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GS Yuasa Corporation
Summary of Q&A Session at Financial Results Briefing
for the Nine Months Ended December 31, 2022 (FY2022)
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<Outline of financial results briefing >

Date: February 7, 2023 16:30-17:30

Description: Explanation of 3rd quarter financial results for the fiscal year ending March 31, 2023

Explainer: Hiroaki Matsushima, Director and CFO

*Please note that this "Summary of Q&A session" is not a verbatim transcript of everything said at the financial results briefing, but a concise summary at the Company's discretion.

*Abbreviations in the text

■ Company Name

BEC: Blue Energy Co., Ltd.

LEJ: Lithium Energy Japan Ltd.

■ Others

EV: Electric Vehicle

PHEV: Plug-in Hybrid Vehicle

HEV: Hybrid Electric Vehicle

BEV: Battery EV

[Question 1]

Regarding the performance of the automotive lithium-ion battery business, please tell us the sales composition ratio of BEC and LEJ, the composition ratio of operating income, and how much each grew in YoY, if possible. Also, has there been any expansion in the models of vehicles equipped with BEC batteries?

[Answer 1]

BEC: Quantity of batteries increased by about 1.3 times from the previous year. This was mainly due to an increase in volume of batteries for Honda Motor Co., Ltd. Details of the sales growth rate and composition ratio are not specified.

LEJ: Sales volume of Mitsubishi Motors Corporation's PHEV decreased from 46,000 units in the previous year to 30,000 units. Although the volume of batteries decreased, the selling price made up for it, so profits were not that much of a negative factor. In addition, capacity utilization of LEJ deteriorated because lithium-ion batteries for a large wind power generation plant in Hokkaido had been manufacturing at LEJ and the delivery was completed last fiscal year.

[Question 2]

Are there any changes in market trends for the industrial battery and power supply business? What is the expected growth rate of the market? What is GS Yuasa's forecast for growth relative to the scale of the market? Please break it down into the regular field and the emergency field.

[Answer 2]

Emergency field: Due to the long delivery times of materials this quarter, some items cannot be shipped and will be shipped in the next quarter. There are also some projects where equipment has not been delivered on the customer's side and the entire construction project has been delayed. Although the forecast for the current fiscal year is still uncertain, we will be able to make up for the missed shipments in the next fiscal year. As for where we aim to be in relation to the market growth rate, we would like to aim for growth above the market growth rate while creating synergies, partly due to the effect of acquisition of the public infrastructure systems business from Sanken Electric Co., Ltd. in the previous fiscal year.

Regular field: Business of ESS for renewable energy is booming. We are receiving inquiries far in excess of our production capacity, which is causing us to scream with joy, and we are determined to respond to these inquiries. We would like to provide value to customers in the

market toward carbon neutrality.

[Question 3]

Regarding inventories, I think inventories have decreased from the end of September to the end of December, excluding the effect of foreign exchange rates. Mr. Matsushima said that inventories are still at a high level when looking at YoY, is there an impact from the buildup of inventories of batteries for renewable energy, etc.?

[Answer 3]

Since December is our demand season, inventories of lead-acid batteries for automobiles are increasing. In the industrial battery and power supply business, some inventories are being built up for the demand season from January onward, and some shipments have been delayed due to the impact of long delivery times of parts. In addition, some inventories are due to an increase in orders of batteries for HEVs, so there are not all bad inventories.

Compared to the 2Q, inventories decreased by approximately 2.4 billion yen. This is partly due to the effect of measures being taken to reduce inventories that had been building up due to supply chain disruptions in Europe from the previous quarter to the first half of the fiscal year.

[Question 4]

The full-year forecast has left unchanged, but could you tell us how the company consider the forecast of 4Q? Mr. Matsushima said that the 3Q result was in line with expectation, please tell us how they fared by segment, given the effect of the price increase?

The full-year forecast minus actual results shows that 4Q non-consolidated operating profit will be slightly less than 2 billion yen less than 3Q. I have the impression that 4Q will be at the same level as 3Q, but since 3Q was better than expected, did the company leave the full-year forecast unchanged?

[Answer 4]

Although the ratio of 3Q result to the company's plan is not disclosed, the overall image is that it is in line with the plan. The 4Q stand-alone

forecast may seem quite conservative when subtracted from the full-year forecast, but the situation differs by segment. The domestic automotive battery business is being viewed conservatively, taking into account domestic lead price due to the LME and exchange rate effects. Regarding the overseas automotive battery business, while Turkish site, which has become a consolidated subsidiary, will contribute to this segment, we are taking into account downside risks due to the impact of monetary policies of various countries on inflation. The industrial battery and power supply business is in a difficult situation due to the impact of long-delivery products and overall construction delays on the customer side. In the automotive lithium-ion battery business, since the deliveries are only to new vehicles, we believe that the outlook is either in line with the plan or there is a slight downside risk in consideration of forecast of orders from new car manufacturers.

[Question 5]

What is the reason for the decrease in volume on a 3Q non-consolidated basis in the factors for the increase/decrease in operating income of automotive batteries overseas? Is the mix worsening?

[Answer 5]

In China, the situation was very difficult until December due to the zero-COVID policy (which is now recovering). Also, although detailed factors are not known, demand is currently falling in Indonesia.

[Question 6]

Looking at production status of automotive lithium-ion batteries of Honda Motor Co., Ltd. in the 3Q on a non-consolidated basis, I think the volume was difficult. Why was GS Yuasa still able to maintain a firm level? Is there a possibility that production decline of Honda Motor Co., Ltd. will have a delayed impact in the 4Q?

[Answer 6]

Regarding BEC, the volume of lithium-ion batteries for Honda Motor Co., Ltd. and Toyota Motor Corporation are decreasing compared to the plan. In addition, we are negotiating with Honda Motor Co., Ltd. and

Toyota Motor Corporation to pass on the higher cost of raw materials, and we are able to pass on the selling price. Although the volume for Honda Motor Co., Ltd. increased compared to the previous year, it is down from the plan.

[Question 7]

Regarding the news release about the joint venture with Honda Motor Co., Ltd., I heard that GS Yuasa would like to enter the market through technology collaboration without investing much in the field of battery for EV. Has this policy unchanged as before?

[Answer 7]

Our basic stance is to respond to the trend toward electrification and steer the course toward batteries for EVs. We are very grateful for the collaboration with Honda Motor Co., Ltd. As President Murao has explained in the past, we would like to proceed not independently but in collaboration with new car manufacturers. We will not make a huge investment on our own, but the environment has changed dramatically over the past few years, and we want to make sure that we respond accordingly.

[Question 8]

Regarding lithium-ion batteries for BEVs, how can you utilize the strengths and technologies you have been working on for HEVs and PHEVs in the future? Also, what are your thoughts on resource allocation in the future?

[Answer 8]

When we entered the lithium-ion battery business, we started with the production and sales of batteries for the world's first mass-produced EV, the i-MiEV, so we have knowledge of batteries for EVs. We have developed and deployed batteries for PHEVs based on this knowledge, while batteries for HEVs require a different ability with high input/output, although we can make use of our past knowledge. Honda Motor Co., Ltd. has placed a great deal of trust in BEC, including its past efforts.

We will refrain from responding to the question of resource allocation, as the timing of input has not been decided at this stage. We have some knowledge of development for HEVs and PHEVs, so we are taking measures to shift experienced personnel to development for EVs. The BEV Battery Development Office, which was established this fiscal year, is staffed by personnel with experience in the development of lithium-ion batteries for PHEV.

[Question 9]

Profits from special batteries and others business increased considerably in QoQ. I think it is partly due to the reduction of expenses, but is it also due to the establishment of the BEV Battery Development Department in May? Will the 4Q continue this level of profit?

[Answer 9]

Expenses for the BEV Battery Development Department are included in the automotive lithium-ion battery business. Although expenses for administrative overhead and basic research are included, they have been reduced to some extent.

Regarding the 4Q, some believe that in previous years, the company may not be able to spend that much on expenses.