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October 30, 2012

GS Yuasa Corporation
Consolidated Earnings Report for the
Six Months ended September 30, 2012
(Japanese GAAP)

1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

1). Overview

In the first six months of the fiscal year ending March 31, 2013 (April 1, 2012 – September 30, 2012), despite robust domestic demand driven by reconstruction activity, the Japanese economy leveled off as a result of the slowdown in the global economy. Entering the second quarter of the fiscal year from June, global economic growth was impacted by a worsening European debt crisis and economic situation, along with lackluster growth in China. Going forward, the severe global economic conditions are expected to continue due to rising uncertainty over the outlook in Europe and China.

In this environment, the GS Yuasa Group's net sales for the six months ended September 30, 2012 totaled ¥127,481 million, a decrease of ¥4,413 million yen, or 3.3%, compared to the same period of the previous fiscal year, due mainly to declining sales of lithium-ion batteries. This decline offset rising domestic demand for new vehicle automotive batteries and power supplies, along with strong overseas sales, particularly in China.

In terms of profitability, operating income declined ¥740 million year on year, or 15.4%, to ¥4,057 million. Although existing businesses in and outside Japan with a focus on lead-acid batteries boosted their profitability, the decline in sales of lithium-ion batteries and the business's higher depreciation expenses weighed on profits overall. Ordinary income declined by ¥115 million year on year, or 2.3%, to ¥4,952 million, despite increased equity in earnings of equity-method affiliates. Net income increased by ¥671 million year on year, or 27.1%, to ¥3,147 million, as the balance of extraordinary gains and losses improved compared to the same period of the previous fiscal year.

2). Business Segment Results

(Domestic Automotive Batteries)

Net sales in the domestic automotive batteries segment totaled ¥26,745 million for the first six months ended September 30, 2012, a decline of ¥1,338 million, or 4.8%, compared with the same period of the previous fiscal year. Sales of mainstay lead-acid batteries increased, mainly for idle-stop vehicles and hybrid vehicles, while sales of automotive components were sluggish. Despite the decline, segment operating income increased ¥228 million, or 20.9%, year on year to ¥1,324 million, mainly as a result of lower materials costs accompanying price declines for lead, and the increase in lead-acid battery sales.

(Domestic Industrial Batteries and Power Supplies)

Net sales in the domestic industrial batteries and power supplies segment for the six-month period totaled ¥30,269 million, a year-on-year increase of ¥655 million, or 2.2%. Sales of industrial batteries for datacenters and railway vehicles increased, along with demand for solar power generation equipment. Additionally, sales of small-scale chargers rebounded from the previous year, when demand was impacted by the earthquake. The segment's operating income totaled ¥2,304 million, a year-on-year increase of ¥184 million, or 8.7%.

(Overseas Operations)

Net sales in the overseas operations for the six-month period totaled ¥61,037 million, a year-on-year decrease of ¥400 million, or 0.7%. While sales of automotive and motorcycle batteries grew in China, sales declined in both Southeast Asia and Europe. Operating income totaled ¥3,602 million, a year-on-year increase of ¥450 million, or 14.3%, due mainly to lower lead prices.

(Lithium-ion Batteries)

Net sales in the lithium-ion batteries segment for the six-month period totaled ¥4,795 million, a year-on-year decrease of ¥3,223 million, or 40.2%, mainly due to slumping sales for electric vehicles. The segment's operating loss totaled ¥2,987 million, a year-on-year deterioration of ¥1,617 million as a result of the sales decline and higher depreciation expenses.

(Other)

Net sales in the other segment for the six-month period totaled ¥4,634 million, a year-on-year decrease of ¥107 million, or 2.3%, due primarily to a decline in sales of facilities lighting equipment. The segment posted an operating loss of ¥185 million, a year-on-year improvement of ¥13 million as a result of improved profitability of specialty batteries.

(2) Financial Condition

Total assets at the end of the second quarter (September 30, 2012) amounted to ¥274,141 million, a decline of ¥4,284 million from the end of the previous fiscal year. While property, plant and equipment rose as a result of new capital investments to increase production of lithium-ion automotive batteries, the increase was outweighed by a decline in notes and accounts receivable.

Liabilities at the end of the second quarter totaled ¥140,182 million, a decline of ¥2,022 million from the end of the previous fiscal year, as notes and accounts payable declined.

Net assets at the end of the second quarter totaled ¥133,959 million, a decrease of ¥2,261 million from the end of the previous fiscal year, as dividend payments outweighed the booking of net income and higher foreign currency translation adjustments.

Cash Flows

Cash and cash equivalents as of September 30, 2012 totaled ¥9,909 million, a decline of ¥6,567 million, or 39.9%, compared with the end of the previous fiscal year. Changes in cash flows during the six-month period are explained below.

Net cash provided by operating activities in the six months ended September 30, 2012 totaled ¥9,586 million (compared with net cash used of ¥2,761 million in the same period a year ago). The booking of income before income tax and the decline in notes and accounts receivable outweighed a decline in notes and accounts payable and income tax payments.

Net cash used in investing activities totaled ¥15,041 million (compared with net cash used of ¥6,458 million in the same period a year ago), mainly reflecting expenditures for the acquisition of property, plant and equipment, primarily for the production of automotive lithium-ion batteries.

Net cash used in financing activities totaled ¥1,192 million (compared with net cash provided of ¥9,123 million in the same period a year ago), as dividend payments outweighed an increase in borrowings.

(3) Consolidated Earnings Forecast

On October 22, 2012, the Company revised the earnings forecast for the year ending March 31, 2013 announced on May 9, 2012 to take into account recent financial performance. For detailed information, please see the announcement, "GS Yuasa Corporation Revises Earnings Forecast."

2. Other Information

(1) Changes Affecting the Status of Material Subsidiaries (Scope of Consolidation)

Not applicable.

(2) Use of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements

Regarding taxes, a reasonable estimate of the effective tax rate for the projected full-year pretax income for the current fiscal year, including the actual income figure for the six months ended September 30, 2012, has been arrived at using the tax-effect accounting method. This estimated effective tax rate has been used to calculate taxes against income before taxes and minority interests for the six months ended September 30, 2012. The income tax adjustment is included in income taxes.

(3) Changes in Accounting Policy, Changes in Accounting Estimates, and Retrospective Restatement

Change in depreciation method

In response to Japan's recent corporate tax law amendments and effective from the first quarter of the fiscal year ending March 31, 2013, the method which GS Yuasa Corporation and its domestic consolidated subsidiaries use for depreciation of property, plant, and equipment acquired on or after April 1, 2012 will be adjusted to reflect the revised corporate tax code. The impact of this change is expected to be negligible.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

	As of March 31, 2012	(Millions of yen) As of September 30, 2012
	Amount	Amount
Assets		
Current assets		
Cash and deposits	10,692	9,934
Notes and accounts receivable	59,747	50,442
Marketable securities	5,801	-
Merchandise and finished goods	24,511	25,052
Work in process	7,616	9,588
Raw materials and supplies	8,316	8,154
Deferred tax assets	2,428	2,428
Other	17,880	10,048
Allowance for doubtful receivables	(309)	(306)
Total current assets	136,685	115,342
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	36,230	35,941
Machinery and equipment, net	23,654	22,258
Land	18,392	18,509
Lease assets, net	9,218	8,803
Construction in progress	11,835	32,367
Other, net	2,171	2,143
Total property, plant, and equipment	101,502	120,024
Intangible assets		
Lease assets	707	745
Other	1,465	1,429
Total intangible assets	2,172	2,174
Investments and other assets		
Investment securities	29,477	28,118
Other	9,176	9,067
Allowance for doubtful receivables	(633)	(607)
Total investments and other assets	38,019	36,577
Total fixed assets	141,694	158,777
Deferred assets	45	22
Total assets	278,426	274,141

	As of March 31, 2012	(Millions of yen) As of September 30, 2012
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable	28,252	21,870
Short-term borrowings	26,081	40,987
Payables	14,583	12,801
Income taxes payable	2,245	1,018
Notes payable-facilities	4,782	9,397
Other	11,405	12,175
Total current liabilities	87,351	98,251
Long-term liabilities		
Long-term debt	30,042	18,168
Lease obligations	9,195	8,724
Liability for retirement benefits	7,558	7,129
Other	8,055	7,908
Total long-term liabilities	54,852	41,930
Total liabilities	142,204	140,182
Net assets		
Shareholders' equity		
Common stock	33,021	33,021
Capital surplus	54,880	54,880
Retained earnings	32,516	32,354
Less treasury stock, at cost	(312)	(314)
Total shareholders' equity	120,105	119,941
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	5,365	3,825
Deferred gain (loss) on derivatives under hedge accounting	68	25
Land revaluation surplus	1,400	1,427
Foreign currency translation adjustments	(11,812)	(11,178)
Total accumulated other comprehensive income	(4,978)	(5,899)
Minority interests	21,094	19,917
Total net assets	136,221	133,959
Total liabilities and net assets	278,426	274,141

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

	Six months ended September 30, 2011	(Millions of yen) Six months ended September 30, 2012
	Amount	Amount
Net sales	131,895	127,481
Cost of sales	103,105	99,337
Gross profit	28,790	28,144
Selling, general and administrative expenses	23,992	24,087
Operating income	4,797	4,057
Non-operating income		
Interest income	59	49
Dividend income	184	199
Equity in earnings of equity method affiliates	1,321	1,598
Other	543	506
Total non-operating income	2,109	2,353
Non-operating expenses		
Interest expenses	777	721
Foreign exchange gain (loss)	578	373
Other	483	363
Total non-operating expenses	1,838	1,458
Ordinary income	5,067	4,952
Extraordinary income		
Gain on sales of fixed assets	13	42
Reversal of deposits	-	14
Other	11	12
Total extraordinary income	24	70
Extraordinary loss		
Loss on disposal of fixed assets	91	95
Loss on sales of fixed assets	9	2
Loss on valuation of investment securities	2	79
Disaster losses	891	-
Other	217	170
Total extraordinary loss	1,212	348
Income before income taxes and minority interests	3,880	4,674
Income taxes	2,323	2,503
Income (loss) before minority interests	1,556	2,170
Minority interests in net earnings (loss)	(919)	(977)
Net income	2,476	3,147

Consolidated Statements of Comprehensive Income

	Six months ended September 30, 2011	(Millions of yen) Six months ended September 30, 2012
	Amount	Amount
Income (loss) before minority interests	1,556	2,170
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(1,052)	(1,527)
Deferred gain (loss) on derivatives under hedge accounting	(118)	(42)
Foreign currency translation adjustments	129	492
Share of other comprehensive income of equity method affiliates	88	123
Total other comprehensive income	(952)	(953)
Comprehensive income	604	1,216
Components:		
Comprehensive income attributable to owners of the parent	1,434	2,199
Comprehensive income attributable to minority interests	(830)	(982)

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2011	Six months ended September 30, 2012
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	3,880	4,674
Depreciation and amortization	5,421	6,345
(Gain) loss on valuation of investment securities	2	79
Increase (decrease) in allowance for doubtful receivables	(1,262)	(33)
Increase (decrease) in liability for retirement benefits	87	(204)
Interest and dividend income	(244)	(248)
Interest expenses	777	721
Foreign exchange (gain) loss	70	51
(Gain) loss on sales of fixed assets	(3)	(40)
Loss on disposal of fixed assets	91	95
Equity in (earnings) loss of equity method affiliates	(1,321)	(1,598)
(Increase) decrease in trade accounts receivable	6,156	9,927
(Increase) decrease in inventories	(7,300)	(1,864)
Increase (decrease) in trade accounts payable	(1,784)	(7,431)
Other - net	(2,543)	1,692
Sub total	2,026	12,165
Interest and dividends received	830	843
Interest paid	(748)	(789)
Income taxes paid	(4,869)	(2,632)
Net cash provided by operating activities	(2,761)	9,586
Cash flows from investing activities		
Purchase of property, plant, and equipment	(6,465)	(19,769)
Proceeds from sales of property and equipment	60	99
Purchase of investment securities	(5)	(4)
Purchase of subsidiaries' shares	-	(199)
Payments for sales of subsidiaries' shares resulting in change in scope of consolidation	(17)	-
Payments for loans receivable	(6)	(0)
Collection of loans receivable	14	35
Proceeds from state subsidy	-	4,872
Other, net	(40)	(75)
Net cash used in investing activities	(6,458)	(15,041)

Cash flows from financing activities

Net increase (decrease) in short-term borrowings and commercial paper	(832)	3,035
Proceeds from long-term debt	10,013	301
Repayments of long-term debt	(506)	(579)
Purchase of treasury stock	(3)	(1)
Dividends paid	(3,303)	(3,303)
Dividends paid to minority shareholders	(228)	(272)
Proceeds from stock issuance to minority shareholders	4,410	272
Other - net	(426)	(643)
Net cash provided by (used in) financing activities	9,123	(1,192)
Foreign currency translation adjustments on cash and cash equivalents	42	59
Net increase (decrease) in cash and cash equivalents	(54)	(6,587)
Cash and cash equivalents, beginning of term	24,030	16,476
Increase in cash and cash equivalents resulting from merger	—	20
Cash and cash equivalents, end of term	23,975	9,909

(4) Note on the Going-concern Assumption

Not applicable

(5) Note on significant change in Shareholders' equity

Not applicable

(6) Segment Information**I. Six months ended September 30, 2011 (April 1 to September 30, 2011)**

Sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment						Others (note)	Total
	Domestic Automotive Batteries	Domestic Industrial Batteries and Power Supplies	Overseas Operations	Lithium-ion Batteries	Total	Total		
Net sales								
Sales to outside customers	27,342	28,593	60,480	7,864	124,280	7,615	131,895	
Inter-segment sales and transfers	741	1,020	958	153	2,873	(2,873)	-	
Total	28,083	29,613	61,438	8,018	127,153	4,741	131,895	
Segment income (loss)	1,095	2,119	3,151	(1,370)	4,996	(198)	4,797	

Note: "Others" comprises a) businesses that are not included in reportable segments such as lighting operation and b) segment income adjustment. Segment income adjustment was minus 1,033 million yen, which includes minus 520 million yen elimination of inter-segment transactions and minus 512 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

II. Six months ended September 30, 2012 (April 1 to September 30, 2012)

Sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment						Others (note)	Total
	Domestic Automotive Batteries	Domestic Industrial Batteries and Power Supplies	Overseas Operations	Lithium-ion Batteries	Total	Total		
Net sales								
Sales to outside customers	25,969	29,267	60,315	4,745	120,297	7,184	127,481	
Inter-segment sales and transfers	776	1,001	722	49	2,549	(2,549)	-	
Total	26,745	30,269	61,037	4,795	122,847	4,634	127,481	
Segment income (loss)	1,324	2,304	3,602	(2,987)	4,243	(185)	4,057	

Note: "Others" comprises a) businesses that are not included in reportable segments such as lighting operation and b) segment income adjustment. Segment income adjustment was minus 1,101 million yen, which includes minus 610 million yen elimination of inter-segment transactions and minus 491 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

4. Supplementary Information

(1) Quarterly income/loss

Fiscal year ending March 31, 2013 (April 1, 2012 to March 31, 2013)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	62,900	64,581	–	–	127,481	–	–
Operating income	1,426	2,630	–	–	4,057	–	–
Ordinary income	1,927	3,025	–	–	4,952	–	–
Net income	1,062	2,085	–	–	3,147	–	–

Fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	60,348	71,546	73,358	80,180	131,895	205,253	285,434
Operating income	812	3,985	4,129	7,103	4,797	8,927	16,030
Ordinary income	1,186	3,881	4,934	7,989	5,067	10,002	17,991
Net income	131	2,344	3,251	6,005	2,476	5,727	11,733

Fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	59,229	68,793	69,417	75,073	128,022	197,440	272,514
Operating income	2,241	3,872	5,841	5,633	6,114	11,955	17,589
Ordinary income	2,079	3,750	6,365	5,318	5,829	12,195	17,513
Net income	815	1,798	5,427	3,681	2,613	8,041	11,722

Fiscal year ended March 31, 2010 (April 1, 2009 to March 31, 2010)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	48,917	60,442	63,595	74,269	109,360	172,955	247,224
Operating income	(2,243)	2,156	4,235	7,373	(87)	4,148	11,521
Ordinary income	(2,293)	2,340	4,032	6,092	47	4,079	10,171
Net income	(2,412)	740	2,096	6,064	(1,672)	423	6,487

Fiscal year ended March 31, 2009 (April 1, 2008 to March 31, 2009)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	69,582	74,857	72,410	66,570	144,439	216,850	283,421
Operating income	2,301	4,228	3,526	4,219	6,530	10,057	14,276
Ordinary income	3,149	3,660	1,476	2,692	6,810	8,286	10,979
Net income	1,161	1,352	165	1,549	2,513	2,679	4,228

(2) Overview of results for the six months ended September, 2012

(Millions of yen unless otherwise stated)

	Six months ended			Change (b) – (a)	Full year ended/ending		
	September 30, 2010	September 30, 2011 (a)	September 30, 2012 (b)		March 31, 2011	March 31, 2012	March 31, 2013 (forecast)
Net sales	128,022	131,895	127,481	(4,413)	272,514	285,434	288,000
Domestic Automotive Batteries	27,871	27,342	25,969	(1,373)	58,887	58,784	60,000
Domestic Industrial Batteries and Power Supplies	28,673	28,593	29,267	674	65,944	68,464	73,000
Overseas Operations	59,714	60,480	60,315	(165)	118,197	120,906	127,000
Lithium-ion Batteries	—	7,864	4,745	(3,119)	—	20,974	10,000
Other	11,763	7,615	7,184	(430)	29,485	16,303	18,000
Operating income	6,114	4,797	4,057	(740)	17,589	16,030	10,000
Domestic Automotive Batteries	1,917	1,095	1,324	228	4,837	4,266	5,000
Domestic Industrial Batteries and Power Supplies	2,027	2,119	2,304	184	8,436	9,640	10,000
Overseas Operations	4,444	3,151	3,602	450	8,593	6,006	7,000
Lithium-ion Batteries	—	(1,370)	(2,987)	(1,617)	—	(3,265)	(10,000)
Other	(2,274)	(198)	(185)	13	(4,278)	(617)	(2,000)
Ordinary income	5,829	5,067	4,952	(115)	17,513	17,991	12,000
Net income (loss)	2,613	2,476	3,147	671	11,722	11,733	8,000
Net income per share (yen)	6.34	6.00	7.63	1.63	28.39	28.42	19.38
Capital investment	8,341	22,659	24,391	1,732	20,005	38,849	40,000
Depreciation/amortization	4,527	5,273	6,124	851	10,167	11,228	15,000
Cash flows from operating activities	9,946	(2,761)	9,586	12,348	25,478	8,287	—
Cash flows from investing activities	(12,590)	(6,458)	(15,041)	(8,582)	(25,444)	(28,660)	—
Cash flows from financing activities	2,633	9,123	(1,192)	(10,315)	8	13,152	—
Cash and cash equivalents, end of period	24,275	23,975	9,909	(14,066)	24,030	16,476	—
Total assets	233,333	268,819	274,141	5,322	247,446	278,426	—
Net assets	111,964	123,787	133,959	10,172	122,310	136,221	—
Total debt	52,332	57,304	59,156	1,851	48,289	56,124	—
Equity ratio (%)	42.5	39.6	41.6	2.0	43.8	41.3	—
Net assets per share (yen)	239.99	257.95	276.25	18.30	262.48	278.87	—
Number of employees, end of period	12,416	12,574	12,514	(60)	12,394	12,265	—
Number of consolidated subsidiaries	64	60	57	(3)	62	59	—
Japan	31	28	25	(3)	30	27	—
Overseas	33	32	32	—	32	32	—

Note: Starting with segment results for six months ended September 30, 2011 and segment results for Year ending March 31, 2012, "lithium-ion batteries" have been separately presented because of its increased importance in monetary terms.