GS Yuasa Corporation

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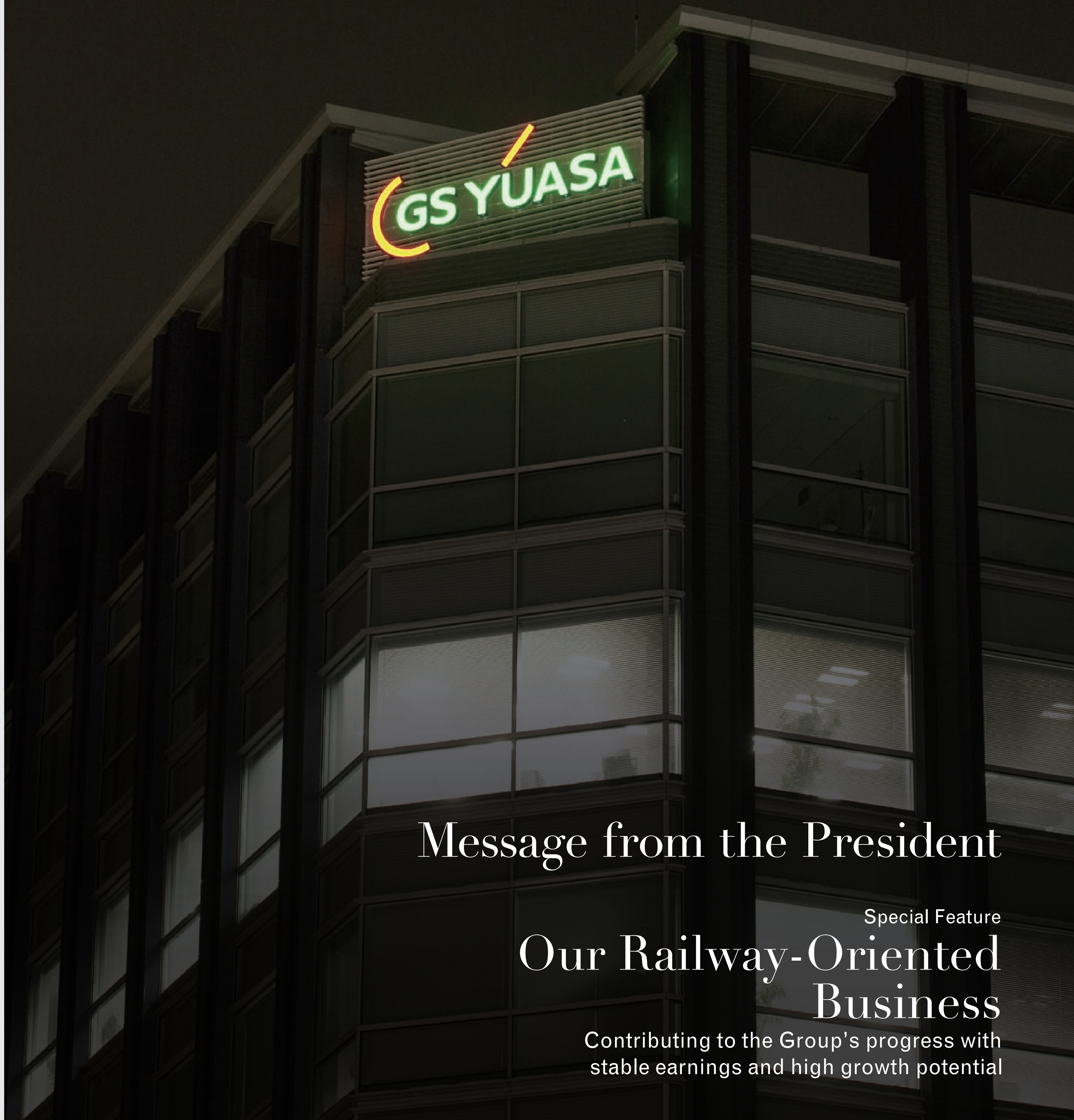
GS Yuasa Corporation
2014 Annual Report

For the year ended March 31, 2014



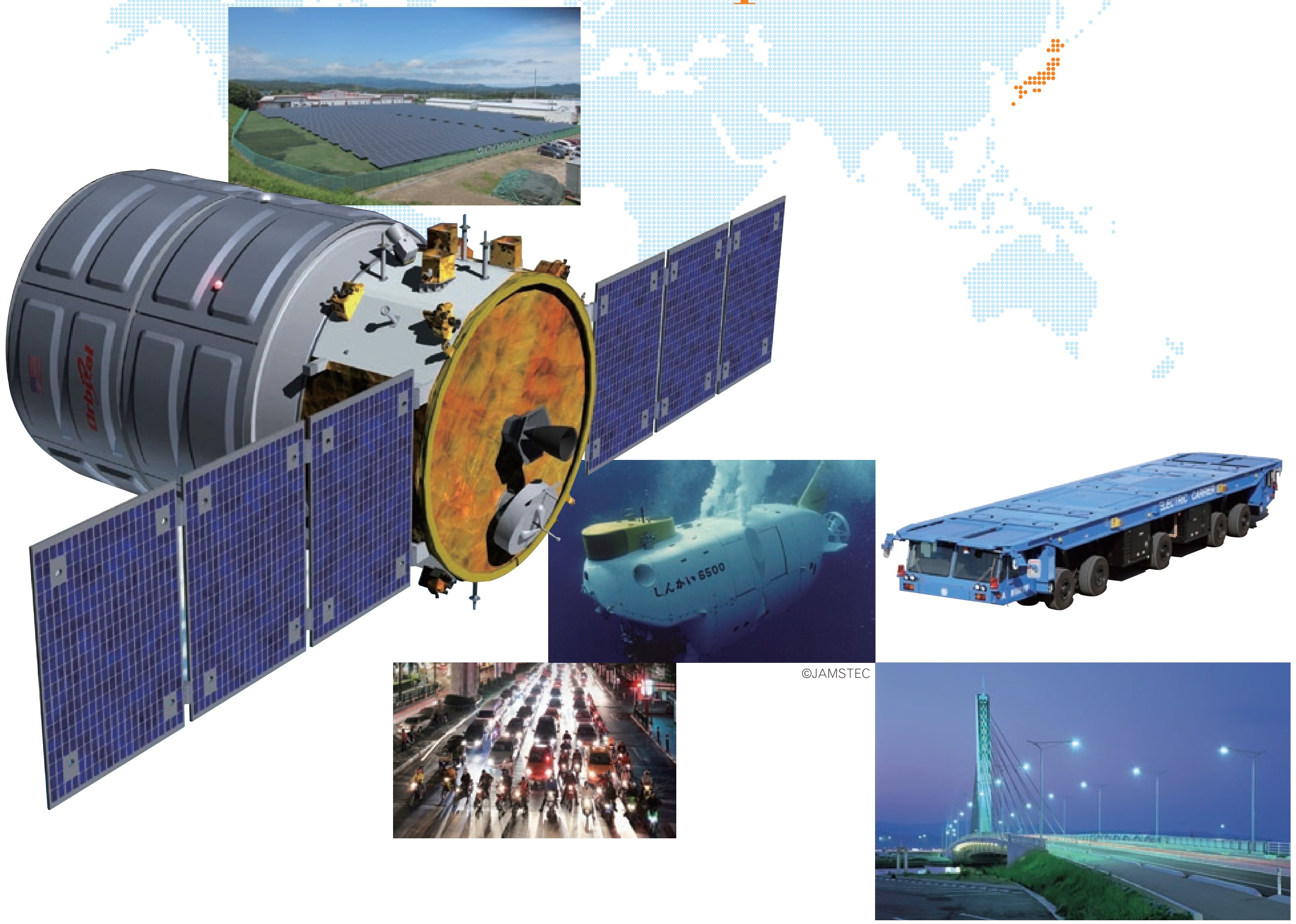
Message from the President

Special Feature

Our Railway-Oriented Business

Contributing to the Group's progress with stable earnings and high growth potential

From the deep sea to outer space



The GS Yuasa Group consists of 66 subsidiaries and 33 affiliates in countries throughout the world, with holding company GS Yuasa Corporation (GYC) coordinating the GS Yuasa Group's activities. GYC was founded in April 2004 as the holding company through the implementation of a joint share transfer of the two companies that had laid the foundations for storage battery manufacturing in Japan: Japan Storage Battery Co., Ltd. (GS) and Yuasa Corporation.

Since its founding in 1895, the GS Yuasa Group has continually contributed to economic development and the improvement of living standards through the development and manufacture of batteries, power supply systems and lighting equipment. We are a major force in the market as one of the world's leading manufacturers of automotive and motorcycle batteries. As a supplier of high-performance power supply systems, we also help to ensure the reliability of social infrastructure. Another field in which we are responding to today's increasingly sophisticated needs is lithium-ion battery technology, which has attracted intense interest as a next-generation energy system. Our extensive range of lithium-ion batteries encompasses those not only for vehicles but also for products in a vast range of fields, from deep sea to aerospace, to meet the ever more sophisticated needs of the times.

Throughout its long history, the GS Yuasa Group has worked to create innovative technology. This commitment serves as the foundation for our continuing efforts to explore new possibilities in the field of electrical energy under a corporate vision expressed in the words "Innovation and Growth."

Key Figures

Results for the Year Ended March 31, 2014

¥347,996 million
in net sales
(up 26.8% year on year)

¥18,198 million
in operating income
(up 86.2% year on year)

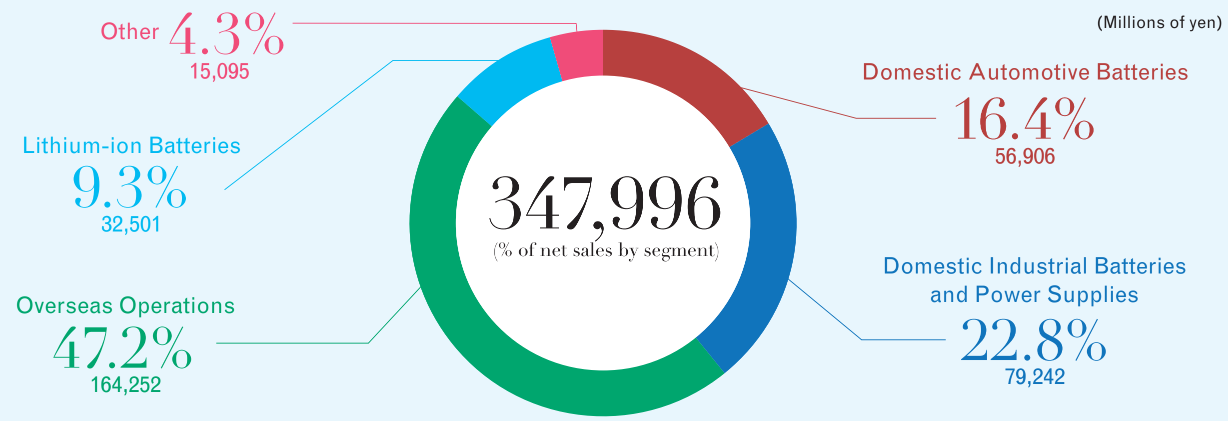
3rd place
with a 7%* share of the global automotive battery market

1st place
with a 26%* share of the global motorcycle battery market

1st place
with a 19%* share of the Asian automotive battery market

1st place
with a 30%* share of the Asian motorcycle battery market

*Estimated value by GS Yuasa Corporation



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Disclaimer: Descriptions concerning future plans and performance in this annual report are based on the current economic situation and business environment and are subject to change depending upon various factors including, but not limited to, future trends of the Japanese economy and securities markets, changes in legal and other systems, and development of new services and information technology.

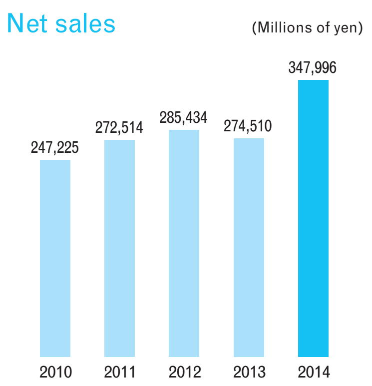
Consolidated Financial
Highlights

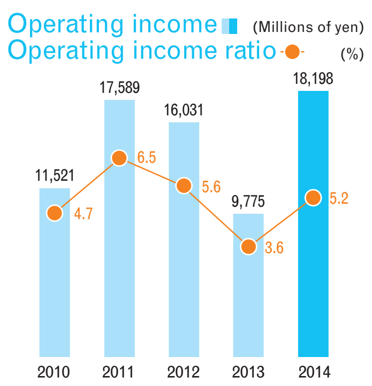
GS Yuasa Corporation and Consolidated Subsidiaries

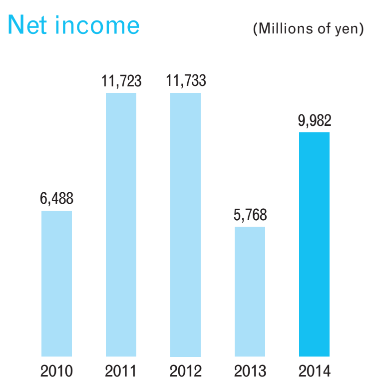
Years Ended March 31

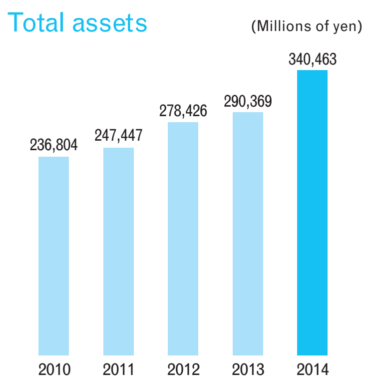
	Millions of yen					Thousands of U.S. dollars (Note 2)
	2014	2013	2012	2011	2010	2014
Net sales	¥347,996	¥274,510	¥285,434	¥272,514	¥247,225	$3,378,602
Costs and operating expenses	329,798	264,735	269,404	254,925	235,704	3,201,923
Other income (expenses), net	(2,339)	(1,484)	291	(3,286)	(1,210)	(22,708)
Operating income	18,198	9,775	16,031	17,589	11,521	176,679
Income before income taxes and minority interests	15,859	8,291	16,322	14,303	10,311	153,971
Net income	9,982	5,768	11,733	11,723	6,488	96,913
Per share of common stock (yen)						
Net income (Note 1)	24.18	13.97	28.42	28.39	16.32	0.23
Total assets	340,463	290,369	278,426	247,447	236,804	3,305,466
Total equity	154,703	141,189	136,221	122,311	111,859	1,501,971

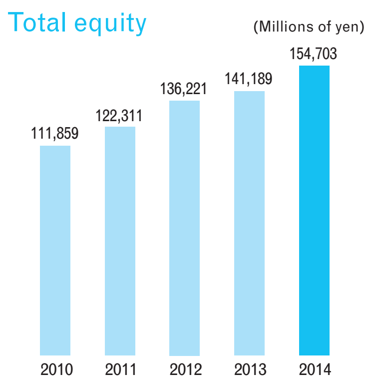
Notes: 1. Computation of net income per share is based on the weighted average number of common shares outstanding.
2. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2014 of ¥103 to $1.











Message from the
President

Makoto Yoda
President

We are developing new business domains while targeting sustainable growth in both sales and income.

The year ended March 31, 2014 was the first year of our third Mid-Term Management Plan, and we focused our efforts on three key management policies defined in the plan. First, we worked to strengthen the foundation of new businesses by expanding sales of vehicle-mounted lithium-ion batteries while putting priority on the development of new applications for industrial lithium-ion batteries. In the area of new energy, we used our power conditioner technology to contribute to the effective utilization of renewable energy. As part of our second strategic priority, to improve our position in the global market, we expanded our businesses and developed our business foundation, especially in Asia. In January 2014, we established GS Yuasa Technical Center Ltd. in Thailand to accelerate new product development and strengthen our technical support capabilities in the region. We approached our third strategic priority, to make existing businesses highly profitable, by focusing on the expansion of sales of high-added-value items, such as products for idle-stop vehicles.

These efforts were reflected in our consolidated results for the year ended March 31, 2014. Net sales increased by 26.8% year on year to ¥347,996 million, and operating income was up 86.2% to ¥18,198 million, while net income rose 73.1% to ¥9,982 million. Among the factors contributing to this substantial growth in sales and income were a downward shift in the value of the yen, and the conversion of equity-method affiliates in Thailand into consolidated subsidiaries in the second quarter.

We are determined to maximize the corporate value of the GS Yuasa Group by achieving sustainable growth and expanding our business domains, while we work toward our goal of becoming a global energy device company. We look forward to the continuing support of our stakeholders, including shareholders and investors.

Q1
How would you sum up your financial results for the year ended March 31, 2014?

A1
It was a year in which our business strategies began to bear fruit.

Our financial results, especially those for overseas operations, were boosted by exchange rate movements resulting from the correction of the overvalued yen. However, even if we discount our results to eliminate the effects of the exchange rate factor, the figures still show sustained real growth in line with the plan. In the domestic automotive lead-acid batteries segment, our forward-looking development of such batteries for "start-and-stop" vehicles resulted in the selection of many of our products by new vehicle manufacturers, which boosted revenue. In the area of industrial batteries and power supplies, growth in sales of power conditioners for photovoltaic power generation systems and power storage batteries was in line with the targets in the plan. We have high hopes for lithium-ion automotive batteries as a future source of earnings, and sales have already shown substantial growth in step with market expansion. Overall, I see the year ended March 31, 2014 as a year when our business strategies began to yield results.

Q2
How would you assess your progress under the third Mid-Term Management Plan?

A2
We made an excellent start toward achieving the numerical targets set down in the Mid-Term Management Plan.

Our targets for the year ending March 31, 2016, the final year of the plan, are consolidated net sales of ¥450,000 million, operating income of ¥36,000 million (8% of net sales), and net income of ¥23,000 million (5% of net sales). We have also set an ROE target of 15% or higher. Our progress in the year ended March 31, 2014, the first year of the Mid-Term Management Plan, was in line with the plan's numerical targets. We also achieved substantial progress in terms of our strategic priorities, including strengthening the foundations of new businesses, improving our position in global markets, further enhancing earning power in existing businesses, and improving our financial fundamentals.

The year ended March 31, 2014 was also the first year of our Three-Year Quality Improvement Plan. Our first priority here is to ensure reliable quality, but we will also link this to improving our earning performance by curbing increases in quality management costs.

Q3
What progress have you achieved in developing the lithium-ion battery business?

A3
We are working to expand sales, especially of automotive products.

The development of our lithium-ion automotive batteries business is led by Lithium Energy Japan and Blue Energy Co., Ltd. In the year ended March 31, 2014, sales

Third Mid-Term Management Plan

Management Policy

With the aim of becoming an energy device company that offers comfort and security to customers around the world, we will take a leap forward to become the New GS Yuasa through expansion of business domain and continuous growth.

(1) Strengthen the foundations of new businesses (lithium-ion batteries and new energy field)

(2) Improve our position in the global market

(3) Further enhance earning power of existing businesses

Targets as of FY 2015 (Term: Fiscal 2013–Fiscal 2015)

Net sales	450.0 billion yen
Operating income ratio	8% (36.0 billion yen)
Net income ratio	5% (23.0 billion yen)
ROE	15% or higher
Ratio of interest-bearing debt to cash flow (year)*	2.0 or less

*Interest-bearing debt (including lease obligations)/Net cash provided by operating activities

Message from the President

expanded thanks to higher sales of hybrids and plug-in hybrids. Vehicle-mounted products will remain our most important market segment as we focus on further quality improvements and sales expansion.

We are also posting solid progress in developing applications for industrial lithium-ion batteries. Use of such batteries is increasing in equipment ranging from port cranes to railway cars, and electric power companies have started to test their suitability for use in power storage systems. We will leverage the accumulated expertise of the GS Yuasa Group to strengthen our initiatives in these markets.

Q4
What are the business purposes of Lithium Energy and Power GmbH & Co. KG, which was established in November 2013?

A4
Its mission is to carry out R&D relating to next-generation high-performance lithium-ion batteries, and to support marketing of existing products.

Based in Stuttgart, Lithium Energy and Power GmbH & Co. KG was established in November 2013 by Robert Bosch GmbH, GS Yuasa, and Mitsubishi Corporation. Robert Bosch has a 50% stake in the company, while GS Yuasa and Mitsubishi Corporation hold 25% each. Lithium Energy and Power will develop next-generation, high-performance lithium-ion batteries through collaborative R&D combining the GS Yuasa Group's expertise in lithium-ion battery cell R&D with Robert Bosch's electromobility applications technology. It will also assist the GS Yuasa Group with sales and marketing of existing products.

Q5
What initiatives have you undertaken in the new energy field?

A5
We are contributing to the effective utilization of renewable energy.

The GS Yuasa Group is a pioneering manufacturer of power conditioners, which are connected with commercial power systems to convert direct current from photovoltaic panels into alternating current. We also develop and supply power storage systems designed to level out fluctuations in power output from renewable energy sources, such as solar and wind power. Future increases in the total amount of electric power produced from renewable energy sources can be expected to drive rapid growth in demand for storage batteries. The GS Yuasa Group will continue to promote the increased use of power conditioners and storage batteries while closely monitoring market trends.

Q6
What is your basic policy concerning overseas expansion?

A6
We will build a global structure by allocating our management resources according to the size of each market.

In the year ended March 31, 2014, overseas sales accounted for 47% of consolidated net sales. There is little prospect for major growth in the Japanese market in the future, which means that the contribution from the

Japanese market will decline as that from overseas markets expands. We will therefore need to allocate our management resources according to market size and net sales. We aim to build a framework within which the GS Yuasa Group can focus first of all on world markets, and then on Japan as one market within that framework. We are not committed to the realization of that goal during the three-year period covered by the present Mid-Term Management Plan, but we will work over the next few years to build a globalized management structure that reflects real market conditions.

Q7
Which countries and regions are especially important to the GS Yuasa Group?

A7
We place the highest priority on Southeast Asia, China and India.
The most important countries for the GS Yuasa Group are Southeast Asian countries such as Vietnam, Thailand and Indonesia, as well as the large markets of China and India. In January 2014, we established GS Yuasa Technical Center Ltd. in Thailand, where many Japanese automobile manufacturers have established production operations. This wholly owned subsidiary will provide the production facilities of Japanese automobile manufacturers in Thailand and neighboring countries with prompt access to a full range of technical support services. It will also develop new products that reflect local market characteristics, including lead-acid batteries for automobiles and motorcycles. We also aim to achieve further global business expansion by exploring opportunities for business expansion in markets that offer substantial growth potential, including South America, the Middle East and Africa.

Q8
What is your policy on measures to deepen and expand your presence in the Japanese market?

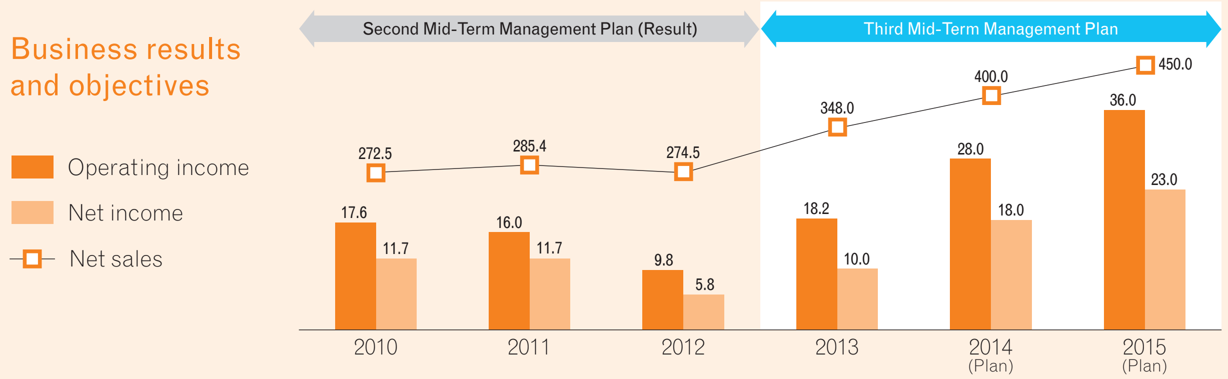
A8
We will work to expand sales of high-added-value products, such as batteries for start-and-stop vehicles.
Rapid growth in the number of automobiles produced in Japan seems unlikely in view of the globalization of the automotive industry and the effects of demographic aging and a falling birthrate. This means that there is little hope of a dramatic increase in demand for batteries. However, production of eco-cars, such as start-and-stop and hybrid vehicles, is rising steadily, and demand is certain to expand for batteries specially designed for these types of vehicles.

The GS Yuasa Group has focused on the potential of the eco-car segment since the early stages, and we have established an advantageous position in the industry. One of our key strategic goals under the Mid-Term Management Plan is to further boost earnings from existing businesses. We will therefore continue to develop and market these high-added-value products to maximize the earnings from our existing business activities in the Japanese market.

Message from the
President

Third Mid-Term Management Plan

(Billions of yen)



Q9
What are your business policies for the year ending March 31, 2015?

A9
We see the second year under the third Mid-Term Management Plan as a year of challenge.
The three-year period covered by the third Mid-Term Management Plan will be a vital time for our efforts to take the GS Yuasa Group into a new phase of growth and success as an energy device company. In the year ended March 31, 2014, our net sales and income rose sharply because of currency fluctuations and the inclusion of overseas subsidiaries in consolidation. Our challenge in the second year of the plan, which ends in March 2015, will be to achieve substantial growth in net sales and income without these special factors. In the Japanese market, we will target improvement in the earning performance of existing businesses and further reinforcement of our business foundation. We will face negative factors, including the reduction and abolition of the eco-car subsidy and the impact of the consumption tax increase. However, the products and systems we supply are practical goods that are insulated from economic fluctuations. Under our growth strategy for the Group, we will use our existing businesses in Japan as a stable foundation for aggressive business development centered on the expansion of the lithium-ion batteries business, which offers great future potential, and the quantitative expansion of our overseas business activities.

Q10
What are your key management indicators for the third Mid-Term Management Plan?

A10
We regard ROE, ROA and the operating income ratio as the most important indicators.
The absolute amounts of net sales and operating income are of course vital management indicators for the GS Yuasa Group, given our commitment to the expansion of our business domains and the achievement of sustainable growth. At the same time, we will focus on improving our operating income ratio and further expanding our earning potential. As an organization to which shareholders and investors have entrusted their valuable assets, we also have an obvious duty to improve ROE and ROA, which indicate the efficiency with which capital is used. Our business expansion efforts will therefore be paralleled by our efforts to strengthen our earning potential.

Q11
Finally, please outline your policy on returns to shareholders.

A11
We aim to provide shareholders with long-term, stable benefits through sustainable growth.
We regard the provision of returns to shareholders and investors as our most important management priority, and we are working to improve dividends. We are also striving to maintain and strengthen our competitiveness by ensuring that the level of retained earnings is appropriate and sufficient to meet future investment needs. Our most important policy, and the only way to ensure long-term, stable shareholder benefits, is to achieve sustainable improvement in our corporate value through continual growth. I am determined to lead our employees in our drive to build a new GS Yuasa Group and open up a new future for energy.

Our Railway-Oriented Business

Contributing to the Group's progress with stable earnings and high growth potential

One of the main uses of the industrial battery and power supply systems developed by GS Yuasa Corporation is in railway cars and railway facilities. In this special feature, we look at the relationship between GS Yuasa and railways.

The Railway-Oriented Business of a Battery Manufacturer

Storage Batteries and Power Supply Systems Support Stable Railway Service

Japan has been called No. 1 in the world when it comes to railways. Since Japan is relatively small in area, the total length of its railroads (27,000 kilometers) is not among the world's longest, but its trains convey 23,538 million passengers annually (as of fiscal 2013), making Japanese railways the world leader in transportation capacity. Another distinguishing feature of Japanese railways is their on-time performance. For example, the Tokaido Shinkansen operated about 120,000 trains in the year ended March 31, 2012, and the average lag behind scheduled arrival times was only 36 seconds. Railways began operating in Japan in 1872, and since then they have consistently been a driving force behind industrial and economic development and contributed to the nation's standard of living. Rising competition from automobiles and airlines has made the operating environment tougher for railways, but railways are still widely used for travel and business, and millions of commuters take them to work and school on a daily basis.

Batteries and power supply systems, which quickly restore electricity in power outages and other emergencies, are indispensable for operating railways in a safe and timely manner. These products have a multitude of uses. In railway cars, lead-acid storage batteries and alkaline storage batteries are used to start the operating instruments and diesel engines, and as back-up power for digital train radios. In substations and the dead section between different current areas, DC power supply systems equipped with lead-acid storage batteries are used as a back-up for control equipment and communications devices. In signal rooms, DC power supply systems and AC uninterruptible power supply systems using lead-acid storage batteries provide the power for automatic train control (ATC) systems and point operations. Outdoor AC uninterruptible power supply systems are used for level crossing monitoring. Station buildings employ uninterruptible power supply systems to provide ticket vending machines and automated ticket gates with electricity even during power outages.

High Market Share of 70% in Stationary Equipment

Since the time of its predecessors (Japan Storage Battery Co., Ltd. and Yuasa Storage Battery Co., Ltd.), GS Yuasa has supplied Japanese railway companies with the high-performance batteries and power supply systems that make train service safe and pleasant. Since GS Yuasa was formed as a holding company in 2004, business units at our bases throughout Japan have been assigned to serve public-sector clients, and through them we have offered comprehensive

High market share about 70% in stationary equipment such as substations, level crossings, and signals.

services to JR Group companies and private railways.

Among battery and power supply manufacturers, GS Yuasa maintains a high market share of about 70% in Japan in stationary equipment such as substations, level crossings, and signals. In car-mounted equipment, we are steadily building up a supply record, which now includes industrial lithium-ion battery modules for a new model from East Japan Railway Company.

Two characteristics of our railway-oriented business are its stability and its growth. Storage batteries and power supply systems last for more than 20 years, and during that time they require periodic maintenance, so they generate stable earnings for battery manufacturers. Many sections of Japanese railways are non-electrified, and we believe that railway cars equipped with lithium-ion batteries as well as hybrid railway cars are bound to become more widespread in the future.

The construction of new railway lines is another major business opportunity for battery manufacturers. National projects such as Shinkansen lines in the Hokuriku region and the island of Hokkaido, as well as the maglev Chuo Shinkansen (whose construction should start in the autumn of 2014), foster demand for batteries and power supply systems. Given this background of a stable earnings base and market expansion due to special demand, we expect to see sustained growth in our railway-oriented business.

Lithium-Ion Batteries Support Railway Car Evolution

Non-Electrification Rate of Japanese Railways Is 40%

The railway-oriented business of battery manufacturers can be broadly divided into stationary equipment and car-mounted equipment. An aspect of this business that attracts attention both inside and outside our industry is the advent of next-generation railway cars equipped with storage batteries and hybrid systems. Railway companies are pouring resources into the development of new cars equipped with lithium-ion batteries.

Railway cars are classified in a number of ways, such as carrying capacity (passengers/freight) or their use of locomotive power. In terms of power, the types that most people are familiar with are electric multiple units (EMUs, trains with electric motors) and diesel multiple units (DMUs, trains with diesel or other internal combustion engines). In Japan, much track remains non-electrified, especially in outlying areas. Nationally, the railway electrification rate is stalled at about 60%. However, in terms of both energy use and CO_2 emissions, fossil-fuel burning DMUs are no match for their electrical counterparts.

Industrial-use lithium-ion battery module LIM30H-8A

This storage battery system has been developed as a high capacity system for industrial use including the railroad industry (such as railway cars without overhead wiring, power storage systems for railway operations, and diesel hybrid cars).

HD300 hybrid shunting locomotive

Furthermore, on railway lines where electrified and non-electrified sections are interspersed, problems arise because single trains cannot run long distances. This is a major obstacle to shortening transportation times.

It should come as no surprise that railway companies and rolling stock manufacturers are working hard to develop hybrid and battery-powered railway cars equipped with large lithium-ion batteries. Accordingly, battery manufacturers are keeping pace by accelerating their development of lithium-ion batteries, an important component of such railway cars.

New Railway Cars Equipped with LIM30H–8A

GS Yuasa has concentrated its most advanced technology in the LIM30H-8A lithium-ion battery, which was developed for railway cars and other industrial uses. Although lightweight and compact, the LIM30H-8A has superior charge/discharge performance, and its low internal resistance gives it a markedly longer lifespan. A battery monitoring system is standard equipment with the LIM30H-8A, allowing the user to keep track of the battery condition at all times for more reliable operation. Having won favorable notice for its performance and reliability, this battery has been adopted for use in numerous next-generation railway cars.

One of these railway cars is the HD300 hybrid shunting locomotive now being introduced by Japan Freight Railway Company. The HD300, which runs on engine-generated electricity and lithium-ion batteries, discharges considerably less nitrogen oxide (NOx) than conventional models and achieves a large reduction in fuel consumption. A prototype was produced in 2010, and delivery of the mass-produced HD300 started in 2012. They are employed in the Tokyo Freight Terminal.

The ameriTRAM, a next-generation Light-Rail Vehicle (LRV) developed by Kinki Sharyo Co., Ltd. for the U.S. market in 2010, is also outfitted with the LIM30H-8A, a storage battery railway vehicle drive system developed jointly by Kinki Sharyo and GS Yuasa. The ameriTRAM collects current from overhead electric lines in the suburbs, but it runs on lithium-ion batteries in the city center, and thus does not need electric lines there. On both the electrified and non-electrified sections on the ameriTRAM's route, the electricity produced by regenerative brakes can be collected in storage batteries.

Likewise, the "Smart BEST" self-charging battery-powered

Self-charging battery-powered train, “Smart BEST”

train, developed jointly with Kinki Sharyo in 2012, is equipped with the LIM30H-8A.

The Smart BEST is propelled by a large-capacity battery, and a small diesel engine is used to efficiently replenish discharged electricity. The Smart BEST uses only about one-half of the diesel engine output per car that conventional diesel vehicles use.

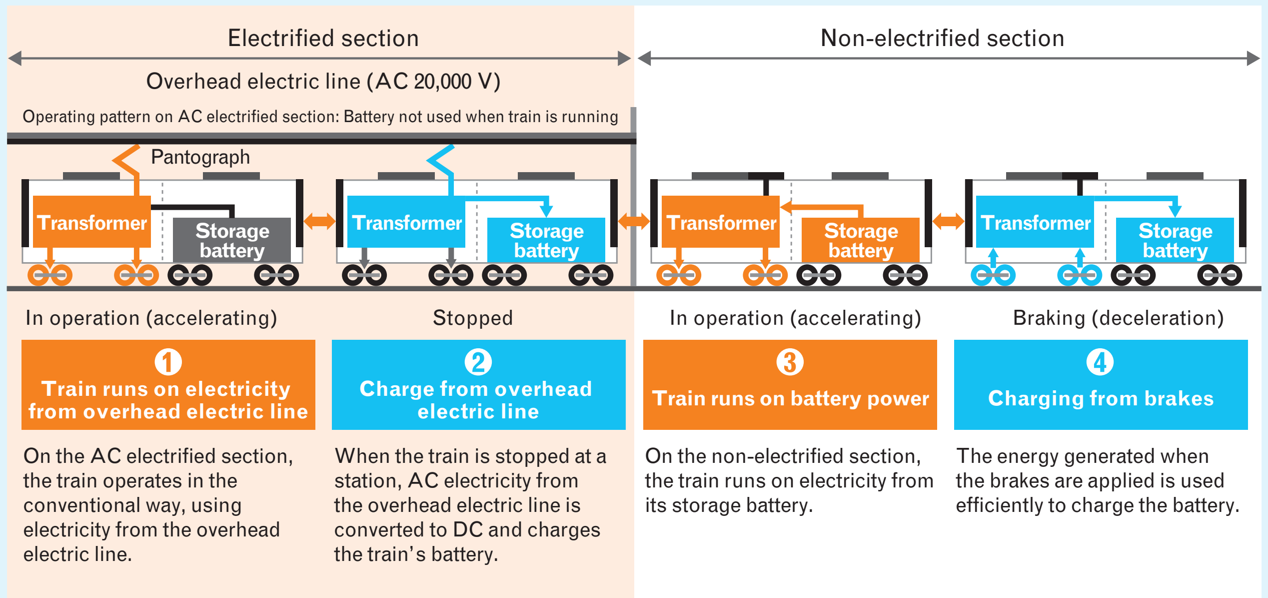
In March 2014, East Japan Railway Company started using the new EV-E301 line of railway cars (nicknamed “ACCUM”) in regular operations between Utsunomiya and Karasuyama, and these cars are also outfitted with a storage battery system incorporating the LIM30H-8A. On electrified sections of the track the ACCUM charges its storage batteries while drawing power from overhead electric lines. On non-electrified sections, it runs on battery power, and the train’s storage batteries are charged at facilities located at major stations. On both electrified and non-electrified sections, the electricity produced by regenerative brakes is collected in batteries and put to good use.

E³ Solution System for Regenerative Power Storage

A system using lithium-ion batteries serve in various fields other than railway vehicle drive systems. West Japan Railway Company, Tobu Railway Company, and the Kagoshima City Transportation Bureau have installed regenerative power storage E³ Solution System with an output of 1,800 kW. This large-scale system incorporates lithium-ion batteries and high-performance converters, and are built for stationary installation along railway tracks. The electricity produced when a train’s brakes are applied goes through a DC/DC converter and is stored in a lithium-ion battery, to be supplied later when the train accelerates. This stabilizes overhead electric line voltage, reduces substation load at peak times, and contributes to the stable operations of railway companies.

In 2012, GS Yuasa supplied a 240 kWh lithium-ion battery storage system for East Japan Railway Company’s Hiraizumi Station. This is a model “eco-station” whose electricity comes completely from renewable sources. The system supplied for the station will store surplus power generated by photovoltaic panels for use at night or during bad weather. By employing stored electricity when generation is insufficient, the station aims for zero emissions.

Battery Operations on AC Electrified and Non-Electrified Sections of Track



The Railway Business’s Potential

Superiority of Railways Owes to Environmental Performance and On-Time Service

Trains have maintained their superiority to other forms of transportation. Boarding procedures take little time compared to airplanes, and trains have fewer accidents and do not get caught in traffic jams faced by cars and buses. Another strong point of trains is that they consume less energy and discharge less CO_2 per passenger than airplanes or cars. National projects to construct new stretches of the Shinkansen and the maglev Chuo Shinkansen are imminent, so we expect railway-related demand to be firm for some time.

JR Group companies and private railways are taking a positive approach to improving transportation speed, comfort and safety through the development and introduction of new railway cars. In March 2013, Kyushu Railway Company started testing a battery-powered railway car, and the company has announced its intention to replace some diesel cars now in use with battery/electric cars. The AC uninterruptible power supply systems and DC power supply systems now used in the stationary equipment of railway companies will eventually be switched from lead-acid storage batteries to energy-efficient lithium-ion batteries. It appears that background conditions support growth in the railway-use battery and power supply market.

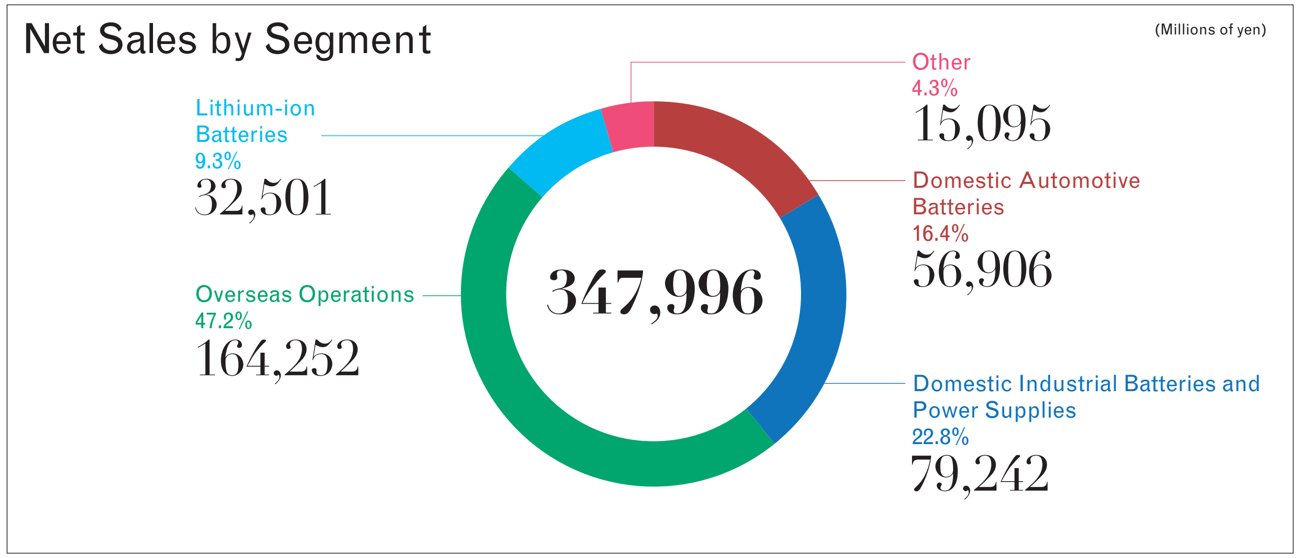
Global Railway Market to Expand to ¥22 Trillion in 2020

Any discussion of our railway-oriented business must touch on its potential as an export industry. Based on a report by the Association of the European Rail Industry (UNIFE), Japan’s Ministry of Economy, Trade and Industry (METI) estimates that the global railway market will expand from ¥15.9 trillion in 2007 to ¥22 trillion in 2020. In the major metropolitan areas of North America, light-rail systems are attracting attention as a way to ease traffic congestion. Sooner or later, similar circumstances are likely to arise in the major cities of Asia.

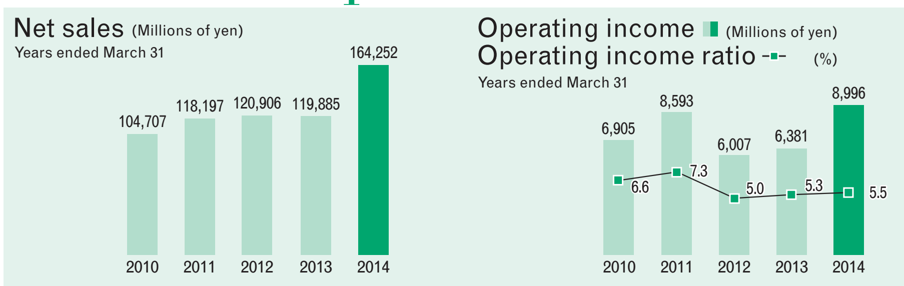
GS Yuasa has developed a global railway-oriented business by supplying railway companies and rolling stock manufacturers with batteries and power supply systems for the railway systems and cars they export. This basic strategy will not change. We will maintain and strengthen our close cooperation with railway companies and rolling stock manufacturers as we expand this side of our business.

GS Yuasa’s strengths in the railway field are the impressive record of success built up over many years; its unparalleled technological prowess; its familiarity with the entire railway industry, including storage batteries; and its superb marketing staff, who have built up a solid relationship of trust with customers. In the years ahead, we will continue to enhance our competitive advantage and boost our railway-oriented sales.

Business Review



Overseas Operations



Net sales in the overseas operations segment for the fiscal year totaled ¥164,252 million, an increase of ¥44,367 million, or 37.0%, from the previous fiscal year. The growth was mainly the result of converting Thai equity-method affiliates into consolidated subsidiaries and the impact of exchange rates. Segment profit totaled ¥8,996 million, a year-on-year increase of ¥2,615 million, or 41.0%, as the benefits of higher sales and the impact of exchange rates outweighed the impact of higher costs for lead, a key raw material.

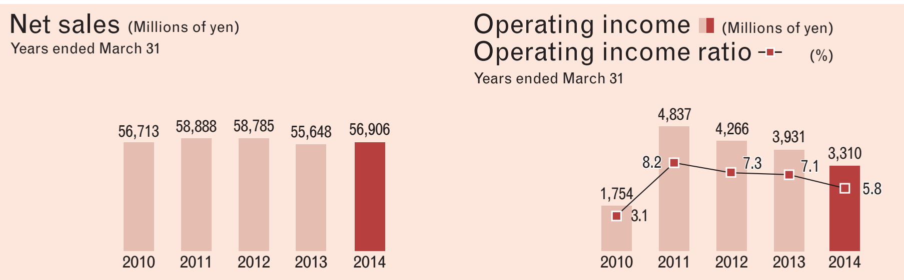
Main Products

Automotive and motorcycle lead-acid batteries, valve regulated lead-acid batteries for backup, lead-acid batteries for forklifts


GS-Platinum double-lid automotive batteries (manufactured by GS Battery Vietnam Co., Ltd.)


Motorcycle batteries

Domestic Automotive Batteries



Net sales in the domestic automotive batteries segment totaled ¥56,906 million for the fiscal year ended March 31, 2014, an increase of ¥1,258 million, or 2.3%, compared with the previous fiscal year. While automotive equipment sales decreased, sales of lead-acid batteries for new vehicles increased, mainly batteries for start-and-stop vehicles. Segment profit declined ¥621 million, or 15.8%, to ¥3,310 million, mainly as a result of the higher costs for lead, a key raw material.

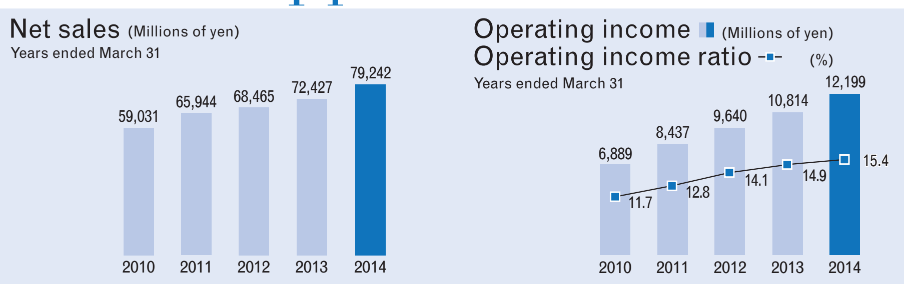
Main Products

Automotive and motorcycle lead-acid batteries, automotive equipment


ECO.R Long LIFE automotive batteries


Auxiliary batteries

Domestic Industrial Batteries and Power Supplies



Net sales in the domestic industrial batteries and power supplies segment for the fiscal year totaled ¥79,242 million, an increase of ¥6,815 million, or 9.4% from the previous fiscal year. This was primarily the result of strong demand for power supplies for photovoltaic power generation systems and lead-acid batteries for forklifts. Segment profit totaled ¥12,199 million, a year-on-year increase of ¥1,385 million, or 12.8%, as a result of higher profits accompanying expanded sales, which outweighed the higher lead costs.

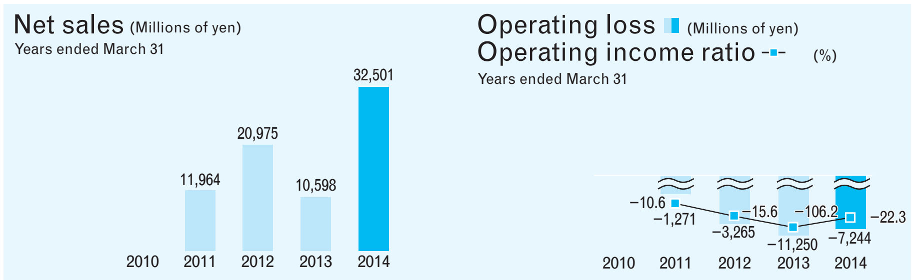
Main Products

Lead-acid batteries for backup, forklifts, automated guided vehicles (AGVs), small lead-acid batteries, alkaline storage batteries, DC power supplies, AC uninterruptable power supplies, other power supply systems


Power conditioner LINE BACK αIII


Forklift batteries

Lithium-ion Batteries



Net sales in the lithium-ion batteries segment for the fiscal year totaled ¥32,501 million, an increase of ¥21,903 million, or 206.7%, from the previous year, driven by higher sales of lithium-ion batteries for plug-in hybrid and hybrid passenger vehicles. Although the segment loss totaled ¥7,244 million, this marked an improvement of ¥4,006 million from the previous fiscal year as a result of improved profitability on higher sales.

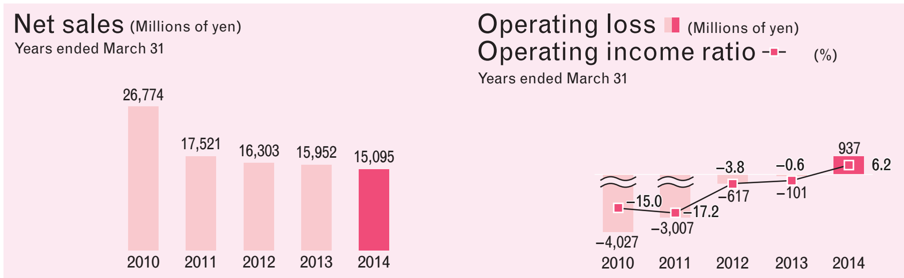
Main Products

Automotive lithium-ion batteries


Lithium-ion batteries for hybrid vehicles (manufactured by Blue Energy Co., Ltd.)


Lithium-ion batteries for electric vehicles (manufactured by Lithium Energy Japan)

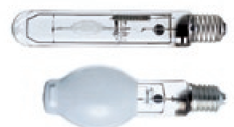
Other



Net sales in the other segment for the fiscal period totaled ¥15,095 million, a year-on-year decrease of ¥857 million, or 5.4%. After adjustment for corporate expenses, segment profit totaled ¥937 million, a year-on-year improvement of ¥1,038 million, mainly as a result of the improved profitability of special batteries, membranes, and lighting equipment.

Main Products

HID light sources, lighting equipment, ultraviolet irradiation systems, special batteries


Ceramic metal halide lamp Ecocera II


LEGA LED street light fixture

Year in Review

May 2013

Thai Joint Venture Becomes a Consolidated Subsidiary after the Acquisition by GS Yuasa of a Controlling Interest

GS Yuasa acquired a controlling interest in Siam GS Battery Co., Ltd. (SGS), an equity-method affiliate in Thailand, by raising its stake from 39% to 60%, making the company a consolidated subsidiary. Following the addition of SGS to the consolidation, GS Yuasa will accelerate a range of measures, including the transfer to SGS of the latest technology for batteries used in start-and-stop vehicles, and the development of production capacity for five million automobile batteries. As the GS Yuasa Group's core base in the Mekong economic area, SGS will play a key role in the expansion of business activities in the region. The aggregate net sales of the three companies established by GS Yuasa in Thailand are expected to reach approximately ¥35 billion in the year ending March 31, 2016.

GS Yuasa Launches Its Best-Ever Long-Life Car Batteries

In May 2013, GS Yuasa launched the ECO.R LONG LIFE (EL) series of high-performance lead-acid batteries for private-use passenger cars. Based on the Company's most advanced technology, the new series is the latest addition to the ECO.R series, which forms the core of the replacement battery range. The EL series provides extended battery life, made possible by high-performance plate technology as well as superior charging performance. As a result, these batteries provide extremely long service lives equivalent to 200–300% of the life spans of standard GS Yuasa products. The EL series batteries, the first products in Japan that can be fitted in both conventional and start-and-stop vehicles, are attracting intense interest as revolutionary eco-friendly batteries suitable for the next generation of eco-cars.

ECO. R Long LIFE automotive batteries

June 2013

Iwaki Yuasa Photovoltaic Power Plant Becomes Operational

The Iwaki Yuasa Photovoltaic Power Plant started operations during the year under review. Located in Iwaki City, Fukushima Prefecture, this mega-solar facility has an output of 1 MW. It was built on the site of the head office of Iwaki Yuasa Ltd., a subsidiary of GS Yuasa. Direct current generated by photovoltaic panels is converted into alternating current by four of the Company's power conditioners, each with an output capacity of 250 kW. The approximately 1,100 MWH of electricity produced by the facility each year will be supplied to the grids of all electric power companies under the feed-in tariff system promoted by the Ministry of Economy, Trade and Industry. Electricity from the new facility will help to ease summer power shortages in the Tohoku region. By building and operating this facility, the GS Yuasa Group is accumulating technology relating to large-scale photovoltaic power generation systems.

Bird's-eye view of the mega solar system

Power conditioner LINE BACK Gamma

Blue Energy's Lithium-ion Batteries Installed in Honda Motor's Accord Models

Lithium-ion batteries manufactured by Blue Energy Co., Ltd. were selected for two high-end models—the Accord Hybrid and the Accord Plug-in Hybrid—launched by Honda Motor Co., Ltd. in June 2013. Blue Energy, a Kyoto-based joint venture established in 2009 by GS Yuasa and Honda Motor, is a leading manufacturer of lithium-ion batteries for hybrid vehicles. The battery selected for the Accord Hybrid is the EH5, which is the same size as Blue Energy's earlier products but provides substantially improved output performance. The Accord Plug-in Hybrid is equipped with the EH19, which offers an excellent balance between increased capacity and enhanced output performance. The new hybrids provide extremely good fuel efficiency for high-end models.

EH19 and EH5 lithium-ion batteries

August 2013

GS Yuasa Proposal Is Selected for a Preparatory Survey for BOP Business Promotion

In August 2013, a proposal from GS Yuasa concerning a feasibility study on BOP Business for a solar power system for household use and mobile phone chargers in Ethiopia was selected by the Japan International Cooperation Agency (JICA) for its Preparatory Survey for BOP Business Promotion. The BOP—or Base of the Pyramid—sector consists of impoverished people living on less than U.S.$3,000 per year. JICA supports local business surveys by companies planning to develop businesses targeting the BOP sector. Following the selection of its proposal, GS Yuasa will accelerate the development of products for regions of the world that are not supplied with electricity or are subject to frequent power outages, to raise living standards in these regions.

Solar power system for household use: AKARi SOLAR LIGHT KIT

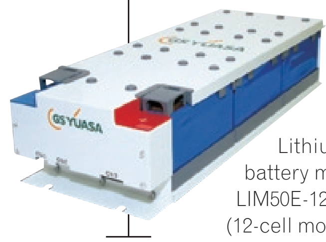
November 2013

Joint Venture Established by Three Japanese and German Companies to Develop Next-Generation Lithium-ion Batteries

In June 2013, Robert Bosch GmbH, GS Yuasa, and Mitsubishi Corporation agreed to collaborate on the development of next-generation high-performance lithium-ion batteries, which are core components for electrically powered vehicles, including plug-in hybrids and electric vehicles. Under this agreement, the three companies established Lithium Energy and Power GmbH & Co. KG in Stuttgart in November 2013. The new company, in which GS Yuasa has a 25% stake, will carry out R&D targeting improvements in the storage capacity of lithium-ion batteries. It will also help the parent companies (GS Yuasa and Mitsubishi Corporation) to market existing products.

GS Yuasa's Lithium-ion Battery System Is Selected by Kyushu Electric Power for Testing Facilities

Kyushu Electric Power Company selected a lithium-ion battery system manufactured by GS Yuasa for testing facilities in Nagasaki Prefecture. Tests conducted at these facilities include an assessment of optimal methods based on the use of storage batteries to control power systems' frequency fluctuations on remote islands. The system chosen for the trial will prevent frequency fluctuations by stabilizing current by storing or discharging electric power when there are sudden changes in output from renewable energy systems, such as wind and photovoltaic power generation systems. GS Yuasa will continue to collaborate actively on these tests with the aim of contributing to the effective utilization of renewable energy and the reduction of the environmental burden through the supply of superior storage batteries.



Lithium-ion battery module LIM50E-12G2-C2 (12-cell modules)

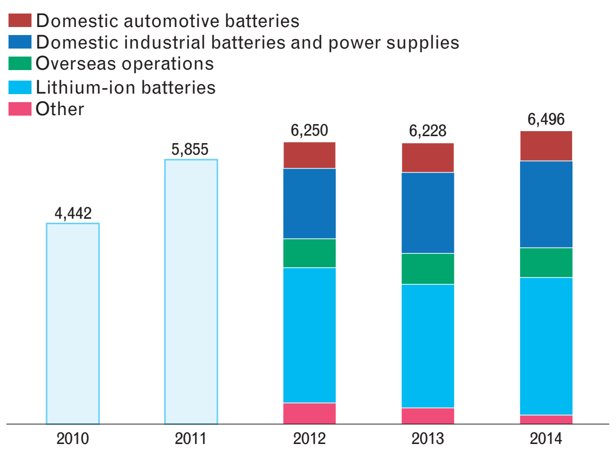
Lithium-ion battery system

Research and Development

Actively engaged in R&D, from basic technology to product and manufacturing technology.

Within the GS Yuasa Group, GS Yuasa's R&D Division and the technology development divisions of domestic and overseas group companies work as a team to pursue R&D in fields from basic technology to product and manufacturing technology. In the year ended March 31, 2014, R&D expenditures were ¥6,496 million.

Research and Development Costs (Millions of yen)



Domestic Automotive Batteries

Charge-control vehicles, start-and-stop vehicles, and other fuel-efficient alternatives have proliferated in recent years as consumers have become more environmentally conscious and the need to trim fuel expenses has increased. In the field of lead-acid storage batteries for start-and-stop vehicles, GS Yuasa is developing a succession of new models with superior durability and charge performance, and our lineup is expanding to cover more car models. In the replacement battery market, our introduction of the ECO.R LONG LIFE in July 2013 made it the first Japanese battery that can be installed in either regular or start-and-stop vehicles. This product has also achieved a major increase in useful life, equal to 200–300% of our standard battery.

Domestic Industrial Batteries and Power Supplies

In the industrial lead-acid storage battery field, GS Yuasa is developing stationary lead-acid storage batteries for use with smart grids, which are intended for penetration of renewable energy and stabilization of the electricity supply-demand balance.

In power supplies, we have added a single-phase input, high-efficiency model to the NEOSTAR Series of DC power supply systems, which are compatible with the digitization of fire department radios and municipal disaster-prevention radios. We have also expanded the Acrostar TSB lineup of compact, lightweight, eco-friendly, small-capacity uninterruptible power supply systems. In the field of power conditioners for photovoltaic power generation, we are developing a photovoltaic power generation system that incorporates lithium-ion batteries, allowing the user to switch between an environmental mode, which enables effective use of renewable energy and nighttime electricity, and a disaster-response mode, which supplies electricity from photovoltaic power generation and lithium-ion batteries. In the specialized equipment field, we have developed a compact lithium-ion battery charger for digital cameras and other small instruments. We supply this charger—superior in terms of performance, design, cost, and dependability—to a number of manufacturers on an OEM basis. Also in this field, we have created a lithium-ion battery pack for power tools and a high-speed charger. In the non-battery field, we are developing an oxygen sensor and a hydrogen generating device, two products with market growth potential.

Overseas Operations

In the automotive lead-acid storage battery field, we are developing batteries to be produced and used overseas in charge-control and start-and-stop vehicles. In the industrial lead-acid storage battery field, we are developing batteries with regional adaptations for battery-powered forklifts, a product for which global demand is expanding, especially in Asia.

Lithium-ion Batteries

In addition to basic research, this segment is developing advanced battery technology for automotive, industrial, power storage, aircraft, and spacecraft applications.

We are conducting basic research into ways to improve the reliability, safety, and energy density of large and medium-sized batteries. To further boost lithium-ion battery performance, we are searching for and evaluating materials to use in next-generation anodes and cathodes. In automotive batteries, we are expanding our lithium-ion battery lineup for electric vehicles, plug-in hybrids, and hybrid vehicles (HEVs). Further improvements in reliability and safety are planned. Honda Accord PHEV and HEV models, which went on sale in June 2013, are equipped with lithium-ion batteries made by our subsidiary Blue Energy Co., Ltd. In the industrial field, GS Yuasa hybrid power supply systems were adopted in quick succession for use in transfer cranes at ports and GS Yuasa's lithium-ion battery for use in next-generation railway cars. In power storage, we delivered large-scale lithium-ion battery systems to Kyushu Electric Power Co., Inc. for electrical grid stabilization and to Chile's Cochrane thermal power plant as a reserve power supply. In aerospace, the H-II A23 and H-II B4 were outfitted with rocket-use lithium-ion batteries. In addition, the KOUNOTORI 4, an unmanned cargo transporter to the Space Station, was equipped with satellite-use lithium-ion batteries as its main power source.

Other

R&D of facility lighting, ultraviolet irradiation systems, and environment-related equipment is ongoing. In the facility lighting field, we added to our lineup of LED ceiling lights for large-scale facilities. In the environment-related field, we developed a product in which the electrolytic membrane used in copper-plating devices is thermally welded onto a simple case, helping to cut costs in the plating process. In the water treatment field, we are developing a membrane that is less susceptible to fouling for use in membrane bioreactors (MBRs).

GS Yuasa Wins 46th Ichimura Industrial Award Contribution Prize for Development of a Start-and-Stop Vehicle Battery

In April 2014, GS Yuasa's feat of developing a lead-acid battery for start-and-stop vehicles and making it commercially viable was recognized with the 46th Ichimura Industrial Award Contribution Prize. The prize is presented by the New Technology Development Foundation to people or groups who have advanced the industrial field through the domestic development of superior technology. When a start-and-stop vehicle is stopped, most of the power for the electrical components and for restarting the engine is supplied by a lead-acid storage battery. The power consumed in this way is returned to the battery from regenerative brakes. For this reason, the lead-acid storage batteries installed in start-and-stop vehicles must have high durability in the face of increased discharge loads and be rapidly chargeable from regenerative energy. Using its accumulated technology, GS Yuasa had to overcome a number of issues, such as increasing the density of positive electrode active materials, the anti-corrosion alloy surface coating of the negative electrode lugs, and additive technology. In tests, the new start-and-stop vehicle battery achieved 4.2 times the durability of our conventional product and could be charged three times faster from regenerative energy.

Award ceremony

ECO. R LONG LIFE
for start-and-stop vehicles

Engagement with Customers

As a trusted manufacturer, GS Yuasa is constantly working to improve customer satisfaction and ensure safety.

Commitment to Customer Satisfaction

We Aim to Achieve a Quality Improvement in Both Processes and Outcomes.

The GS Yuasa Group has built an excellent reputation for dependability as a manufacturer. We are determined to maintain that reputation by consistently supplying products that meet customer expectations in terms of both performance and quality. We achieve this by approaching our manufacturing activities from the customer's perspective, and working relentlessly to maintain the highest standards of quality in our products and services. To realize the above, we have established the GS Yuasa Quality Management System based on the ISO 9001 standard, and we are developing our activities aiming for quality improvement in both processes and outcomes under the leadership of senior management. Individual employees also help to create new value through continual *kaizen* (improvement) activities. The GS Yuasa Group is confident that users will be satisfied with the safety and reliability of the products and services that result from these activities, which we see as the basis for our ongoing contribution to society.

Action Agenda for Customer Satisfaction

- We will work every day to maintain high standards of quality in our products and services.
- We will work as a team to maintain good communications with users.
- We will provide quality and service that exceed customer expectations.

Ensuring Customer Safety

Pictograms Are Used to Inform Users Clearly about Precautions and Warnings.

Lead-acid storage batteries use lead in electrodes (a potentially harmful substance for human health) and sulfuric acid (a corrosive substance) as electrolytes. In addition, the batteries emit highly flammable hydrogen gas while they are being charged. Incorrect usage could result in injuries to users or damage to vehicles and other assets.

The GS Yuasa Group uses a range of methods to ensure that customers utilize lead-acid batteries correctly and safely, including pictograms and other forms of information on the products themselves. We also include warnings in catalogs, service manuals and instruction booklets. In addition, the GS Yuasa Group encourages users to recycle lead-acid batteries by means of pictograms and other forms of information on products.

Engagement with Local Communities

Corporate initiatives for people and their communities include environmental awareness programs for children.

Environmental Education Programs for Elementary School Children

Children Learn about Clean Energy by Using Solar Power Systems.

Since the year ended March 31, 2004 (fiscal 2003), the GS Yuasa Group has continually worked with the Kyoto Chamber of Commerce and Industry to run environmentally themed education programs for children. This initiative aims to foster children's interest in environmental problems by teaching them about the GS Yuasa Group's environmental technologies.

In fiscal 2013, a photovoltaic power generation system was used in a program focusing on clean energy utilization. The GS Yuasa Group will continue these efforts to boost awareness of the importance of environmental protection among school children, who will become the young citizens of tomorrow.

Kyoto Municipal Kasugano Elementary School

The children carried out experiments using solar panels and learned about efficient ways to generate power in the daytime for use during the night.

Classroom lesson about photovoltaic power generation

Photovoltaic power generation experiment

Eco Art Contest for Elementary School Children

This Initiative Helps to Expand Children's Awareness of the Global Environment.

GS Yuasa Battery Ltd. is one of the first automotive battery manufacturers to sell environment-friendly batteries. Since fiscal 2009, it has sponsored the GS Yuasa Eco Art Contest for Elementary School Children to give the pupils, who will become the young citizens of the future, an opportunity to express their thoughts on the global environment.

The theme for the fourth contest in fiscal 2013 was "My Ideal World." Children throughout Japan sent in a total of 866 highly imaginative entries. After a fair and scrupulous judging process, the gold medal was presented to a sixth-year elementary school pupil in Fukushima Prefecture for an entry entitled "Cat-Shaped Space Ship."

Many of the entries reflected the creativity, environmental awareness and hope for the future of the young artists. All inspired a renewed awareness of the need for companies to take a responsible stance toward the global environment. We will continue to sponsor this contest in the future.

Gold medal winner: "Cat-Shaped Space Ship."

A special website created for the GS Yuasa Eco Art Contest for Elementary School Children http://gyb.gs-yuasa.com/concours/pc/index.html

Corporate
Governance

We are engaging in an ongoing effort to improve our corporate governance to ensure the transparency, soundness, and legal compliance of our management.

Approach to Corporate Governance and Our Governance System

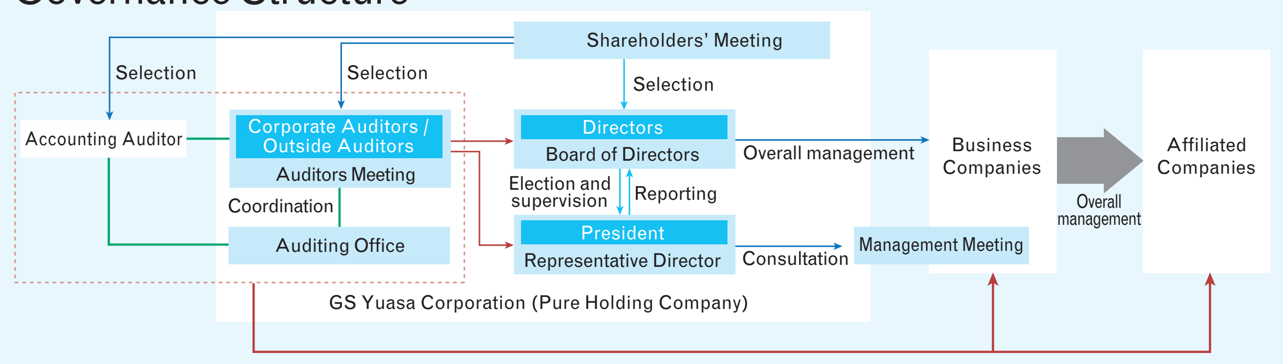
Maximizing Corporate Value

To implement our philosophy of contributing to "people, society, and the global environment through Innovation and Growth," our Group is working to manifest its vision of "delivering security and comfort to our customers around the world through advanced technologies developed in the field of stored energy solutions" and to unite all Group employees in this common commitment.

Moreover, we believe that a continued focus on corporate governance will maximize our corporate value to ensure management transparency and soundness while strengthening corporate profitability through timely decision-making and operational efficiency.

To ensure the effectiveness of management and processes along with appropriate decision-making throughout our Group, we have established a governance system intended to strengthen our Board of Directors. This initiative includes periodic reporting to the Board on the work status of each business subsidiary and important related issues. In addition, corporate and outside auditors present their opinions to the Board and to important meetings of the Group. As well, we are establishing a framework for conducting effective audits by facilitating the exchange of information at Auditor Meetings and ensuring coordination with the GS Yuasa Corporation Business Auditing Office and accounting auditors.

Governance Structure



Focused on Internal Controls

Establishing Systems That Support Sound Management

To strengthen its management foundation, the GS Yuasa Group has improved its system and relevant rules to ensure the maintenance of ethical business practices based on the Companies Act. This system includes mechanisms to ensure proper auditing, information management, and risk management throughout the Group.

To comply with the internal control reporting system required under the Financial Instruments and Exchange Law, we are maintaining an internal control system and financial reporting mechanisms to meet all requirements.

Our international subsidiaries and other consolidated Group companies evaluate the status of the improvement and implementation of their internal controls. Following external audits, reports on these internal controls are publicly disclosed.

Risk
Management

Implementing thorough compliance management and risk management

Thorough Risk Management and Crisis Management

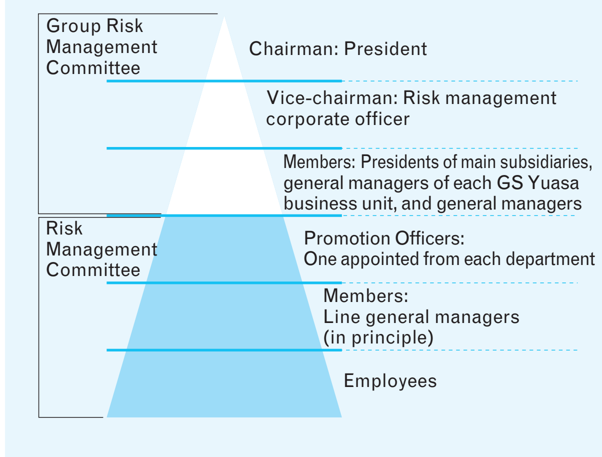
Evaluating the Scope of Risk in Detail and Appropriately Managing the Risk

The GS Yuasa Group has adopted Risk Management Rules intended to avoid or reduce exposure to business risk and minimize potential corporate losses.

Each department uses a Risk Management Sheet to evaluate the extent of risk and the potential impact of risks identified within the department. These departments hold monthly meetings to review the results of risk evaluations performed by their respective risk management committees. In addition, the Group Risk Management Committee— headed by our president with members comprising chairs of various departmental Risk Management Committees— holds semiannual meetings to promote Group-wide risk management and to encourage the sharing of key information related to risk management. The Risk Management Committee confirms that appropriate risk management measures have been implemented, and the committee chairs report on progress in this area.

Moreover, in preparation for the possibility that a new risk is identified, the system maintains an emergency contact network to swiftly implement crisis management.

Risk Management Structure



When a serious crisis occurs, members of the Group Risk Management Committee are appointed to organize a crisis management headquarters under the president in order to minimize corporate losses. We have also established a system to implement an appropriate response to moderate the situation.

Compliance Activities

Publishing Guidelines and Manuals and Conducting Compliance Training

By training our personnel according to our philosophy of "Growth and Innovation" while manifesting our commitment to society and preserving the global environment, we are ensuring that all employees are guided in their behavior in compliance with laws, company regulations, and ethical standards.

In this spirit, we have adopted the GS Yuasa Corporate Ethical Standards comprising 10 items that all employees must uphold. Moreover, we have established Corporate Ethical Behavior Guidelines that stipulate responses to specific situations. We also compiled and distributed the Compliance Manual to all employees. In fiscal 2013, we continued our fiscal 2012 initiative to improve each employee's compliance awareness through workplace meetings. In each workplace, we choose two themes from the nine high-priority themes including abuse of power in the workplace, health and safety, and management of working hours. The teaching materials inevitably contribute to lively exchanges of views and opinions.

We have also established the GS Yuasa Group Corporate Ethics Hotline for employees who become aware of behavior that is unethical or otherwise inappropriate. Accessible both internally and externally, the hotline enables employees to provide information anonymously. Our investigation team conducts inquiries and takes appropriate action while remaining committed to protecting whistleblowers.

Moreover, our president periodically conducts a compliance survey by distributing an in-house email questionnaire to all Group employees. The survey contains questions on compliance practices that arise in day-to-day operations.

Board of
Directors and Auditors (As of June 27, 2014)

President


Makoto Yoda

Senior Managing Director


Koichi Shiina

Managing Directors


Hideaki Yoshimura


Kei Nishida


Shinji Tatsumi


Toshiyuki Nakagawa

Directors


Masahide Kuragaki


Masaru Sawada


Toru Bomoto


Hirosuke Konishi


Osamu Murao

Full-Time Corporate Auditors


Hideyuki Maeno


Shinji Ochiai


Kiyoshi Ogawa

Corporate Auditor


Seiji Abe

Financial Section

Contents

Management's
Discussion and Analysis

Operating Results

In the year ended March 31, 2014, consolidated net sales increased by ¥73,486 million (26.8%) year on year to ¥347,996 million. This reflected higher domestic sales of lithium-ion automotive batteries and power supply systems in Japan, the conversion of Thai equity-method affiliates into consolidated subsidiaries in the second quarter, and the impact of exchange rates.

Cost of sales expanded by ¥58,407 million (27.3%) year on year to ¥272,567 million, due to the rise in net sales and higher prices for lead, an important raw material in the Company's products.

Selling, general and administrative expenses increased by ¥6,656 million (13.2%) year on year to ¥57,231 million, due mainly to higher expenses at overseas subsidiaries.

Financial Position

As of March 31, 2014, total assets were ¥340,463 million, up ¥50,094 million from the end of the previous year, as a result of increases in trade account receivables and inventories accompanying higher sales and production of lithium-ion automotive batteries, and the conversion of Siam GS Battery Co., Ltd. and Siam GS Sales Co., Ltd. into consolidated subsidiaries.

Total liabilities rose by ¥36,580 million to ¥185,760 million. The Company issued ¥25,000 million in convertible bonds to secure long-term funds and used a portion of the funds to repay interest-bearing debt, while trade accounts payable increased accompanying expanded production of lithium-ion automotive batteries.

Despite dividend payments, total equity increased to ¥154,703 million, up ¥13,514 million from the end of the previous year, owing to growth in retained earnings and to foreign currency translation adjustments.

Cash Flows

Consolidated cash and cash equivalents amounted to ¥23,392 million as of March 31, 2014, a rise of ¥12,182 million (108.7%) year on year.

Net cash provided by operating activities in the year ended March 31, 2014 totaled ¥19,705 million, compared with net cash provided of ¥19,070 million during the previous year. Major inflows included income before income taxes and minority interests, and depreciation. These items were largely offset by increases in trade accounts receivable and income taxes paid.

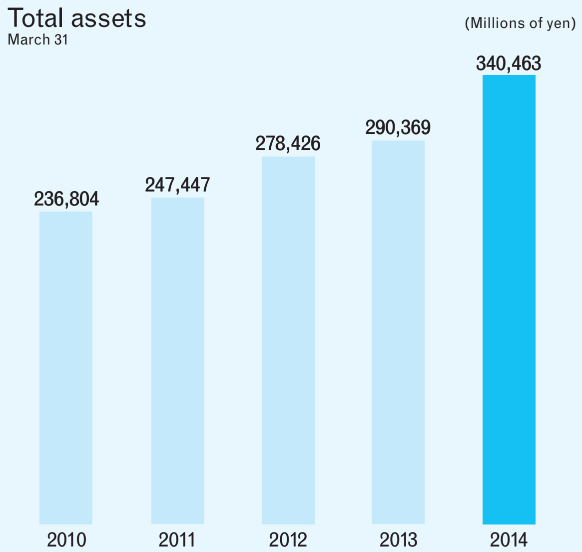
Net cash used in investing activities amounted to ¥9,787 million, compared with net cash used of ¥29,249 million in the previous year. Inflows included proceeds from sales of investment securities and proceeds from purchases of shares of newly consolidated subsidiaries Siam GS Battery Co., Ltd. and Siam GS Sales Co., Ltd., but these items were offset by outflows such as purchases of property, plant and equipment.

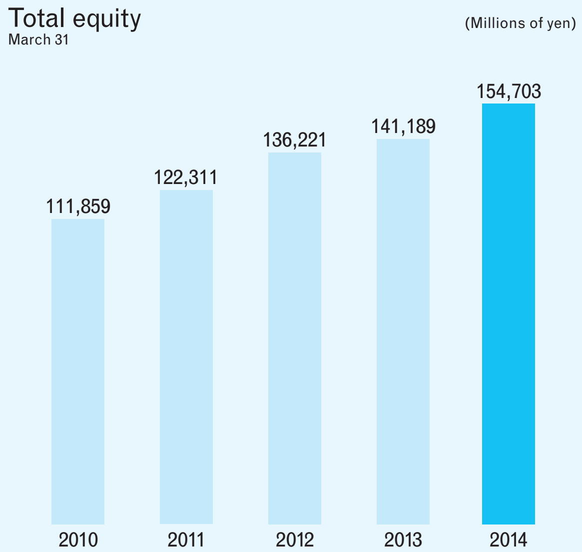
Net cash provided by financing activities amounted to ¥590 million, compared with net cash provided of ¥3,839 million in the previous year. This was mainly the result of proceeds from issuance of convertible bonds.

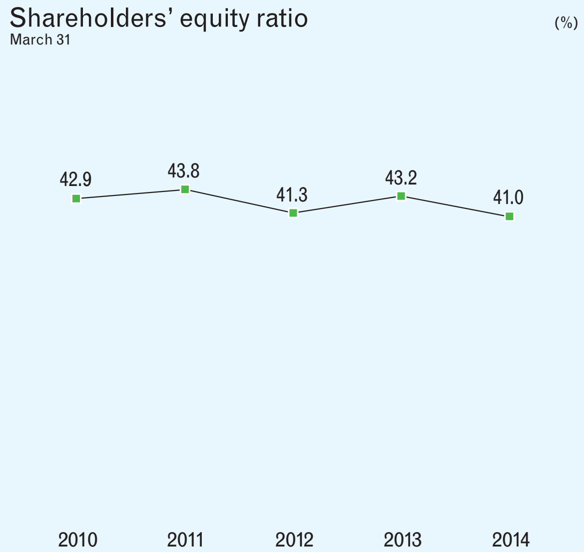
Strategy and Outlook

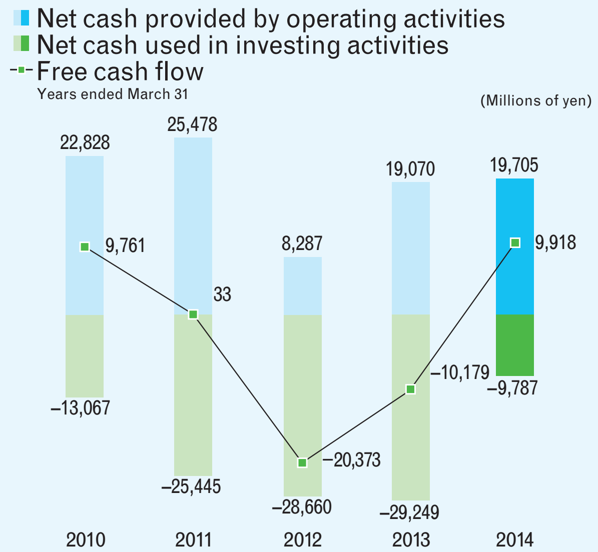
After experiencing a demand slump following the consumption tax rate hike in April 2014, the Japanese economy is expected to firm up in summer and beyond. We expect the trend to move modestly upward. Overseas, the U.S. economy is subject to concern about the government's fiscal problem and the effect of tapering by the Federal Reserve Board, but growth is expected to accelerate on the sustained recovery trend in private consumption. Although European growth is slow, the economy is expected to firm up. In China, the prospect of an economic slowdown is causing some concern, but growth in excess of 7% is forecast to continue, so we believe that the world economy will maintain its firm footing.

In this environment, the GS Yuasa Group will enter the second year of its third Mid-Term Management Plan in the year ending March 31, 2015. We aim for further growth based on the businesses we have built up over many years. In existing businesses such as domestic automotive batteries, domestic industrial batteries and power supplies, and overseas operations, we plan to expand our business domain and boost earnings. At the same time, we will put the lithium-ion battery business on a more stable footing.









Consolidated
Balance Sheet

March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 23,392	¥ 11,210	$ 227,107
Time deposits (Note 13)	13	13	126
Receivables (Notes 7 and 13):			
Trade notes	4,504	5,230	43,728
Trade accounts	68,785	53,889	667,816
Unconsolidated subsidiaries and associated companies	3,275	3,617	31,796
Other	6,464	6,960	62,757
Allowance for doubtful receivables	(304)	(324)	(2,951)
Inventories (Note 4)	56,409	42,950	547,660
Deferred tax assets (Note 10)	3,474	2,963	33,728
Prepaid expenses and other current assets	2,200	2,196	21,359
Total current assets	168,212	128,704	1,633,126
PROPERTY, PLANT AND EQUIPMENT (Notes 7):			
Land (Note 2.j)	21,892	20,762	212,544
Buildings and structures	89,793	78,181	871,777
Machinery and equipment	129,031	107,316	1,252,728
Furniture and fixtures	24,019	18,259	233,194
Lease assets	5,257	5,231	51,039
Construction in progress	2,623	11,672	25,466
Total	272,615	241,421	2,646,748
Accumulated depreciation	(143,438)	(126,384)	(1,392,602)
Net property, plant and equipment	129,177	115,037	1,254,146
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	16,691	18,364	162,049
Investments in unconsolidated subsidiaries and affiliated companies (Notes 6 and 13)	19,575	19,603	190,049
Asset for retirement benefits (Note 8)	617	3,121	5,990
Deferred tax assets (Note 10)	1,480	1,258	14,369
Other assets	4,711	4,282	45,737
Total investments and other assets	43,074	46,628	418,194
TOTAL	¥ 340,463	¥ 290,369	$ 3,305,466

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7 and 13)	¥ 21,154	¥ 27,654	$ 205,379
Current portion of long-term debt (Notes 7 and 13)	1,545	15,085	15,000
Payables (Note 13):			
Trade notes	11,345	5,274	110,146
Trade accounts	29,294	19,773	284,408
Unconsolidated subsidiaries and associated companies	2,398	2,500	23,282
Other	21,998	14,531	213,573
Income taxes payable (Note 13)	5,926	2,496	57,534
Accrued expenses	9,547	8,063	92,689
Other current liabilities	3,929	3,129	38,144
Total current liabilities	107,136	98,505	1,040,155
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 13)	60,499	32,977	587,369
Liability for retirement benefits (Notes 2.k and 8)	5,791	6,839	56,223
Long-term deposits received	4,794	4,618	46,544
Deferred tax liabilities (Note 10)	5,253	4,049	51,000
Deferred tax liabilities on land revaluation	1,213	1,219	11,777
Other	1,074	973	10,427
Total long-term liabilities	78,624	50,675	763,340
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 9 and 18):			
Common stock, authorized, 1,400,000,000 shares; issued 413,574,714 shares in 2014 and 2013	33,021	33,021	320,592
Capital surplus	54,880	54,880	532,816
Retained earnings	42,489	34,974	412,515
Treasury stock–at cost: 773,397 shares in 2014 and 753,540 shares in 2013	(326)	(316)	(3,165)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	6,805	6,987	66,068
Deferred loss on derivatives under hedge accounting	(20)	(63)	(194)
Land revaluation surplus (Note 2.j)	1,419	1,428	13,777
Foreign currency translation adjustments	3,808	(5,559)	36,971
Defined retirement benefit plans (Notes 2.k and 8)	(2,621)		(25,447)
Total	139,455	125,352	1,353,933
Minority interests	15,248	15,837	148,038
Total equity	154,703	141,189	1,501,971
TOTAL	¥ 340,463	¥ 290,369	$ 3,305,466

Consolidated Statement of
Income

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES (Note 6)	¥ 347,996	¥ 274,510	$ 3,378,602
COST OF SALES (Notes 6 and 11)	272,567	214,160	2,646,282
Gross profit	75,429	60,350	732,320
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	57,231	50,575	555,641
Operating income	18,198	9,775	176,679
OTHER INCOME (EXPENSES):			
Interest and dividend income	559	405	5,427
Interest expense	(1,174)	(1,431)	(11,398)
Gain on sales of property, plant and equipment	25	334	243
Loss on disposal of property, plant and equipment	(330)	(385)	(3,204)
Gain on government grants		5,770	
Loss on reduction of cost of property, plant and equipment (Note 2.h)		(5,770)	
Loss on impairment of long-lived assets	(31)	(2,662)	(301)
Write-down of investment securities (Note 5)		(28)	
Foreign exchange gain	791	304	7,680
Equity in earnings of unconsolidated subsidiaries and associated companies	1,957	2,843	19,000
Gain on sales of investment securities	1,498		14,544
Gain on contribution of securities to retirement benefit trust	1,443		14,010
Loss on recall (Note 3)	(6,700)		(65,049)
Other—net	(377)	(864)	(3,660)
Other income (expenses)—net	(2,339)	(1,484)	(22,708)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	15,859	8,291	153,971
INCOME TAXES (Note 10):			
Current	9,233	5,560	89,641
Deferred	1,915	2,579	18,592
Total income taxes	11,148	8,139	108,233
NET INCOME BEFORE MINORITY INTERESTS	4,711	152	45,738
MINORITY INTERESTS IN NET LOSS	5,271	5,616	51,175
NET INCOME	¥ 9,982	¥ 5,768	$ 96,913
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.u and 17):			
Basic net income	¥ 24.18	¥ 13.97	$ 0.23
Diluted net income	24.16		0.23
Cash dividends applicable to the year	8.00	6.00	0.08

See notes to consolidated financial statements.

Consolidated Statement of
Comprehensive Income

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 4,711	¥ 152	$ 45,738
OTHER COMPREHENSIVE INCOME (Note 16):			
Unrealized gain (loss) on available-for-sale securities	(213)	1,605	(2,068)
Deferred gain (loss) on derivatives under hedge accounting	42	(131)	408
Foreign currency translation adjustments	7,437	4,562	72,204
Share of other comprehensive income in associates	2,399	2,260	23,291
Total other comprehensive income	9,665	8,296	93,835
COMPREHENSIVE INCOME (Note 16)	¥ 14,376	¥ 8,448	$ 139,573
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):			
Owners of the parent	¥ 19,210	¥ 13,511	$ 186,505
Minority interests	(4,834)	(5,063)	(46,932)

See notes to consolidated financial statements.

Consolidated Statement of
Changes in Equity

Year Ended March 31, 2014

						Millions of Yen							
						Accumulated Other Comprehensive Income							
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	412,830,731	¥ 33,021	¥ 54,880	¥ 32,517	¥ (313)	¥ 5,366	¥ 68	¥ 1,400	¥ (11,812)		¥ 115,127	¥ 21,094	¥ 136,221
Net income				5,768							5,768		5,768
Cash dividends, ¥8.00 per share				(3,303)							(3,303)		(3,303)
Purchase of treasury stock	(9,557)				(3)						(3)		(3)
Take-over of retained earnings for merger of nconsolidated subsidiary				20							20		20
Transfer due to sales of land and other				(28)							(28)		(28)
Net change in the year						1,621	(131)	28	6,253		7,771	(5,257)	2,514
BALANCE, MARCH 31, 2013	412,821,174	33,021	54,880	34,974	(316)	6,987	(63)	1,428	(5,559)		125,352	15,837	141,189
Net income				9,982							9,982		9,982
Cash dividends, ¥6.00 per share				(2,477)							(2,477)		(2,477)
Purchase of treasury stock	(19,857)				(10)						(10)		(10)
Transfer due to sales of land and other				10							10		10
Net change in the year						(182)	43	(9)	9,367	¥ (2,621)	6,598	(589)	6,009
BALANCE, MARCH 31, 2014	412,801,317	¥ 33,021	¥ 54,880	¥ 42,489	¥ (326)	¥ 6,805	¥ (20)	¥ 1,419	¥ 3,808	¥ (2,621)	¥ 139,455	¥ 15,248	¥ 154,703

					Thousands of U.S. Dollars (Note 1)							
					Accumulated Other Comprehensive Income							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 320,592	$ 532,816	$ 339,553	$ (3,068)	$ 67,835	$ (612)	$ 13,864	$ (53,971)		$ 1,217,009	$ 153,757	$ 1,370,766
Net income			96,913							69,913		96,913
Cash dividends, $0.06 per share			(24,049)							(24,049)		(24,049)
Purchase of treasury stock				(97)						(97)		(97)
Transfer due to sales of land and other			98							98		98
Net change in the year					(1,767)	418	(87)	90,942	$ (25,447)	64,059	(5,719)	58,340
BALANCE, MARCH 31, 2014	$ 320,592	$ 532,816	$ 412,515	$(3,165)	$ 66,068	$ (194)	$ 13,777	$ 36,971	$ (25,447)	$ 1,353,933	$ 148,038	$ 1,501,971

See notes to consolidated financial statements.

Consolidated Statement of
Cash Flows

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 15,859	¥ 8,291	$ 153,971
Adjustments for:			
Income taxes—paid	(6,216)	(4,162)	(60,350)
Depreciation	13,430	13,719	130,388
Loss on impairment of long-lived assets	31	2,662	301
Gain on sales of property, plant and equipment	(25)	(334)	(243)
Loss on reduction of cost of property, plant and equipment		5,770	
Loss on disposal of property, plant and equipment	330	385	3,204
Write-down of investment securities		28	
Gain on sales of investment securities	(1,498)		(14,544)
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,957)	(2,843)	(19,000)
Changes in assets and liabilities:			
Increase in trade accounts receivable	(8,268)	(78)	(80,272)
Decrease (increase) in inventories	(6,075)	255	(58,981)
Decrease in interest and dividend receivable	742	706	7,204
Increase (decrease) in trade accounts payable	10,682	(1,585)	103,709
Decrease in interest payable	(17)	(77)	(165)
Decrease in liability for retirement benefits	(693)	(421)	(6,728)
Other—net	3,380	(3,246)	32,817
Net cash provided by operating activities	19,705	19,070	191,311
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	407	500	3,951
Purchases of property, plant and equipment	(15,224)	(38,931)	(147,806)
Proceeds from sales of investment securities	2,952	120	28,660
Purchases of investment securities	(924)	(1,004)	(8,971)
Payments to acquire securities of consolidated subsidiary	(16)	(200)	(155)
Proceeds from sales of securities of consolidated subsidiary	231		2,243
Proceeds from purchases of shares of the newly consolidated subsidiaries	3,282		31,864
Proceeds from receipts of government grants		10,643	
Other—net	(495)	(377)	(4,805)
Net cash used in investing activities	(9,787)	(29,249)	(95,019)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings - net	(9,265)	12,829	(89,951)
Proceeds from long-term bank loans	3,809	15,700	36,981
Repayments of long-term bank loans	(14,372)	(14,972)	(139,534)
Payments for purchase of lease assets		(5,124)	
Proceeds of issuance of convertible bond	25,034		243,049
Proceeds from stock issuance to minority shareholders		272	
Purchase of treasury stock	(11)	(3)	(107)
Dividends paid	(3,597)	(3,577)	(34,922)
Other—net	(1,008)	(1,286)	(9,788)
Net cash provided by financing activities	590	3,839	5,728

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	¥ 10,508	¥ (6,340)	$ 102,020
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,674	1,053	16,252
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		20	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,210	16,477	108,835
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 23,392	¥ 11,210	$ 227,107

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of GS Yuasa Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen and, solely for the convenience of readers, have been translated into U.S. dollars at the rate of ¥103 to $1, the approximate exchange rate at March 31, 2014. 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 U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 57 (56 in 2013) significant subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies over whose operations the Company, directly or indirectly, is able to exercise control are fully consolidated, and those associated companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in one unconsolidated subsidiary and 23 (22 in 2013) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. Consolidating or accounting for those companies by the equity method would not have a significant effect on the consolidated financial statements.

All significant intercompany balances and transactions are eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated. The excess of cost over the net assets of subsidiaries acquired is amortized principally over a period of five years.

Siam GS Battery Co., Ltd. and Siam GS Sales Co., Ltd. were included in the scope of consolidated subsidiaries as a result of a subscription by GS Yuasa International Ltd. for new shares issued by Siam GS Battery Co., Ltd. by way of third-party allotment.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method — In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

d. Business Combinations — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

e. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

f. Inventories — Inventories are principally stated at the lower of cost, determined by the average method, or net selling value (see Note 4).

g. Investment Securities — All of the Group's marketable 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 equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is from 7 to 50 years for buildings and structures and from 4 to 17 years for machinery.

Effective April 1, 2013, the Company and its domestic consolidated subsidiaries have adopted the straight-line method of depreciation for property, plant and equipment (except for buildings), which had previously been depreciated by the declining-balance method. Considering the correlation between productions, and costs resulting from the usage and maintenance of the assets, the straight-line method provides a more accurate allocation of the cost of the assets over the assets' estimated useful lives. Also considering that foreign operations are increasingly more important to the Group, unifying the depreciation method to the straight-line method, which overseas subsidiaries have been adopting, is thought to be more rational. As a result, consolidated operating income, and income before income taxes and minority interests for the year ended March 31, 2014, both increased by ¥3,926 million ($38,117 thousand).

Leased assets related to financial leases that do not transfer ownership rights are depreciated under the straight-line method based on the lease term as the useful life and assuming no residual value.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired. As of March 31, 2014, the accumulated deducted cost of the assets acquired was ¥10,643 million ($103,330 thousand).

i. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Land Revaluation — Under the "Law of Land Revaluation," certain domestic subsidiaries of the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. As of March 31, 2014, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,069 million ($10,379 thousand).

k. Retirement Benefits — Certain consolidated subsidiaries of the Company have contributory and non-contributory funded defined benefit pension plans, defined contribution pension plan and unfunded retirement benefit plans for employees.

Effective April 1, 2000, the Group adopted an 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 projected benefit obligations are attributed to periods on a straight-line basis. Actual gains and losses are amortized on a straight-line basis over from 10 to 14 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 14 years within the average remaining service period. The transitional obligation of ¥15,193 million as of April 1, 2000, is being amortized over 15 years.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2.x).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for retirement benefits of ¥617 million ($5,990 thousand) and liability for employees' retirement benefits of ¥5,739 million ($55,718 thousand) were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥2,621 million ($25,447 thousand).

Retirement benefits to directors, Audit & Supervisory Board members and executive officers of certain domestic subsidiaries are provided at the amount which would be required if all such persons retired at the balance sheet date.

l. Asset Retirement Obligations — In March 2008, the ASBJ issued ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Research and Development Costs — Research and development costs are charged to income as incurred.

n. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

o. Bonuses to Directors — Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.

p. Construction Contracts — In December 2007, the ASBJ issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

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

r. Foreign Currency Amounts — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

s. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical exchange rates.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average rates.

t. Derivatives and Hedging Activities — The Group uses foreign exchange forward contracts, foreign currency swaps, interest rate swaps and commodity price swaps to manage its exposures to fluctuations in foreign exchange rates, interest rates and material prices. 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 consolidated statement of income and for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

u. Per Share Information — Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights incorporated in convertible bonds were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights.

Diluted net income per common share for 2013 is not disclosed because the effect of including potential common shares is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statement of income are the amounts applicable to the respective fiscal years including dividends to be paid after the end of the fiscal year.

v. Bond Issue Costs — Bond issue costs are amortized by the straight-line method over the bond term in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ in August 2006.

w. Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies — When a new accounting policy is applied following revision of an accounting standards, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation — When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates — A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors — When an error in prior-period financial statements is discovered, those statements are restated.

x. New Accounting Pronouncements

Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

Accounting Standards for Business Combinations and Consolidated Financial Statements — On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" is effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. LOSS ON RECALL

Mitsubishi Motors Corporation announced a recall of several types of defective lithium-ion batteries for vehicles manufactured by Lithium Energy Japan (consolidated subsidiary). As a result, Lithium Energy Japan needed to respond to this recall as the supplier of the batteries.

As a result, the Group recorded ¥6,700 million ($65,049 thousand) for losses to be covered regarding this recall as other expenses in the consolidated statement of income for the year ended March 31, 2014.

4. INVENTORIES

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Finished products	¥ 30,592	¥ 24,666	$ 297,010
Work in process	13,703	10,111	133,039
Raw materials and supplies	12,114	8,173	117,611
Total	¥ 56,409	¥ 42,950	$ 547,660

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Non-current:			
Marketable equity securities	¥ 16,662	¥ 18,335	$ 161,767
Debt securities	29	29	282
Total	¥ 16,691	¥ 18,364	$ 162,049

The costs and aggregate fair values of investment securities at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 5,243	¥ 10,144	¥ (28)	¥ 15,359

	Millions of Yen			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 6,655	¥ 10,508	¥ (113)	¥ 17,050

	Thousands of U.S. Dollars			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 50,904	$ 98,485	$ (272)	$ 149,117

The information of available-for-sale securities which were sold during the year ended March 31, 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Proceeds	Realized Gains	Proceeds	Realized Gains
Available-for-sale:				
Equity securities	¥ 4,444	¥ 2,941	$ 43,146	$ 28,554
Debt securities	415		4,029	

The Group contributed certain available-for-securities with a fair value of ¥1,917 million ($18,612 thousand) to the employee retirement benefit trust, and recognized a non-cash gain of ¥1,443 million ($14,010 thousand) for the fiscal year ended March 31, 2014. The amounts of contribution and the non-cash gain are included in above.

6. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in unconsolidated subsidiaries and associated companies at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investments at cost	¥ 4,468	¥ 5,575	$ 43,379
Equity in undistributed earnings	15,107	14,028	146,670
Total	¥ 19,575	¥ 19,603	$ 190,049

Sales to and purchases from unconsolidated subsidiaries and associated companies for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Sales	¥ 14,754	¥ 13,676	$ 143,243
Purchases	20,822	17,677	202,155

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Bank loans	¥ 21,154	¥ 23,654	$ 205,379
Commercial papers		4,000	
Total	¥ 21,154	¥ 27,654	$ 205,379

At March 31, 2014, short-term bank loans of ¥832 million ($8,078 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 interest rates for the Group's short-term bank loans were 1.78% and 1.87% at March 31, 2014 and 2013, respectively. The weighted-average interest rate for the commercial paper was 0.13% at March 31, 2013.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Zero coupon convertible bonds due in March 2019	¥ 25,000		$ 242,718
Unsecured bank loans, maturing serially through 2019 with interest rates ranging from 0.4% to 7.1% (2014) and from 0.4% to 9.3% (2013)	33,981	¥ 44,021	329,913
Obligations under finance leases	3,063	4,041	29,738
Total	62,044	48,062	602,369
Less current portion	1,545	15,085	15,000
Long-term debt	¥ 60,499	¥ 32,977	$ 587,369

Annual maturities of long-term debt at March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 1,545	$ 15,000
2016	1,949	18,922
2017	12,881	125,058
2018	15,516	150,641
2019	28,501	276,709
2020 and thereafter	1,652	16,039
Total	¥ 62,044	$ 602,369

Zero coupon convertible bonds

Class of shares to be issued	Ordinary shares of common stock
Issue price for stock acquisition rights	–
Exercise price per share	¥ 851 ($8)
Total amount of debt securities issued	¥ 25,000 million ($242,718 thousand)
Total amount of shares issued by exercising stock acquisition rights	–
Percentage of shares with stock acquisition rights (%)	100
Exercise period	March 27, 2014 – February 27, 2019

If all the outstanding stock acquisition rights incorporated in convertible bonds had been exercised at March 31, 2014, 29,377 thousand shares of common stock would have been issued. The conversion price of the convertible bonds is subject to adjustments to reflect stock splits and certain other events.

The carrying values of assets pledged as collateral for short-term borrowings at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Trade accounts	¥ 3,303	$ 32,068
Buildings and structures	94	912
Land	148	1,437
Total	¥ 3,545	$ 34,417

8. RETIREMENT BENEFITS

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

The portions of the liability for retirement benefits attributable to directors, Audit & Supervisory Board members and executive officers at March 31, 2014 and 2013, were ¥52 million ($505 thousand) and ¥63 million, respectively.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 44,094	$ 428,097
Current service cost	1,480	14,369
Interest cost	397	3,854
Actuarial gains	(98)	(951)
Benefits paid	(3,358)	(32,602)
Others	125	1,214
Balance at end of year	¥ 42,640	$ 413,981

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 31,676	$ 307,534
Expected return on plan assets	436	4,233
Actuarial gains	2,188	21,243
Contributions from the employer	5,545	53,835
Benefits paid	(2,486)	(24,136)
Others	159	1,543
Balance at end of year	¥ 37,518	$ 364,252

(3) Reconciliation between the asset and liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets at March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 40,422	$ 392,446
Plan assets	37,518	364,252
	2,904	28,194
Unfunded defined benefit obligation	2,218	21,534
Net liability arising from defined benefit obligation	¥ 5,122	$ 49,728
Liability for retirement benefits	¥ 5,739	$ 55,718
Asset for retirement benefits	617	5,990
Net liability arising from defined benefit obligation	¥ 5,122	$ 49,728

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 1,480	$ 14,369
Interest cost	397	3,854
Expected return on plan assets	(436)	(4,233)
Amortization of prior service cost	(307)	(2,980)
Recognized actuarial losses	1,695	16,456
Amortization of transitional obligation	1,012	9,825
Net periodic benefit costs	¥ 3,841	$ 37,291

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ (1,784)	$ (17.320)
Unrecognized actuarial losses	4,831	46,903
Unrecognized transitional obligation	1,016	9,864
Total	¥ 4,063	$ 39,447

(6) Plan assets

a. Components of plan assets

Plan assets at March 31, 2014, consisted of the following:

Debt investments	7%
Equity investments	60
Others	33
Total	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.0%
Expected rate of return on plan assets	2.0

Year Ended March 31, 2013

The liability for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 44.094
Fair value of plan assets	(31,676)
Unrecognized prior service cost	2,091
Unrecognized actuarial loss	(8,821)
Unrecognized transitional obligation	(2,033)
Net liability	3,655
Prepaid pension cost	3,121
Liability for retirement benefits	¥ 6,776

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥ 1,113
Interest cost	792
Expected return on plan assets	(401)
Amortization of prior service cost	(307)
Recognized actuarial loss	1,796
Amortization of transitional obligation	1,012
Net periodic benefit costs	¥ 4,005

Assumptions used for the year ended March 31, 2013, were set forth as follows:

Discount rate	1.0%
Expected rate of return on plan assets	2.0%
Amortization period of prior service cost	14 years
Recognition period of actuarial gain/loss	10 to 14 years
Amortization period of transitional obligation	15 years

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividend-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Accrued bonuses	¥ 1,484	¥ 1,438	$ 14,408
Retirement benefits	4,287	3,516	41,621
Write-down of investment securities	367	418	3,563
Unrealized profit	365	391	3,544
Tax loss carryforwards	12,098	7,231	117,456
Other	4,533	4,322	44,009
Less valuation allowance	(14,281)	(9,351)	(138,650)
Deferred tax assets	8,853	7,965	85,951
Deferred tax liabilities:			
Valuation excess of property	211	211	2,049
Unrealized gain on available-for-sale securities	3,326	3,395	32,291
Undistributed earnings of foreign subsidiaries	4,248	2,981	41,243
Other	1,367	1,206	13,271
Deferred tax liabilities	9,152	7,793	88,854
Net deferred tax assets	¥ (299)	¥ 172	$ (2,903)

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013, was as follows:

	2014	2013
Normal effective statutory tax rates	38.0%	38.0%
Expenses not deductible for income tax purposes	0.8	1.8
Per capita levy	0.4	0.9
Net change in valuation allowance	34.5	60.3
Tax benefit not recognized on operating losses of foreign subsidiaries	(5.3)	(6.0)
Dividends of unconsolidated subsidiaries and associated companies	8.0	12.7
Amortization of goodwill	(0.2)	0.0
Equity in earnings of unconsolidated subsidiaries and associated companies	(4.7)	(13.0)
Non-taxable dividend income	(19.6)	(34.7)
Unrecognized tax effects on the eliminated intercompany unrealized profit	0.3	1.1
Elimination of intercompany dividends	19.4	35.5
Other – net	(1.3)	1.6
Actual effective tax rates	70.3%	98.2%

On March 31, 2014, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 38.0% to 35.5%, effective for years beginning on or after April 1, 2014. The effect of this change was not significant.

At March 31, 2014, certain subsidiaries have tax loss carryforwards aggregating approximately ¥34,051 million ($330,592 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 170	$ 1,650
2018	679	6,592
2019	720	6,990
2020 and thereafter	32,482	315,360
Total	¥ 34,051	$ 330,592

11.RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,496 million ($63,068 thousand) and ¥6,228 million for the years ended March 31, 2014 and 2013, respectively.

12. LEASES

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

Total lease payments for the years ended March 31, 2014 and 2013, were ¥1,818 million ($17,650 thousand) and ¥2,044 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 912	$ 8,855
Due after one year	1,613	15,660
Total	¥ 2,525	$ 24,515

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008, to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, was as follows:

	Millions of Yen					
	2014			2013		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥ 10	¥ 34	¥ 44	¥ 134	¥ 37	¥ 171
Accumulated depreciation	¥ 10	31	41	132	32	164
Net leased property		¥ 3	¥ 3	¥ 2	¥ 5	¥ 7

	Thousands of U.S. Dollars		
	2014		
	Machinery and Equipment	Other	Total
Acquisition cost	$ 97	$ 330	$ 427
Accumulated depreciation	$ 97	301	398
Net leased property		$ 29	$ 29

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 2	¥ 4	$ 19
Due after one year	1	3	10
Total	¥ 3	¥ 7	$ 29

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

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Depreciation expense	¥ 2	¥ 46	$ 19

Depreciation expense, which is not reflected in the accompanying consolidated statement of income, is computed by the straight-line method.

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans, based on its capital financing plan. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Marketable and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than five months.

Maturities of bank loans, principally used for purposes of funding of investments and short-term working capital, are less than five years after the balance sheet date. A part of such bank loans is exposed to market risks from changes in variable interest rates.

The purchase price of lead which is a raw material used in production is exposed to the risk of market price fluctuations. This risk is mitigated by using commodity price swaps.

Derivatives mainly include forward foreign currency contracts, foreign currency swaps interest rate swaps and commodity price swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates, interest rates and material prices. Please see Note 14 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers in early stage. With respect to investment securities, the Group manages its exposure to market risk by monitoring market values and financial position of issuers on a regular basis.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by the monthly management of cash positions by the corporate finance division.

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Commodity price swaps are used to manage exposure to market risk from changes in material prices.

Derivative transactions are entered into and managed by the finance division based on internal guidelines and the Business Auditing Office monitors observance of internal guidelines. The Company monitors the derivative transactions entered into by subsidiaries on a regular basis.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If the quoted price is not available, other rational valuation techniques are used instead. Also please see Note 14 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 23,392	¥ 23,392	
Time deposits	13	13	
Receivables	76,476	76,476	
Investment securities	15,359	15,359	
Investments in unconsolidated subsidiaries and affiliated companies	9,705	10,690	¥ 984
Total	¥ 124,945	¥ 125,930	¥ 984
Short-term bank loans	¥ 21,662	¥ 21,662	
Payables	65,035	65,035	
Income taxes payable	5,926	5,926	
Long-term debt:			
Convertible bonds	25,000	26,305	¥ 1,305
Bank loans	33,472	33,661	189
Lease obligations	2,027	2,044	17
Total	¥ 153,122	¥ 154,633	¥ 1,511

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 11,210	¥ 11,210	
Time deposits	13	13	
Receivables	62,240	62,240	
Investment securities	17,050	17,050	
Investments in unconsolidated subsidiaries and associated companies	6,884	9,270	¥ 2,386
Total	¥ 97,397	¥ 99,783	¥ 2,386
Short-term bank loans and commercial papers	¥ 41,685	¥ 41,685	
Payables	42,078	42,078	
Income taxes payable	2,496	2,496	
Long-term debt:			
Bank loans	29,990	30,223	¥ 233
Lease obligations	2,987	3,016	29
Total	¥ 119,236	¥ 119,498	¥ 262

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 227,107	$ 227,107	
Time deposits	126	126	
Receivables	742,485	742,485	
Investment securities	149,117	149,117	
Investments in unconsolidated subsidiaries and associated companies	94,223	103,786	$ 9,563
Total	$ 1,213,058	$ 1,222,621	$ 9,563
Short-term bank loans	$ 210,311	$ 210,311	
Payables	631,409	631,409	
Income taxes payable	57,534	57,534	
Long-term debt:			
Convertible bonds	242,718	255,388	$ 12,670
Bank loans	324,971	326,806	1,835
Lease obligations	19,680	19,845	165
Total	$ 1,486,623	$ 1,501,293	$ 14,670

Cash and cash equivalents, Time deposits and Receivables

The carrying values of cash and cash equivalents, time deposits and receivables approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 5.

Short-term bank loans, Payables and Income taxes payable

The carrying values of short-term bank loans, payables and income taxes payable approximate fair value because of their short maturities.

Long-term debt

The fair values of bank loans and lease obligations are determined by discounting the future cash flows at the Group's assumed corporate borrowing rate.

The fair values of convertible bonds are measured at the quoted price obtained from the financial institution for certain debt instruments.

Derivatives

Fair value information for derivatives is included in Note 14.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥ 11,202	¥ 14,141	$ 108,758

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
	2014		2013	
	Due in 1 Year or Less	Due after 5 Years through 10 Years	Due in 1 Year or Less	Due after 10 Years
Cash and cash equivalents	¥ 23,392		¥ 11,210	
Time deposits	13		13	
Receivables	76,476		62,240	
Investment securities:				
Available-for-sale securities with contractual maturities		¥ 29		¥ 29
Total	¥ 99,881	¥ 29	¥ 73,463	¥ 29

	Thousands of U.S. Dollars	
	2014	
	Due in 1 Year or Less	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 227,107	
Time deposits	126	
Receivables	742,485	
Investment securities:		
Available-for-sale securities with contractual maturities		$ 282
Total	$ 969,718	$ 282

Please see Note 7 for annual maturities of long-term debt and Note 12 for obligations under finance leases.

14. DERIVATIVES

The Group enters into foreign exchange forward contracts and foreign currency swaps to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage interest rate exposures on certain liabilities and it enters into commodity price swap contracts to reduce the impact of price fluctuations of lead inventories.

All derivative transactions are entered into to hedge interest foreign currency and commodity price exposures incorporated within the Group's 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.

Derivatives are subject to market risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization of such transactions.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying THB	¥ 249		¥ (16)	¥ (16)
Currency swaps:				
(fixed currency payment, floating currency receipt)	¥ 212		¥ (3)	¥ (3)

	Millions of Yen			
At March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying THB	¥ 218		¥ (16)	¥ (16)
Currency swaps:				
(fixed currency payment, floating currency receipt)	¥ 338		¥ (51)	¥ (51)

	Thousands of U.S. Dollars			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying THB	$ 2,417		$ (155)	$ (155)
Currency swaps:				
(fixed currency payment, floating currency receipt)	$ 2,058		$ (29)	$ (29)

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Buying EUR and GBP	Payables	¥ 3,952		¥ (74)
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt interest	¥ 2,800	¥ 2,800	
Commodity price swaps:				
(fixed material price payment, floating material price receipt)	Cost of sales	¥ 927		¥ (31)

	Millions of Yen			
At March 31, 2013	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Buying EUR and GBP	Payables	¥ 2,338		¥ (29)
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt interest	¥ 4,800	¥ 2,800	
Commodity price swaps:				
(fixed material price payment, floating material price receipt)	Cost of sales	¥ 1,010		¥ (101)

	Thousands of U.S. Dollars			
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Buying EUR and GBP	Payables	$ 38,369		$ (718)
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt interest	$ 27,184	$ 27,184	
Commodity price swaps:				
(fixed material price payment, floating material price receipt)	Cost of sales	$ 9,000		$ (301)

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 13 is included in that of the hedged items (i.e., long-term debt).

The fair value of derivatives is measured at the quoted prices obtained from financial institutions.

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, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Endorsed note	¥ 107	$ 1,039
Guarantees of bank loans of certain associated companies	268	2,602

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 2,658	¥ 2,394	$ 25,806
Reclassification adjustments to profit or loss	(2,940)	28	(28,544)
Amount before income tax effect	(282)	2,422	(2,738)
Income tax effect	69	(817)	670
Total	¥ (213)	¥ 1,605	$ (2,068)
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	¥ (76)	¥ (26)	$ (738)
Reclassification adjustments to profit or loss	141	(164)	1,369
Amount before income tax effect	65	(190)	631
Income tax effect	(23)	59	(223)
Total	¥ 42	¥ (131)	$ 408
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 7,437	¥ 4,562	$ 72,204
Share of other comprehensive income in associates -			
Gains arising during the year	¥ 2,399	¥ 2,260	$ 23,291
Total other comprehensive income	¥ 9,665	¥ 8,296	$ 93,835

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2014:	Net Income	Weighted-Average Shares	EPS	
Basic EPS - Net income available to common shareholders	¥ 9,982	412,812	¥ 24.18	$ 0.23
Effect of dilutive securities:				
Convertible bonds		402		
Diluted EPS - Net income for computation	¥ 9,982	413,214	¥ 24.16	$ 0.23

18. SUBSEQUENT EVENTS

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's shareholders' meeting held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8.00 ($0.08) per share	¥ 3,302	$ 32,058

19. SEGMENT INFORMATION

Under the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the following.

"Domestic Automotive Batteries" consists of manufacturing and marketing of lead-acid batteries for automotive.

"Domestic Industrial Batteries and Power Supplies" consists of manufacturing and marketing of industrial batteries and power supplies.

"Overseas Operations" consists of manufacturing and marketing of batteries in overseas.

"Lithium-ion Batteries" consists of manufacturing and marketing of lithium-ion batteries for vehicles.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The profit (loss) of each reportable segment is an operating profit (loss). The prices of the goods traded among the segments are mainly determined considering market prices or manufacturing costs.

(3) Information about Sales, Profit (Loss), Assets and Other Items

	Millions of Yen						
	2014						
	Reportable Segment						
	Domestic Automotive Batteries	Domestic Industrial Batteries and Power Supplies	Overseas Operations	Lithium-ion Batteries	Total	Other	Consolidated
Sales:							
Sales to external customers	¥ 56,906	¥ 79,242	¥ 164,252	¥ 32,501	¥ 332,901	¥ 15,095	¥ 347,996
Intersegment sales of transfers	1,509	2,597	1,504	428	6,038	(6,038)	
Total	¥ 58,415	¥ 81,839	¥ 165,756	¥ 32,929	¥ 338,939	¥ 9,057	¥ 347,996
Segment profit (loss)	¥ 3,310	¥ 12,199	¥ 8,996	¥ (7,244)	¥ 17,261	¥ 937	¥ 18,198
Segment assets	21,040	49,919	132,304	59,195	262,458	78,005	340,463
Other:							
Depreciation	591	762	4,027	5,008	10,388	3,042	13,430
Investment in equity method	847	61	18,349	715	19,972		19,972
Increase in property, plant and equipment and intangible assets	1,118	1,698	5,803	6,981	15,600	3,281	18,881
Impairment losses of assets		31			31		31

	Millions of Yen						
	2013						
	Reportable Segment						
	Domestic Automotive Batteries	Domestic Industrial Batteries and Power Supplies	Overseas Operations	Lithium-ion Batteries	Total	Other	Consolidated
Sales:							
Sales to external customers	¥ 55,648	¥ 72,427	¥ 119,885	¥ 10,598	¥ 258,558	¥ 15,952	¥ 274,510
Intersegment sales of transfers	1,346	2,420	1,398	227	5,391	(5,391)	
Total	¥ 56,994	¥ 74,847	¥ 121,283	¥ 10,825	¥ 263,949	¥ 10,561	¥ 274,510
Segment profit (loss)	¥ 3,931	¥ 10,814	¥ 6,381	¥ (11,250)	¥ 9,876	¥ (101)	¥ 9,775
Segment assets	20,445	43,694	103,069	60,333	227,541	62,828	290,369
Other:							
Depreciation	848	1,022	2,640	6,050	10,560	3,159	13,719
Investment in equity method	770	45	19,229		20,044		20,044
Increase in property, plant and equipment and intangible assets	641	1,079	4,154	25,054	30,928	2,723	33,651
Impairment losses of assets				2,662	2,662		2,662

	Thousands of U.S. Dollars						
	2014						
	Reportable Segment						
	Domestic Automotive Batteries	Domestic Industrial Batteries and Power Supplies	Overseas Operations	Lithium-ion Batteries	Total	Other	Consolidated
Sales:							
Sales to external customers	$ 552,485	$ 769,340	$ 1,594,680	$ 315,544	$ 3,232,049	$ 146,553	$ 3,378,602
Intersegment sales of transfers	14,651	25,213	14,602	4,155	58,621	(58,621)	
Total	$ 567,136	$ 794,553	$ 1,609,282	$ 319,699	$ 3,290,670	$ 87,932	$ 3,378,602
Segment profit (loss)	$ 32,136	$ 118,437	$ 87,340	$ (70,330)	$ 167,583	$ 9,096	$ 176,679
Segment assets	204,272	484,650	1,284,505	574,709	2,548,136	757,330	3,305,466
Other:							
Depreciation	5,738	7,398	39,097	48,621	100,854	29,534	130,388
Investment in equity method	8,223	592	178,146	6,942	193,903		193,903
Increase in property, plant and equipment and intangible assets	10,854	16,485	56,340	67,777	151,456	31,855	183,311
Impairment losses of assets		301			301		301

Notes:

1. "Other" consists of business activities, such as lighting for facilities that are not included as a reportable segment, or adjustments of segment profit (loss).

2. The main details of adjustments were as follows:

(1) The amounts of adjustments of segment profit for the years ended March 31, 2014 and 2013, were ¥2,144 million ($20,816 thousand) and ¥2,201 million, respectively. The details of the adjustments were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Elimination of intersegment transactions	¥ 1,245	¥ 1,288	$ 12,087
Company-wide expenses	899	913	8,728
Total	¥ 2,144	¥ 2,201	$ 20,816

Company-wide expenses mainly consist of general administrative expenses not attributable to any reportable segments.

(2) The amounts of adjustments of segment assets for the years ended March 31, 2014 and 2013, were ¥63,759 million ($619,019 thousand) and ¥49,465 million, respectively. The details of the adjustments were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Elimination of intersegment transactions	¥ (68,045)	¥ (72,082)	$ (660,631)
Company-wide assets	131,804	121,547	1,279,650
Total	¥ 63,759	¥ 49,465	$ 619,019

Company-wide assets mainly consist of the managing cash surplus, assets of administrative departments, and certain equipment of research institute.

(3) The amounts of adjustments of depreciation for the years ended March 31, 2014 and 2013, were ¥2,771 million ($26,903 thousand) and ¥2,762 million, respectively. The amounts of adjustments consisted of depreciation on company-wide assets.

(4) The amounts of adjustments of "Increase in property, plant and equipment and intangible assets" for the years ended March 31, 2014 and 2013, were ¥2,906 million ($28,214 thousand) and ¥2,407 million, respectively. The amounts of adjustments consisted of the purchase amount of the property, plant and equipment and intangible assets classified as company-wide assets.

3. As discussed in Note 2.h, effective April 1, 2013, the Company and its domestic consolidated subsidiaries have adopted the straight-line method of depreciation for the property, plant and equipment (except for buildings) which, previously, had been depreciated by the declining-balance method.

The effect of this change was to increase segment profit of "Domestic Automotive Batteries" by ¥277 million ($2,689 thousand) and "Domestic Industrial Batteries and Power Supplies" by ¥359 million ($3,485 thousand), respectively, and to decrease segment loss of "Lithium-ion Batteries" by ¥2,627 million ($25,505 thousand) for the year ended March 31, 2014.

Related Information

Information about geographical areas

(1) Sales

Millions of Yen				
2014				
Japan	Asia	Europe and America	Other	Total
¥ 179,358	¥ 94,706	¥ 49,039	¥ 24,893	¥ 347,996

Millions of Yen				
2013				
Japan	Asia	Europe and America	Other	Total
¥ 152,699	¥ 61,917	¥ 38,574	¥ 21,320	¥ 274,510

Thousands of U.S. Dollars				
2014				
Japan	Asia	Europe and America	Other	Total
$ 1,741,340	$ 919,476	$ 476,107	$ 241,679	$ 3,378,602

Note: Sales are classified in countries or regions based on location of customers.

(2) Property, plant and equipment

Millions of Yen				
2014				
Japan	Asia	Europe and America	Other	Total
¥ 94,613	¥ 29,298	¥ 2,852	¥ 2,414	¥ 129,177

Millions of Yen				
2013				
Japan	Asia	Europe and America	Other	Total
¥ 91,080	¥ 19,212	¥ 2,568	¥ 2,177	¥ 115,037

Thousands of U.S. Dollars				
2014				
Japan	Asia	Europe and America	Other	Total
$ 918,573	$ 284,447	$ 27,689	$ 23,437	$ 1,254,146

Independent Auditors' Report

Deloitte.

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To the Board of Directors of GS Yuasa Corporation:

We have audited the accompanying consolidated balance sheet of GS Yuasa Corporation and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GS Yuasa Corporation and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 2.h to the consolidated financial statements, effective April 1, 2013, GS Yuasa Corporation and its domestic consolidated subsidiaries have adopted the straight-line method of depreciation for property, plant and equipment (except for buildings), which had previously been depreciated by the declining-balance method. Our opinion is not qualified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 27, 2014

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche
Tohmatsu Limited

Corporate History

The History of GS (Japan Storage Battery Co., Ltd.)

1895	Genzo Shimadzu manufactures Japan's first lead-acid storage battery.
1908	The "GS" trademark, representing the initials of Genzo Shimadzu, is used for the first time.
1912	A storage battery plant is built in Imadegawa Shinmachi, Kyoto Prefecture.
1917	Japan Storage Battery Co., Ltd. is established.
1919	Production of automotive batteries commences.
1933	Production of glass mercury rectifiers begins.
1938	Production of alkaline batteries begins.
1940	Ultra-high pressure mercury lamps are developed.
1966	Siam GS Battery Co., Ltd. is established.
1991	Tianjin Tong Yee Industrial Co., Ltd. is established in China.
1993	Prismatic lithium-ion batteries are developed.

The History of Yuasa Corporation

1913	The founder, Shichizaemon Yuasa, begins research into metal electrolysis.
1915	Yuasa Battery Manufacturing is established in Osaka Prefecture and commences production of storage batteries.
1918	Yuasa Storage Battery Co., Ltd. is established.
1920	Production of automotive batteries begins. Tudor plating for stationary batteries is perfected.
1935	Production of glass mercury rectifiers begins.
1941	Production of alkaline batteries begins.
1963	Yuasa Battery (Thailand) Co., Ltd. is established.
1966	Dry and charged batteries go on sale in Japan for the first time.
1993	Tianjin Yuasa Batteries Co., Ltd. is established in China.

GS YUASA

April 2004	GS Yuasa Corporation, the holding company, is established.
2005	Tata AutoComp GY Batteries Ltd. is established in India.
2007	Lithium Energy Japan is established jointly with Mitsubishi Corporation and Mitsubishi Motors Corporation.
2008	GS Yuasa Siam Industry Ltd. is established in Thailand.
2009	Blue Energy Co., Ltd. is established jointly with Honda Motor Co., Ltd.
2013	Lithium Energy and Power GmbH & Co. KG is established as a joint venture with Robert Bosch GmbH and Mitsubishi Corporation.

Corporate/Stock Information

(As of March 31, 2014)

Corporate Name
GS Yuasa Corporation

Establishment
April 1, 2004

Office
KYOTO Head Office
1, Inobanba-cho, Nishinosho, Kisshoin,
Minami-ku, Kyoto 601-8520, Japan
TOKYO Office
1-7-13, Shiba-koen,
Minato-ku, Tokyo 105-0011, Japan

Capital Stock
¥33.0 billion

Number of Employees
Non-consolidated 11
Consolidated 13,609

Listed Securities Exchanges
Tokyo Stock Exchange

Group Companies

Business Companies
GS Yuasa International Ltd.
GS Yuasa Battery Ltd.
GS Yuasa Technology Ltd.

Shared Service Company
GS Yuasa Accounting Service Ltd.

Major Overseas Consolidated Subsidiaries
GS Battery Taiwan Co., Ltd.
Tianjin GS Battery Co., Ltd.
GS Battery (China) Co., Ltd.
Yuasa Battery (Guangdong) Co., Ltd.
Yuasa Battery (Shunde) Co., Ltd.
Yuasa Battery Europe Ltd.
Yuasa Battery, Inc.
GS Battery (U.S.A.) Inc.
Century Yuasa Batteries Pty Ltd.
PT. Yuasa Battery Indonesia
Siam GS Battery Co, Ltd.
Yuasa Battery (Thailand) Pub. Co., Ltd.
GS Battery Vietnam Co., Ltd.

Number of Shares Authorized	1,400,000,000
Number of Shares Issued	413,574,714
Number of Shareholders	43,280

Principal Shareholders

Name	Number of shares held	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,978,000	7.26
Japan Trustee Services Bank, Ltd. (Trust Account)	20,521,000	4.97
Meiji Yasuda Life Insurance Company	14,000,000	3.39
CREDIT SUISSE SECURITIES (EUROPE) LIMITED PB OMNIBUS CLIENT ACCOUNT	11,405,000	2.76
Toyota Motor Corporation	11,180,400	2.71
Nippon Life Insurance Company	10,719,669	2.60
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,327,335	2.26
JP MORGAN CHASE BANK 385078	9,015,000	2.18
The Bank of Kyoto, Ltd.	7,740,348	1.88
Sumitomo Mitsui Trust Bank, Limited	7,354,000	1.78