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GS Yuasa Corporation
Summary of Q&A Session at Financial Results Briefing
for the First Quarter of the Fiscal Year Ending March 31,
2024 (FY2023)
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<Outline of financial results briefing>

Date: August 3, 2023 16:00-17:00

Contents: Financial results for the first quarter of the fiscal year ending
March 31, 2024

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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]

Regarding the performance of automotive lithium-ion batteries business, I think that sales and profits will slightly decrease compared to the previous Q4, but how much did the volume of BEC increase in QonQ, and what is the progress against the full-year plan?

[Answer 1]

Although the current situation differs from one car manufacturer to another, some of the effects of the semiconductor shortage remain as compared to the plan. In addition, raw material prices have been rising since last fiscal year, and the company is in the process of correcting selling prices. On the other hand, raw material prices have softened recently, and there is a timing lag in the reflection of raw material prices in selling prices. As a result, sales are slightly lower than planned. Sales volume of BEC was down slightly versus 4Q.

[Question 2]

Will the effect of the price pass-through to raw material price hikes have an impact in the second quarter and beyond?

[Answer 2]

The positive effect was seen at the timing when raw material prices were high (previous period). Currently, selling prices are being lowered while raw material prices have fallen. Since current production is based on raw material prices purchased at the time when raw material prices were high, we believe that the time lag will be a negative factor in this first half.

[Question 3]

Please tell us about the penetration of the price increase for automotive batteries (in Japan). You announced a price increase last fiscal year as well, and at the financial results briefing for the first quarter of last fiscal year, you mentioned that you had obtained approval for the price increase from about 90% of your customers; how widespread is the penetration of the price increase this fiscal year?

[Answer 3]

As of now, 80-90% of customers have agreed to the price increase for repairs. The company expects to complete most of the price increase in the first half of the fiscal year.

[Question 4]

Specialized batteries and others segment is profitable due to the strong performance of LiBs for aircraft and the effect of reduced administrative expenses, but do you expect the same level of profit in the future?

[Answer 4]

At this point, the division is conservatively forecasting, and although there are uncertainties, there is a possibility of an upward swing against the initial plan, so please expect it.

[Question 5]

I think the automotive batteries (overseas) segment was in a difficult situation, but is the slump in Indonesia still likely to continue?

[Answer 5]

The situation in Indonesia was very favorable in the first half of last fiscal year, but the volume began to decline in the second half of the year and is still continuing. Some members of business division have visited the market to inspect the market inventory situation, and as of July, it has been reported that the market is beginning to sell off. As a result, the company expects Indonesian business performance to begin to recover in August and beyond.

[Question 6]

I believe that the first quarter results were higher than planned, but in revising the forecast for the first half of the year, do you reflect only the growth in the first quarter or the growth in the first half as a whole? If it reflects growth in the first half as a whole, I feel that profits for the second quarter are less than usual.

[Answer 6]

The revision mainly reflects the upward swing in Q1 results, but some upward swing in Q2 is also expected. Although the company's forecast is slightly conservative due to uncertain market conditions during the July-September period, it announced the revised forecast after seeing an upward swing in the first half of the fiscal year. Since there are still more uncertainties for the full year, we would like to provide a more detailed forecast after a closer examination.

[Question 7]

It was announced that the joint venture with Honda will start operations in August. What progress has been made since its establishment? Also, you mentioned that the production plant for LiB for BEVs will be built in Shiga Prefecture; is there any other progress?

[Answer 7]

The joint venture was established in July 2023 and began operations in August. We are moving ahead with the development of LiBs for BEVs. There is no particular change from the schedule that we previously announced at the Vision 2035 presentation and the financial results briefing. We will develop the product well over the next few years, and in parallel, will build a production site. We plan to start production of LiBs for BEVs in 2027, and we believe that the real work will begin after that. We will work to improve our development and production technologies until then so that there will be no delays. Progress is also being made on the production plant for LiBs for BEVs, but we are not yet at the stage where we can tell you about it.

[Question 8]

You mentioned that the volume of replacement batteries for automobile batteries (in Japan) slightly decreased, but I think that production for new automobile batteries is strong. Do you think that the volume for replacement batteries will continue to decline slightly or will the current level be maintained?

[Answer 8]

Under the COVID-19 situation, the trend had been pushing up profits for two to three years until last fiscal year, when sales for new cars decreased and sales for high-margin replacement sales increased. Now that sales for new automobiles are increasing, we expect a slight decrease in sales for the aftermarket as a reaction to this trend. In light of the recent heat wave and other climate changes, we do not expect a sharp decline in demand for aftermarket products, but rather a slight decrease.

[Question 9]

While the first half plan was raised, the full-year forecast was left unchanged, so the second half plan has been revised downward. What specific aspects of risk do you envision for the full year?

[Answer 9].

One is that in automotive batteries (overseas) segment, the economic trend in Turkey, which we have positioned as an important site, is uncertain, and this will affect operating income and the impact of foreign exchange rates. Currently, hedging has turned into foreign exchange gains, and ordinary income has improved to a certain extent, but we continue to consider this a risk. Second, in the automotive batteries (Japan) segment and automotive lithium-ion batteries segment, the sales trend of new car manufacturers is an uncertain factor. This will affect BEC/LEJ's operating rates, but since we are not able to fully forecast, we would like to revise our full-year forecasts as necessary and will continue to consider this issue.

[Question 10]

Regarding the Q1 results for automotive lithium-ion batteries segment, while net sales were good, profits were on a par with the previous year, with a large negative impact from expenses, etc. In addition to the increased depreciation burden at BEC's second plant, we believe the increase in R&D expenses for BEVs also had an impact, but could you provide a more detailed breakdown of the increase in expenses? Also, other than R&D expenses for LiB for BEVs, do you expect the

remaining R&D expenses in this segment to increase in the future?

[Answer 10]

R&D expenses for LiB for BEVs have increased from the previous fiscal year. On the other hand, from the Q2 of this fiscal year, R&D for LiB for BEVs will be conducted mainly by the joint venture with Honda (equity method affiliates), so the cost will be shifted to equity method income (loss), but this has already been factored into the initial plan. We will review the expenses as necessary as we proceed with R&D for BEVs with Honda in earnest in the future.

Regarding the situation at BEC, the production volume in Q1 was lower than expected, and this did not cover the depreciation burden associated with the start of operations at the second plant, which also affected capacity utilization.

[Question 11]

Operating income is increasing in industrial battery and power supplies segment, but which applications are currently performing well?

[Answer 11]

The company announced price revision last fiscal year, mainly for battery power supplies for emergency use, and the higher prices penetrated more smoothly than expected, resulting in an increase in profit. The increase was also influenced by the strong performance of industrial battery power supply sales companies, mainly in North America. Since the effects of price hikes are expected to continue, strong performance is also expected in Q2 and beyond.

[Question 12]

Regarding the factors that contributed to the increase in net income for the period under review, we are aware that the increase was largely a reaction to the recording of litigation expenses in China in the previous period; is this correct?

[Answer 12]

In the previous fiscal year, ordinary income and below were down due

to the recording of a litigation cost of less than 1.7 billion yen in the Q1 for a joint venture with Panasonic Storage Battery in China. This fiscal year, the elimination of this expense has had a positive effect.

[Question 13]

You have announced that you will reduce your equity stake in the China site from 100% to 30%. What is the background behind retaining 30% going forward? Also, in the Sixth Mid-Term Management Plan, is this transfer included in the numerical plan or not?

[Answer 13]

The company delivers products from its Chinese site to Japanese-affiliated new car manufacturers. While we have extensive business with Japanese car manufacturers, Leoch Battery, to which it has transferred its equity, has had almost no business with Japanese manufacturers. To avoid any hindrance for the time being, GS Yuasa intends to provide technical support by maintaining a 30% equity stake in the company.

The Sixth Mid-Term Management Plan takes into account the transfer of the China site. Although there was some concern that net sales would not grow as much as expected, the plan includes the impact of the transfer of the China site.

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