



**Osamu Murao**  
President and  
Representative Director,  
GS Yuasa Corporation

# Top Message

Toward the next 100 years  
enhancing corporate value through business  
structure reforms,  
we aim to become an Energy Management Company

## Policy on Sustainability Management

**Our goal is to achieve sustainable growth and enhanced corporate value through our commitment to people, society, and the global environment**

The global trend toward carbon neutrality is accelerating, a trend we recognize as representing a major tailwind for the Company. This is because the fields in which our products and solutions can play an active role are expanding further as the importance of storage batteries grows, including with the electrification of the means of mobility and the growing deployment of renewable energy in public infrastructure. To contribute to the realization of a sustainable society in this environment, it is important that we innovate further in those technologies we have developed to date for storing and using electricity, and that we widely implement and operate those technologies as part of public infrastructure.

Thus, in April 2023 we reviewed our previous “Management Vision and Management Policy” and formulated a new “Policy on Sustainability Management.” In it, we clearly set out our management stance of contributing to achieving a sustainable society through energy technologies. We also intend to contribute to solving sustainability issues, while aiming to enhance corporate value through sustainable growth for ourselves. We are confident that the growth of the Group’s employees and others involved with our business under this policy can contribute to people, society, and the global environment.

This Policy on Sustainability Management also serves to supplement our corporate philosophy of “Innovation and Growth.” The word “Innovation” typically tends to be associated with groundbreaking new technologies or the invention of new products, but innovation is more than that. Innovation is also an effort to integrate, combine, and unify existing technologies and mechanisms to evolve them into something better. Further, this is not limited to the field of technology development; innovation also includes Improvement Activities carried out across a variety of divisions, from production sites to sales, quality assurance, human resources, and others. Small, everyday improvements create new value, and through these, we too can grow.

The capabilities of each and every employee are essential if the Company is to grow sustainably. I tell them that I want them to work toward our goal of contributing to the realization of a sustainable society, and to remember to be constantly aware of innovation in addressing the work before them.

## Vision 2035

**Committing to solving social issues by focusing on mobility and public infrastructure**

In April 2023, we announced “Vision 2035,” our long-term vision. This defines GS Yuasa’s ideal vision for 2035 of achieving “Innovation and Growth” for the next 100 years, based on the DNA of our founders and the knowledge we have accumulated over a history of more than 100 years. This is a guideline for our strategy and may become something of a North Star for us to follow in the years to come. Our goal will be to contribute to solving social issues in the fields of mobility and public infrastructure, as we work toward the realization of a sustainable society and the creation of comfortable living environments for all. By steadily expanding our business, we aim to see 800.0 billion yen in net sales in fiscal 2035.

Vision 2035 encompasses “Four Re’s,” key words aimed at achieving this vision.

### The Four Re’s

<p><b>Reborn</b></p> <p>Carry on the founding spirit of GS Yuasa, a century-old company, while being reborn in anticipation of the next 100 years</p>	<p><b>Reliable</b></p> <p>Continue to be trusted by all stakeholders by remaining committed to technical innovation and delivering solid, reliable energy</p>
<p><b>Renewable</b></p> <p>Make a genuine contribution to carbon neutrality in the fields of mobility and public infrastructure</p>	<p><b>Respect</b></p> <p>Grow to become a respected company by honoring efforts to achieve the SDGs and contribute to society</p>

## Backcasting to define a path to realizing our ideal vision

In formulating Vision 2035, we began by first predicting some of the long-term environmental changes in our areas of business. Global demand for storage batteries, our mainstay product, is expected to grow by more than 40 times, from 230 GWh in 2019 to about 10,000 GWh in 2050.

In the mobility field, electrification aimed at achieving zero emissions is expected to accelerate, while advancements continue in self-driving technology. In response to this shift to electrification, we felt it necessary to also shift our business structure from one focused primarily on conventional lead-acid starter batteries to one centered on lithium-ion drive batteries.

In the public infrastructure field, meanwhile, the importance of storage batteries, which are necessary for adjusting supply and demand in power grids and business sites, is expected to grow further as deployment of renewable energy expands toward the realization of carbon neutrality. In addition, the importance of backup applications in areas such as electric power, information, and telecommunications infrastructure will increase further.

In this market environment, we have thus set a firm direction aimed at steadily growing our business by riding global tailwinds and expanding in our areas of strength, while transforming our business structure.

## A commitment to technology and trusting relationships with partners as strengths

During our project to formulate Vision 2035, we had members at the section manager level, who are expected to be active on the front lines by sometime around 2035, to participate, starting with initial discussions of our vision and preparation of a draft. Later, our management team, including myself and our outside directors, examined the draft closely, discussing the future of the Company while



working out a final version of Vision 2035.

One of the most memorable parts of these talks was when we discussed the opinion that, given the financial and competitive environment, a large-scale investment in the lithium-ion battery business for BEVs might be too risky. Certainly, the decision to switch gears to lithium-ion batteries for BEVs from our base in lead-acid batteries, on which the Company had grown, was a decision that comes with some risk. That said, I personally felt that lithium-ion batteries for BEVs were a piece absolutely essential to our company's growth. To compete in the BEV lithium-ion battery market, we cannot do business on our own—partnerships with companies that have extensive experience and expertise are critical. Our growth has continued thanks to collaboration and co-creation with a variety of partners, including Blue Energy Co., Ltd. and Lithium Energy Japan. That is why, as a technology-driven company since our founding, we must be thoroughly committed to technology. We have concluded that by doing so, partners will choose to work with us, and the Company can continue its sustainable growth with them.

## Working toward sustainable corporate growth with lithium-ion batteries for BEVs and energy storage systems (ESS)

As our first foray into the mobility field centered on lithium-ion batteries for BEVs, in July 2023 we established a joint venture company with Honda Motor Co., Ltd. called Honda·GS Yuasa EV Battery R&D Co., Ltd. The new company will promote R&D of lithium-ion batteries highly competitive on a global level to meet rapidly growing demand in the BEV market. At the same time, it will build a supply chain for key raw materials and efficient production systems with the goal of making a full-scale entry into the BEV business.

In addition, leveraging the results of the new company's R&D, a production line for lithium-ion batteries for BEVs is scheduled to begin operating in April 2027, with mass production starting in October. A series of production lines will be launched through 2030, and by 2035, we plan to expand production capacity for the Group as a whole to over 20 GWh/year.

The success or failure of the development of lithium-ion batteries for BEVs is very important, as it will have a significant bearing on the strategy for the regular use field, such as for ESS (for stationaries) of renewable energy. Earnings for lithium-ion batteries for ESS, where bidding projects are numerous, have greater volatility when taken on alone. We believe that by taking advantage of our stable production capacity and technical expertise in lithium-ion batteries for BEVs we can reduce costs and increase competitiveness. Working steadily on development with Honda Motor Co., Ltd. will lead to expansion for both for BEVs and ESS.

As we compete globally, we feel extremely fortunate to be able to pursue the BEV lithium-ion battery business with

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

Mobility Field	Public Infrastructure Field	New initiatives
<ul style="list-style-type: none"> <li>● Leverage achievements of joint venture company with Honda to provide society with high-capacity, high-output lithium-ion batteries for BEVs and achieve growth</li> <li>● Solidly capture demand for lithium-ion batteries for HEVs and ensure high profitability</li> <li>● Secure funds for growth through optimization of regional strategies for lead-acid batteries</li> </ul>	<ul style="list-style-type: none"> <li>● Respond to firm demand for industrial batteries and power supplies, primarily backup batteries and power supplies, to ensure high profitability</li> <li>● Leverage expertise in lithium-ion batteries for BEVs to strengthen competitiveness in lithium-ion batteries for ESS of renewable energy</li> </ul>	<p>Use accumulated, diverse technology and expertise as seeds to create new businesses that contribute to society</p>

→ P.11 Business structure reforms and business growth through 2035

such an outstanding partner. Behind our realization of this partnership is the track record of and relationship of trust with Blue Energy, a joint venture launched with Honda Motor Co., Ltd. in 2009. I believe this allowed us to deliver steady growth in the hybrid electric vehicle (HEV) lithium-ion battery business while responding to Honda's needs.

In the field of public infrastructure as well, we are aiming to further expand our business by utilizing our production capacity based on lithium-ion batteries for BEVs. By increasing our competitiveness in lithium-ion batteries for ESS, we will expand our presence while supporting the safety and security of society as a whole.

Having businesses in both the mobility and public infrastructure fields is our strength. Our goal is to enhance our corporate value by leveraging this strength in contributing to society.

## Create investment resources for growth in the lead-acid battery business

Meanwhile, we recognize that the market for lead-acid batteries for automobiles, an existing business, will gradually decline due to stricter regulations on the use of lead in Europe and other regions. That said, lead is a sustainable resource that is both abundant and easily recycled. We thus do not expect lead-acid batteries to disappear anytime soon in proportion to the shift to electrification. We also expect that this electrification will not progress uniformly through the world, as market conditions vary from country to country. We will ensure that we capture demand by monitoring the situation in each country on the axes of both time and region. We believe that industrial lead-acid batteries and power supply units will continue to grow in importance for backup applications, and we recognize that we have a significant role to play in that market. Profits earned after reaping cash from these markets will be used as a source of investment in new areas. If, on top of that, a certain level of

business remains for automotive lead-acid business, we believe this will be even more beneficial to the Company.

## Strengthening R&D and new initiatives for the future

Our research and development strategy under Vision 2035 will center around lithium-ion batteries, while also advancing R&D and commercialization of all-solid-state and other next-generation batteries. Among these, our research and development in advanced solid-state batteries, being conducted in collaboration with Osaka Metropolitan University, was selected in November 2022 as a Green Innovation Fund Project by the New Energy and Industrial Technology Development Organization (NEDO), a national research and development corporation. We will be accelerating the speed of our R&D efforts even further going forward as we work toward the commercialization of all-solid-state batteries.

Beginning around 2035, we will also develop new initiatives, treating our accumulated, diverse technology and expertise as the seeds of new business creation. We have already launched our "Biz Challenge" project, recruiting ideas in-house for new business creation, and more than a dozen business ideas have already been selected as of the end of first-round submissions. We are beginning shape potential businesses from among those diverse submissions, including ideas for derivative business areas utilizing the customer bases, business infrastructure, and technologies of our existing businesses, as well as businesses that add value to existing products by incorporating digital technology. The applicants have all been highly motivated and many of our employees have shown they inherit our founding spirit of challenge. I am reminded that this is a valuable asset for the Company's future, and that it can lead to strengthening our human capital going forward.

## Review of the Fifth Mid-Term Management Plan

### Fifth Mid-Term Management Plan numerical targets achieved

In our fiscal 2022 results, net sales, operating income, and net profit all increased and set new record highs, and in this, the final fiscal year of the Fifth Medium-Term Management Plan, we succeeded in achieving our numerical targets.

Among the achievements of the Fifth Mid-Term Management Plan, we can point to the automotive battery business, where synergistic effects with the lead-acid battery business transferred from Panasonic Corporation and the conversion of our site in Turkey into a consolidated subsidiary both led to strong results.

In the industrial battery and power supply business, we have taken over the social infrastructure business of Sanken Electric Co., Ltd. and are exploiting synergies across multiple divisions, including procurement, development and manufacturing, and sales and service. Another major accomplishment was the order for and delivery of the world's largest storage battery system for a wind power generation plant in Hokkaido, which includes undertaking maintenance and servicing work for a period of 20 years, allowing us to enter the "Koto-zukuri (service creation) business" which has been one of our goals. We would like to use this as an example of a business that can successfully earn revenue on an ongoing basis.

In the automotive lithium-ion battery business, one major accomplishment was that we now have a structure for generating solid profits. In addition to the start of operations at the Blue Energy No. 2 Plant, we also began supplying lithium-ion batteries for HEVs to Toyota Motor Corporation, allowing us to lay the groundwork for an expansion both in business scale and in profits. We have also received numerous inquiries from other automobile manufacturers, increasing our expectations for this mainstay business going forward.

Since we failed to achieve our targets under our Third and Fourth Mid-Term Management Plans, we advanced our goals for the Fifth Mid-Term Management Plan with the strong determination that the entire Group would work together to achieve them. The fact that we were able to do what was needed and complete the plan under unexpectedly challenging business conditions—including the COVID-19 pandemic—gave us confidence.

## Outlook for the Sixth Mid-Term Management Plan

### Three years aimed at laying the foundation for even greater growth

Our Sixth Mid-Term Management Plan began in fiscal 2023. We have positioned these next three years as a time for laying the foundation for the Group to make even greater leaps forward as we work toward achieving our Vision 2035.

To that end, we will implement three measures.

The first measure calls for putting in place development, production and supply systems for lithium-ion batteries for BEVs. Preparations will move forward steadily toward the start of mass production in fiscal 2027.

The second measure is the further reinforcement of earning capacity in existing businesses. I have long spoken on various occasions of the importance of ambidextrous management. It is important for the Company's sustainable growth that we focus on expanding earnings in our existing businesses as well as reinvesting profits generated by those businesses in growth areas. We will improve capital efficiency by establishing optimal production systems, including consolidation of production systems both in Japan and overseas, to secure the profits that are the main source of investment for growth. In addition, over the course of the Sixth Mid-Term Management Plan, we will expand production capacity in lithium-ion batteries for HEVs to 70 million cells annually to meet demand and increase profitability.

The third measure is digital transformation (DX) and strengthening of new businesses. In DX, we are already promoting the use of AI, IoT, and other digital technologies in a variety of settings in our R&D and sales divisions. In addition, we will continue to invest in human capital, and, as mentioned earlier, will work toward the commercialization of new businesses starting around 2035.

By advancing these kinds of strategies, our goal for fiscal 2025, the final fiscal year of the Sixth Mid-Term Management Plan, is to generate net sales of 610.0 billion yen and operating profit of 41.0 billion yen before amortization of goodwill.

## ESG

ESG initiatives are essential as we work to achieve Vision 2035. I realize this will require firm commitment on the part of management. In fiscal 2023, we restructured the CSR Committee as the Sustainability Promotion Committee. We intend to continue promoting our sustainability initiatives while also stimulating further discussions regarding sustainability at our Board of Directors' meetings.

### E: Environment

In May 2021, the Company announced the "GY 2030 Long-Term Greenhouse Gas Target." Since then, we have been engaged in efforts aimed at the transition to a decarbonized society, including switching 100% of the electricity used at our Kyoto Plant to renewable energy. In April 2023, we announced the "GY 2050 Carbon Neutrality Target." In that statement, we expressed our commitment to moving steadily forward with three key measures to achieve carbon neutrality: (1) Promotion of energy conservation measures; (2) Promotion of renewable energy power generation; and (3) Procurement of renewable energy.

In addition, we also recognize that our products have a very significant role to play as society as a whole works toward achieving carbon neutrality. We will continue to expand sales of environmentally considered products to reduce CO<sub>2</sub> emissions and contribute to the global environment and society.

### S: Social

We place great importance on the human capital that is the foundation of any company. For us to continue to grow sustainably and provide new value to society, it is essential that we ensure human resources and an organization that are not only strong, but also flexible enough to adapt to change. We will continue offering new value to society by working to strengthen our human capital and by encouraging the hiring and training of self-directed personnel, those who will bring a spirit of challenge to the goal of creating new businesses.

We will also focus even more on diversity, equity, and inclusion (DE&I) initiatives, further developing systems and programs that support the personal growth of human resource with diverse personalities and capabilities. These will enable them to play an active role in accordance with their individual life stages, characteristics, and willingness to take on challenges. Note that we have established an employee engagement KPI to assess these efforts, a way of linking the enthusiasm of our employees to the growth potential of the Company. In advancing Vision 2035, we will strengthen cooperation between the business and human resource divisions so that business issues can be incorporated into individual employee issues and goal setting.

Human resources are also key to DX, which we are promoting throughout the Company. We are currently advancing an in-house DX human resource development plan, and in fiscal 2022, we implemented a Company-wide e-learning program in basic DX knowledge. In fiscal 2023, we plan to open a "DX training dojo" to provide specialized training for members recommended by each division to develop more advanced DX human resources.

### G: Governance

We are currently considering the possibility of reflecting ESG evaluations, including performance against environmental goals and employee engagement, in our executive evaluations. This is something that has been discussed by our Nomination and Compensation Committee for some time. We plan to establish appropriate KPIs for ESG issues and their evaluation according to each executive's area of responsibility, incorporating them into our executive compensation system.

We also intend to further expand our succession plan. In addition to candidates for CEO, CFO, and other director positions, we are currently engaged in discussions with the Human Resources Division, directors in charge of human resources, and the heads of our business divisions to create a framework for developing successors, with a view to three years out, for executive officers, business unit managers, the heads of overseas sites, and others.

## To Our Stakeholders

### Further deepening dialogue as we work to achieve sustained growth

Our PBR currently remains low at around 1x. I believe this is due in part to the fact that we have not been able to



present our growth story to our stakeholders in terms of return on capital and growth potential. This time, we have announced our growth story, and will continue to firmly lay the groundwork for going forward in our Sixth Mid-Term Management Plan. We expect, however, that the results of those efforts will not become apparent until fiscal 2027 or later. In the course of this process, we will place an emphasis on dialogues with our stakeholders, listen respectfully to your opinions, and work to deepen your understanding of the decisions we make.

With our announcement of Vision 2035, I think we have clearly presented to our stakeholders the direction and path we should proceed along going forward, including what we value, what we will change, and where we are headed for the future. Many of our stakeholders consider us to be a stability-oriented company. This time, however, we have decided to make a major switch in our business base by focusing on growth areas, shifting direction toward lithium-ion batteries for BEVs while also applying them to lithium-ion batteries for ESS. I cannot envision our sustainable growth as a company under any other policy.

This decision is aimed at utilizing our accumulated technology not merely to sell things, but to become a company capable of controlling and managing energy as a whole. Our goal is to move from our existing stance as an energy and device company to become an Energy Management Company. I hope you will continue to look forward to the future of the Group, and support us in our efforts.

August 2023

President and  
Representative Director,  
GS Yuasa Corporation