

Message from the Director in Charge of Finance

Completing the Sixth Mid-Term Management Plan while preparing to go on the offensive under the next Mid-Term Management Plan.



Director and Chief Financial Officer,
GS Yuasa Corporation

Chutaiue

Looking back on the second year of the Sixth Mid-Term Management Plan

In Vision 2035, our long-term vision, we have designated Mobility and Public Infrastructure as our key focus areas toward 2035 and adopted a policy of transforming our business structure around high-capacity, high-output lithium-ion batteries for BEVs and regular field applications such as ESS. Our aim is to capture the expected expansion of demand for batteries through 2050 and sustainably enhance corporate value. The Sixth Mid-Term Management Plan (FY2023–FY2025) is positioned as the time to build that foundation. In FY2024, consolidated net sales increased 3.1% year on year to 580.3 billion yen, a new record high. Operating profit before amortization of goodwill increased by 20.2% year-on-year to 50.7 billion yen, setting a new record high and also exceeding the upwardly revised final-year target of 46.0 billion yen. Net profit for the period was 31.1 billion yen, compared with 32.6 billion yen in the previous fiscal year, due to factors including higher income taxes and the recording of impairment losses at Blue Energy. However, taking into account the

impact of tax effect accounting included in the prior year's figure, we recognize that this is effectively a record-high level.

By segment, automotive batteries, industrial batteries and power supplies, and specialized batteries and others all recorded higher sales and profits, while automotive lithium-ion batteries saw lower sales and profits. The latter was mainly due to decreased sales volume of PHEV batteries and the resulting impact of lower operating rates, as well as lower selling prices for HEV batteries reflecting declines in lithium market prices.

Looking back over the two years of the Sixth Mid-Term Management Plan, I feel that steady progress has been made in strengthening our earning power. In FY2024, despite struggling in automotive lithium-ion batteries, other business results offset this, and we achieved our plan targets. **Our improved pricing power in specialized batteries —along with automotive batteries/industrial batteries and power supplies**

—further enhanced our earning power. FY2024 was a year in which I clearly felt the overall portfolio's profitability improve.

● P.32-35 Sixth Mid-Term Management Plan

Setting record-high targets again in FY2025

During FY2025, the final year of the plan, we must steer the Company through a business environment of extreme uncertainty. For FY2025, we plan net sales of 600.0 billion yen, operating profit of 51.0 billion yen (+1.9% year-on-year), and operating profit before amortization of goodwill of 52.0 billion yen (+2.5% year-on-year), aiming to set new record highs in net sales and all profit levels. This reflects our confidence that our earning power has taken root, and our intent to further strengthen it.

We are closely monitoring developments regarding the implementation of U.S. tariff policies. While there is some impact on sales through our U.S. sales company, we expect the overall direct impact on the Company to be limited. The risk of economic slowdown in ASEAN countries, where our sales ratio is high, has been factored in to some extent as an indirect impact.

In our portfolio, expected risks in automotive batteries (overseas) and automotive lithium-ion batteries will be offset by strong businesses such as industrial batteries and power supplies. For automotive lithium-ion batteries, although we expect higher volumes for HEV and PHEV batteries, profitability will remain low due to factors such as the impact of falling lithium prices on selling prices and increased depreciation burden from

the Blue Energy No. 2 plant. On a more positive note, the position of industrial batteries and power supplies as a growth driver for the Company is increasing. **Thanks to improved profitability in existing businesses, we are able to cover businesses where risks are expected and, as a result, are forecasting record-high profits.**

In the overall business portfolio, the automotive battery business (Japan) and industrial batteries and power supplies business will maintain high ROIC, and the cash generated there will be invested in growth areas. The automotive lithium-ion battery business will work to expand profits from HEV, PHEV, and 12 V lithium-ion batteries. As mentioned earlier, we will inevitably see a decline in ROIC during the process of executing large-scale investments in BEV batteries. For these growth businesses, we will evaluate not only ROIC but also their future growth potential. In the automotive battery business (overseas), we aim to improve capital efficiency through resource concentration on key bases and profit maximization. Profitability of the specialized battery business is improving, and further growth is expected.

To promote understanding of ROIC, we regularly hold director training, as well as study sessions for managers and on-site employees. Through reverse tree deployment, we link management indicators with on-site operations, incorporating this into company-wide TQM activities. In this way, we are building a more effective system where each department employee, by engaging in their day-to-day work, improves ROIC.

● P.32-35 Sixth Mid-Term Management Plan

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

● P.52-53 Actions to Implement Management That Is Conscious of Cost of Capital and Stock Price

● P.56-65 Strategy by Business Segment

Targets for the final year (FY2025) of the Sixth Mid-Term Management Plan

	FY2024 results	FY2025 forecast
Net sales	580.3 billion yen	600.0 billion yen
Operating profit	50.0 billion yen	51.0 billion yen
Operating profit before amortization of goodwill	50.7 billion yen	52.0 billion yen
Ordinary profit	46.3 billion yen	49.0 billion yen
Profit attributable to owners of parent before amortization of goodwill	30.4 billion yen	33.0 billion yen
Profit attributable to owners of parent	31.1 billion yen	34.0 billion yen
EPS (Basic earnings per share)	303.25 yen	329.00 yen
Cash dividends applicable to the year (yen per share)	75 yen	80 yen
Total payout ratio	24.3%	23.6%
ROE (return on equity)	9.2%	9.5%
ROIC (return on invested capital)	14.8%	13.0%

Message from the Director in Charge of Finance

Balancing investment, financial soundness, and shareholder returns

When we are considering securing investment funds, we aim to generate stable cash by strengthening the profitability of existing businesses, maintaining financial soundness with a target equity ratio of at least 40%, and selecting optimal financing methods, including debt. Combined with our target for shareholder returns—a total payout ratio of at least 30%—our basic capital policy is to pursue an optimal capital structure with a balance between investment and shareholder returns.

To develop and produce BEV lithium-ion batteries, we raised approximately 40.0 billion yen through a public offering and third-party allotment in December 2023, thereby strengthening our financial base. In FY2024, we secured 39.3 billion yen in operating cash flow and raised funds through bonds and borrowings. We invested 58.8 billion yen in capital expenditures, including the acquisition of land for a BEV lithium-ion battery plant and additional investment in Blue Energy's No. 2 plant to increase HEV lithium-ion battery production. Meanwhile, the improved earning power of existing businesses has led to better operating cash flow, and **we will also consider further investments to enhance their profitability.** Interest-bearing debt exceeded 100.0 billion yen at the end of FY2024, but our equity ratio remained at 50%, indicating our financial soundness.

In FY2025, we plan to invest 65.0 billion yen in production for automotive lithium-ion batteries and



other areas and will continue to choose optimal financing methods. We will steadily sell cross-shareholdings and other financial assets that do not directly generate profit, reallocating the funds to optimize overall capital allocation.

The dividend per share for FY2024 was set at 75 yen per share, an increase of 5 yen from the previous fiscal year. The total payout ratio was 24.3%, falling short of our 30% target, but **we will continue to pay dividends while balancing growth investments and shareholder returns.** For FY2025, we expect an annual dividend per share of 80 yen, an increase of 5 yen from the previous fiscal year.

- P.26-29 Vision 2035
- P.32-35 Sixth Mid-Term Management Plan

Further enhancing capital efficiency

To continuously maintain a balance between investment in growth areas, financial soundness, and shareholder returns, we must improve capital profitability beyond the cost of capital. In the Sixth Mid-Term Management Plan, we set management targets of ROE of at least 8% and ROIC of at least 10%.

In FY2024, ROE declined to 9.2% from 11.6% in FY2023, partly due to the special factor of the public offering conducted in December 2023. Although we are above our target of 8%, we are not satisfied and aim to further improve profitability by strengthening existing businesses and enhancing the automotive lithium-ion battery business.

ROIC improved by 1.1 percentage points in FY2024 over the previous fiscal year to 14.8%, thanks to strengthened earning power. Going forward, we anticipate a decline at the company-wide level due to the impact of large-scale investments in BEV lithium-ion batteries, but we will work to improve investment profitability. Given the broad scope of our business areas, we are improving capital efficiency by monitoring returns on invested capital that takes into account the characteristics of each business using ROIC. We use operating profit before amortization of goodwill, rather than after-tax operating profit, in the numerator to exclude the tax element, which is difficult for business divisions to be conscious of. Through reverse tree deployment, we link this to on-site management indicators, incorporate it into our company-wide TQM activities, and tie it into our company-wide KPIs. We are actively advancing initiatives to instill ROIC throughout the Company, but awareness still varies among business divisions. As growth stages and profit structures differ by business, uniformly evaluating all businesses by ROIC alone risks cutting off future growth opportunities. In the Seventh Mid-Term Management Plan currently being formulated, **we intend to consider setting new KPIs that, in addition to ROIC, incorporate growth potential and future prospects, serving as unique value drivers for each business.**

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

Improving corporate value

President Abe has consistently stated that "the ultimate goal is to increase corporate value—i.e., stock price." I have consistently communicated the necessity of enhancing corporate value but have felt the difficulty of spreading this awareness across the various departments

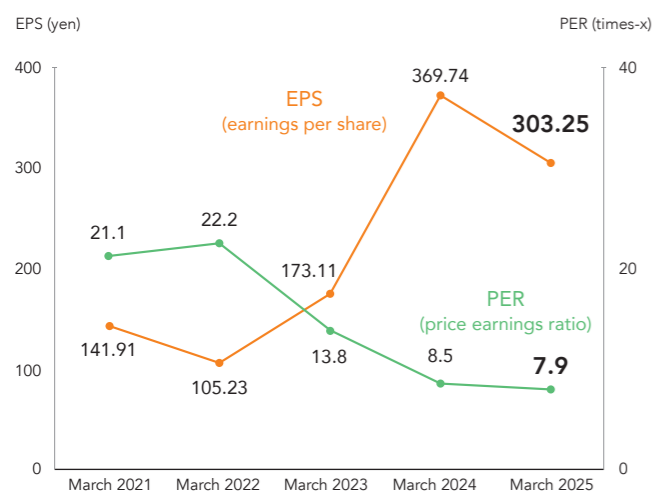
within the Company. The President's repeated messages have begun to permeate this message throughout the management team and each business division. As we formulate the Seventh Mid-Term Management Plan, enthusiasm is rising to an unprecedented level across each division.

Our PBR remains around 0.7. Through extensive dialogue with investors, the most frequent reason we hear for this low valuation is that "in the lithium-ion battery business, including BEV batteries, there are powerful global competitors and GS Yuasa's path to success is unclear." In addition, we are aware of the fact that we have not sufficiently highlighted the potential of growth drivers such as the regular field in industrial batteries and power supplies, or the specialized batteries that have seen greatly increased profitability, not only BEV lithium-ion batteries, in which we continue to invest for the future. Our historically conservative performance forecasts have also been a constant point of criticism, and through dialogue with investors, we feel that the management team's mindset has transformed, leading to the disclosure of this positive earnings forecast. First, we will achieve the targets of the Sixth Mid-Term Management Plan and maintain this stance.

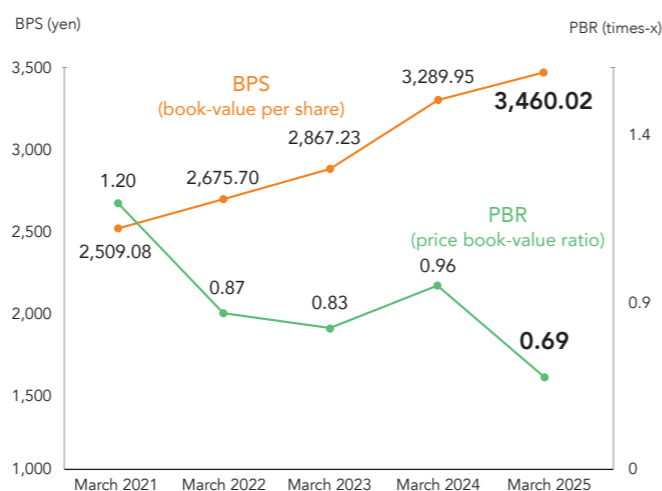
In the Seventh Mid-Term Management Plan, we intend to present a clear story for pursuing enhanced corporate value while taking a stronger offensive stance. As CFO, I will continue to fulfill my role as the Company's compass and a bridge to stakeholders, enhancing corporate value while maintaining financial soundness and linking it to growth. We ask for your continued anticipation and support of GS Yuasa's future growth.



EPS / PER trends



BPS / PBR trends



Note: The stock prices used to calculate PER and PBR are the closing prices on the last trading day of March.