

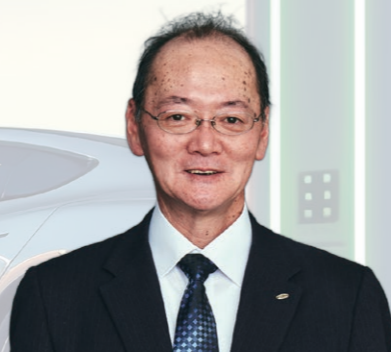
Strategy by Business Segment – Automotive Lithium-ion Batteries

Message from the Business Unit Manager

We supplied batteries for the world's first mass-produced EVs and started mass production ahead of other manufacturers of lithium-ion batteries for HEVs, and have continued to supply batteries stably for over 15 years. Our experience as a pioneer with stable delivery of high quality products has deepened relationships with Japanese automobile manufacturers.

With the electrification of automobiles advancing on a global scale, the demand for lithium-ion batteries is on an irreversible trend. The demand for lithium-ion batteries for HEVs is expected to be strong until the late 2030s, and the gradual shift to lithium-ion batteries for BEVs is expected from the late 2020s. In terms of the current situation, various changes in the global environment are affecting the pace of BEV adoption, and the HEV and PHEV markets are expected to continue expanding.

We expect the demand for lithium-ion batteries for HEVs to increase over the Seventh Mid-Term Management Plan and plan to increase Blue Energy's production capacity to 70 million cells annually in FY2025 in order to meet customer requirements and demand. We launched a new model of lithium-ion batteries for PHEVs last year and will continue to supply them steadily. Regarding lithium-ion batteries for BEVs, we are pursuing the development of high performance batteries with high international competitiveness, aiming to start mass production led by Honda-GS Yuasa EV Battery R&D (HGYB), a joint venture with Honda Motor Co., Ltd. Initially, we will steadily proceed with the starting up of businesses in Japan and solidify the foundation toward the establishment of technologies and supply chains.



Executive Officer, Business Unit Manager of Lithium-ion Batteries, GS Yuasa International Ltd.

Toshiyuki Aoyama

Business Policy in the Sixth Mid-Term Management Plan

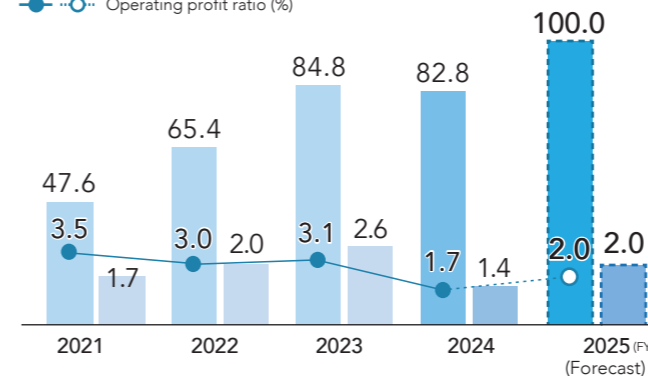
Achieve sustainable growth in the lithium-ion battery business by taking carbon neutrality and government targets as opportunities

Strategies and Important Tasks in the Sixth Mid-Term Management Plan

Category	Initiatives	Progress
HEV For HEVs	<ul style="list-style-type: none"> Improve yield rate and plant utilization rate Establish further increasing production system of Blue Energy No. 2 plant 	<ul style="list-style-type: none"> Achieved yield and plant utilization rate targets Prepared for the stabilization of two production lines at the No. 2 plant to achieve full production capacity / Preparing for the stable launch of a new module line and the modification of existing lines
PHEV For PHEVs	<ul style="list-style-type: none"> Improve yield rate and plant utilization rate Strengthen production systems of batteries for PHEVs 	<ul style="list-style-type: none"> Yield and plant utilization rates fell short of targets, but the cell assembly equipment achieved its target cycle time A substantial decrease in customer demand has impacted stable line operations, but we are maintaining full production while adjusting volumes for rapidly increasing ESS orders
BEV For BEVs	<ul style="list-style-type: none"> Strengthen development systems Prepare to enter business 	<ul style="list-style-type: none"> Expanded the HGYB team to drive the development of competitive products Securing the viability of the BEV business plan and coordinating toward a basic agreement with Japanese new car manufacturers / Arranging capital investment for the new plant and mass production launch
12V 12 V (auxiliary equipment)	<ul style="list-style-type: none"> Development of products / preparation of production 	<ul style="list-style-type: none"> Currently pursuing orders for cell development and mass production equipment for lithium-ion batteries for next-generation BEV auxiliary equipment

Performance Trends

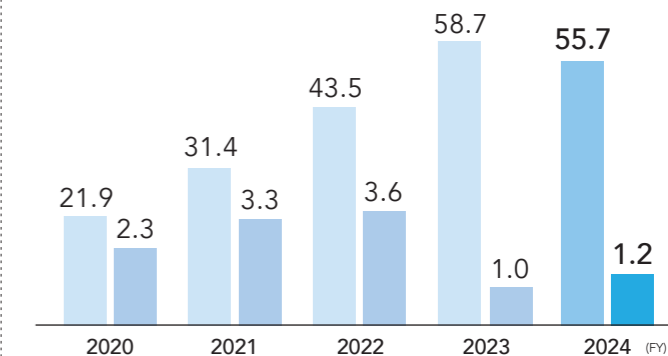
Net sales (Billions of yen) | Operating profit (Billions of yen) | Operating profit ratio (%)



Fifth Mid-Term Management Plan | Sixth Mid-Term Management Plan

Blue Energy's Performance Trends

Net sales (Billions of yen) | Operating profit (Billions of yen)



SWOT

- Solid customer base based on high quality evaluation and trust from Japanese automakers
- Ownership of high-output / high-capacity and long-lifespan lithium-ion cell electrodes, module design, and mass production technologies
- Delivery results by BEC and (formerly) LEJ
- Over 15 years of experience in mass production of HEV and PHEV batteries in the market

Strengths

- Business scale compared to manufacturers in China and Korea
- Concentration of production sites in Japan
- Adaptability to external environmental changes in workforce planning, human resource development, and recruitment
- Scale and purchasing power as a lithium-ion battery business

Weaknesses

- Expanding demand for lithium-ion batteries for HEVs and BEVs by Japanese automakers
- Expansion of ESS adoption and increased application of lithium-ion batteries for electric vehicles
- Increased demand for 12 V lithium-ion batteries driven by the prevalence of advanced safety technologies such as autonomous driving functions, rising power consumption of vehicle electrical components, and the increased likelihood of phasing out lead-acid batteries due to European ELV regulations

Opportunities

- Concerns over soaring raw material prices, infrastructure costs, labor costs, and stable procurement
- Addressing geopolitical risks such as legal regulation in Europe and the U.S. as well as tariffs in various countries
- Inferior competitiveness of next-generation products due to a high market share by foreign manufacturers
- Sales volume following the shift from HEVs to BEVs after 2030 remains uncertain
- As BEV market growth slows in countries outside China, lithium-ion battery prices for BEVs drop due to oversupply

Threats

List of Main Models

		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
HEVs	Honda	FIT HYBRID	City Hatchback	STEP WGN HYBRID	CR-V	FREED	
	Toyota	HARRIER HYBRID	RAV4 HYBRID				
	Mitsubishi Motors						
PHEVs/ BEVs		ECLIPSE CROSS PHEV		MINICAB EV		OUTLANDER PHEV	

Continue to expand models for sale

Please check the websites below for the latest information on models equipped with our batteries.
 ▶ <https://www.blue-energy.co.jp/en/products/> | ▶ <https://www.gs-yuasa.com/en/products/vehicle/phev.php>