

September 19th, 2008

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Inappropriate Transactions of GS Yuasa Corporation's Subsidiary

GS Yuasa Corporation (President: Makoto Yoda; the "Company") hereby notifies you that at the Chiba Branch (Chuo-ku, Chiba) of our consolidated subsidiary GS Yuasa Lighting Ltd. (President: Hideyuki Maeno, Head office: Minami-ku, Kyoto; "GYL"), it has been discovered that the former Manager of the branch had been conducting so-called circular transactions with several trade partners of the branch (the "Transaction"), which, we have concluded, will affect the consolidated business results of the Company.

Please find below the current status of the examination, an outline of the inappropriate accounting conducted hitherto regarding the Transaction, and the countermeasures to be taken by the Company from now on.

We deeply regret that this kind of inappropriate accounting has been conducted by our consolidated subsidiary, and hereby sincerely apologize to our shareholders, trade partners and any other parties concerned for causing a great deal of trouble and concern.

1. Series of Events Leading to Discovery of Inappropriate Accounting

In late July of this year, it was pointed out at an internal meeting of the Company that the sales amount of the Chiba Branch of GYL was too large when compared with its business size. Therefore, the Company started to examine the business operations of the Chiba Branch of GYL. In the course of the examination, it was confirmed in August that some of the sales recorded at the Chiba Branch of GYL were gained from transactions that were suspected to be unsubstantial, judging from the statements of some of the employees and trade partners of GYL. As the Company further conducted its examination into this event, it was discovered that the Transaction had been conducted at the branch with several trade partners at least during the period from April 2004 through July 2008, for which unsubstantial sales and purchases were recorded.

2. Outline of Inappropriate Accounting Discovered So Far

Although the entire picture of the Transaction and the inappropriate accounting regarding the Transaction has not yet been clarified, we hereby provide you with a report on the outline of the inappropriate transactions and accounting that has been discovered so far.

The inappropriate transactions and accounting that has been discovered was conducted by the former Manager of the Chiba Branch of GYL who repeatedly conducted unsubstantial circular transactions with multiple trade partners of the branch at least during the period from April 2004 through July 2008, and recorded fictitious sales and purchases under such circular transactions in each fiscal year of GYL.

According to the examination conducted so far, out of our accounts receivable for trade that were outstanding as of August 31, 2008, approximately 7.5 billion yen is suspected to be uncollectible. We shall continue to further investigate the details of the inappropriate accounting regarding the Transaction and the extent of its effect on our financial statements for each fiscal year. In this regard, please note that the above figures are based on our internal examination, and have not been subjected to any external investigation or corporate decisions.

3. Effect on Prior Financial Statements and Status of Preparation of Amendments

The Company has been earnestly examining the extent of the effect of the recently discovered inappropriate accounting on the financial statements of the current and prior fiscal years, with the cooperation of certified public accountants and other professionals. As mentioned above, however, the Transaction overlaps several past fiscal years, and the date on which the Transaction was initially conducted has not yet been ascertained. Accordingly, the extent of said effect has not yet been fully identified. We shall earnestly proceed with the investigation, and shall notify you of the extent of said effect promptly upon identifying the same.

Regarding the annual securities reports, the semiannual securities reports, and the quarterly securities reports that we submitted during or after the fiscal year that ended on March 31, 2005 and not later than August 2008, we shall submit amendments thereof to the Kanto Local Financial Bureau promptly upon identifying the relevant figures in the investigation. Similarly, we shall also submit amendments to the summary statements of account for the current and prior fiscal years promptly upon identifying the relevant figures in the investigation.

4. Future Measures (including the Role of the External Investigation and Advisory Board)

The Board of Directors of the Company has seriously considered the occurrence of the recently found event, which has caused a great deal of trouble and concern to its shareholders, trade partners and any other parties concerned, and today established an external investigation and advisory board that consists of lawyers and a certified public accountant of fair and independent viewpoints, in order to, among others, (i) clarify the details of the Transaction promptly; (ii) determine the effect on the business results of the Company; (iii) clarify the responsibilities of the management; and (iv) obtain appropriate recommendations on the determination of measures for the prevention of a recurrence, including discipline of the parties involved. The external investigation and advisory board consists of the following members.

Chairman: Yukio Machida, attorney-at-law, Nishimura & Asahi
Member: Yoshiko Koizumi, attorney-at-law, Nishimura & Asahi
Member: Haruhisa Kasumi, certified public accountant, Ernst & Young ShinNihon LLC

The Company shall hereafter strictly and thoroughly proceed with the investigation of the relevant facts and causes through its external investigation and advisory board, sort out any and all inappropriate accounting conducted in the past, and implement effective measures for the prevention of a recurrence so that such inappropriate accounting shall never occur again in the future.

Regarding the results of the investigation by the external investigation and advisory board, we shall provide you with a report promptly upon determination of the contents thereof.

We deeply apologize again for causing a great deal of trouble and concern to our shareholders, trade partners and any other parties concerned, due to our inappropriate accounting hereby notified to you.

Under our firm resolution not to let this kind of event occur again in the future, all the members and employees of our entire group shall hereafter work together to strive to restore your confidence in us. We hereby sincerely ask for your understanding and support.