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GS Yuasa Corporation
Summary of Q&A Session at Financial Results Briefing
the Second Quarter
of the Fiscal Year Ending March 31, 2025
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<Outline of financial results briefing>

Date: November 6, 2024 16:00-17:00

Contents: Financial results for the first half of the fiscal year ended
March 31, 2025

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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 and terminology in the text

■ Company Name

BEC: Blue Energy Co., Ltd.

LEJ: Former Lithium Energy Japan, Inc.

■ Others

BEV: Battery EV

EV: Electric Vehicle

PHEV: Plug-in hybrid vehicle

HEV: Hybrid Electric Vehicle

ESS : Energy Storage Systems

Emergency Field : Used for emergency backup in data centers and communications base stations and other facilities

Regular Field : Used for continuous charging and discharging in renewable energy, energy management, etc.

[Question 1]

The 2Q cumulative results exceeded the initial plan for the first half, but how much did they exceed the internal plan? What is the status of the upward or downward swing of the results against the internal plan for each segment?

[Answer 1]

Automotive batteries in Japan: Sales for new automotive batteries decreased, but this was covered by volume of replacement batteries. The upward swing is due to the fact that price increases for new automobiles are to some extent higher than expected at the beginning of the period. Automotive batteries overseas: Situations varied by region. In ASEAN, there was an upswing due to strong sales in Indonesia and Thailand. In Turkey, there was a downward swing due to tougher-than-expected conditions in Turkey. In Europe and Australia, sales continued strong. Industrial batteries and power supplies: The initial plan was conservative. The performance was higher than the initial projection due to the postponement and advance of projects in the regular use field and many profitable projects in the emergency use field such as nuclear power plants. Automotive lithium-ion batteries: As explained in the 1Q, the results were significantly lower than initially expected due to the impact of inventory write-downs and a delay in eliminating the spread between raw materials and selling prices. In the second quarter, the impact is making a recovery, and if you look at the second quarter alone, the segment as a whole has returned to profitability. Going forward, we will work to further improve the impact of the spread.

[Question 2]

Regarding Automotive Batteries Overseas, when calculating backward from the full-year plan, the forecast for the second half of the year is expected to show a decrease in profit compared to the first half. Are you anticipating any transitory factors? For example, is there any possibility of an increase in the impact of super-inflation accounting? You mentioned that the domestic situation in Turkey is difficult, but how much is the impact in Turkey?

[Answer 2]

In Thailand: There was a sharp decline in volume for new automobiles due to the government's EV promotion measures, which is putting a sudden brake on the market. In Turkey: Inflation and the Turkish lira's downward trend are causing interest rates to rise, which is making it difficult for dealers in Turkey to raise funds. The volume of batteries delivered by our company to dealers is low due to the impact of the lack of increase in the volume of batteries. Therefore, we believe that we have to pay considerable attention to the situation in Turkey in the second half of the year.

[Question 3]

As for the breakdown of sales at the Turkish site, are most of the deliveries made to dealers in Turkey?

[Answer 3]

Although we refrain from disclosing the individual business results of the Turkish site, its basic policy is local production for local consumption. Since domestic sales are the main source of sales at the Turkish site, a decline in volume would have a significant impact.

[Question 4]

Have the effects of super-inflation accounting been factored into the plan for the second half of the year?

[Answer 4]

Although the amount will vary depending on the inflation rate, we have factored in the same level as in FY2023.

[Question 5]

The Automotive lithium-ion battery segment turned profitable in 2Q. I believe that the Company controlled expenses, but the impact of the spread between raw materials and selling prices seems to be appearing in the same way as in 1Q. Will the impact of the improved spread start to appear in the second half, and if so, how certain are you that the

business will improve from the second half?

[Answer 5]

We are taking efforts for the second half of the year, including improvement of selling prices. The spread is becoming smaller than in 1Q and is improving.

[Question 6]

Regarding the second half of the year for automotive lithium-ion batteries, the Company is planning to increase profits compared to the previous year. How much of an impact do you expect in the second half compared to the first half if divided by volume, selling price, and expenses?

[Answer 6]

The spread between raw materials and selling prices for HEVs was very large, but it has been improving since 2Q. In the first half, there was a large decrease in the volume of PHEVs delivered, but the business is expected to recover in the second half as the volume of PHEVs will increase due to the increase in new car models from the second half. We revised the initial profit forecast of 4 billion yen due to the large gap of margin in the 1Q.

[Question 7]

Is the impact of the spread between raw materials and selling prices in a positive direction compared to the second half of the previous year?

[Answer 7]

Lithium market prices have settled down, and the gap between cost and selling prices has only narrowed, but not in a positive direction. We are in dialogue with major manufacturers and are negotiating with them to reduce the impact of the spread between raw materials and selling prices due to fluctuations in the lithium market.

[Question 8]

How much will sales increase as HEV production capacity increases to

70 million cells per year in the next fiscal year? What is the Company's outlook for the number of models?

[Answer 8]

Please forgive us for not being able to disclose the specific car models in which they will be installed. We believe that it will be difficult to produce 70 million cells per year at full capacity, but we have secured a quantity close to 70 million cells per year, and we are currently preparing facilities for production.

[Question 9]

Regarding industrial batteries and power supplies, I believe there is a policy to give preferential treatment to domestically produced batteries in the regular use field, but how exactly will they be treated? What benefits will GS Yuasa receive as a result of the preferential treatment for domestically produced batteries? Also, the full-year profit forecast appears to be weak; what does the Company consider to be the risk?

[Answer 9]

Although the government has not clearly indicated that companies have a preferential treatment to domestically produced batteries, there are some changes in the bidding process, and we believe that the advantage of the preferential treatment is that it is a business that provides a system for maintenance after delivery, etc., and we believe that this has been well received by our customers. As for the conservatism of the full-year profit forecast for industrial battery and power supply segment, we believe that this is partly due to the fact that some customers have postponed deliveries for the current fiscal year because the subsidy period for regular use has changed from a single year to multiple years, and some projects have been postponed and will be delivered next year or the year after next. In the regular use field, demand for data centers is strong, but profitability is poor, putting pressure on profits. Although the Company can secure sales for data centers, profitability is difficult. Last year, the supply of mini-UPS was delayed due to insufficient components, but this has improved in the current fiscal year. There is the replacement demand for UPS for a

major convenience store project, and although this is a large sales figure, profitability is tight, which is putting downward pressure on profitability. Profits are expected to be weak relative to sales due to delivery delays in the regular use field and the concentration of low-profit projects in the emergency use field.

[Question 10]

Please tell us about the profitability and impact on profit of automotive lithium-ion batteries in the next fiscal year. As sales are expected to increase in the next term, the Company will also increase the production capacity, so are you factoring in some initial costs? When BEC's performance was strong, the operating income margin was up to about 10%. What is the outlook of operating profit margin for BEC? In the explanation of the new car manufacturer, there was some talk about the integration of batteries for PHEVs and HEVs. What is the outlook for improvement in profitability of automotive lithium-ion batteries, and what is the growth potential for profit in the next fiscal year and in the medium to long term?

[Answer 10]

The volume of automotive lithium-ion batteries is expected to increase over the medium to long term, and profits are expected to recover steadily along with the increase in volume. In a single year, there were special factors such as the impact of the worsening spread, but in the long term, both sales and profits are expected to increase. Lithium-ion battery business is a mass-production business, so the volume is important, and we believe that increasing factory capacity utilization is essential for profit growth. For PHEVs, the volume will increase from the second half of the year with the release of the new Outlander, and for HEVs, the volume for both Toyota and Honda will increase. We expect both sales and profits to remain strong as we secure volume for the 70 million cell system for HEVs.

As for initial expenses, depreciation expenses and initial costs are expected to be incurred to a certain extent due to the expansion of the production line at BEC's second plant, which may be a downside factor. On the other hand, we believe that the volume of HEVs will continue to

increase toward 2035, so we would like you to have a long-term perspective on our company, rather than a short-term perspective of one to two years.

[Question 11]

Please update us on the development status and commercialization of all-solid-state batteries. I have heard that Toyota, Honda, Nissan, etc. have already started development and are close to launching their products on the market. What are the specifications of GS Yuasa's all-solid-state battery development compared to other companies and its future potential in terms of commercialization?

[Answer 11]

We are developing all-solid-state batteries with the utilization of a NEDO grant. Although mass production, including investment, is still some way off, we believe that the solid electrolyte we are developing is a very promising technology in terms of water resistance. Car manufacturers are also moving forward with development for mass production, but we do not yet know on what scale it will be put to practical use. We believe that the technology for mass production is still a high hurdle. We would like to continue development toward practical application, starting with special applications.

[Question 12]

What is the purpose that the Company is expected to manufacture not only batteries for BEVs but also for ESS in the BEV battery plant? I am aware that it is easy to convert a production line built for BEVs to production for ESS, but what percentage of the production capacity at the BEV battery plant is expected to be used for ESS?

[Answer 12]

We will produce high-capacity LiBs at the plant in Shiga Prefecture, and since LiBs for ESS and LiBs for BEVs have a high affinity, from the beginning, we have planned that the factory for BEVs would also produce for ESS. We cannot give a specific breakdown of the production capacity, but since production for industrial use will be based on actual

demand and cannot be planned, we will discuss this in the future.

[Question 13]

Regarding the preferential treatment of domestically produced LiBs for stationary use, will competing manufacturers other than GS Yuasa be eligible for the preferential treatment, even if their cells are LFPs made in China, as is the case with manufacturers such as Power X?

[Answer 13]

We recognize that Power X is a competitor since it is subject to the Long-Term Decarbonation / Carbon-free Auction. The Ministry of Economy, Trade and Industry has also determined that Power X is eligible for subsidies. GS Yuasa intends to take advantage of its network, footwork, and other strengths as a domestic battery manufacturer. Specifically, GS Yuasa would like to sell its post-delivery support services and win firm bids for projects.

[Question 14]

We recognize that the impact of the spread between raw materials and selling prices due to the lithium market decline will be eliminated. We have heard that you are planning to review the mechanism for reflecting selling prices due to the increased losses caused by the sharp drop in lithium prices, but will it take until about 2025 to realize the plan? Please tell us if there are any changes in the timeline for realization, such as if the review is already underway.

[Answer 14]

We have been trying to eliminate the time lag and reduce the profit/loss impact, since the lithium price had been falling sharply and the selling price was ahead of the price, resulting in a negative impact. We are negotiating diligently with major manufacturers to change the contract format so that the impact can be minimized by the end of FY2024.

[Question 15]

Regarding the Turkish site, we have heard that the main business is exporting batteries produced in Turkey to Europe. We recognize that the

recent depreciation of the lira has resulted in favorable selling prices for exports, leading to an increase in market share. What has affected the Turkish site as a risk, such as changes in sales destinations?

[Answer 15]

The decline in domestic sales in Turkey is severe. We believe that the weaker lira is favorable for exports, but since Turkey has a large domestic sales volume, a decline in sales volume would have a significant impact and would be a risk.

[Question 16]

Regarding the outlook for the second half of the year in the domestic market for automobile batteries, although there will be a decline in the volume of new automotive batteries, I think we can expect an increase in sales due to an increase in the volume of replacement batteries. Since lead prices are on a downward trend, there may be a little more room for profit growth.

[Answer 16]

We consider the lead quotation situation to be a risk. Although we have stated that the exchange rate impact is flat, the impact is not zero. In particular, lead prices are affected by the exchange rate. There is some concern that the recovery in volume for new automobiles will be delayed a little. Since demand for replacement may have come in ahead of schedule, we are assuming a flat volume in anticipation of a rebound.