

=====
GS Yuasa Corporation
Summary of Q&A Session at Financial Results Briefing
for the First Quarter of the Fiscal Year Ending March 31,
2025 (FY2024)
=====

<Outline of financial results briefing>

Date: August 5, 2024 16:00-17:00

Contents: Financial results for the first quarter of the fiscal year ending
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: 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]

I was surprised to see a larger-than-expected loss in the Automotive Lithium-ion Battery business. Please tell us how the company's performance compared with the projected plan. While the volume of batteries for HEVs increased from the previous fiscal year, that for PHEVs was in line with the projection, although there are signs of a slowdown due to the termination of Mitsubishi Motors' model. Please tell us about sales for HEVs and PHEVs compared to the plan.

[Answer 1]

For HEVs: Sales volume is up from the previous year, and there is no significant discrepancy compared to the plan. However, the decline in the lithium market was slightly larger than expected and we haven't been able to reverse the effects even now. Lithium market conditions were worse than expected. Looking at the year-on-year comparison, the impact of PHEVs is the bigger factor behind the decrease in profit and the deficit.

For PHEVs: The volume was about one-sixth of the volume in the same period last year, which accounts for more than half of the profit/loss impact. This was slightly worse than expected.

12V: Slightly recovered the negative amount for HEVs and PHEVs.

[Question 2]

Does this mean that BEC was also in the red this quarter? Is the volume in line with expectations and the spread with selling prices worse than expected?

[Answer 2]

That is correct. The Automotive Lithium-ion Battery business was planned to be in the red in 1Q from the beginning plan of the term.

[Question 3]

What is the structure of the lithium price spread, which peaked in the 1Q and will be eliminated from the 2Q? Since the lithium price is expected to stop falling in the future, is it expected to be reflected in the selling price gradually? You mentioned that the lithium purchase

price is an annual contract. If you have any quantitative data on how much of the impact of the spread is likely to be resolved in the future, please let us know.

[Answer 3]

As for the impact of the worsening lithium price spread, we believe it will narrow considerably from 2Q onward. The lithium market price over a span of six months is reflected in the selling price six months later. Lithium prices have been falling sharply since the first half of the previous fiscal year, and this is currently having a negative impact on the negative spread. Since the lithium market is currently stable at a low level, the selling price for the past six months is reflected in the sliding price, which automatically reduces the spread difference. On the other hand, we regret that we left the time lag between selling prices and raw material prices as it was. We are currently working on correcting the situation so that the spread is not reflected in the volatility of the periodic profit/loss of the business performance. We will refrain from answering how much the impact will shrink from 2Q onward.

[Question 4]

Since the "raw material prices and selling prices" category on page 12 of the presentation material is the spread effect, do you envision this category becoming positive from 2Q onward, or will it recover from the second half of the year? Is the negative impact this time largely due to the impact of lower capacity utilization due to lower volume for PHEVs?

[Answer 4]

We cannot say whether the business will be profitable from 2Q onward, but it is expected to improve. The impact of the PHEV business was larger than expected in 1Q.

[Question 5]

Regarding the former LEJ, we have heard that the production for ESS is currently strong. Is it difficult to use the vacant production line for ESS to make up for the decrease in the production volume for PHEVs? Is

there any flexibility in the production line of the former LEJ?

[Answer 5]

The production of batteries for PHEVs decreased due to the decrease in the number of models following the termination of the current model, but this was factored into the plan at the beginning of the period. There will be no major changes in the production system of the former LEJ. By making batteries for ESS in the first half of the year, we are preparing for increased demand and volume for PHEVs from the second half of the year.

[Question 6]

I believe there is one car model that is currently equipped for PHEVs, but does this mean that the volume will increase from the second half of the year as new models are introduced in the future? Or does it mean that previous models will return?

[Answer 6]

It does not mean that the number of car models will increase, but that the model will return.

[Question 7]

Regarding the 6.8 billion yen in operating income before the application of the super-inflationary accounting, please give us details on how much of a plus or minus there was in each business compared to the plan.

[Answer 7]

Compared to the plan, 1Q results were negative than expected due to a larger than expected volume decline for PHEVs and the impact of the lithium market conditions in Automotive Lithium-ion Batteries. All other segments exceeded the plan. In particular, Automotive Batteries (Overseas) in ASEAN, Europe, and Australia all increased YoY and exceeded the plan.

[Question 8]

As for the plan, you had assumed operating income of 6 billion yen before the application of super-inflationary accounting, but does that mean that you have exceeded the plan?

[Answer 8]

Compared to the original plan, growth was better than expected, except for a deterioration in the Automotive Lithium-ion Battery business.

[Question 9]

At the recent meeting of Honda and Nissan, there was talk of standardization of BEV battery standards between the two companies, and it was mentioned that Nissan will use LG Chemical's BEV batteries too, but no mention was made of GS Yuasa. For GS Yuasa, there is no surprise about the standardization of batteries for BEVs, and is GS Yuasa's strategy to make good batteries solemnly? Do you think that you will have to do your best in overseas production in the future, as local production is important for the commonization of batteries? What can you say in light of this announcement?

[Answer 9]

There were no big surprises about the Honda and Nissan announcements. At this point, we are firmly teaming up with Honda. Currently, we are working with Honda to develop optimal batteries for BEVs, and I sense Honda's desire to horizontally expand the standard for BEV batteries. It has not been decided where the batteries developed with Honda will be sold, but we believe they will be produced and sold overseas as well.

[Question 10]

Regarding the Automotive Lithium-ion-ion Battery business, you said that you plan to recover from the 2Q onward by increasing the volume and revising the selling prices of HEV batteries. With lithium prices falling, how do you review selling prices? In addition, what is GS Yuasa's forecast for the volume increase? Is there any need to worry about the uncertain situation of car manufacturers?

[Answer 10]

We are working to correct selling prices in each segment in response to various cost increases. We are negotiating not only for lead-acid batteries but also for automotive lithium-ion batteries, and since BEC, which produces and sells HEV batteries, is a joint venture with Honda, we will hold thorough discussions with Honda in light of the current environment. Although we are uncertain about the increase in volume, we believe that the recent increase in demand for HEVs will continue to be strong, so we can expect an increase in volume.

[Question 11]

If you have any exchange rate sensitivity, please let me know. I know lead prices have been fluctuating a lot, but what is the upside/downside potential of the GS Yuasa's performance going forward?

[Answer 11]

As we have commented in the past, exchange rate sensitivity is basically neutral. For example, if the yen depreciates, domestic lead prices and energy prices will be negatively impacted due to cost increases. As long as overseas operating companies do not fall into the red, a weaker yen will have a positive impact in relation to valuation. Since lead-acid batteries are based on local production for local consumption, there is no need to feel happy or sad depending on the exchange rate. Regarding upside/downside potential, we expect the domestic lead price to fall if the yen continues to appreciate over the next few days. However, prices for new automobiles will be largely unaffected due to the sliding scale. There is a possibility of upside in prices for replacement batteries, as prices are negotiated on a case-by-case basis. Overseas, a strong yen may have a downward swing in terms of valuation.

[Question 12]

Regarding Automotive Batteries (Overseas), I believe that the performance in ASEAN is quite well, could you elaborate on the background? Also, why do you think the strong performance will

continue in the future?

[Answer 12]

Thailand: Due to local policy, loan screening for new automobiles is strict, so sales for new automobiles are sluggish while replacement batteries are increasing. Indonesia: Market inventory adjustment is progressing and market conditions are recovering from the previous year. Vietnam: We expect volume increase due to continued economic growth.

[Question 13]

The Nikkan Kogyo Shimbun published an article on the second plant for BEVs to be built in Shiga Prefecture, stating that the production capacity of the two plants will be 20 GWh with a total investment of 200 billion yen. Are there any changes since the last presentation of the Sixth Mid-Term Management Plan Update Briefing? Since GS Yuasa has been explaining that the investment cost per GWh is 10 billion yen, does this mean that the total production capacity of the two plants will be 20 GWh and the investment will be 200 billion yen, or does it mean that the detailed investment amount has been decided?

[Answer 13]

There are no significant changes in the progress of the second plant for BEVs, as explained in the Sixth Mid-Term Management Plan. An article has been published regarding the assumed progress. According to the conventional calculation, the total investment would be 200 billion yen, assuming 10 billion yen per GWh, but since the project will start with the purchase of land and construction of the building, it is not known whether the simple calculation will result in 20 GWh = 200 billion yen. The investment amount may fluctuate due to the recent sharp rise in the cost of building materials.

[Question 15]

Is it correct information that the regular use is receiving inquiries for three times the production capacity? There was information that demand for storage batteries for the grid is increasing rapidly, even with

connection contracts tripling annually.

[Answer 15]

We have received inquiries for three times the existing production capacity of the current Ritto plant. Information on storage batteries for the grid is not necessarily same.

[Question 16]

You mentioned that the spread improvement in the Automotive Lithium-ion Battery business will be from 2Q onward, but the lithium price will be passed on to the selling price with a six-month delay. Does this mean that the lithium price six months ago has remained stable, and thus has little impact from 2Q onward? Is it possible to negotiate a structural change from a six-month span to a three-month span? When do you expect structural improvement?

[Answer 16]

We are in the process of negotiating a better spread, so I can't give you more details. As the president said at the Sixth Mid-Term Management Plan Update Briefing in early July, we intend to change the scheme so that there will be no impact at least in FY2025.

[Question 17]

What are the factors or backgrounds behind the year-on-year volume decline for aircraft in Specialized Batteries and Others this fiscal year?

[Answer 17]

Since the period when airplanes were not operating due to the COVID-19, airplane operations have resumed, and demand for replacement of long-neglected batteries has increased dramatically over the past few years. The impact of this was felt considerably until last year, but the image is that we are now back to normalcy at the market. I think there is also the effect of an increase in the number of batteries for new construction.