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GS Yuasa Corporation
Summary of Q&A Session at Financial Results Briefing for the Second Quarter of the Fiscal Year Ending March 31, 2024 (FY2023)

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<Outline of financial results briefing>
Date: November 09, 2023 15:00-16:00
Contents: Financial results for the second quarter of the fiscal year ending March 31, 2024
Explanator: Osamu Murao, President
Hiroaki Matsushima, Director and CFO

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*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 believe the Company has issued a revision to the results forecast for the Automotive Lithium-ion battery segment. Could you give us some more details on this front? It's a rather large downward revision in net sales, so could you discuss the background in terms of this postponement of deliveries into next year, and also the operating income forecast, which remains unchanged?

[Answer 1]
As you mentioned, the revision to net sales was primarily on account of the postponement of deliveries to new automaker clients. We had originally intended to carry out these deliveries in fiscal year 2023, but we now expect these to take place next fiscal year. I'm not at liberty to go over the details here, but production of models equipped with our batteries is running slightly behind schedule, as a result of some issues faced by the relevant OEMs. This accounts for this downward revision of approximately 15 billion yen to the net sales forecast. With that being said, the operating income forecast remains unchanged.
This is on account of an overall increase in sales quantity, as well as the revision of selling prices to reflect an increase in energy costs associated with the cost of electrolytes or electricity bill, and component costs among other things, as well as soaring raw material prices. Another factor is yield improvements of production process offering stable quality, with levels now significantly exceeding the initial forecast. Furthermore, the joint venture company, Honda･GS Yuasa EV Battery R&D no longer features within the scope of consolidation, and this has a positive impact on operating income. Taking all of these factors into account, and despite an expected decrease in net sales, we don't expect operating income to fall below the initial forecast.

[Question 2]
In light of what you just said, I believe that means that the Automotive Lithium-ion battery segment is expected to deliver a significant improvement in operating income in the second half of the year, compared to first half results. Would it therefore be reasonable to say the Company expects to make significant progress in the revision of

selling prices? This, naturally, together with the other factors you mentioned, such as improved yield, etc.

[Answer 2]
Indeed, and also, there is another factor. Allow me to direct your attention to first and second quarter operating income results. We posted a somewhat lackluster operating income performance in the second quarter. As you are aware, raw materials are currently on a downward trend, so this lackluster performance in the second quarter had to do with the price of raw materials prior to the execution of revisions to selling prices. We are carrying out adequate measures in this area, and will aim to secure results in line with the initial forecast.

[Question 3]
Could you give us a breakdown of the results for BEC and LEJ, in terms of net sales and operating income?

[Answer 3]
The utilization rate for LEJ increased significantly in terms of cumulative first half results. As it stands, the utilization rate at LEJ currently exceeds 80%, and these continue to be very strong results and delivered a significant year-on-year increase in quantities.
While we increased production capacity at Blue Energy, the utilization rate remains more or less in line with last year’s results, at around 70%. However, the effects of the semiconductor shortage continued through to the first quarter, so the quantity of batteries delivered for Blue Energy fell slightly short of the initial forecast. With that being said, Blue Energy nevertheless registered a significant year-on-year increase in the quantity of batteries delivered. As such, both Lithium Energy Japan and Blue Energy delivered an increase in sales quantity and a very strong utilization rate performance.
In terms of the outlook going forward, naturally, we will be enhancing production capacity of batteries for HEVs at Blue Energy. Additionally, Lithium Energy Japan currently has a production capacity of approximately 6 million cells per year. We have plans to increase this capacity and will be carrying out construction to this end.

[Question 4]
You mentioned Lithium Energy Japan intends to further expand production capacity going forward, so would it be reasonable to assume an increase in PHEV models equipped with batteries of Lithium Energy Japan? Mitsubishi Motors is Lithium Energy Japan's main client, but do you have other clients lined up? Does that mean the company expects this expansion in PHEV models equipped with batteries to take place in the near future, say, next fiscal year or so? Or is the expected timeline a little bit further down the road?

[Answer 4]
I'm not at liberty to go over the details here, but what I can say is that we do expect an increase in the number of PHEV models equipped with our batteries. There is also ESS, with Lithium Energy Japan manufacturing storage batteries, and we have received a large number of inquiries regarding these. As such, there is a need for us to increase capacity to address this, as well. I can't go into the details, but we expect this increase in models to take place in the near future.

[Question 5]
The Company posted a very strong profit performance of Automotive Batteries (Overseas) in the second quarter. How does GS Yuasa view its product mix? Has there been an improvement from pre-COVID levels, or have things changed for the worse? I believe that compared to the second half of last fiscal year there has been a slight decrease in batteries for replacement and an increase in batteries for new automobiles. Against this backdrop, could you expound a little on what allowed GS Yuasa to post such robust profit results? Lastly, could you share your thoughts on the product mix in the second half?

[Answer 5]
The semiconductor shortage has subsided, with an increase in production numbers for new automobiles. In light of this, the share of batteries for new automobiles within the product mix has increased significantly compared to during the pandemic period. The replacement

market has better profit margins, so this change in the product mix has translated into a slight negative impact on profits. With that being said, price revisions and efforts to rationalize expenses have borne fruit, allowing us to deliver a robust profit performance. In Indonesia, inventories sold well in the first quarter, and we have high hopes for this market going forward. GS Yuasa's products are manufactured and sold in the same region, so fluctuations in the exchange rate don't tend to have much impact on the Company's profit performance.

[Question 6]
It would therefore appear that the Company expects a strong performance in the second half, as well. I believe there is a strong probability the company will be able to achieve its second half forecast. Would it be correct to assume the Company does not expect downside risks from things like a worsening in the product mix and a decrease in sales quantity?

[Answer 6]
That is indeed the case, as we don't expect such risks. There is a level of country risk overseas, so we take a somewhat cautious approach on this front.

[Question 7]
Could you give us a progress report on efforts of Honda･GS Yuasa EV Battery R&D? You mentioned capital investment in a plant in Kyoto, so I would like to know if this investment refers to the initiative shown here. I believe at first this business venture would first start with personnel from GS Yuasa, which would then gradually be joined by personnel from Honda Motor. Could you share with us how things are proceeding on this front?

[Answer 7]
The plant I mentioned earlier does not refer to this plant for the manufacturing of batteries for BEVs. Rather, it refers to the renovation of the Kyoto plant through restructuring; in other words, we have plans to rebuild our old plant. As it pertains to Honda･GS Yuasa EV Battery

R&D, and as previously announced, we are currently in the land development phase toward the construction of a plant of BEV batteries in Moriyama, Shiga Prefecture. In terms of the specifics, over 100 employees from GS Yuasa and Honda Motor currently work at the Kyoto office, located in GS Yuasa's headquarters region in Kyoto. This business started on August 1st, 2023, and we are working on a timetable to build the Shiga plant and ultimately bring products to market by April of 2027. In terms of progress, things have been moving more or less on schedule.

[Question 8]
Could you share with us how much progress has been made in the process of raising BEC's annual production capacity from 50 million cells to 70 million cells? You mentioned how the company had plans to expand sales to other automakers in addition to Toyota Motor and Honda Motor in fiscal year 2023, and how these deliveries ended up being postponed into next fiscal year.

[Answer 8]
Blue Energy's No.2 plant currently has two production lines and by the end of fiscal year 2022, it had already secured a production capacity of 50 million cells. With that being said, we don't believe we will reach 50 million cells delivered per year in fiscal year 2023. The plan is to reach an annual capacity of 70 million cells in fiscal year 2025, and to this end, we will be adding two additional production lines. This is possible since we already have the factory space and all the necessary utilities installed. Blue Energy currently supplies batteries to Honda Motor and Toyota Motor, but we will start supplying an additional automaker this fiscal year. We originally had plans to supply two additional automakers, but this other company experienced some issues with the start of production, so delivery was postponed to next fiscal year. As such, we will be adding another two lines by 2025, to achieve a production capacity of 70 million cells.

[Question 9]
You mentioned the Company has received a large number of inquiries for ESS and industrial batteries. Are these inquiries for large-scale power grid projects in the regular field, like the ones shown on page 14? Would it be reasonable to assume the Company will continue delivering batteries for use in these kinds of projects, going forward? This is a business model that doesn't deliver profits on the initial supply of batteries, but rather through maintenance over time. As such, how should we view this topic? Additionally, what initiatives does GS Yuasa have in terms of EV chargers and energy systems for individual households? Could you give us more details on Lithium Energy Japan's development of new third-generation batteries, as shown on page 16?

[Answer 9]
Page 14 shows these together, but briefly speaking, this area can be divided into interconnected storage battery system projects and peak cut/peak shift solutions for plants, and then regular household solutions. GS Yuasa is currently focusing on interconnected storage battery systems like the one in Toyotomi, Hokkaido and also peak-cut/peak-shift projects for plants, such as Honda's Kumamoto Factory. Lithium Energy Japan currently manufactures these batteries for ESS, and it is a fact that we have received inquiries exceeding our production capacity. We want to address this demand, so we have plans to gradually build up production capacity. In terms of solutions for regular households, GS Yuasa hasn't yet made many inroads into this area. The business model for ESS marks a departure from previous models, in that it expects to generate profits over a 20-year period. As such, the profit initially derived upon delivery of these systems is actually small, so calling this a subscription service would be an apt term, as we then go on to derive profits through maintenance over the following 20-year period. Through its legacy business of lead-acid batteries, GS Yuasa has been able to create branches and sales offices throughout the country, so we want to leverage these, and also build up a network through the development of remote monitoring devices and deliver profits. In terms of household solutions, and this is the case for plant solutions, as well, we are currently considering a system for the reutilization of lithium-ion

batteries for electrified vehicles, after these batteries run out. Another development in this area is the development of container-integrated ESS. Up until now, power conditioners and storage battery cabinets came separately, but we are currently in the process of developing a solution integrating the two.