall below that of the previous year. We can assume a harsh business environment for the 142nd fiscal period as well, and are therefore making every effort to improve our operations.

The 142nd fiscal period marks the first step into the 21st century, with the <Create21 Plan>, a new medium-term three-year plan, launched in April 2001. Batteries are the heart of this company's operations. There is no doubt that batteries will become increasingly vital elements in the development of an information-oriented society, for making equipment more mobile, and also in terms of environmental requirements for clean energy.

The <Create21 Plan> was designed to pave the way for establishment and development of a business infrastructure that will enable us to win in global competition despite the harsh business environment. This plan contains three key objectives: 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.

Thank you for your continued support for our endeavors.

Chiaki Tanaka
President

Chiaki Tanaka.

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 6,554	¥ 8,459	$ 52,854
Time deposits (Note 7)	2,004	2,189	16,161
Marketable securities (Note 5)		353	
Notes and accounts receivable - trade:			
Notes	10,923	11,086	88,088
Accounts	33,584	31,785	270,838
Unconsolidated subsidiaries and affiliated companies	1,781	2,142	14,362
Allowance for doubtful notes and accounts	(181)	(152)	(1,459)
Inventories (Note 4)	21,508	20,258	173,451
Deferred tax assets (Note 11)	1,142	773	9,209
Other current assets	2,271	2,900	18,314
Total current assets	79,588	79,795	641,838
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	9,604	10,320	77,451
Buildings and structures	29,464	29,623	237,612
Machinery and equipment	78,373	75,518	632,040
Construction in progress	2,487	2,365	20,056
Total	119,930	117,827	967,177
Accumulated depreciation	(66,686)	(62,740)	(537,790)
Net property, plant and equipment	53,243	55,087	429,379
INVESTMENTS AND OTHER ASSETS:			
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 6)	3,663	5,193	29,540
Investment securities (Notes 5 and 7)	16,977	13,003	136,911
Goodwill	155	535	1,250
Foreign currency translation adjustments (Note 2-l)		1,116	
Deferred tax assets (Note 11)	660	5,148	5,322
Other assets	2,881	2,819	23,233
Total investments and other assets	24,339	27,817	196,282
TOTAL	¥157,171	¥162,700	$1,267,508

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 42,464	¥ 46,209	$ 342,451
Current portion of long-term debt (Note 7)	10,719	2,688	86,443
Notes and accounts payable - trade:			
Notes	17,110	16,898	137,983
Accounts	13,960	12,398	112,580
Unconsolidated subsidiaries and affiliated companies	337	360	2,717
Income taxes payable	394	373	3,177
Deferred tax liabilities (Note 11)		8	
Accrued expenses and other current liabilities	6,718	7,106	54,177
Total current liabilities	91,706	86,044	739,564
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	16,481	25,122	132,911
Long-term deposits received	3,830	3,515	30,887
Liability for retirement payments (Note 8)	6,069	12,530	48,943
Deferred tax liabilities (Note 11)	1,295	1,654	10,443
Total long-term liabilities	27,676	42,822	223,193
MINORITY INTERESTS	1,326	1,053	10,693
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
SHAREHOLDERS' EQUITY (Notes 9 and 16):			
Common stock - authorized, 400,000,000 shares; issued and outstanding, 178,354,986 shares, with par value of ¥50 per share	14,353	14,353	115,750
Additional paid-in capital	13,249	13,249	106,846
Retained earnings	6,994	5,176	56,403
Unrealized gain on available-for-sale securities (Note 2-d)	4,271		34,443
Foreign currency translation adjustments (Note 2-l)	(2,405)		(19,395)
Total shareholders' equity	36,461	32,779	294,040
TOTAL	¥157,171	¥162,700	$1,267,508

CONSOLIDATED STATEMENTS OF OPERATIONS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
NET SALES (Notes 6 and 10)	¥147,997	¥ 143,055	$1,193,524
COSTS AND OPERATING EXPENSES (Note 10):			
Cost of sales (Notes 6 and 12)	112,494	111,548	907,209
Selling, general and administrative expenses (Note 12)	28,914	28,813	233,177
Total	141,408	140,361	1,140,387
OPERATING INCOME (Note 10)	6,588	2,693	53,129
OTHER INCOME (EXPENSES):			
Interest expense	(2,090)	(2,215)	(16,854)
Interest and dividend income	280	365	2,258
Gain (loss) on sales of property, plant and equipment	9	(427)	72
Loss on disposal of property, plant and equipment	(1,368)	(2,232)	(11,032)
Loss from revaluation of land	(1,729)		(13,943)
Foreign exchange gain (loss)	165	(516)	1,330
Write-down of investment securities	(232)	(1,792)	(1,870)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	638	659	5,145
Gain from contribution of available-for-sale securities to the employee retirement benefit trust	16,464		132,774
Charge for full amount of transitional obligation for employees' retirement benefits	(13,993)		(112,846)
Provision for liabilities for employees' retirement benefits (Note 2-f)		(7,118)	
Other - net	(1,277)	(1,920)	(10,298)
Total	(3,133)	(15,195)	(25,266)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	3,454	(12,502)	27,854
INCOME TAXES (Notes 2-i and 11):			
Current	607	797	4,895
Deferred	408	(4,052)	3,290
Total	1,015	(3,254)	8,185
MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES	37	1,568	298
NET INCOME (LOSS)	¥ 2,476	¥ (7,678)	$ 19,967

	Yen		U.S. Dollars
AMOUNTS PER COMMON SHARE (Note 2-j):			
Net income (loss)	¥13.88	¥(43.05)	$0.11
Cash dividends applicable to the year	4.00	4.00	0.03

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Number of Common Shares Issued and Outstanding	Millions of Yen				
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments
BALANCE, APRIL 1, 1999	178,354,986	¥14,353	¥13,249	¥12,834		
Cumulative effect on beginning retained earnings of the application of interperiod tax allocation				427		
Net loss				(7,678)		
Cash dividends, ¥4.00 per share				(713)		
Effect from inclusion of newly consolidated subsidiaries				(56)		
Effect from applying the equity method to affiliates previously accounted for by the cost method				364		
BALANCE, MARCH 31, 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		
Unrealized gain on available-for-sale securities					¥4,271	
Foreign currency translation adjustments						¥(2,405)
BALANCE, MARCH 31, 2001	178,354,986	¥14,353	¥13,249	¥ 6,994	¥4,271	¥(2,405)

	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
BALANCE, MARCH 31, 2000	$115,750	$106,846	$41,741		
Net income			19,967		
Cash dividends, $0.03 per share			(5,750)		
Effect on retained earnings of merger of subsidiaries and affiliates			435		
Unrealized gain on available-for-sale securities				$34,443	
Foreign currency translation adjustments					$(19,395)
BALANCE, MARCH 31, 2001	$115,750	$106,846	$56,403	$34,443	$(19,395)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 3,454	¥(12,502)	$ 27,854
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Income taxes - paid	(512)	(1,056)	(4,129)
Depreciation and amortization	7,792	8,728	62,838
Amortization of goodwill	303	314	2,443
Loss on disposal of property, plant and equipment	1,368	2,232	11,032
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(638)	(659)	(5,145)
Increase (decrease) in liability for severance payments	(2,828)	6,472	(22,806)
Write-down of investment securities	232	1,792	1,870
Loss (gain) on sales of property, plant and equipment	(9)	427	(72)
Loss from valuation of land	1,729		13,943
Changes in operating assets and liabilities, net of effects of merger and newly consolidated subsidiaries:			
Notes and accounts receivable - trade	(404)	477	(3,258)
Inventories	(1,025)	1,538	(8,266)
Other current assets	917	(408)	7,395
Notes and accounts payable - trade	581	2,416	4,685
Accrued expenses and other current liabilities	(322)	1,410	(2,596)
Long-term deposits	207	(48)	1,669
Decrease in interest and dividend receivable	199	92	1,604
Increase (decrease) in interest payable	15	(86)	120
Other - net	906	638	7,306
Net cash provided by operating activities	11,966	11,780	96,500
INVESTING ACTIVITIES:			
Capital expenditures	(8,438)	(7,279)	(68,048)
Proceeds from sales of property, plant and equipment	1,133	621	9,137
Proceeds from sales of marketable and investment securities	23	2,721	185
Payments to acquire marketable and investment securities	(160)	(281)	(1,290)
Increase (decrease) in time deposits	421	(16)	3,395
Acquisition of business, net of cash acquired (Note 2-a)	(75)	25	(604)
Other investing activities	(631)	45	(5,088)
Net cash used in investing activities	(7,726)	(4,164)	(62,322)
FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(4,514)	(1,356)	(36,403)
Increase in long-term bank loans	1,239	2,688	9,991
Proceeds from issuance of unsecured bonds		10,000	
Repayments of long-term debt	(2,688)	(5,893)	(21,677)
Redemption of unsecured bonds		(10,000)	
Investment in consolidated subsidiaries by minority shareholder	203		1,637
Dividends paid	(711)	(714)	(5,733)
Net cash used in financing activities	(6,471)	(5,274)	(52,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,904)	2,318	(15,354)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES AND MERGED AFFILIATES AT BEGINNING OF YEAR	197	93	1,588
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	129	(115)	1,040
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,459	6,140	68,217
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 6,554	¥ 8,459	$ 52,854
ASSETS ACQUIRED AND LIABILITIES ASSUMED IN PURCHASE:			
Fair value of assets acquired	¥ 2,328	¥ 302	$ 18,774
Liabilities assumed	1,808	292	14,580
Minority interests	272		2,193
Cash paid for the capital	247	10	1,991
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		$1,626,806

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 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.

Certain reclassifications have been made in the 2000 financial statements to conform to the classifications used in 2001.

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 2000, the Company made additional investments in an affiliated company, Yamaguchi GS Service Co., Ltd. increasing the Company's ownership percentage from 50% to 100%. Accordingly, Yamaguchi GS Service Co., Ltd. was consolidated for the year ended March 31, 2000.

In 2000, GS-Melcotec Rakunan Co., Ltd., GS-Melcotec Europe Ltd. and GS-Melcotec U.S.A. Inc. were changed from unconsolidated subsidiaries to consolidated subsidiaries due to their growing significance. The effects of such changes were reflected in the consolidated statements of shareholders' equity and cash flows for the year ended March 31, 2000.

In 2000, Mikado Electric Industrial Co., Ltd., Kansai Storage Battery Co., Ltd., Himeji GS Co., Ltd. and Shandong Huarity Battery Co., Ltd. were newly accounted for by the equity method due to their growing significance. The effects of such changes were reflected in the consolidated statement of shareholders' equity for the year ended March 31, 2000.

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 International Trading (Shanghai) Co., 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, 2000.

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.) Marketable and Investment Securities - Prior to April 1, 2000, marketable and investment securities are stated at cost, except that appropriate write-downs are recorded for securities with values considered to have been permanently impaired. The cost of securities sold is determined by the moving average method.

Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments. In accordance with this new standard, all of the Group's marketable securities are classified as available-for-sale securities and are reported at fair value, with unrealized gain and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined by the moving average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. Appropriate write-downs are recorded for non-marketable available-for-sale securities with values considered to have been substantially and other than temporarily impaired. There was no impact on the current year statement of operations from adopting this new accounting standard. However, marketable securities classified as current assets decreased by ¥353 million ($2,854 thousand) and investment securities increased by the same amount as of April 1, 2000.

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 - Prior to April 1, 1999, the Company and most of its subsidiaries provided for employees' retirement benefits in accordance with the Corporation Tax Law of Japan, at 40% of the amounts which would be required if all employees voluntarily terminated their service as of the balance sheet date, less certain amounts covered by the Company's non-contributory trusteed pension plans.

Effective April 1, 1999, the Company and most of its subsidiaries changed their method of accounting for employees' retirement benefits to record a liability based on 100% of the amounts which would be required if all employees voluntarily terminated their service as of the balance sheet date, less certain amounts covered by the Company's non-contributory trusteed pension plans.

The effect of this change was to increase loss before income taxes and minority interests and net loss by ¥6,786 million and ¥3,936 million, respectively, for the year ended March 31, 2000, which included the cumulative effect on prior years of ¥7,118 million at April 1, 1999. This cumulative effect on prior years was included in other expenses in the 2000 consolidated statement of operations.

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 ($112,846 thousand) 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 ($354 thousand) and income before income taxes and minority interests decreased by ¥40 million ($322 thousand) 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 ($1,626,806 thousand) to the employee retirement benefit trust, and recognized a non-cash gain of ¥16,464 million ($132,774 thousand). The securities held in this trust are qualified as plan assets.

Retirement benefits payable to directors and corporate auditors are accrued based on the amounts which would be required if all such persons retired on the balance sheet dates.

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 - Effective April 1, 1999, the Group adopted a new accounting method for the allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation on prior years in the amount of ¥427 million was included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These 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 per common share is based on the weighted average number of shares outstanding. The weighted average number of shares outstanding for the years ended March 31, 2001 and 2000 was 178,354,986 shares.

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 - Prior to April 1, 2000, current assets and liabilities denominated in foreign currencies were translated into Japanese yen at the current exchange rates as of the balance sheet dates. All other assets and liabilities denominated in foreign currencies were translated at the historical exchange rates except for such amounts covered by forward exchange contracts, which were translated using the contracted exchange rates.

Effective April 1, 2000, the Group adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, 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. However, there was no impact on the current year financial statements from adopting this new accounting standard.

l.) Foreign Currency Financial Statements - The balance sheet accounts of overseas subsidiaries and affiliated companies are translated into Japanese yen at the current exchange rates as of the balance sheet dates except for shareholders' equity, which is translated at the historical exchange rates. Prior to April 1, 2000, differences arising from such translation were shown as "Foreign currency translation adjustments" as either an asset or liability in the balance sheet. Effective April 1, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transaction. 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.

Effective April 1, 2000, the Group adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be recognized in the income statement and b) 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.

As a result of adopting the new accounting standards for derivative financial instruments, compared to the prior method, income before income taxes and minority interests decreased by ¥17 million ($137 thousand) for the year ended March 31, 2001.

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 ¥124 to $1, the approximate exchange rate at March 31, 2001. 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, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Finished goods	¥ 9,156	¥ 8,701	$ 73,838
Semi-finished products	3,253	3,211	26,233
Work-in-process	4,366	4,261	35,209
Raw materials and supplies	4,730	4,083	38,145
Total	¥21,508	¥20,258	$173,451

5.MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Current:			
Marketable equity securities		¥331	
Government and corporate bonds		16	
Other		6	
Total		¥353	
Non-current:			
Marketable equity securities	¥16,219	¥12,370	$130,798
Government and corporate bonds	38	2	306
Other	720	631	5,806
Total	¥16,977	¥13,003	$136,911

Information for the marketable securities classified as available-for-sale at March 31, 2001 is as follows:

	Millions of Yen			
	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			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$70,975	$63,346	$3,524	$130,798
Debt securities	290			290
Other	40			32

Available-for-sale securities whose fair value is not readily determinable at March 31, 2001 were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Other	¥715	$5,766
Total	¥715	$5,766

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001 were ¥19 million ($153 thousand). Realized gains on these sales, computed on the moving average cost basis, were ¥3 million ($24 thousand). These amounts exclude the gain on the transfer of available-for-sale securities to the retirement benefit trust discussed in Note 2-f.

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

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 5	$ 40
Due after one year through five years	33	266
Total	¥38	$306

Carrying amounts and aggregate market values of current and non-current marketable equity securities included in marketable securities and investment securities at March 31, 2000 were as follows:

	Millions of Yen		
	Carrying Amount	Aggregate Market Value	Unrealized Gain
Current	¥ 347	¥ 1,121	¥ 774
Non-current	12,370	41,080	28,710
Total	¥12,717	¥42,202	¥29,485

The difference between the above carrying amount and the amount shown in the accompanying consolidated balance sheet principally consists of non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

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

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Investments at cost	¥3,235	¥3,581	$26,088
Equity in undistributed earnings	382	1,612	3,080
Advances	46		370
Total	¥3,663	¥5,193	$29,540

Sales to and purchases from unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Sales	¥1,871	¥1,712	$15,088
Purchases	732	370	5,903

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Bank loans	¥38,783	¥40,191	$312,766
Commercial paper	3,681	6,010	29,685
Other		6	
Total	¥42,464	¥46,209	$342,451

At March 31, 2001, short-term bank loans of ¥14,351 million ($115,733 thousand) were collateralized.

As is customary in Japan, the Group obtains financing by discounting trade notes receivable with banks. Such discounted notes and the related contingent liabilities are not included in the balance sheets but are disclosed as contingent liabilities (see Note 15). The weighted average annual interest rates for the Group's short-term bank loans, commercial paper and notes discounted with banks were 2.02% and 1.94% at March 31, 2001 and 2000, respectively.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Collateralized loans, principally from banks, 0.60% to 8.09% maturing serially through July 2007	¥ 3,584	¥ 4,471	$ 28,903
Unsecured bank loans, 0.52% to 2.9% maturing serially through December 2003	5,616	5,339	45,290
Unsecured bonds, 1.55% due September 2001	3,000	3,000	24,193
Unsecured bonds, 2.325% due December 2001	5,000	5,000	40,322
Unsecured bonds, 2.23% due August 2004	10,000	10,000	80,645
Total	27,200	27,810	219,354
Less current portion	(10,719)	(2,688)	(86,443)
Long-term debt	¥16,481	¥25,122	$132,911

The aggregate annual maturities of long-term debt for the years following March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31:		
2002	¥10,719	$ 86,443
2003	2,434	19,629
2004	3,381	27,266
2005	10,266	82,790
2006	216	1,741
2007 and thereafter	184	1,483
Total	¥27,200	$219,354

The carrying values of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 452	$ 3,645
Land	1,485	11,975
Buildings and structures	2,309	18,620
Machinery and equipment	9	72
Investment securities	7,394	59,629
Total	¥11,651	$93,959

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, 2001 and 2000 were ¥565 million ($4,556 thousand) and ¥488 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, 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥64,702	$521,790
Fair value of plan assets	(51,193)	(412,846)
Unrecognized actuarial loss	(8,075)	(65,120)
Net liability	¥ 5,432	$ 43,806

The net liability for employees' retirement payments at March 31, 2001 was comprised of a ¥71 million ($572 thousand) asset on the books of the Company and a ¥5,503 million ($44,379 thousand) liability on the books of the Group.

The components of net periodic benefit costs for the year ended March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥1,766	$14,241
Interest cost	2,139	17,250
Expected return on plan assets	(1,375)	(11,088)
Net periodic benefit costs	¥2,530	$20,403

Assumptions used for the year ended March 31, 2001 were set forth as follows:

Discount rate	3.5%
Expected rate of return on plan assets	3.5%～3.8%
Recognition period of actuarial gain/loss	14 years
Amortization period of transitional obligation	1 year

9.SHAREHOLDERS' EQUITY

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with a minimum of the par value, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

Under the Code, the Company is required to appropriate from retained earnings, a legal reserve equal to at least 10% of all amounts paid as appropriations of retained earnings, including dividends and other distributions, until such reserve equals 25% of the Company's stated capital. This reserve amount, which is included in retained earnings, total ¥2,603 million ($20,991 thousand) and ¥2,531 million as of March 31, 2001 and 2000, respectively, and is not available for dividends but may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the issuance does not exceed stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the issuance shall not be less than ¥50.

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.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, 2001 and 2000 was as follows:

(1) Operations in Different Industries

a.) Sales and Operating Income

	Millions of Yen 2001				
	Storage Batteries And Power Supplies	Lighting And Other Equipment	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥124,633	¥13,216	¥10,146		¥147,997
Intersegment sales					
Total sales	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	Consolidated
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 2001				
	Storage Batteries And Power Supplies	Lighting And Other Equipment	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	$1,005,104	$106,580	$81,822		$1,193,524
Intersegment sales					
Total sales	1,005,104	106,580	81,822		1,193,524
Operating expenses	921,024	106,741	80,774	$ 31,838	1,140,387
Operating income (loss)	$ 84,080	$ (153)	$ 1,048	$(31,838)	$ 53,129

b.) Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars 2001				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consolidated
Assets	$1,012,991	$104,145	$86,669	$63,685	$1,267,508
Depreciation	60,161	2,201	451	24	62,846
Capital expenditures	60,185	2,233	145		62,580

a.) Sales and Operating Income

	Storage Batteries And Power Supplies	Lighting And Other Equipment	Other	Eliminations and/or Corporate	Consolidated
	Millions of Yen				
	2000				
Sales to customers	¥118,326	¥13,621	¥11,107		¥143,055
Intersegment sales					
Total sales	118,326	13,621	11,107		143,055
Operating expenses	112,949	13,350	9,729	¥ 4,332	140,361
Operating income (loss)	¥ 5,377	¥ 271	¥ 1,377	¥(4,332)	¥ 2,693

b.) Assets, Depreciation and Capital Expenditures

	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consolidated
	Millions of Yen				
	2000				
Assets	¥130,720	¥13,186	¥9,750	¥9,042	¥162,700
Depreciation	8,388	276	60	3	8,728
Capital expenditures	7,540	216	101		7,857

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.

Effective April 1, 1999, the Company and most of its subsidiaries changed their method of accounting for employees' retirement benefits as described in Note 2-f.

The effects of this change on the industry segment information for the year ended March 31, 2000 were to increase the operating income of "Storage Batteries and Power Supplies", "Lighting and Other Equipment" and "Other" by ¥263 million, ¥40 million and ¥7 million, respectively, and to decrease corporate operating expenses by ¥21 million.

(2) Foreign Operations

The foreign operations of the Group for the years ended March 31, 2001 and 2000 were summarized as follows:

	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
	Millions of Yen				
	2001				
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

	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
	Thousands of U.S. Dollars				
	2001				
Sales to customers	$1,054,491	$ 85,862	$53,161		$1,193,524
Interarea transfer	69,927	27,427	911	$(98,266)	
Total sales	1,124,419	113,290	54,080	(98,266)	1,193,524
Operating expenses	1,051,169	103,645	53,806	(68,233)	1,140,387
Operating income	$ 73,241	$ 9,645	$ 266	$(30,024)	$ 53,129
Assets	$1,047,096	$160,258	$21,161	$ 38,983	$1,267,508

	Japan	Asia	Other	Eliminations and/or Corporate	Consolidated
	Millions of Yen				
	2000				
Sales to customers	¥124,768	¥10,447	¥7,839		¥143,055
Interarea transfer	8,456	3,127		¥(11,585)	
Total sales	133,225	13,575	7,840	(11,585)	143,055
Operating expenses	127,279	13,026	7,923	(7,867)	140,361
Operating income (loss)	¥ 5,945	¥ 549	¥ (83)	¥ (3,717)	¥ 2,693
Assets	¥135,936	¥17,665	¥2,857	¥ 6,240	¥162,700

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.

Effective April 1, 1999, the Company and most of its subsidiaries changed their method of accounting for employees' retirement benefits as described in Note 2-f.

The effects of this change on the foreign operations of the Group for the year ended March 31, 2000 were to increase operating income of "Japan" by ¥311 million, and to decrease corporate operating expenses by ¥21 million.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2001 and 2000 were summarized as follows:

	Net Sales to Customers Outside Japan			Percentage of Consolidated Net Sales	
	Millions of Yen		Thousands of U.S. Dollars		
	2001	2000	2001	2001	2000
Asia	¥18,920	¥21,342	$152,580	12.8%	14.9%
Other	11,033	10,815	88,975	7.5	7.6
Total	¥29,953	¥32,157	$241,556	20.2%	22.5%

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2001 and 2000.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Deferred Tax Assets:			
Accrued bonuses	¥ 749	¥ 536	$ 6,040
Severance payments	10,334	3,668	83,338
Write-down of investment securities	561	499	4,524
Unrealized profit	217	156	1,750
Tax loss carryforwards	2,544	3,068	20,516
Other	1,647	1,429	13,282
Less valuation allowance	(3,048)	(3,189)	(24,580)
Deferred tax assets	13,008	6,171	104,903
Deferred Tax Liabilities:			
Valuation excess of property	1,589	1,427	12,814
Unrealized gain on available-for-sale securities	3,107		25,056
Gain from contribution of available-for-sale securities to the retirement benefit trust	7,504		60,516
Undistributed earnings of foreign subsidiaries	192	253	1,548
Deferred gains on sales of property	60	213	483
Other	47	18	379
Deferred tax liabilities	12,501	1,912	100,814
Net deferred tax assets	¥ 507	¥4,258	$ 4,088

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, 2001 and 2000 are as follows:

	2001	2000
Normal effective statutory tax rate:	42.0%	42.0%
Expenses not deductible for income tax purposes	7.3	(1.7)
Non-taxable dividend income	(5.8)	0.9
Per capita levy	1.5	(0.4)
Net increase (decrease) in valuation allowance	(6.3)	(12.9)
Effective from overseas subsidiaries not to be adopted accounting standard for interperiod allocation of income taxes	(5.9)	
Amortization of goodwill	3.7	
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(5.4)	(2.2)
Other - net	(1.6)	0.3
Actual effective tax rate	29.4%	26.0%

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,354 million ($35,112 thousand) and ¥4,180 million for the years ended March 31, 2001 and 2000, respectively.

13. LEASES

The Group leases certain machinery, computer equipment and other assets. Total lease payments under finance leases not deemed to transfer ownership of the leased property to the lessee for the years ended March 31, 2001 and 2000 were ¥983 million ($7,927 thousand) and ¥567 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, 2001 and 2000 was as follows:

	Millions of Yen					
	2001			2000		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥4,846	¥1,975	¥6,821	¥2,282	¥1,390	¥3,672
Accumulated depreciation	968	1,194	2,163	396	728	1,124
Net leased property	¥3,877	¥ 780	¥4,658	¥1,885	¥ 661	¥2,547

	Thousands of U.S. Dollars		
	2001		
	Machinery and Equipment	Other	Total
Acquisition cost	$39,080	$15,927	$55,008
Accumulated depreciation	7,806	9,629	17,443
Net leased property	$31,266	$ 6,290	$37,564

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, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥1,007	¥ 583	$ 8,120
Due after one year	3,650	1,963	29,435
Total	¥4,658	¥2,547	$37,564

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 ¥983 million ($7,927 thousand) and ¥567 million for the years ended March 31, 2001 and 2000, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥10	¥ 9	$80
Due after one year	2	8	16
Total	¥12	¥17	$96

14. DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate 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, 2001 and 2000:

	Millions of Yen					
	2001			2000		
	Contract or Notional Amount	Fair Value	Unrealized Loss	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest Rate Options	¥3,000		¥(28)	¥3,000	¥6	¥(21)
(Premium paid for the option)	(28)			(28)		

	Thousands of U.S. Dollars		
	2001		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest Rate Options	$24,193		$(225)
(Premium paid for the option)	(225)		

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.

15. CONTINGENT LIABILITIES

At March 31, 2001, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥753	$6,072
Guarantees of bank loans of certain affiliated companies and items of a similar nature	674	5,435

16. SUBSEQUENT EVENTS

At the general shareholders' meeting held on June 28, 2001, the shareholders approved the following appropriations of retained earnings at March 31, 2001 and stock option plan for the Company's directors and key employees:

(a) Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.00 ($0.03) per share	¥713	$5,750
Transfer from retained earnings to legal reserve	72	580

(b) Stock Option Plan

The plan provides for granting options to directors and key employees to purchase up to 1,230 thousand shares of the Company's common stock or ¥800 million ($6,451 thousand) 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.

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, 2001 and 2000, 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, 2001 and 2000, 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 consistently applied during the period subsequent to the change, with which we concur, made as of April 1, 1999, in the accounting for employees' retirement benefits, as discussed in Note 2-f.

As discussed in Note 2, effective April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements and interperiod allocation of income taxes, and effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

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 28, 2001

FIVE-YEAR SUMMARY

	Millions of Yen (Except for Per Share Amounts)					Thousands of U.S. Dollars (Note 3) (Except for PerShare Amounts)
	2001	2000	1999	1998	1997	2001
Net sales	¥147,997	¥143,055	¥137,278	¥138,472	¥135,654	$1,193,524
Costs and operating expenses	141,408	140,361	140,295	134,193	129,089	1,140,387
Other income (expenses), net	(3,133)	(15,195)	111	(1,097)	(3,112)	(25,266)
Income (loss) before income taxes and minority interests	3,454	(12,502)	(2,905)	3,181	3,452	27,854
Net income (loss)	2,476	(7,678)	(2,186)	657	715	19,967
Amounts per common share (in yen, in U.S. dollars):						
Net income (loss) (Note 1)	13.88	(43.05)	(12.26)	3.68	4.01	0.11
Cash dividends applicable to the year (Note 2)	4.00	4.00	4.00	5.00	5.00	0.03
Property, plant and equipment	53,243	55,087	58,713	55,828	47,116	429,379
Total assets	157,171	162,700	164,708	166,467	151,603	1,267,508
Shareholders' equity	36,461	32,779	40,436	43,114	43,391	294,040

Notes : 1. Computation of net income 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, 2001, of ¥124 to U.S.$1.

Corporate Directory

BOARD OF DIRECTORS

President

Chiaki Tanaka

Senior Managing Director

Masatsugu Hiranaga
Shinichiro Murakami
Tetsuo Yamazaki

Managing Directors

Hitoshi Tamura
Kazumasa Okuda
Masanori Yamachi
Yoshitami Saito
Haruyuki Ueda

Directors

Masaharu Tsubota
Masakazu Otani
Syunsuke Kusuyama
Katsuyuki Ono
Akira Tamura
Tadashi Shimizu
Makoto Yoda

Auditors

Koichi Shimazu
Sadao Takematsu
Toshinori Nomura
Isao Fujii

(as of June 28, 2001)

OUTLINE OF COMPANY

Established :	January 17, 1917
Number of Employees :	2,220
Paid-in Capital :	¥14,353,144,222
Number of Shareholders :	24,490
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.
Sumitomo Life Insurance Company

GS JAPAN STORAGE BATTERY CO., LTD.
1, Inobanba-cho, Nishinosho, Kisshoin, Minami-ku, Kyoto, Japan

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