ANNUAL REPORT 2000

JAPAN STORAGE BATTERY CO., LTD.

PROFILE

Japan Storage Battery Co., Ltd. is the nation's first storage battery manufacturer. Since its foundation in 1917, the firm has become a leader in the industry and its latest sales during the period ended March 31, 2000 totalled US $1,349 million.

The Company is justfiably proud of its many technological achievements and enjoys a reputation for excellence with product-users throughout the world. Japan Storage Battery's "GS" trademark originates from the initials of our founder, Genzo Shimadzu, a great inventor who researched and produced storage batteries for the first time in Japan.

Backed by highly developed R&D support and a long list of established products, Japan Storage Battery is working to find solutions to the many energy and environmental problems facing our society today. As part of our overall production development efforts, the Company is currently assisting in the development of lithium-ion secondary batteries, photovoltaic generation system and zero-emission vehicles.

The Company has entered the second phase of a corporate identity(CI) program that aims at "Creating New Values". With its unique technologies which enable "turning energy into our lives", the Company will contribute to the prosperity of society and to building more sophisticated industries, as well as achieving an affluent standard of living.

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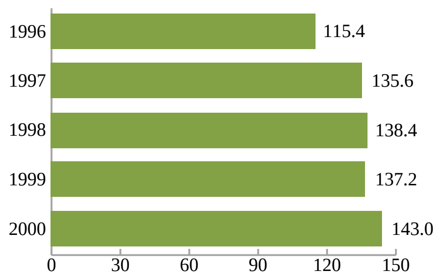
FINANCIAL HIGHLIGHTS

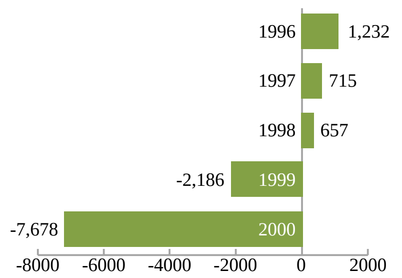
	Millions of Yen (Except for Per Share Amounts)		Thousands of U.S.Dollars (Note 3) (Except for Per Share Amounts)
	2000	1999	2000
Net sales	¥143,055	¥137,278	$1,349,575
Costs and operating expenses	140,361	140,295	1,324,160
Other income (expenses), net	(15,195)	111	(143,349)
Income (loss) before income taxes and minority interests	(12,502)	(2,905)	(117,943)
Net income (loss)	(7,678)	(2,186)	(72,433)
Amounts per common share (in yen, in U.S. dollars):			
Net income (loss) (Note 1)	(43.05)	(12.26)	(0.40)
Cash dividends applicable to the year (Note 2)	4.00	4.00	0.03
Property, plant and equipment	55,087	58,713	519,688
Total assets	162,700	164,708	1,534,905
Shareholders' equity	32,779	40,436	309,235

Notes : 1. Computation of net income per common share is based on the weighted average number of shares outstanding.
2. Cash dividends per share are the amounts applicable to the respective years including dividends to be paid after the end of the fiscal year.
3. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2000, of ¥106 to U.S.$1.

Net Sales (¥ Billions)



Net Income (¥ Millions)



During the period covered by this report, some economic surveys have finally indicated signs of recovery thanks to government measures to increase investments in public works and housing. However, individual spending has yet to show improvement because of the prolonged instability in employment and income. In addition, business confidence remains low among private corporations, because of their failure to make cutbacks in three categories of redundancy: “facilities, employment, and debt”. Thus, an environment for independent recovery has yet to be prepared.

Facing such conditions, we continued to emphasize the implementation of vigorous marketing strategies, the development of new technologies and products, and the expansion of new businesses, etc. As a result, sales this year amounted to ¥143 billion, an increase of ¥577 million , 4.2% higher than last year. Net loss became ¥7,678 million after adjustments, including change of allocation ratio on reserve for retirement allowances from 40% to 100%.

However, since there is no environment for independent recovery, the domestic economy is expected to remain slow for the time being, with harsh business conditions persisting. We are therefore now taking steps to improve performance that are designed for such a severe business situation.

In March 2001, at the end of the 141st fiscal term, our medium-term business plan, “Innovation & Growth 21 Plan (the IG 21 Plan)” will be completed. By that time, we must harvest the specific fruits of this plan, including “innovation in business methods,” “development of a strong corporate growth structure,” and “reform of high-cost practices”. We must establish both in name and in reality a “system to win in global mega-competition in the 21st century.”

“The Business Improvement Measure,” in particular, which we launched in January last year with emphasis on the “reform of high-cost practices,” is the imminent challenge that we must tackle in order to return our business to a more muscular and leaner structure. Through this measure, we are making efforts to reduce costs and staff levels and to complete reforms in the production, sales and distribution systems by the end of the 141st term, so as to raise the price-competitiveness of all our products.

In addition to the fulfillment of the above objectives, it is also essential to develop new businesses that will become our major profit-makers in the future. We will focus especially on batteries, our key product, in order to promote our businesses both at home and abroad as players in the information/communications and environment-related fields, where market growth is anticipated.

Thank you very much for your continued support.

Chiaki Tanaka
President

Chiaki Tanaka.

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 8,459	¥ 6,140	$ 79,801
Time deposits (Note 7)	2,189	2,067	20,650
Marketable securities (Note 5)	353	2,446	3,330
Notes and accounts receivable - trade (Note 15):			
Notes (Note 7)	11,086	12,075	104,584
Accounts	31,785	31,707	299,858
Unconsolidated subsidiaries and affiliated companies	2,142	2,139	20,207
Allowance for doubtful notes and accounts	(152)	(395)	(1,433)
Inventories (Note 4)	20,258	21,957	191,113
Deferred tax assets (Note 11)	773		7,292
Other current assets	2,900	2,757	27,358
Total current assets	79,795	80,896	752,783
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	10,320	9,730	97,358
Buildings and structures	29,623	28,966	279,462
Machinery and equipment	75,518	76,509	712,433
Construction in progress	2,365	2,539	22,311
Total	117,827	117,745	1,111,575
Accumulated depreciation	(62,740)	(59,031)	(591,886)
Net property, plant and equipment	55,087	58,713	519,688
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliated companies (Note 6)	5,193	4,252	48,990
Investment securities (Notes 5 and 7)	13,003	15,870	122,669
Deferred tax assets (Note 11)	5,148		48,566
Other assets (Note 7)	4,471	4,974	42,179
Total investments and other assets	27,817	25,098	262,424
TOTAL	¥162,700	¥164,708	$1,534,905

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 46,209	¥ 46,861	$ 435,933
Current portion of long-term debt (Note 7)	2,688	13,575	25,358
Notes and accounts payable - trade:			
Notes	16,898	14,467	159,415
Accounts	12,398	12,297	116,962
Unconsolidated subsidiaries and affiliated companies	360	771	3,396
Income taxes payable	373	634	3,518
Deferred tax liabilities (Note 11)	8		75
Accrued expenses and other current liabilities	7,106	5,645	67,037
Total current liabilities	86,044	94,252	811,735
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	25,122	18,261	237,000
Long-term deposits received	3,515	3,577	33,160
Liability for severance payments (Note 8)	12,530	6,044	118,207
Deferred tax liabilities (Note 11)	1,654		15,603
Total long-term liabilities	42,822	27,883	403,981
MINORITY INTERESTS	1,053	2,135	9,933
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
SHAREHOLDERS' EQUITY (Notes 9 and 16):			
Common stock - authorized, 400,000,000 shares; issued and outstanding, 178,354,986 shares,with par value of ¥50 per share	14,353	14,353	135,405
Additional paid-in capital	13,249	13,249	124,990
Retained earnings	5,176	12,834	48,830
Total shareholders' equity	32,779	40,436	309,235
TOTAL	¥162,700	¥164,708	$1,534,905

CONSOLIDATED STATEMENTS OF OPERATIONS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
NET SALES (Notes 6 and 10)	¥ 143,055	¥ 137,278	$ 1,349,575
COSTS AND OPERATING EXPENSES (Note 10):			
Cost of sales (Note 6 and 12)	111,548	112,199	1,052,339
Selling, general and administrative expenses (Note 12):	28,813	28,095	271,820
Total	140,361	140,295	1,324,160
OPERATING INCOME (LOSS) (Note 10)	2,693	(3,016)	25,405
OTHER INCOME (EXPENSES):			
Interest expense	(2,215)	(2,401)	(20,896)
Interest and dividend income	365	437	3,443
Gain (loss) on sales of property, plant and equipment	(427)	118	(4,028)
Loss on disposal of property, plant and equipment	(2,232)	(278)	(21,056)
Gain on sales of marketable and investment securities		2,504	
Foreign exchange loss	(516)	(288)	(4,867)
Write-down of investment securities	(1,792)		(16,905)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	659	215	6,216
Provision for liabilities for retirement payments (Note 2-f)	(7,118)		(67,150)
Other - net	(1,920)	(195)	(18,113)
Total	(15,195)	111	(143,349)
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	(12,502)	(2,905)	(117,943)
INCOME TAXES (Notes 2-i and 11):			
Current	797	744	7,518
Deferred	(4,052)		(38,226)
Total	(3,254)	744	(30,698)
MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES	1,568	1,462	14,792
NET LOSS	¥ (7,678)	¥ (2,186)	$ (72,433)

	Yen		U.S. Dollars
AMOUNTS PER COMMON SHARE (Note 2-j):			
Net loss	¥ (43.05)	¥ (12.26)	$ (0.40)
Cash dividends applicable to the year	4.00	4.00	0.03

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Number of Common Shares Issued and Outstanding	Millions of Yen Common Stock	Additional Paid-in Capital	Retained Earnings
BALANCE, APRIL 1, 1998	178,354,986	¥14,353	¥13,249	¥15,511
Net loss				(2,186)
Cash dividends, ¥2.50 per share				(445)
Bonuses to directors and corporate auditors				(41)
Effect from inclusion of newly consolidated subsidiary				(3)
BALANCE, MARCH 31, 1999	178,354,986	14,353	13,249	12,834
Cumulative effect on beginning retained earnings of the application of interperiod tax allocation (Note 2-i)				427
Net loss				(7,678)
Cash dividends, ¥4.00 per share				(713)
Effect from inclusion of newly consolidated subsidiaries (Note 2-a)				(56)
Effect from applying the equity method to affiliates previously accounted for by the cost method (Note 2-a)				364
BALANCE, MARCH 31, 2000	178,354,986	¥14,353	¥13,249	¥5,176

	Thousands of U.S. Dollars (Note 3) Common Stock	Additional Paid-in Capital	Retained Earnings
BALANCE, MARCH 31, 1999	$135,405	$124,990	$121,075
Cumulative effect on beginning retained earnings of the application of interperiod tax allocation (Note 2-i)			4,028
Net loss			(72,433)
Cash dividends, $0.03 per share			(6,726)
Effect from inclusion of newly consolidated subsidiaries (Note 2-a)			(528)
Effect from applying the equity method to affiliates previously accounted for by the cost method (Note 2-a)			3,433
BALANCE, MARCH 31, 2000	$135,405	$124,990	$ 48,830

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
OPERATING ACTIVITIES:			
Loss before income taxes and minority interests	¥(12,502)	¥(2,905)	$(117,943)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities:			
Income taxes – paid	(1,056)	(1,311)	(9,962)
Depreciation and amortization	8,728	9,444	82,339
Amortization of goodwill	314	259	2,962
Loss on disposal of property, plant and equipment	2,232	278	21,056
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(659)	(215)	(6,216)
Increase (decrease) in liability for severance benefits	6,472	(59)	61,056
Gain on sales of marketable and investment securities		(2,504)	
Write-down of investment securities	1,792		16,905
Loss (gain) on sales of property, plant and equipment	427	(118)	4,028
Changes in operating assets and liabilities, net of effects of acquisitions and newly consolidated subsidiaries:			
Notes and accounts receivable - trade	477	826	4,500
Inventories	1,538	3,682	14,509
Other current assets	(408)	915	(3,849)
Notes and accounts payable - trade	2,416	(4,704)	22,792
Accrued expenses and other current liabilities	1,410	(1,482)	13,301
Long-term deposits	(48)	100	(452)
Decrease in interest payable	(86)	(4)	(811)
Other - net	730	(41)	6,886
Net cash provided by operating activities	11,780	2,159	111,132
INVESTING ACTIVITIES:			
Capital expenditures	(7,279)	(12,002)	(68,669)
Proceeds from sales of property, plant and equipment	621	1,037	5,858
Proceeds from sales of marketable and investment securities	2,721	5,910	25,669
Payments to acquire marketable and investment securities	(281)	(4,520)	(2,650)
Increase in time deposits	(16)	(269)	(150)
Acquisition of business, net of cash acquired (Note 2-a)	25	249	235
Other investing activities	45	(900)	424
Net cash used in investing activities	(4,164)	(10,495)	(39,283)
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term borrowings	(1,356)	3,587	(12,792)
Increase in long-term bank loans	2,688	4,245	25,358
Proceeds from issuance of unsecured bonds	10,000	5,000	94,339
Repayments of long-term debt	(5,893)	(5,294)	(55,594)
Redemption of unsecured bonds	(10,000)		(94,339)
Dividends paid	(714)	(445)	(6,735)
Net cash provided by (used in) financing activities	(5,274)	7,091	(49,754)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	93	61	877
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(115)	165	(1,084)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,318	(1,017)	(21,867)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,140	7,157	57,924
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	¥ 8,459	¥ 6,140	$ 79,801
ASSETS ACQUIRED AND LIABILITIES ASSUMED IN PURCHASE:			
Fair value of assets acquired	¥ 302	¥ 2,551	$ 2,849
Liabilities assumed	292	2,551	2,754
Cash paid for the capital	10		94

See notes to consolidated financial statements.

1.BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Japan Storage Battery Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards and such statements for the years ended March 31, 2000 and 1999 are presented herein.

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

Certain reclassifications have been made in the 1999 financial statements to conform to the classifications used in 2000.

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

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Investments in significant affiliated companies and certain unconsolidated subsidiaries are accounted for by the equity method.

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

Effective April 1, 1999, the Companies changed their consolidation scope of subsidiaries and affiliated companies from the application of the ownership concept to the control or influence concept in accordance with the new accounting standard for consolidation. Under the control or influence concept, those companies in which the parent, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. However, there was no impact on the current year financial statements from adopting this new accounting standard.

In the first quarter of 1999, the Company acquired 100% of the outstanding capital stock of Nagase Co., Ltd. and in the third quarter of 1999, the Company made additional investments in an affiliated company, GS-EE Co., Ltd. increasing the Company's ownership percentage from 50% to 100%. Accordingly, Nagase Co., Ltd. and GS-EE Co., Ltd. were included in the Company's consolidated financial statements for the year ended March 31, 1999 and as of March 31, 1999, respectively.

In 1999, GS-Melcotec Battery (Shanghai) Ltd. was changed from an unconsolidated subsidiary to a consolidated subsidiary due to its growing significance. The effects of a such change were reflected in the consolidated statements of shareholders' equity and cash flows for the year ended March 31, 1999.

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

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

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

b.) Cash and Cash Equivalents - Cash and cash equivalents are cash on hand, deposits in banks (including time deposits) and short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Prior to April 1, 1999, the Company considered time deposits with original maturities of one year or less to be cash equivalents. Effective April 1, 1999, however, the Company included time deposits, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition in the scope of cash and cash equivalents.

The scope of cash and cash equivalents in 1999 was changed to conform with the presentation in 2000.

c.) Inventories - Inventories are stated at cost determined by the last-in, first-out (LIFO) method for principal raw materials and work-in-process, and by the average method for substantially all other inventories.

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

e.) Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation is computed by using the straight-line method for buildings and by using the declining-balance method for all other assets over the estimated useful lives of the assets.

f.) Severance Benefits - The Company and most of its subsidiaries provide for employees' retirement benefits based on the amounts which would be required if all employees voluntarily terminated their service at each balance sheet date, less certain amounts covered by the Company's non-contributory trusteed pension plans.

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

The effect of this change was to increase loss before income taxes and minority interests and net loss by ¥6,786 million ($64,018 thousand) and ¥3,936 million ($37,132 thousand), respectively, for the year ended March 31, 2000, which included a cumulative effect of ¥7,118 million ($67,150 thousand) at March 31, 1999. This cumulative effect on prior years was included in other expenses in the 2000 consolidated statement of operations.

The Company's policy for the pension plans is to fund and charge to income, pension costs determined on the basis of an accepted actuarial method, including prior service costs amortized over 20 years.

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

g.) Leases - All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

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

i.) Income Taxes - Effective April 1, 1999, the Companies adopted a new accounting method for the allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥427 million ($4,028 thousand) is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

j.) Net Income and Cash Dividends Per Common Share - The computation of net income per common share is based on the weighted average number of shares outstanding. The weighted average number of shares outstanding for the years ended March 31, 2000 and 1999 was 178,354,986 shares.

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

k.) Foreign Currency Amounts - Current assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet dates. All other assets and liabilities denominated in foreign currencies are translated at the historical exchange rates except for such amounts covered by forward exchange contracts, which are translated using the contracted exchange rates. However, when there is a significant unrealized exchange loss related to all other assets and liabilities derived from foreign currency fluctuations, such assets and liabilities are translated into Japanese yen at the exchange rates in effect at the balance sheet date. Revenue and expense items denominated in foreign currencies are also translated at the historical exchange rates. Exchange gains or losses are credited or charged to income as incurred.

l.) Foreign Currency Financial Statements - The balance sheet accounts of overseas subsidiaries and affiliated companies are translated into Japanese yen at the current exchange rates as of the balance sheet dates except for shareholders' equity, which is translated at the historical exchange rates. Revenue and expense accounts of the overseas subsidiaries and affiliated companies are translated into Japanese yen at the annual average rates. Differences arising from such translation are included in "Other assets" in the accompanying consolidated balance sheets.

3. TRANSLATION INTO UNITED STATES DOLLARS

The accompanying financial statements are expressed in Japanese yen and solely for the convenience of readers, have been translated into United States dollars at the rate of ¥106 to $1, the approximate exchange rate at March 31, 2000. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into United States dollars at that or any other rate.

4. INVENTORIES

Inventories at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Finished goods	¥ 8,701	¥ 8,901	$ 82,084
Semi-finished products	3,211	1,819	30,292
Work-in-process	4,261	7,764	40,198
Raw materials and supplies	4,083	3,472	38,518
Total	¥20,258	¥21,957	$191,113

5. MARKETABLE AND INVESTMENT SECURITIES

The carrying values of current and non-current marketable debt and equity securities included in marketable and investment securities and the related aggregate market values at March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current:			
Cost (carrying value)	¥ 347	¥ 2,446	$ 3,273
Aggregate market value	1,121	2,938	10,575
Net unrealized gains	774	492	7,301
Non-current:			
Cost (carrying value)	¥12,370	¥14,030	$116,698
Aggregate market value	41,080	38,142	387,547
Net unrealized gains	28,710	24,112	270,849

6. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Investments at cost	¥3,581	¥3,663	$33,783
Equity in undistributed earnings	1,612	589	15,207
Total	¥5,193	¥4,252	$48,990

Sales to and purchases from unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Sales	¥1,712	¥5,914	$16,150
Purchases	370	1,736	3,490

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Bank loans	¥40,191	¥37,728	$379,160
Commercial paper	6,010	8,866	56,698
Other	6	266	56
Total	¥46,209	¥46,861	$435,933

At March 31, 2000, short-term bank loans of ¥8,832 million ($83,320 thousand) were collateralized.

As is customary in Japan, the Companies obtain financing by discounting trade notes receivable with banks. Such discounted notes and the related contingent liabilities are not included in the balance sheets but are disclosed as contingent liabilities (see Note 15). The weighted average annual interest rate for the Companies' short-term bank loans, commercial paper and notes discounted with banks was 1.94% and 2.12% at March 31, 2000 and 1999, respectively.

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Collateralized loans, principally from banks, 1.26% to 8.12% maturing serially through January 2007	¥ 4,471	¥ 5,000	$ 42,179
Unsecured bank loans, 1.64% to 6.8% maturing serially through December 2003	5,339	8,837	50,367
Unsecured bonds, 4.4% due December 1999		10,000	
Unsecured bonds, 1.55% due September 2001	3,000	3,000	28,301
Unsecured bonds, 2.325% due December 2001	5,000	5,000	47,169
Unsecured bonds, 2.23% due August 2004	10,000		94,339
Total	27,810	31,837	262,358
Less current portion	(2,688)	(13,575)	(25,358)
Long-term debt	¥25,122	¥18,261	$237,000

The aggregate annual maturities of long-term debt for the years following March 31, 2000 were as follows:

Year ending March 31:	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 2,688	$ 25,358
2002	10,439	98,481
2003	1,547	14,594
2004	13,084	123,433
2005	55	518
Total	¥27,811	$262,367

The carrying values of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 326	$ 3,075
Notes receivable	60	566
Land	689	6,500
Buildings and structures	1,615	15,235
Machinery and equipment	89	839
Investment securities	1,723	16,254
Other assets	141	1,330
Total	¥4,646	$43,830

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

8. SEVERANCE PAYMENTS

Under most circumstances, employees terminating their employment are entitled to severance benefit payments determined by reference to their rate of pay at time of termination, years of service and certain other factors. If the termination is involuntary or caused by death, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Company and certain consolidated subsidiaries have unfunded non-contributory pension plans. The Company also maintains two trusteed pension plans which, in the aggregate, cover 75% of the expected future obligations arising from services rendered by employees. Unfunded prior service liabilities of the trusteed pension plans at the most recent dates of valuation amounted to ¥3,307 million ($31,198 thousand) and ¥774 million ($7,301 thousand) as of September 30, 1999 and March 31, 1999, respectively.

Charges to income with respect to severance benefits and pension plans for the years ended March 31, 2000 and 1999 were ¥9,434 million ($89,000 thousand) and ¥2,830 million, respectively. The 2000 amount includes the cumulative effect of a change in accounting method of ¥7,118 million ($67,150 thousand) (see Note 2-f).

The portions of the liability for severance benefits attributable to directors and corporate auditors at March 31, 2000 and 1999 were ¥488 million ($4,603 thousand) and ¥654 million, respectively.

9. SHAREHOLDERS' EQUITY

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

Under the Code, the Company is required to appropriate from retained earnings, a legal reserve equal to at least 10% of all amounts paid as appropriations of retained earnings, including dividends and other distributions, until such reserve equals 25% of the Company's stated capital. This reserve amount, which is included in retained earnings, total ¥2,531 million ($23,877 thousand) and ¥2,456 million as of March 31, 2000 and 1999, respectively, and is not available for dividends but may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors.

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

Dividends are approved by shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. However, a semiannual interim dividend may be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

10. SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Companies for the years ended March 31, 2000 and 1999 was as follows:

(1) Operations in Different Industries

a.) Sales and Operating Income

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

b.) Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2000				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consolidated
Assets	¥130,720	¥13,186	¥9,750	¥9,042	¥162,699
Depreciation	8,388	276	60	3	8,728
Capital expenditures	7,540	216	101		7,857

a.) Sales and Operating Income

	Thousands of U.S. Dollars				
	2000				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	$1,116,283	$128,500	$104,783		$1,349,575
Intersegment sales					
Total sales	1,116,283	128,500	104,783		1,349,575
Operating expenses	1,065,556	125,943	91,783	$ 40,867	1,324,160
Operating income (loss)	$ 50,726	$ 2,556	$ 12,990	$(40,867)	$ 25,405

b.) Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2000				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consolidated
Assets	$1,233,207	$124,396	$91,981	$85,301	$1,534,896
Depreciation	79,132	2,603	566	28	82,339
Capital expenditures	71,132	2,307	952		74,122

	Millions of Yen				
	1999				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Eliminations and/or Corporate	Consolidated
Sales to customers	¥114,748	¥14,404	¥8,126		¥137,278
Intersegment sales					
Total sales	114,748	14,404	8,126		137,278
Operating expenses	114,198	14,559	7,393	¥ 4,143	140,295
Operating income (loss)	¥ 550	¥ (155)	¥ 732	¥(4,143)	¥ (3,016)

b.) Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	1999				
	Storage Batteries and Power Supplies	Lighting and Other Equipment	Other	Corporate	Consoli-dated
Assets	¥130,422	¥13,695	¥9,751	¥10,838	¥164,708
Depreciation	9,105	263	71	3	9,444
Capital expenditures	11,687	253	61		12,002

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

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

Unallocated operating expenses which were included in "Eliminations and/or Corporate" consisted principally of general corporate expenses incurred by the Administration Headquarters of the Company.

Corporate assets which were included in "Corporate" consisted principally of the surplus funds (cash, cash equivalents and marketable securities), investment securities and assets of the administration.

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

The effects of this change on the industry segment information for the year ended March 31, 2000 were to increase the operating income of "Storage Batteries and Power Supplies", "Lighting and Other Equipment" and "Other" by ¥263 million ($2,481 thousand), ¥40 million ($377 thousand) and ¥7 million ($66 thousand), respectively, and to decrease corporate operating expenses by ¥21 million ($198 thousand).

(2) Foreign Operations

The foreign operations of the Companies for the years ended March 31, 2000 and 1999 are summarized as follows:

	Millions of Yen				
	2000				
	Japan	Asia	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	¥124,768	¥10,447	¥ 7,839		¥143,055
Interarea transfer	8,456	3,127		¥(11,585)	
Total sales	133,225	13,575	7,840	(11,585)	143,055
Operating expenses	127,279	13,026	7,923	(7,867)	140,361
Operating income(loss)	¥ 5,945	¥ 549	¥ (83)	¥ (3,717)	¥ 2,693
Assets	¥135,936	¥17,665	¥ 2,857	¥ 6,240	¥162,699

	Thousands of U.S. Dollars				
	2000				
	Japan	Asia	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	$1,177,056	$ 98,556	$ 73,952		$1,349,575
Interarea transfer	79,773	29,500	8	$ (109,292)	
Total sales	1,256,839	128,066	73,962	(109,292)	1,349,575
Operating expenses	1,200,745	122,886	74,745	(74,216)	1,324,160
Operating income(loss)	$ 56,084	$ 5,179	$ (783)	$ (35,066)	$ (25,405)
Assets	$1,282,415	$166,650	$ 26,952	$ 58,867	$1,534,896

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

The effects of this change on the foreign operations of the Companies for the year ended March 31, 2000 were to increase operating income of "Japan" by ¥311 million ($2,933 thousand), and to decrease corporate operating expenses by ¥21 million ($198 thousand).

	Millions of Yen				
	1999				
	Japan	Asia	Other	Eliminations and/or Corporate	Consoli-dated
Sales to customers	$123,031	$10,428	$3,818		¥137,278
Interarea transfer	3,512	2,540		¥ (6,052)	
Total sales	126,543	12,969	3,819	(6,052)	137,278
Operating expenses	126,197	12,261	3,791	(1,955)	140,295
Operating income(loss)	$ 345	$ 707	$ 27	¥(4,097)	¥ (3,016)
Assets	$133,530	$20,322	$2,975	¥ 7,880	¥164,708

Unallocated operating expenses which were included in "Eliminations and/or Corporate" consisted principally of general corporate expenses incurred by the Administration Headquarters of the Company.

Corporate assets which were included in "Eliminations and/or Corporate" consisted principally of surplus funds (cash, cash equivalents, time deposits and marketable securities), investment securities and assets of the administration.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2000 and 1999 are summarized as follows:

	Net Sales to Customers Outside Japan			Percentage of Consolidated Net Sales	
	Millions of Yen		Thousands of U. S. Dollars		
	2000	1999	2000	2000	1999
Asia	¥21,342	¥18,798	$201,339	14.9%	13.7%
Other	10,815	8,251	102,028	7.6	6.0
Total	¥32,157	¥27,049	$303,367	22.5%	19.7%

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 42% and 47% for the years ended March 31, 2000 and 1999, respectively.

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

	March 31, 2000	
	Millions of Yen	Thousands of U.S. Dollars
Deferred Tax Assets:		
Accrued bonuses	¥ 536	$ 5,056
Severance benefits	3,669	34,613
Write-down of investment securities	1,013	9,556
Unrealized profit	156	1,471
Tax loss carryforwards	3,068	28,943
Other	916	8,641
Less valuation allowance	(3,189)	(30,084)
Deferred tax assets	¥6,171	$58,216
Deferred Tax Liabilities:		
Valuation excess of property	¥1,394	$13,150
Undistributed earnings of foreign subsidiaries	253	2,386
Deferred gains on sales of property	213	2,009
Other	51	481
Deferred tax liabilities	¥1,912	$18,037
Net deferred tax assets	¥4,258	$40,169

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000 and the actual effective tax rate reflected in the accompanying consolidated statement of operations is as follows:

	Year Ended March 31, 2000
Normal effective statutory tax rate	42.0%
Expenses not deductible for income tax purposes	(1.7)
Non-taxable dividend income	0.9
Per capita taxes	(0.4)
Net increase in valuation allowance	(12.9)
Other – net	(1.9)
Actual effective tax rate	26.0%

The actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 1999 differs from the normal effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and financial reporting purposes.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,180 million ($39,433 thousand) for the year ended March 31, 2000.

13. LEASES

The Companies lease certain machinery, computer equipment and other assets. Total lease payments under finance leases not deemed to transfer ownership of the leased property to the lessee for the years ended March 31, 2000 and 1999 were ¥567 million ($5,349 thousand) and ¥359 million, respectively.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2000 and 1999 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2000			1999			2000		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥2,282	¥1,390	¥3,672	¥370	¥1,345	¥1,716	$21,528	$13,113	$34,641
Accumulated depreciation	396	728	1,124	198	674	872	3,735	6,867	10,603
Net leased property	¥1,885	¥ 661	¥2,547	¥172	¥ 670	¥ 843	$17,783	$ 6,235	$24,028

Pro forma amounts of obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2000	1999	2000
Due within one year	¥ 583	¥310	$ 5,500
Due after one year	1,963	532	18,518
Total	¥2,547	¥843	$24,028

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥567 million ($5,349 thousand) for the year ended March 31, 2000.

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

	Millions of Yen		Thousands of U. S. Dollars
	2000	1999	2000
Due within one year	¥ 9	¥1,569	$ 84
Due after one year	8		75
Total	¥17	¥1,569	$160

14. DERIVATIVES

The Companies enter into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts and interest rate option contracts to manage interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Companies' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Companies do not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

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

The Companies had the following derivatives contracts outstanding at March 31, 2000:

	Millions of Yen		Thousands of U.S. Dollars	
	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value
Interest Rate Options	¥3,000	¥6	$28,302	$56
(Premium paid for the option)	(28)		(264)	

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 Companies' exposure to credit or market risk.

15. CONTINGENT LIABILITIES

At March 31, 2000, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥593	$5,594
Guarantees of bank loans of certain affiliated companies and items of a similar nature	841	7,933

16.SUBSEQUENT EVENT

At the Shareholders' General Meeting held on June 29, 2000, the shareholders approved payment of a cash dividend of ¥4.00 ($0.03) per share for a total of ¥713 million ($6,726 thousand) to shareholders of record at March 31, 2000 and the transfer from retained earnings to legal reserve of ¥72 million ($679 thousand).

INDEPENDENT AUDITORS' REPORT

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Deloitte Touche Tohmatsu

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

We have examined the consolidated balance sheets of Japan Storage Battery Co., Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Japan Storage Battery Co., Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the accounting for employees' retirement benefits, as discussed in Note 2-f.

As described in Note 2, effective April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements and interperiod allocation of income taxes.

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

Deloitte Touche Tohmatsu

June 29, 2000

FIVE-YEAR SUMMARY

	Millions of Yen (Except for Per Share Amounts)					Thousands of U.S. Dollars (Note 3) (Except for Per Share Amounts)
	2000	1999	1998	1997	1996	2000
Net sales	¥143,055	¥137,278	¥138,472	¥135,654	¥115,401	$1,349,575
Costs and operating expenses	140,361	140,295	134,193	129,089	109,270	1,324,160
Other income (expenses), net	(15,195)	111	(1,097)	(3,112)	(2,347)	(143,349)
Income (loss) before income taxes and minority interests	(12,502)	(2,905)	3,181	3,452	3,782	(117,943)
Net income (loss)	(7,678)	(2,186)	657	715	1,232	(72,433)
Amounts per common share (in yen, in U.S. dollars):						
Net income (loss) (Note 1)	(43.05)	(12.26)	3.68	4.01	6.91	(0.40)
Cash dividends applicable to the year (Note 2)	4.00	4.00	5.00	5.00	5.00	0.03
Property, plant and equipment	55,087	58,713	55,828	47,116	39,747	519,688
Total assets	162,700	164,708	166,467	151,603	146,004	1,534,908
Shareholders' equity	32,779	40,436	43,114	43,391	43,612	309,235

Notes : 1. Computation of net income per common share is based on the weighted average number of shares outstanding.
2. Cash dividends per share are the amounts applicable to the respective years including dividends to be paid after the end of the fiscal year.
3. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2000, of ¥106 to U.S.$1.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

President

Chiaki Tanaka

Senior Managing Director

Masatsugu Hiranaga
Shinichiro Murakami
Tetsuo Yamazaki

Managing Directors

Mitsuo Iwai
Hitoshi Tamura
Kazumasa Okuda
Masanori Yamachi
Yoshitami Saito

Directors

Masaharu Tsubota
Haruyuki Ueda
Masakazu Otani
Syunsuke Kusuyama
Katsuyuki Ono
Akira Tamura

Auditors

Koichi Shimazu
Sadao Takematsu
Toshinori Nomura
Isao Fujii

(as of June 29, 2000)

OUTLINE OF COMPANY

Established :	January 17, 1917
Number of Employees :	2,356
Paid-in Capital :	¥14,353,144,222
Number of Shareholders :	22,444
Shares Outstanding :	178,354,986

PRINCIPAL SHAREHOLDERS

The Meiji Mutual Life Insurance Company
Nippon Life Insurance Company
The Bank of Tokyo-Mitsubishi, Ltd.
The Mitsubishi Trust and Banking Corporation
Toyota Motor Corporation
The Tokio Marine and Fire Insurance Company, Limited
The Dai-ichi Mutual Life Insurance Company
The Bank of Kyoto, Limited
Japan Securities Finance Co., Ltd.
The Shiga Bank., Ltd.

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Printed in Japan