

=====
GS Yuasa Corporation
Summary of Q&A Session at Financial Results Briefing
the Third Quarter
of the Fiscal Year Ending March 31, 2025
=====

<Outline of financial results briefing>

Date: February 5, 2025, 16:00-17:00

Contents: Financial results for the third quarter of the fiscal year ended
March 31, 2025

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 and terminology in the text

■ Company Name

BEC: Blue Energy Co., Ltd.

LEJ: Former Lithium Energy Japan, Inc.

HGYB: Honda·GS Yuasa EV Battery R&D

■ 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]

Profitability of Automotive Lithium-ion Batteries in 3Q has recovered from 2Q, but volume for PHEVs still has not increased. Why was the volume for PHEVs lower than expected? Also, looking at the difference between selling prices and raw material prices as a factor of increase/decrease, it seems that the situation has worsened compared to 2Q. Is the spread between raw material prices and sales prices for HEVs improving now?

[Answer 1]

For PHEVs: The volume decreased due to customer's circumstances. Sales of models have been slower than expected. We have introduced a system to adjust the selling price according to the increase or decrease in volume, but the decrease in quantity was less than the system this fiscal year. We will continue to negotiate with customers.

For HEVs: The spread between raw material prices and sales prices has not changed much from the 2Q. We are currently expanding production facilities of BEC's No.2 plant, and the additional production line is now in operation, so amortization and other expenses are being incurred. The background for this may be that the volume of products is insufficient for the increased production capacity.

[Question 2]

Regarding the spread between raw material prices and selling prices for HEVs, the non-consolidated operating profit increase/decrease factor for the 3Q is a negative 6.4 billion yen for sales prices, which is a significant decrease from the first half of the year. Did you revise sales prices in the 3Q?

[Answer 2]

We have not revised the sales price. Since we supply to several types of vehicles, each type of battery is different. Therefore, changes in the product mix have a significant impact on the spread.

[Question 3]

Regarding the full-year forecast for Automotive Lithium-ion Batteries,

looking at the 4Q (three months) forecast, I think that both sales and profits will jump up significantly from the 3Q, but could you tell us about the certainty of this? Will profitability increase in addition to the increase in volume for both HEVs and PHEVs?

[Answer 3]

The correction of selling prices in response to rising costs will compensate the negative impact of the decrease in volume. We have been negotiating to revise sales prices for some time, but the key point will be how much we can reap in the 4Q. Since this is a matter of negotiation, I cannot go into details, but I would like to go back and catch up on past results in the 4Q.

[Question 4]

Are there any factors that will significantly boost profits in the 4Q? If you look at the 4th quarter alone, is the company's true ability to make a profit of just over 1 billion yen?

[Answer 4]

At the current stage, the company must earn a profit of approximately 2 billion yen in the 4Q alone, but 2 billion yen is not necessarily a realistic value. There is a tendency to proceed with negotiations on various cost changes, such as changes in volume, and to summarize those negotiations in the 4Q. Therefore, we expect that the negotiations will collectively contribute to the 4Q results.

[Question 5]

Regarding Industrial Batteries and Power Supplies, looking at the past situation, I thought that sales in the regular field were high in the 3Q, but this time regular field sales were not that large and emergency field sales are larger. I know that 4Q is the demand period for emergency field, but was there an advance in demand for emergency field in the 3Q? Will the mix deteriorate in the 4Q because the regular field will increase in the 4Q due to the small sales in the 3Q? 4Q profits appear to have increased slightly compared to the growth in sales, so please tell me the background to this.

[Answer 5]

We assume that there will be a considerable delay in the case of regular field. We expect that the strong performance up to the 3Q will continue in the 4Q for the emergency field business. Although we have a slightly conservative profit margin forecast for the 4Q, we have not yet been able to forecast the extent of the rush demand at the end of the fiscal year for the emergency field. If there is a large rush, further growth can be expected.

[Question 6]

What is the level of commitment to the information that Honda is planning to build a BEV plant on its own?

[Answer 6]

We have acquired a site in Shiga Prefecture for a LiB plant for BEVs and has begun construction. HGYB, a joint venture company with Honda, is conducting research and development of batteries to be produced there. However, we are unable to tell regarding business with Honda on its own. If Honda approaches us, we understand that the LiBs for BEVs they produce will basically use HGYB's batteries. The business of HGYB is receiving royalty income from manufacturing companies, and we assume that royalty income to HGYB can be expected even if Honda manufactures and sells the batteries independently.

[Question 7]

Regarding President Trump's policies, what is the possible impact on GS Yuasa, even in areas where you do not directly conduct business?

[Answer 7]

Our U.S. business is small proportion, so there will not be a major impact. If there is any impact, it will be on the lead-acid batteries and LiBs for HEVs that we indirectly supply, but so far there has been no impact. The impact of foreign exchange rates on our profit and loss is neutral. Since lead-acid batteries are locally produced for local consumption, the impact on trade is minimal, so there is no need to

worry.

[Question 8]

The revised full-year forecast of operating income is 47 billion yen, but if you achieve it, you will exceed the 46-billion-yen target of the Sixth Medium-Term Management Plan for operating income. For example, I believe there were some difficulties in the Automotive Lithium-ion Batteries this fiscal year. Please tell us about your evaluation of the business performance. What are the upside and downside factors for the next fiscal year by segment?

[Answer 8]

Despite updating the goals of the Sixth Medium-Term Management Plan, the current full-year forecast has exceeded the target. We are aware that people think we are a conservative company, and we apologize for that. As for the full-year forecast of 47 billion yen in operating income, we believe that the performance is too much, especially for existing businesses, based on our assumptions at the beginning of the period. On the other hand, regarding the reality of the business of the Automotive Batteries (Japan), in addition to measures to expand sales of replacement batteries, the company has made considerable progress in correcting sales prices for new automobiles. The profit margin for new automobiles was low and there were times when the business was in the red, so we can expect further improvement in the future. Therefore, we expect an upside in the Automotive Batteries (Japan) on a profit basis. Market conditions of Automotive Batteries (Overseas) are expected to change in the future, and in particular, the biggest concern is how the situation in Turkey will move in the future. We transferred the business in China last fiscal year. Turkey is one of our most important production sites in Europe, the Middle East, and Eastern Europe, and we hope to achieve overall upside by leveraging it. In the Industrial Batteries and Power Supplies, the emergency field is strong, and earnings will rise or fall depending on how long the strong demand from special projects such as expressway and nuclear power plants, will continue. On the other hand, we believe that demand for data centers and nuclear power plants will continue. In

the regular field, deliveries are expected to shift to the next fiscal year and beyond due to lower-than-expected deliveries in the current fiscal year. Although profit margins will not be as high as in the emergency field, sales and profits are expected to grow. As for Automotive Lithium-ion Batteries, the performance will depend on the recovery in the volume of PHEVs and the increase in the volume of HEVs supplied to Honda, Toyota, and Mitsubishi Motors. The key point for HEVs will be whether the company can secure a volume that meets the increased production capacity and the degree to which the spread between sales prices and raw materials improves.

[Question 9]

Price increases in emergency field of Industrial Batteries and Power Supplies and in the Automotive Batteries (Japan) have been a factor in the increase in profits. What are the factors behind the successful price increase, and will the price increases continue after next term onwards?

[Answer 9]

Although it would have been unthinkable in the past, due in part to social demands, a climate is developing in which even companies that are strict about prices, such as new car manufacturers, will accept a price increase if we explained the cost increase in a logical manner. Therefore, we believe that sales price correction in line with market conditions and inflation can continue. The price correction for Industrial Batteries and Power Supplies is expected to take effect in FY2023. We believe that the increased costs should be passed on to the sales price, so please look forward to it.

[Question 10]

Regarding lithium prices, I believe they have been falling since the end of 2022. Are you expecting the scenario that lithium prices will rise further?

[Answer 10]

The lithium market has recently bottomed out, and we expect this situation to continue for some time, but given the slowdown in demand

for BEVs, we do not expect lithium prices to generally move higher in terms of supply and demand. However, lithium market movements cannot be measured by supply and demand alone. It is important to be able to hedge against price fluctuations, so we are negotiating sales prices.

[Question 11]

What are the advantages and disadvantages for GS Yuasa if the planned business integration between Honda and Nissan is realized?

[Answer 11]

I think the integration will have a positive impact, but not a negative one. We have had almost no business with Nissan regarding LiBs. If Nissan enters the HEV market in the U.S. and other markets in the future, we will have a chance to increase our sales. We do not have many transactions with Nissan regarding lead-acid batteries, so we can expect an increase in sales.

[Question 12]

You mentioned that sales for PHEVs are not doing well, but would GS Yuasa benefit from the addition of Mitsubishi Motors to the planned business integration between Honda and Nissan?

[Answer 12]

We believe that Mitsubishi Motors' PHEVs have quite high technological capabilities. Mitsubishi Motors has also told us that GS Yuasa's batteries are good for PHEVs, and they have a high evaluation to us.

[Question 13]

Regarding regular field, the duration of the government subsidy is being extended. Is it possible to add on to the subsidy next fiscal year?

[Answer 13]

It is a fact that for subsidies from the government, there is a demand from businesses for many times that amount. It can be said that subsidies are in a sense insufficient. There are two types of subsidies,

and "the Long-Term Decarbonation / Carbon-free Power Supply Auction Program" is a tough one because of its price competition. On the other hand, as for the "Subsidy for the Project to Support the Introduction and Expansion of Renewable Energies and the Introduction of Power Storage Systems such as Storage Batteries for the Grid," the situation is such that orders are sure to be received. The subsidy for the current fiscal year is 40 billion yen, so we assume that the subsidy for the next fiscal year will be at or near that level.

[Question 14]

In the 3Q, the profit margin of Industrial Batteries and Power Supplies is at 20% due to the strong performance of emergency field. Is there a possibility that as sales of regular field increases next year, the mix will worsen, and the profit margin will drop? Is there any possibility that sales will grow but profit margin will drop to about 10%, etc. in the next fiscal year?

[Answer 14]

Profit margin down is not necessarily a risk. Emergency field can earn an absolute amount of profit. The regular field will be added as a new business. Although the profit margin for regular field is not as high as the profit margin for emergency field, sales and profits can also increase by sales of regular field. We would like to increase the profit margin of regular field as well. We would like to increase the profit margin by earning not only from sales of batteries but also from maintenance service.