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

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<Outline of financial results briefing>
Date: February 06, 2024 16:00-17:00
Contents: Financial results for the third quarter of the fiscal year ending March 31, 2024
Regarding public offering and other topics
Explanator: 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]
Profits from industrial battery and power supply segment, and automotive battery (overseas) segment seem to be good. Sales of industrial battery and power supply is usually skewed toward the 4Q, but was there a postponement of projects? What was the background behind the good sales and profit of industrial battery and power supply segment and automotive battery (overseas) segment?

[Answer 1]
Sales and profits of industrial batteries and power supplies are usually skewed toward the 4Q, but this fiscal year, some good-margin projects were supplied in the 3Q. In addition, the impact of price revision, strong sales due to strong demand in the regular field, and improved profitability were factors in this quarter's results.
Sales and profits of automotive batteries (overseas) are both increasing, with the Turkish site in particular contributing significantly to the increase in profits. Both domestic sales and exports have been very strong, and exports in particular have grown significantly against the backdrop of the weak lira. In the Australian market, "Made in Australia" is highly appreciated. We are the only battery manufacturer in Australia that produces batteries in Australia, and our competitors import and sell their batteries in Australia, which is a strength for us. The situation in China had been difficult situation until the 2Q, but the transfer of the equity stake has improved the deficit. In general, the company has been able to correct selling prices at various sites, which has contributed to the increase in sales and profit.

[Question 2]
Are sales of batteries for HEVs and ESS continuing to be strong through FY2024? You mentioned that the strong sales for ESS is due to the improvement in profitability, but is the higher utilization rate also a major factor?

[Answer 2]
For HEVs: The current production capacity will be increased from 50 million cells/year to 70 million cells/year, and sales volume is expected

to increase, so more growth is expected in FY2024 than in FY2023.
For ESS: Orders are coming in to the extent that production capacity is insufficient at this point, so the company is increasing production capacity in order to increase production. However, due to the limited production capacity, it is uncertain to what extent net sales will increase. In addition to the effect of increased capacity utilization, we believe that the improvement in profitability due to strong demand is a major merit and a factor behind its strong performance.

[Question 3]
You mentioned that selling price revision for automotive batteries (domestic and overseas) are progressing. Does this mean that price increases are more acceptable to customers because of GS Yuasa's price competitiveness compared to your competitors?

[Answer 3]
Overseas, there has long been a business practice of reflecting cost increases in selling prices, making it easier to adjust selling prices. In Southeast Asia and elsewhere, our price increases have been relatively accepted even when other companies have not raised their prices.

[Question 4]
Regarding the operating income target of 6 billion yen for automotive lithium-ion batteries in the Sixth Medium-Term Management Plan, is it correct to say that the target is based on orders from Honda, Toyota, and two new Japanese manufacturers for HEVs? HEVs are also increasing in the U.S. Is there any possibility of an upside to the Sixth Medium-Term Management Plan target?

[Answer 4]
We are planning to sell batteries for HEVs to Honda, Toyota, Mitsubishi Motors, and one other company during the Sixth Medium-Term Management Plan period. We are already forecasting an operating income of 4.5 billion yen for this fiscal year, and we expect to increase the delivery volume to the four companies and raise the operating rate. In addition, an increase in sales volume and higher selling prices are

also expected for 12V LiBs. Therefore, we believe that there is a certain degree of certainty that operating income of 6 billion yen will be achieved in FY2025.

[Question 5]
In terms of the goal of 6 billion yen in operating income, what is BEC's projected plant utilization rate for the final year of the Sixth Medium-Term Management Plan?

[Answer 5]
The current utilization rate is around 70-80%. Although we cannot give a specific figure for the expected utilization rate, we expect to maintain a utilization rate of 70-80% from now on, since the volume will gradually increase in the future. There will be a slight gap between the introduction of equipment and the timing of production.

[Question 6]
Regarding capital efficiency, I believe you hold approximately 15 billion yen in specified investment shares in Shimadzu Corporation and Mitsubishi Logisnext Co., Ltd. You raised about 40 billion yen through a capital increase in last November, but did you consider selling the specified investment shares at the time of the capital increase? Since the PBR has remained below 1x, please tell us from the perspective of improving capital efficiency.

[Answer 6]
Policy shareholdings are sold after each fiscal year's consideration. Although we avoid mentioning specific stocks, we will continue to sell those whose significance to us has diminished. Although we were considering selling policy shareholdings at the time of the public offering, we cannot sell them without a plan due to tax disadvantages and other factors, so we intend to steadily sell them in a planned manner. All policy shareholdings are subject to consideration for sale, and we are proceeding with sales in 3Q.

[Question 7]
You mentioned that demand for ESS was strong in industrial batteries and power supplies. What is the main factor of that? Were there any significant changes compared to 2Q?

[Answer 7]
Demand for ESS remained strong from 2Q. Government subsidies have become more generous over the past several years, making it easier for customers to install renewable energy. Since the subsidies are expected to continue for the foreseeable future, we believe that strong demand will continue.

[Question 8]
I see a large improvement in operating income for automotive lithium-ion batteries. What was the biggest factor among the factors such as strong sales for HEVs, increased utilization rate of LEJ, and strong sales of 12V LiB? Also, will the overall operating income margin of slightly more than 7% continue?

[Answer 8]
Each had its own impact in its own way. Volumes of batteries for HEVs were lower than planned due to semiconductor shortages by car manufacturers in the first half of the year. One company, which was scheduled to start deliveries in the second half of the fiscal year, had to postpone the start of deliveries due to some reasons of the company, and is now moving forward with the reimbursement of actual expenses. In the current term, the profit margin improved largely due to the impact of the selling price correction. As normalization takes place in the next fiscal year and beyond, the profit margin may decline slightly, but we believe that the amount of profit will continue to grow.

[Question 9]
You mentioned that the volume of batteries for HEVs is lower than planned, but how do you expect the volume to change toward the final year of the Sixth Mid-Term Management Plan? In addition, there has been a renewed focus on HEVs, especially in North America. Is there

any possibility of a change in GS Yuasa's investment strategy of batteries for BEVs?

[Answer 9]
Production volume for HEVs for the next fiscal year is under adjustment with car manufacturers. Although there has been no major change from the assumption in the Sixth Mid-Term Management Plan, there are some manufacturers whose deliveries have been delayed, so it depends on when they will start delivering products. We have heard from car manufacturers that sales are sluggish in some areas, and it will depend on how well sales recover. We do not have a detailed understanding of the level of attention paid to HEVs in North America, so we would like to discuss production volumes and strategies with car manufacturers.

[Question 10]
If negative factors emerge in the future for HEVs, is there a risk that the Sixth Mid-Term Management Plan targets will not be met?

[Answer 10]
We cannot say, since it depends on the sales of new automobiles, but we would like to respond to the requests of new car manufacturers. If there is a significant decrease in volume, we would like to reflect the selling price.

[Question 11]
What is the background behind the decision to reorganize LEJ? Is it a strategy to anticipate future growth of ESS or to increase flexibility in automotive batteries?

[Answer 11]
Although we have been working with Mitsubishi Corporation for more than 10 years in manufacturing and sales, they proposed that we do business in a larger framework, such as the renewable energy market, rather than manufacturing batteries. Mitsubishi Corporation had no role in the manufacturing of the batteries, and we had the advantage of being able to control the development and manufacturing of both large-

and small-capacity batteries, making this a win-win situation for both of us.

[Question 12]
Regarding your consolidated earnings forecast, I believe you expect sales of automotive batteries (overseas) to remain flat and profits to rise, but what factors other than the correction of selling prices could cause profits to rise?

[Answer 12]
Although selling price correction have a significant impact, the profit margin is expected to improve due to a reconsideration of resources, including reorganization in China.

[Question 13]
Regarding the revision of the full-year dividend forecast, you have set a target of a 30% payout ratio in the Sixth Mid-Term Management Plan. Even with this dividend revision, I do not think GS Yuasa have reached the 30% payout ratio.

[Answer 13]
The total return ratio is lower because the number of shares after the capital increase was finalized in December 2023. The number of shares at the time of the interim dividend announcement (2Q) was approximately 80 million, and at the time of the year-end dividend announcement, it was based on approximately 100 million shares since it was after the capital increase. The total payout ratio is lower because the number of shares changed during the period, but if we assume that the number of shares had been approximately 100 million from the beginning of the period, dividend payout ratio and total return ratio would be a little higher. While a large amount of funds will be needed in the strategy for BEVs in the future, we believe that shareholder returns are also important, so we have set up the dividend 60 yen per share, an increase of 10 yen from the previous fiscal year.