

Message from the President

We will strengthen our offensive stance, focusing solely on corporate value.



Takashi Abe

President and Representative Director
GS Yuasa Corporation

Deepening convictions after one year in office

Over the year since I assumed the role of President, I have worked tirelessly to carry the baton passed on by my predecessor, Mr. Murao, and to steadily carry out the policies set forth in our long-term vision, Vision 2035, and the Sixth Mid-Term Management Plan (FY2023–FY2025). To be honest, my unvarnished impression is that it has been a year of continually addressing the challenges right in front of us. It may seem self-evident, but as a corporate executive, my responsibility is ultimately to continuously enhance corporate value, and all decision-making criteria must converge on that single point.

People gravitate toward companies with high corporate value. The same holds true for technologies, partners, and business opportunities. Only by becoming a company that is chosen by all stakeholders can we create a virtuous cycle of sustained corporate value enhancement. I recognize that the visible form of stakeholder evaluation for such corporate value is our stock price. However, despite recording record-high profits for three consecutive years, our PBR has remained below 1. As indicated by our PER—one of the elements of PBR and a key indicator of expectations for a company's future—languishing in the eight-times range, the market unfortunately is not valuing our future scenario, and this is clearly reflected in our stock price. As long as expectations for the future are represented directly in the stock price, we must take this situation seriously.

With the strengthened management foundation we have built under the current Sixth Mid-Term Management Plan, we will move forward in FY2026 to launch the Seventh Mid-Term Management Plan. During the period of the Seventh Plan, we will respond flexibly to changes in the trajectory of the BEV battery business while preparing for the Eighth

Plan. We intend to present stakeholders with an offense-focused Mid-Term Management Plan based on a convincing, highly transparent growth story that embodies our corporate philosophy, "Innovation and Growth." Even within the Company, I have consistently communicated to management that **enhancing corporate value is essential under the Seventh Mid-Term Management Plan** and have been advancing discussions on specific directions for corporate value enhancement, as well as improving management indicators. In order to build the inherent strength to sustain strong performance, we will continuously update our growth story to reflect the prevailing environment and steadily execute it, thereby creating a virtuous cycle that links results to shareholder returns. To that end, we will see the Sixth Mid-Term Management Plan through to completion at all costs.

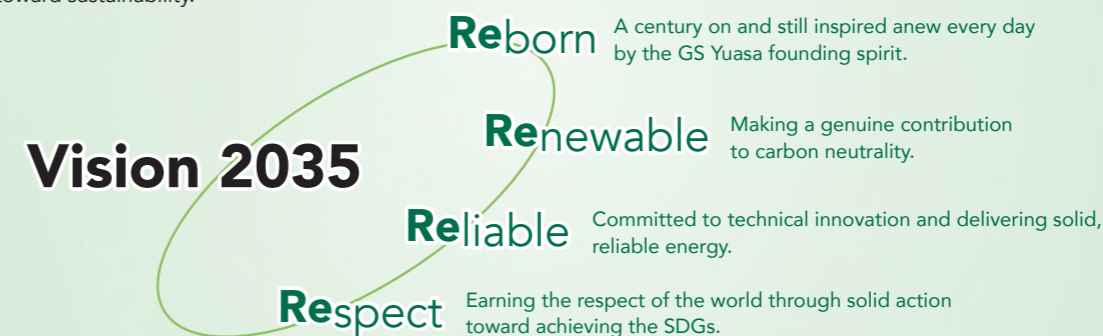
● P.52-53 Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Direction of the long-term vision "Vision 2035"

Looking back from the super-long-term future through 2050, when global demand for storage batteries is projected to expand, we formulated our long-term vision, Vision 2035, in FY2023 as a roadmap for enhancing corporate value through 2035. Since our founding, we have walked a long path with lead-acid batteries as our core business. Based on this history, we will thoroughly enhance profitability in our existing businesses while leveraging our strength as a dedicated storage battery manufacturer with an exceptionally broad product lineup to capture expanding demand in all directions. While generating stable cash in these areas, we will invest that cash into the growth domains of Mobility and Public Infrastructure to build a highly profitable business portfolio and address social issues. This growth

Vision of GS Yuasa in 2035

Based on the "Four Re" formula, we strive for innovation in energy technology, address the challenges facing society through the development of mobility and other public infrastructure and seek to create comfortable living environments and play a vital part in the global effort toward sustainability.



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scenario remains unchanged.

At the same time, considering the current market environment since the announcement of Vision 2035, we believe there is room to review the pace of business structure reforms. Specifically, we expect demand for lead-acid batteries is expected to remain strong at least through 2040, continuing to provide a solid foundation for our business performance. Though growth in demand for batteries for BEVs may slow relative to initial expectations, demand for HEV and PHEV batteries is projected to continue. In specialized batteries, our defense-related business is expanding in line with the policy of fundamentally strengthening defense capabilities, and demand is expected to remain firm going forward. Accordingly, we will continue to closely monitor developments in each business and recognize the **need to make prudent judgments regarding the outlook for business structure reforms.**

P.26-29 Vision 2035

Toward our fourth consecutive year of record-high profits

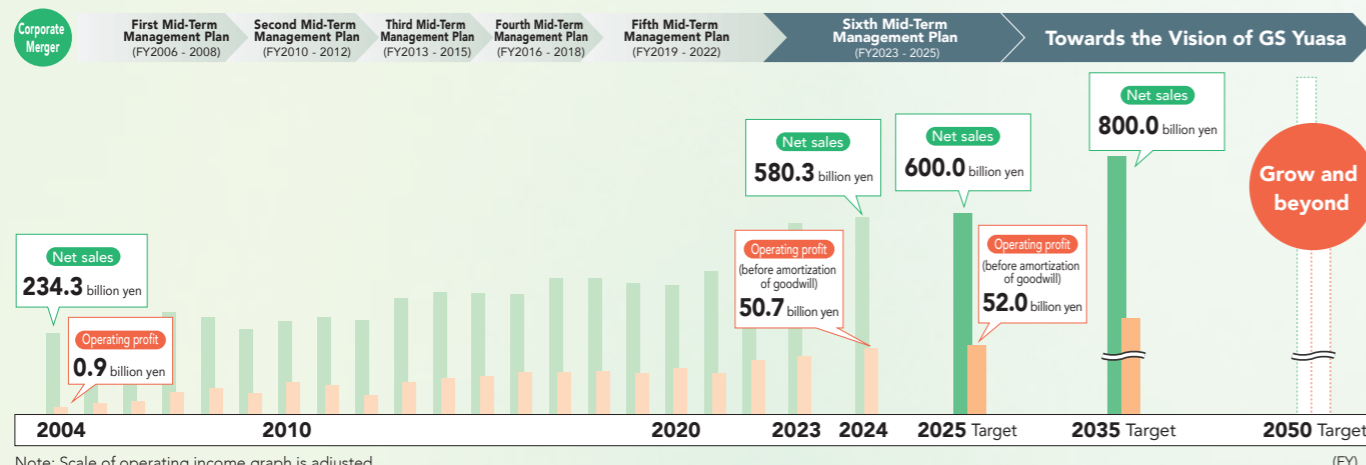
I have long made it a habit to run about 20 km each week. In a position of responsibility requiring important management decisions, maintaining both mental and physical health is vital, so I try to keep this up even when the weather doesn't cooperate. Running requires you to constantly assess your own capabilities and condition objectively, adjusting your pace while considering factors such as the weather. In a full marathon, if you keep moving forward, you will surely reach the finish line; but if you grow complacent and don't continue to improve, you risk not only failing to finish but also sustaining serious injury. Likewise, for our Company **to reach the goal of Vision 2035, we must continually view our strengths and weaknesses objectively, prepare for risks and changes, and move forward steadily, step by step.**

In FY2024, the second year of the Sixth Mid-Term Management Plan, operating profit exceeded both



the initial target and the upwardly revised target, marking our third consecutive year of record-high profits. Operating profit before amortization of goodwill, which had remained at the 20 billion yen level through FY2021, rose to the 30 billion yen level in FY2022, the 40 billion yen level in FY2023, and the 50 billion yen level in FY2024—evidence of our performance improving steadily, step by step. I would like to once again express my appreciation for the efforts of our employees, which have driven this progress. In particular, by both steadily capturing demand and revising sales prices, we were able to absorb rising personnel costs and increases in raw material and other costs, reinforcing my sense that the earning power of our existing businesses has been further refined. I was also able to see that the culture that encourages employees to unite their efforts to achieve set targets has firmly taken root. On the other hand, we experienced declines in sales and profits for automotive lithium-ion batteries due to reduced sales volume and lower selling prices resulting from falling lithium market prices, leaving the issue of improving profitability as a challenge we must face going forward. In FY2025, we are expecting the depreciation burden accompanying the expansion of production capacity at the Blue

Business growth under Vision 2035



Note: Scale of operating income graph is adjusted.

(FY)

Energy No. 2 plant and fluctuations in volume are expected to affect profitability. We will work steadily to resolve profitability issues, including reviewing sales price contracts.

In this final year of the Sixth Mid-Term Management Plan, we will address these outstanding issues while aiming to improve on our record for the highest-ever profit and steadily achieve our targets.

P.32-35 Sixth Mid-Term Management Plan

Flexible response to changes in electrification trends

U.S. tariff policies are currently shaking the global economy, prompting companies worldwide to review production sites and supply chains. Our business centers on local production for local consumption, so we believe the impact of tariffs will be limited. However, there is some risk of volume decline for exports from Japan and Southeast Asia to the U.S. We also recognize that economic slowdowns in ASEAN countries, affected by U.S. tariff policies and economic deceleration, pose an indirect downside risk to earnings, and we have factored this into our FY2025 earnings forecast to some extent.

Shifts in battery demand trends in the Mobility Field are also increasing uncertainty in the business environment. Global warming is an issue that must be addressed regardless of short-term political and economic changes, so demand for BEV lithium-ion batteries is expected to expand steadily over the long term. However, the situation has changed dramatically from several years ago, when BEVs, buoyed by preferential measures in various countries, dominated the market. Now, BEV momentum is slowing worldwide, and demand for HEVs and PHEVs is rising once again. We are proceeding with capacity expansion at Blue Energy, which produces HEV batteries, as initially planned, and we expect demand for HEV batteries to continue growing for some time. We see room to consider further capacity increases as demand expands further. While there is no change at present in our policy to advance R&D and production preparation for BEV lithium-ion batteries, demand

growth for BEV batteries may progress more moderately than initially expected, and we believe it is necessary to closely monitor future demand trends.

Even in such an uncertain environment, we can rely on the strength of our multi-battery solutions. In addition to lead-acid batteries for ICE vehicles and electric vehicles, our lineup includes lithium-ion batteries for HEVs, PHEVs, BEVs, 12 V auxiliary equipment, and ESS. Our BEV lithium-ion battery factory, now under construction, will also be capable of producing lithium-ion batteries for PHEVs and ESS, thanks to its flexible production lines. Leveraging this strength, we can flexibly respond to customer and market movements **regardless of the direction electrification trends take, ensuring business stability.**

P.26-29 Vision 2035

Strength in capturing expanding ESS demand

In Japan, which is relatively poor in energy resources, expanding the introduction of renewable energy is recognized as an extremely important issue from the perspective of energy security. Renewable energy is affected by weather and other factors, but ESS devices are the key to resolving this instability, and demand for both is expanding significantly.

Against the backdrop of recent fragmentation of global supply chains, demand for domestically produced batteries is growing. We have been receiving inquiries about our ESS lithium-ion batteries that exceed our production capacity, and while we are responding to demand by increasing production capacity, we expect the tight supply-demand situation to continue for the time being. While our basic approach is in-house battery production, we will respond to demand by exploring various possibilities.

Demand for ESS lithium-ion batteries is expected to continue expanding steadily in the medium- to long-term, with annual demand projected at 4.5 to 5 GWh by 2030. As noted above, the BEV lithium-ion battery factory currently under construction is also planned to produce ESS lithium-ion batteries, and we aim to differentiate ourselves through cost

Sixth Mid-Term Management Plan targets

Sixth Mid-Term Management Plan targets (FY2025 target)	Net sales	Operating profit (before amortization of goodwill)	ROE (return on equity)	ROIC (return on invested capital)	Total payout ratio
	600.0 billion yen	52.0 billion yen	9.5%	13.0%	23.6%
Difference	+82.3 billion yen	+19.9 billion yen	+3.0P	+1.6P	(4.3)P
Fifth Mid-Term Management Plan Results	517.7 billion yen	32.1 billion yen	6.5%	11.4%	27.9%

Note 1: Above indicators refer to profit before amortization of goodwill (operating profit and profit).

Note 2: ROIC is calculated as follows: Operating profit before amortization of goodwill (pre-tax) / Invested capital (fixed assets [excl. goodwill amortization] + working capital). Invested capital is the average of amount at beginning and end of term.

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competitiveness achieved by mass production effects.

Business operators introducing renewable energy calculate business profitability on the assumption of using facilities for 15 to 20 years. For ESS as well, it is essential to provide maintenance and support to ensure stable operation, in addition to high construction quality. The Group has built a nationwide service network in Japan—including construction agents and authorized distributors—developed over many years in the emergency battery and power supply business. **This 24/7/365 response capability anywhere in the country is a powerful differentiating factor for our ESS offerings.** In addition to further strengthening this service structure, we will enhance differentiation through the use of advanced technologies, including the STARELINK Service, which enables constant monitoring of battery deterioration status and storage battery system operating conditions.

● P.36-40 [Feature 1] Initiatives in the Regular Field to Achieve Carbon Neutrality

Relentlessly reinforcing earning capacity in existing business

To ensure that we continue to generate stable cash to invest in growth areas in an uncertain environment, we will remain firmly focused on strengthening the profitability of existing businesses. Many of our existing businesses have significant remaining potential for improved productivity through investment, as we restricted capital investment during periods of low profitability in the past. We aim to improve profitability further over the medium term by securing sales through enhanced added value and improving productivity through strategic investment.

For automotive lead-acid batteries, demand is expected to remain steady in FY2025, centered on the replacement market. **Considering current demand trends and advantages in cost and recycling, we forecast that demand for automotive lead-acid batteries will remain at around 90% of current levels even in 2035.** Similarly, demand for motorcycle lead-acid batteries is expected to continue expanding, particularly in the ASEAN region. We intend to reliably capture demand by providing added value that leverages our strengths as a top manufacturer, in addition to ensuring quality as the foundation of trust. In Japan, we are actively advancing our business continuity plan (BCP) to build a system capable of manufacturing products of the same quality at any of our manufacturing sites in East, Central, or West Japan, so that customer production lines will not be stopped under any circumstances, including disasters. Overseas, we are considering investment as an option to further strengthen our market position.

In industrial batteries and power supplies, profitability has been improving in the emergency

field, particularly for the backup of public infrastructure. In addition to growing demand for infrastructure renewal, such as roads and railways, we are advancing our efforts to revise sales prices. In addition, the recent rush to build data centers for AI has continued, expanding inquiries for backup power supplies. From among the various options in the market, we will reliably capture demand by further strengthening our maintenance and support structure and production system, which are our core strengths.

In addition to continuing initiatives for automotive lithium-ion batteries including reviewing sales price contracts, we will strengthen our production and sales structures to reliably respond to growing demand for HEV and PHEV batteries and customer needs.

For specialized batteries, our strengths include products with a 100% market share and groups of products with extremely high market shares. In the defense business as well, profitability is expected to expand in line with growing demand. We will continue to secure profits commensurate with our investments in R&D.

● P.41-47 [Feature 2] Initiatives to Strengthen the Foundation of Existing Business

Promotion of human capital strategy linked with management strategy

As part of our efforts to strengthen human capital to achieve Vision 2035, we will advance initiatives for recruitment, development, and appropriate placement of personnel in closer alignment with our management strategy. To put our corporate philosophy of "Innovation and Growth" into practice, we are developing an environment that fosters autonomous-minded human resources who learn and take on challenges independently. We are continuing to implement the "Biz-Challenge" program, which solicits new business ideas from employees, and the "Job Challenge" internal application program to promote personnel mobility. From April 2025, we incorporated elements of an occupation-specific system into the managerial personnel system to advance business strategies more dynamically, creating an environment where important roles can be assigned regardless of age or years of experience. We will be expanding this system to all employees in the future. Through these initiatives, we will break away from the seniority-based system and continue to enhance our framework that enables employees to choose their careers proactively.

Improving employee engagement is an essential part of enhancing corporate value. We aim to foster a culture that accepts diverse values and work styles, increases job satisfaction, and ensures employees take pride in being members of the Group by presenting and sharing a clear vision for the future. Through such initiatives, **we intend to become a**



company with autonomous-minded personnel that are eager to grow and who feel that their growth is part of the Company's growth.

● P.84-91 Society

Preparing for risks

Our PBR remains low, and our shares are undervalued, so we recognize the potential risk of TOB or acquisition. We take this as evidence that doubts remain about our future growth. As mentioned earlier, we will focus on explaining our growth story clearly and carefully, while working to pursue management that is even more conscious of capital efficiency, capital cost, and stock price.

Addressing risks in raw material procurement is also an ongoing challenge. For lead-acid batteries, we will leverage their high recyclability to both reduce procurement price fluctuation risk and conserve resources by increasing the ratio of recycled lead. For lithium-ion batteries, many raw materials are concentrated in certain countries, in terms of both reserves and production, and procurement risk is a constant concern. In the midstream refining stage,

procurement is particularly dependent on certain countries, and risks from changes in international political conditions are ever present. To mitigate these risks, we are exploring procurement diversification through collaboration with materials manufacturers and automakers. Through technology development, we are also working to reduce rare metal usage and develop alternative raw materials, thereby improving resilience to materials procurement risk.

Shifting to an offensive strategy

As a dedicated battery manufacturer with over 100 years of history, we have built a steady corporate culture through many years of persistent efforts to reliably meet customer needs. However, this can also be seen as conservative, and investors have often pointed out that our performance has consistently exceeded our targets in recent years. The practice of setting conservative performance targets and being satisfied with achieving them must be changed—not only by myself but by all management and the Company as a whole—and that a reset of our mindset is needed. Setting a target of updating our record profit even in FY2025, when market uncertainty is high, reflects this thinking. We will continue to advance initiatives to delegate authority to the front lines in order to accelerate decision-making processes. From the Seventh Mid-Term Management Plan starting in FY2026, we will fully shift to offense and take on higher targets, and we hope you will look forward to seeing the Group meet this challenge.

Focusing solely on enhancing corporate value, we will unite the Company's mindset toward offense as the next step and pursue our corporate philosophy of "Innovation and Growth." We appreciate your continued support.

Stock price and trading volume

