

Sixth Mid-Term Management Plan (FY2023-2025)

Policy and Measures

Policy

Positioning this period as one for laying the foundation for reform to realize the vision envisioned in Vision 2035, we will implement a variety of measures to reform our business structure.

Measures

1	Development of batteries for BEVs	<ul style="list-style-type: none"> Development of a high-capacity, high-output lithium-ion batteries by utilizing joint venture company with Honda Establishment of production and supply systems of batteries for BEVs to expand mobility and public infrastructure business
2	Reinforcement of earning capacity in existing business	<ul style="list-style-type: none"> Thorough value-added creation and improvement in profitability Maximization of profits due to unparalleled superiority in Industrial Batteries and Power Supplies business in Japan Transformation of regional strategy, including review of business in China, maximization of profits by concentrating resources at main sites
3	DX / new business	<ul style="list-style-type: none"> DX promotion to enable business structure transformation Create new businesses that contribute to solving social issues

For details on the strategies and initiatives of each segment, please refer to "Business Outlook."

● Automotive Batteries P.42-45
 ● Industrial Batteries and Power Supplies P.46-49
 ● Automotive Lithium-ion Batteries P.50-53
 ● Specialized Batteries and Others P.54-55

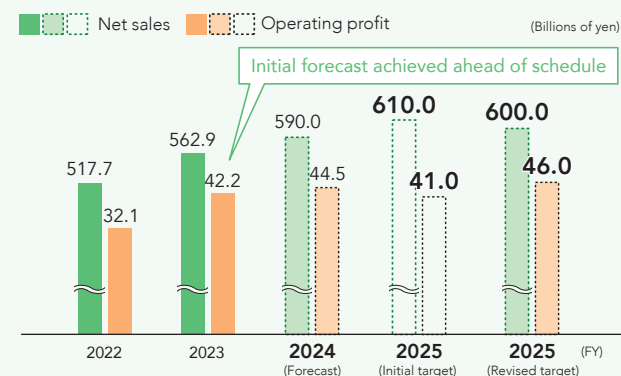
Changes in the Business Environment and Review of Targets

On July 9, 2024, the Company announced the review of the targets for the final fiscal year (FY2025) of the Sixth Mid-Term Management Plan.

In FY2023, the first fiscal year of the Sixth Mid-Term Management Plan, we strengthened profitability in existing businesses and reviewed our China business, resulting in profit growth at various stages. As a result, we achieved the operating profit target for FY2025 ahead of schedule, prompting us to revise our management goals.

Going forward, the Company will continue to promote the following three initiatives: (1) Development of batteries for BEVs, (2) Reinforcement of earning capacity in existing business, and (3) Digital transformation (DX)/new business.

Changes in net sales and operating profit before amortization of goodwill



Changes in the Market Environment

Raw material prices corresponding to the weak yen and rising labor costs due to labor shortages	Changes in the trend of EV adoption and a reconsideration of HEVs, mainly in Europe
Expansion of the national carbon neutrality policy (subsidies for ESS and BEVs, etc.)	Reorganization of the supply chain and the growth of competing companies in the lithium-ion battery sector

Changes at GS Yuasa

Strengthening the earning power of existing businesses, focusing on automotive batteries and industrial batteries and power supplies	Reconsidering the business portfolio through selection and concentration (e.g., transfer of China business)	Strategic execution in growth areas centered on the BEV business (e.g., establishment of Honda·GS Yuasa EV Battery R&D Co., Ltd. and acquisition of land for a BEV battery factory)
--	---	---

Management Targets

	FY2025 target		Change ((B) - (A))
	Initial target (April 2023) (A)	Revised target (July 2024) (B)	
Net sales	610.0 billion yen or more	600.0 billion yen or more	-10.0 billion yen
Operating profit before amortization of goodwill (operating profit ratio)	41.0 billion yen or more (6.7% or more)	46.0 billion yen or more (7.7% or more)	+5.0 billion yen (+1.0P)
Reference: Operating profit before amortization of goodwill (before applying hyperinflation accounting)	-	48.6 billion yen or more	-
ROE (return on equity)	8% or more	8% or more	-
ROIC (return on invested capital)	10% or more	10% or more	-
Total payout ratio	30% or more	30% or more	-

Notes:
 1. Above indicators refer to profit before amortization of goodwill (operating profit and profit).
 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.
 3. The reference amount for the application of hyperinflation account is recorded at the same level as in FY2023 in the revised target operating profit.

Targets by segment	FY2025 target		Change ((B) - (A))	[Reference] Revised target (FY2025) (before applying hyperinflation accounting)		Reason for revision				
	Initial target (April 2023) (A)	Revised target (July 2024) (B)		Net sales	Operating profit (profit ratio: %)					
	Net sales	Operating profit (profit ratio: %)	Net sales	Operating profit (profit ratio: %)	Net sales		Operating profit (profit ratio: %)			
Automotive batteries	Japan	100.0	7.0 (7.0)	100.0	9.0 (9.0)	±0.0	+2.0 (+2.0)	100.0	9.0 (9.0)	*Reflecting the impact of price revision
	Overseas	240.0	17.0 (7.1)	260.0	17.0 (6.5)	+20.0	±0 (-0.6)	260.0	19.6 (7.5)	*Considering the impact of Turkey's hyperinflation accounting *Increased sales volume, and price revision
Industrial batteries and power supplies		140.0	11.0 (7.9)	120.0	13.0 (10.8)	-20.0	+2.0 (+2.9)	120.0	13.0 (10.8)	*Reflecting the impact of price revision *Considering the decrease in overseas sales
Automotive lithium-ion batteries		110.0	6.0 (5.5)	100.0	5.0 (5.0)	-10.0	-1.0 (-0.5)	100.0	5.0 (5.0)	*Reflecting the impact of price decline due to the drop in lithium market conditions
Specialized batteries and others		20.0	0 (-)	20.0	2.0 (10.0)	±0.0	+2.0 (+10.0)	20.0	2.0 (10.0)	*Reflecting the review of administrative expenses
Total		610.0	41.0 (6.7)	600.0	46.0 (7.7)	-10.0	+5.0 (+1.0)	600.0	48.6 (8.1)	

Note:
 4. Operating profit has been operating profit before amortization of goodwill and the operating profit ratio has been the operating profit ratio before amortization of goodwill.

Financial policy and capital policy

FY2025 target		
Interest-bearing debt to operating cash flow ratio*1 Approx. 3 years	Total payout ratio*2 30% or more	Equity ratio Maintain at 40% or more
Sixth Mid-Term Management Plan 3-year total		
Operating cash flow 140.0 billion yen	Investing cash flow -190.0 billion yen	Free cash flow -50.0 billion yen

*1 Interest-bearing debts (including lease obligations) / Operating cash flow
 *2 The total payout ratio is before amortization of goodwill.

Capital investment, depreciation, R&D costs

		FY2023-2025
Capital investment		190.0 billion yen
Automotive batteries	Japan	12.0 billion yen
	Overseas	20.0 billion yen
Industrial batteries and power supplies		16.0 billion yen
Automotive lithium-ion batteries		105.0 billion yen
Specialized batteries and others		37.0 billion yen
Depreciation expenses		65.0 billion yen
Automotive lithium-ion batteries		24.0 billion yen
R&D expenses		60.0 billion yen *3
(Ratio of R&D expenses to net sales)		3.4 % *4

*3 R&D costs in equity method affiliates are included.
 *4 Plan values as of the end of FY2023.

Sixth Mid-Term Management Plan Update Briefing: Materials and Briefing Video
https://ir.gs-yuasa.com/en/ir/library/strategy_meeting.html

Long-Term Vision and Mid-Term Management Plan Website
<https://ir.gs-yuasa.com/en/ir/management/plan.html>

Sixth Mid-Term Management Plan (FY2023-2025) — Progress of Materiality

Materiality P.62-63

E Environment **S** Social **G** Governance

Materiality	Activity outline	Scope of application	Indicator	Potential impact on business	FY2023 results	FY2025 target
G Thoroughly fulfilling our CSR and ensuring compliance	Provision of legal information and promotion of compliance training	Japan	(1) Number of times compliance education information disseminated annually (2) Number of significant compliance violations	Opportunity loss due to penalties, damages, administrative sanctions, or suspension of transactions	(1) 16 (2) None	(1) 16 (2) None
		Overseas	(1) Achievement rate of compliance training plan (2) Achievement rate of significant compliance violation risk response plan	Opportunity loss due to penalties, administrative sanctions, or suspension of transactions due to relation with cartels or bribery	(1) 100% (2) 100%	100%
G Respect and protection for intellectual property	Promotion of the use of company intellectual property rights	Global	Achievement rate of patent acquisition plans that contribute to the expansion of business	Opportunities for business growth and new business creation	100%	100%
	Thorough avoidance of infringement of third-party intellectual property rights	Japan	Number of third-party intellectual property rights infringement incidents	Losses due to infringement of third-party intellectual property rights	-	None
	Elimination of infringing products	Overseas	Number of imitation product sales websites shut down	Future revenue loss due to the sale of counterfeit products	-	1,000
G Strict management of confidential information	Promotion of security measures and strengthening of illegal / inappropriate access monitoring	Global	Cyberattack response ratio at time of detecting high security alerts	Losses due to leakage of confidential information	100%	100%
		Japan	Information leak confirmation and response ratio at time of large data output		100%	100%
	Promotion of information security training	Japan	Ratio of employees passing information security proficiency test	96%	95% or more	
S Respect for Individuality	Promoting human rights education	Japan	Achievement rate of human rights training plan	• Opportunity loss due to transaction suspension caused by human rights violations • Loss of manufacturing and sales opportunities due to labor disputes • Human resource loss due to decreased productivity (resignation, leave, strike) • Litigation and damage compensation risks	100%	100%
		Overseas	Achievement rate of harassment education plan		100%	100%
	Thorough management of human rights risks	Japan	Harassment incident response ratio	100%	100%	
S Respect for Diversity	Women's empowerment	Japan	(1) Ratio of women in management positions (2) Ratio of women among new graduates recruited for career-track positions (3) Ratio of female workers (4) Achievement rate of training plan for female senior managers	• Increase in shareholder equity due to recognition related to women's participation and adoption as a women-friendly investment stock • Securing labor capacity by increasing the retention rate for female employees	(1) 3.9% (2) 26.7% (3) 14.7% (4) 100%	(1) 6% or more (2) 30% or more (3) 17% or more (4) 100%
	Promotion of the employment of persons with disabilities	Japan	Employment rate of people with disabilities	• Securing labor capacity • Losses due to falling below the statutory employment rate (2.3%)	2.65%	2.7% or more
S Human resources development	Promotion of human resource development programs	Japan	(1) Achievement rate of training plan for development of autonomous-minded human resources (2) Achievement rate of next-generation manager education plan	• Securing personnel who meet the functional requirements • Losses due to failure to obtain IATF16949 certification • Enhancement of human resource performance • Human resource loss due to decreased productivity (resignation, leave, strike) • Securing personnel for future management positions and key roles	(1) 100% (2) 100%	100%
		Japan	(1) Response ratio to prevent the recurrence of long working hours (2) Annual frequency of labor-management consultations relating to working hours (3) Operational achievement ratio of standard for number of days of paid leave taken annually	• Losses associated with the violation of the Agreement 36 • Losses due to unused paid leave	(1) 100% (2) 12 (3) 99.9%	(1) 100% (2) 12 (3) 100%
S Enhancement of work environments and occupational health and safety	Promotion of the thorough management of employees' working hours and prevention of the recurrence of long working hours	Japan	(1) Response ratio to prevent the recurrence of long working hours (2) Annual frequency of labor-management consultations relating to working hours (3) Operational achievement ratio of standard for number of days of paid leave taken annually	• Losses associated with work-related accidents due to overwork resulting from long working hours	68%	100%
		Overseas	Achievement rate of overtime work reduction target	• Losses associated with work-related accidents due to overwork resulting from long working hours	68%	100%
	Thorough implementation of appropriate employment management	Japan	Number of corrective recommendations from the Labor Standards Inspection Office based on spot inspections	Losses associated with corrective recommendations	None	None

Materiality	Activity outline	Scope of application	Indicator	Potential impact on business	FY2023 results	FY2025 target
S Enhancement of work environments and occupational health and safety	Promotion of a work-life balance	Japan	Job turnover of full-time employees	• Increase in additional hiring costs due to employee turnover	2.3%	Less than 2.3%
	Promotion of health management	Japan	Rate of high stress individuals	• Losses due to employees taking leave or resigning because of mental health issues	10%	10% or less
	Promotion of occupational health and safety risk management	Global	(1) Number of serious occupational accidents (2) Number of workers not meeting internal blood lead concentration management standards	• Losses due to major industrial accidents	(1) None (2) 308	(1) None (2) None
	Japan	Number of accidents resulting in missed work	5		2 or less	
		Overseas	Number of accidents resulting in missed work	30	26 or less	
S Provision of High-quality Products	Promotion of quality improvement and strengthening of quality communication	Global	Achievement ratio of targets for claims and in-process defects	• Losses due to quality defects	92%	100%
	Reinforcement of product safety management	Global	(1) Number of serious product accidents (2) Achievement ratio of product safety-related incident reduction target (3) Achievement ratio of product safety education plan	• Losses due to product safety incidents	(1) None (2) 65% (3) 50%	(1) None (2) 100% (3) 100%
	Reinforcement of service provision	Japan	Achievement ratio of service promotion project plan	• Increased revenue from the promotion of services (including revenue from product maintenance and other service-based sales)	100%	100%
E Promoting environmental protection	Promotion of effective use of water resources	Global	Ratio of reduction of water use (compared with FY2018)	• Sales opportunity loss due to reputational damage and brand image decline from delays in water usage reduction initiatives	15.3%	15.0% or more
	Contribution to realization of low-carbon society	Global	Ratio of reduction of CO ₂ emissions (compared with FY2018)	• Sales opportunity loss due to reputational damage and brand image decline from delays in carbon neutrality initiatives	13.7%	15.0% or more
	Prevention of environmental pollution	Global	Number of major environmental accidents	• Losses due to environmental accidents	None	None
E Developing and Popularizing Environmentally Considered Products	Improvement in ratio of use of recycled materials in products provided to markets	Global	Ratio of recycled lead used as lead raw materials in lead-acid batteries	• Sales opportunity loss due to reputational damage and brand image decline from delays in contributing to a recycling-oriented society	65.7%	70.0% or more
	Expansion of market for GS Yuasa products contained in products contributing to the curbing of global warming	Global	Percentage of environmentally considered products in total sales of all products	• Sales opportunity loss due to reputational damage and brand image decline from delays in carbon neutrality initiatives • Increased revenue due to sales growth of environmentally considered products	38.7%	45.0% or more
S Promotion of CSR Procurement	Responses to responsible mineral procurement	Global	Achievement ratio of responsible mineral survey plan		100%	100%
	Management of supply chain CSR risks	Global	Achievement ratio of supplier CSR issues improvement plan	• Losses due to the materialization of supply chain CSR risks	100%	100%
		Japan	(1) Achievement ratio of internal education plans related to CSR procurement (2) Achievement ratio of supplier education plans related to CSR procurement		-	(1) 100% (2) 100%

Note: The scope of application may not cover all Group companies. This plan is periodically reviewed, and as a result, there may be differences from the details of the plan disclosed last time. Please refer to our website for the latest data on the materiality response plan.

▶ https://www.gs-yuasa.com/en/csr/pdf/materiality_2024.pdf