

Message from the President

Top Message

We will promote business structural reforms
with a strong determination to protect trust



Takashi Abe

President and Representative Director,
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To protect trust

My name is Takashi Abe, and I have been appointed as President and Representative Director. I will try my best to fulfill the expectations of everyone who supports the Company.

I joined Japan Storage Battery Co., Ltd. (currently GS Yuasa International Ltd.) in 1989 and have accumulated experiences in serving as the president of a U.S.-based subsidiary, developing management strategies, and working in the fields of industrial batteries and power supplies, automotive batteries, etc. During this period, I have always tried to see actual sites and communicate at actual sites.

Our main products—lead-acid batteries, lithium-ion batteries, and power supplies—require us, because of their product characteristics, to produce products that deliver necessary performance when necessary as stated in the specification requirements. We have satisfied such requests through highly-reliable products and technical services, so that we have been able to accumulate trust of customers, who feel GS Yuasa products are reliable. Its foundations are employees' steady efforts at their work sites such as for technology, manufacturing, and sales. To continue to protect trust, it is necessary to find small problems inherent in work sites and translate them into effective solutions. We can never identify such problems if we stay in an office. Communication on site is indispensable.

While ensuring on-site perspectives as the president, I will continue to protect trust, which is the foundation of sustainable development that has been built up by our predecessors. For this, we regard the corporate philosophy of "Innovation and Growth" as what our all employees should inherit and practice properly.

Now is the time for innovation and growth

Our Group originates from Japan Storage Battery Co., Ltd., which was established by Genzo Shimadzu, who is counted as one of the ten greatest inventors in Japan and succeeded for the first time in manufacturing lead-acid batteries domestically; and Yuasa Storage Battery Co., Ltd., which was founded by Shichizaemon Yuasa, a gifted entrepreneur who opened new business fields one after another with farsighted vision.

For about a century since their foundation, the two companies have met changing social demands as manufacturers specializing in storage batteries while inheriting their original spirit: the inventor spirit of Genzo Shimadzu and the entrepreneur spirit of Shichizaemon Yuasa, respectively. Such spirits of foundation are inscribed in the corporate philosophy "Innovation and Growth," which was declared when the two companies merged their operations in 2004.

Let us turn our eyes to the future society. Carbon neutrality will progress steadily on a global scale to solve global warming, a common problem of mankind. Renewable energy, which is regarded as an effective means to achieve it, has difficulty in stable supply because of its dependency on nature, therefore storage batteries are greatly expected to help solve such difficulty. The electrification of automobiles is expected to advance steadily, and technological innovation of storage batteries, which is the key to extending the range of automobiles, is expected. We have continued to polish our storage battery technology for over 100 years and have the power to contribute to the realization of a carbon-free society through various applications based on the themes of energy saving, energy creation, energy storage, and renewable energy.

Meanwhile, the world is changing with unprecedented speed against the backdrop of rapid technological evolution. Tough times lie ahead, and it is clear, even without reading Darwin's theory of evolution, that only companies that are sensitive to various changes in market conditions and can respond quickly can survive. We are not allowed to have irrational confidence, like "Our Company will continue to be OK," because of the fact that the Company has a long history. From now on, we are required to have an unyielding spirit similar to that of our predecessors who began with a clean slate to think about non-existing technologies and businesses and leave tangible results. Such a sense of crisis is a reason why I am strongly aware of the importance of the corporate philosophy of "Innovation and Growth." We will steadily implement "Innovation and Growth" based on the long-term vision "Vision 2035" while sharing the sense of crisis among the entire Group.

Long-term vision "Vision 2035"

Global demand for storage batteries is expected to grow by more than 40 times from 2019 to 2050. Vision

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2035 was formulated by backcasting from such a super-long-term forecast. It is a guideline for us to create social and economic value and increase corporate value continuously by contributing to global trends of carbon neutrality through storage batteries. Currently, we are promoting the Sixth Mid-Term Management Plan (FY2023-2025), which was formulated by reinterpreting Vision 2035 on a medium-term time scale.

In the field of lead-acid batteries, we provide engine starting batteries for automobiles, auxiliary machinery batteries for hybrid electric vehicles, large emergency batteries for infrastructure, small batteries for general-purpose power supplies, etc. In the field of lithium-ion batteries, we manufacture and sell products supporting a variety of applications, such as for hybrid electric vehicles (HEVs), for plug-in hybrid electric vehicles (PHEVs), for battery electric vehicles (BEVs), 12 V lithium-ion batteries (for starting-up, for auxiliary machinery), and for ESS for infrastructure. In Vision 2035, we will take advantage of such a broad product lineup and capture demands in all directions in the two priority areas Mobility and Public Infrastructure. The diversity of our product lineup is an advantage specific to a manufacturer specializing in batteries that can flexibly respond to rapid changes in market conditions.

To capture demands in all directions, we will be committed to not only manufacturing devices but also providing added value in intangible aspects. Storage batteries and power supply systems that we have provided since our foundation have contributed to the development of society as important devices in

various energy societies. We will shift from an "energy and device company" to an "energy management company" by providing not only devices but also technologies and services that are more closely related to various energy societies.

Although I said "in all directions," we have no plans to extend our range unnecessarily. The important point in "Innovation and Growth" of Vision 2035 is to promote portfolio reforms appropriate to long-term changes in market structure while focusing on winning areas with winning approaches.

It is considered almost certain that the storage battery market will expand over the long term. We expect that inside the market, there will be significant structural changes. As for Mobility, lead-acid batteries, which are our traditional business and account for more than half of earnings, have maintained brand recognition and a large share at home and abroad for many years as batteries for starting automobiles and motorcycles and created stable profits. However, their demand is expected to be on a gradually declining trend in the future as vehicle electrification will progress. Lithium-ion batteries for HEVs are expected to expand until the mid-2030s, after which their demand is expected to decline. In contrast, lithium-ion batteries for BEVs are expected to expand from the late 2020s.

As for Public Infrastructure, the government has a policy of increasing the ratio of renewable energy, mainly solar power, in the energy mix to 30 to 40 percent in the period through 2030 partly because of energy security. Against this backdrop, the demand of



energy storage systems (ESS) to be connected to a power system is expected to expand.

To respond to such changes in market conditions, we will produce stable profits in the existing business, which is the current revenue bases, such as lead-acid batteries, industrial batteries and power supplies, and lithium-ion batteries for HEVs, and use the profits as a source of funds for focused investment in the development of lithium-ion batteries for BEVs and ESS in order to build a highly profitable and sustainable business portfolio centering on the two business fields.

Lithium-ion batteries for BEVs, serving as a pillar for future growth

When I was stationed in the United States, I had an opportunity to know the phrase "Be Prepared" as I accompanied a child of local staff on his Boy Scout activity. This is a famous motto in scout activities, meaning that you should prepare calmly assuming possible risks and situations. In doing work, while being aware of this word and always seeing things objectively, I have prepared various choices and strived not to miss future business chances and risk aversion opportunities. In the challenge to lithium-ion batteries for BEVs that involve large-scale investment, we will maintain high risk sensitivity while always seeing ourselves objectively, and make choices that increase the likelihood of success.

In the global market of lithium-ion batteries for BEVs, there are strong players who are overwhelmingly superior in development strength, cost competitiveness, supplies, etc. As is the case with Blue Energy Co., Ltd. and former Lithium Energy Japan (LEJ) in the automotive lithium-ion battery business, the core of our strategy will be to cooperate with partners, mainly automobile manufacturers with rich resources such as know-how and technology.

At the heart of the strategy is Honda · GS Yuasa EV Battery R&D Co., Ltd. (HGYB), a joint venture

company established with Honda Motor Co., Ltd. in July 2023. HGYB promotes the research and development of high-capacity and high-power lithium-ion batteries that are highly competitive at the global level. We also plan to start the production of the batteries in a factory of a manufacturing company in FY2027 and expand production capacity for the GS Yuasa Group as a whole to over 20 GWh/year by FY2035. Immediately after the start of production, products will be sold mainly to customers who are mostly partners. First, the highest priority should be given to thoroughly polishing Quality, Cost, and Delivery to meet requests of domestic car manufacturers centering on Honda. After that, we will expand sales to other domestic new-car manufacturers. As for sales to overseas, we will focus on cooperation and promote sales carefully while seeing actual demand.

Batteries for ESS whose demand is expected to expand steadily

ESS uses three types of storage batteries: storage batteries to be incorporated on the generator side of renewable energy such as solar and wind power; system storage batteries to be directly connected to a system; and a storage battery system to be incorporated on the end-user side for self-consumption, such as a factory.

If the balance between the generator and consumer sides on an electrical power grid breaks down greatly, a massive blackout is caused. Unlike thermal power generation which allows demand and supply to be adjusted finely, renewable energy, which has large variations in power generation, requires variations in a system to be absorbed by storage batteries. Storage batteries are indispensable for Japan, poor in energy resources, to shift to renewable energy and use electricity efficiently with less waste. Against the backdrop of the experience of supply chains being disrupted due to the COVID-19 pandemic and growing geopolitical risks, the demand of domestically produced batteries is especially growing. In the medium- to long-term as well, stable demand expansion is expected, and the annual demand for storage batteries for ESS in 2030 is expected to be 4.5 to 5 GWh.

Regarding lithium-ion batteries for ESS related to renewable energy, we are currently receiving inquiries that amount to more than three times our production capacity and are responding to the demand by increasing the production capacity of former LEJ. However, our response to the demand will continue to be tough for the time being. For this reason, we will also manufacture lithium-ion batteries for ESS from late 2027 by making use of the production lines and

Key points of "Innovation and Growth" for achieving Vision 2035

Vision 2035 P.20-25

Mobility Field	Public Infrastructure Field	New Initiatives
<ul style="list-style-type: none"> ● Leverage achievements of joint venture company with Honda to provide society with high-capacity, high-output lithium-ion batteries for BEVs and achieve growth ● Regarding lithium-ion batteries for HEVs, continue the development of high-quality products and the improvement of production capacity ● Secure funds for growth through optimization of regional strategies for lead-acid batteries 	<ul style="list-style-type: none"> ● Differentiate industrial batteries and power supplies, primarily backup batteries and power supplies, from our competitors' products by increasing added value ● Leverage expertise in lithium-ion batteries for BEVs to strengthen competitiveness in lithium-ion batteries for ESS of renewable energy 	<ul style="list-style-type: none"> ● Use accumulated, diverse technology and expertise as seeds to create new businesses that contribute to society

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know-how for lithium-ion batteries for BEVs under joint development with Honda. In addition, we are currently developing and aiming to introduce a space-saving and highly efficient power conditioner-integrated system where storage batteries and a power conditioner are combined. The production of lithium-ion batteries for ESS is mainly based on orders received, unlike products for car manufacturers, which are based on planned production. We intend to win orders steadily by achieving cost competitiveness that cannot be realized by ourselves alone through the benefits of mass production based on the repurposing of lithium-ion batteries for BEVs.

Strengthening existing business, the foundation for growth

To make investments steadily with an eye toward the future, we need to continuously improve added value and efficiency and generate profits sufficiently in the existing business.

For automotive lead-acid batteries, preparing a business continuity plan (BCP) is an important effort toward improving added value. We have manufacturing bases in East Japan, Central Japan, and West Japan, and in our previous system, products were supplied only from production bases approved by customers. Therefore, there was a risk that a customer's production line may be stopped should a relevant factory be affected by a natural disaster, etc. Therefore, we will promote the sharing of production models and technologies and the optimization and streamlining of production facilities and build a production system, with the understanding and cooperation of customers, that allows us to manufacture products with the same specifications and quality in any factory and supply products stably in any situations.

The theme of automotive lead-acid batteries in overseas markets is "Selection and Concentration." A large increase in automobile sales is not expected in Japan facing a shrinking population, whereas there is great growth potential in overseas markets. We will allocate more management resources to ASEAN, Europe, and Australia. In particular, ASEAN, which is experiencing rapid economic growth, is a market in which we have advantages as we have built a brand in our long history. We want to ensure growth in the market by strengthening collaboration with partners with which we have deepened cooperative relationships for over 50 years and by implementing product and sales strategies suitable for the needs of each country.

Industrial batteries and power supplies in the existing business are led by emergency power supplies. For this business, we will increase added

value by the *Koto-zukuri* (service creation) business. Emergency power supplies are useless if they cannot be used in emergency. Therefore, we will strengthen the provision of STARELINK services, which allows you to check battery and power supply conditions in real time 24 hours a day, 365 days a year and receive a notification if the power supply is found to be faulty or approaching the end of its life. In addition, we will create product differentiation by taking advantage of "network" and "footwork" in addition to field services where a service person from agencies and work service companies all over Japan arrives at the site and responds to the situation.

For lithium-ion batteries for HEVs, we plan to increase production capacity from a current capacity of 50 million cells a year to 70 million cells a year in FY2025. Our lithium-ion batteries for HEVs have received high acclaim from customers for their performance and quality. We intend to polish technology without settling for the current recognition and develop and provide products with higher performance and higher quality, while at the same time carefully promoting streamlining such as reduction of costs.

We also need to address risks associated with procurement of raw materials whose prices have risen in recent years. Lead, a raw material of lead-acid batteries, has very high recyclability, and therefore we will achieve risk reduction and resource saving at the same time by improving the ratio of recycled lead. Meanwhile, raw materials such as lithium and rare metals depend on imports from overseas and are significantly affected by geopolitical risks. We also plan to pursue the research and development of alternative raw materials over the long term, sometimes in cooperation with outside organizations.

Human capital strategy for promoting the growth strategies

In order to promote business structure reforms steadily, we plan to reinforce personnel who are involved in lithium-ion batteries as we aim to expand their business scale. We intend to strengthen the development and recruitment of a wide variety of human resources who are engaged in not only engineering but also marketing and sales serving as a point of contact with customers. We think it is also important to strengthen IT personnel for promoting digital transformation, such as improving production efficiency using digital technology and developing new business, but digital transformation itself should not be a goal, and it is necessary to implement optimum IT tailored to our on-site problems. We plan to internally increase personnel who have the ability to make such plans. For some years, motivated

employees have actively learned under a program for training personnel for digital transformation. To increase personnel who have the ability to make plans for introducing IT, we intend to consider the choice of hiring external resources. Consequently, we will also consider changing the overall framework of the Company; for example, personnel reward structures and evaluation systems.

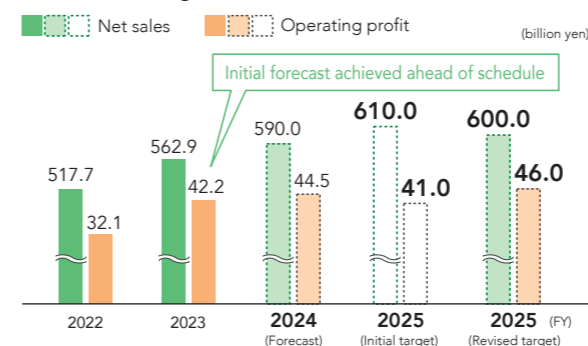
In addition, we will invest aggressively in autonomous-minded human resources personnel who have a high willingness for growth and exemplify the corporate philosophy of "Innovation and Growth" and make efforts to develop them. We are working on the project "Biz Challenge," which recruits ideas for new business with our accumulated technology and know-how serving as seeds, and highly motivated employees have submitted a variety of ideas. This project is intended to blossom in the long term, or after 2035. We regard it as an important effort for inheriting the spirit of "Innovation and Growth" and plan to continue it.

We also plan to prepare an education system that allows everyone to learn independently and introduce a personnel system that allows personnel to be assigned to important roles and work regardless of age and years of experience and evaluated according to performance. We intend to increase engagement by increasing the mobility of personnel between businesses and providing paths in which employees themselves select their carriers.

Promoting reforms with a sense of speed

In FY2023, which is the first year of the Sixth Mid-Term Management Plan, we achieved the FY2025 target of operating profit before amortization of goodwill ahead of schedule. For FY2024 as well, we plan to continue increasing sales and profit. In July 2024, we announced

Changes in net sales and operating profit before amortization of goodwill



● Sixth Mid-Term Management Plan (FY2023-2025) P.36-39



the revision of the FY2025 target.

Operating profit before amortization of goodwill until FY2021 had been hovering at the 20 billion yen level, which reached the 30 billion yen level in FY2022 and the 40 billion yen level in FY2023. I consider our success of stepping up steadily while reporting record high profits as the result of hard work of all members of business divisions and indirect departments supporting them, and truly appreciate their efforts. In FY2023, favorable winds blew for market conditions, and efforts to correct selling prices were effective. For continuous expansion of profits, it is necessary to further strengthen earning power. We will work to strengthen profitability by analyzing not only superficial figures but also the details of business results; for example, what level of competitiveness we are at in business, and whether we really have earning power.

Turning to the stock price, which is the overall evaluation of management in the stock market, our stock's PBR (Price Book-value Ratio) remains at a low level. I would like to take it seriously that this proves that our future growth is doubted. We will further pursue management based on capital efficiency, capital cost, and stock prices and explain our growth story carefully in an easy-to-understand way to shareholders and investors. I think that the most important thing to win the trust of the stock market is to properly implement the policy of Vision 2035 and show solid accomplishments.

We are moving toward the next 100 years. In the coming age, a company whose scale is similar to ours may be left behind from the market if it is tied to mentalities, rules, and decision-making speed rooted in an organization through the history. As for our corporate culture itself, we will promote "Innovation and Growth" with the resolve to change the corporate culture if it does not work in a new market. We are determined to fulfill our duties without evasion if we face difficult problems. I hope you will continue to look forward to the future of the Group, and support us in our efforts.