

August 9, 2018

GS Yuasa Corporation
Consolidated Earnings Report for the
Three Months ended June 30, 2018
(Japanese GAAP)

Stock listing: Tokyo Stock Exchange Securities code: 6674
 URL: <http://www.gs-yuasa.com/en/>
 Representative: Osamu Murao, President
 Information contact: Hiroaki Matsushima Tel: +81-75-312-1211
 General Manager, Corporate Office

Scheduled dates
 Filing of statutory quarterly financial report (*Shihanki hokokusho*): August 9, 2018
 Dividend payout: -

Supplementary materials to quarterly earnings report available: No
 Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three Months ended June 30, 2018	96,256	9.6	2,917	1.4	3,165	(3.3)	1,430	14.0
Three Months ended June 30, 2017	87,805	16.5	2,876	(3.8)	3,273	13.9	1,254	(31.8)

Note: Comprehensive income: Three Months ended June 30, 2018: ¥1,397 million, -51.1%
 Three Months ended June 30, 2017: ¥2,856 million, -%

	Profit per share	Diluted profit per share
	yen	yen
Three Months ended June 30, 2018	3.48	3.24
Three Months ended June 30, 2017	3.04	2.83

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
June 30, 2018	379,375	201,075	45.3
March 31, 2018	389,216	205,638	45.2

Reference: Total equity: As of June 30, 2018: ¥171,982 million
 As of March 31, 2018: ¥175,775 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2018	-	3.00	-	7.00	10.00
Year ending March 31, 2019	-				
Year ending March 31, 2019 (forecast)		3.00	-	35.00	-

Note: No revision has been made to the latest dividends forecast.

As the Company will conduct 1-for-5 reverse stock split for common stock (effective October 1, 2018), dividend per share for the year ending March 31, 2019 (forecast) shows the amounts estimated with consideration of the reverse stock split. For details, please see "Appropriate Use of Earnings Forecast and Other Important Information."

3. Earnings Forecast for the Year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Six months ending September 30, 2018	210,000	14.0	6,000	0.2	6,700	3.9	3,000	17.6	7.27
Year ending March 31, 2019	450,000	9.5	22,000	0.4	23,000	7.5	13,000	13.5	157.71

Note: No revision has been made to the latest earnings forecast.

In the table above, profit per share for the year ending March 31, 2019 shows the amount estimated with consideration of the reverse stock split.

*Notes

- (1) Changes affecting the status of material subsidiaries (scope of consolidation): None
- (2) Use of accounting procedures specific to preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accordance with revisions to accounting and other standards: None
 - 2) Changes other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued (common stock)

	June 30, 2018	March 31, 2018
1) Number of shares issued (including treasury stock)	413,574,714	413,574,714
2) Number of shares held in treasury	2,589,433	2,586,786
	Three Months ended June 30, 2018	Three Months ended June 30, 2017
3) Average number of shares outstanding during the period	410,986,765	412,739,167

*Quarterly financial reports are not subject to audit procedures to be conducted by certified public accountants or an audit firm.

*Appropriate Use of Earnings Forecast and Other Important Information

The above forecasts are based on the assumptions of management in the light of information available as of the release date of this report. GS Yuasa Corporation makes no assurances as to the actual results, which may differ from forecasts due to various factors such as changes in the business environment.

(Earnings and dividend forecasts after reverse stock split)

The Company will change the number of shares per trading unit to 100 shares from 1,000 shares. In line with this, the Company will conduct 1-for-5 reverse stock split for its common stock (effective October 1, 2018).

For reference, consolidated earnings and dividend forecasts for the year ending March 31, 2019, which were estimated without consideration of the reverse stock split are as follows:

1. Consolidated earnings forecasts for the year ending March 31, 2019

Profit per share:

Year ending March 31, 2019: 31.54 yen

2. Dividend forecasts for the year ending March 31, 2019

Dividend per share:

End-Q2: 3.00 yen, Year-end: 7.00 yen, Total: 10.00 yen

4. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

1) Overview

In the first three months of the fiscal year ending March 31, 2019, economic conditions in Japan recovered moderately with support from a pickup in consumer spending against a backdrop of improving corporate earnings and employment environments.

Looking at the global economy, consumer spending slowed in China, in part due to weak automobile sales following the end of compact vehicle tax incentives at the end of 2017. In the United States, consumer spending was brisk, supported by favorable employment and income environments. In Europe, consumer spending was firm, supported by an improving labor market. Overall, however, the outlook for the global economy has become clouded by concerns about the risk of downward pressures from intensifying trade frictions.

In this economic environment, the GS Yuasa Group's consolidated net sales for the first three months of the fiscal year totaled ¥96,256 million, an increase of ¥8,450 million, or 9.6%, compared with the same period of the previous fiscal year. Sales growth was driven by the automotive batteries business, which enjoyed strong demand for replacement batteries in Japan and solid sales in China. First-quarter sales were also boosted by increased sales of automotive lithium-ion batteries.

Operating income came to ¥2,917 million (¥3,456 million before goodwill amortization), an increase of ¥40 million, or 1.4%, compared with the same period of the previous year. Ordinary income, however, fell ¥108 million year on year, or 3.3%, to ¥3,165 million, owing to the posting of foreign exchange loss. Profit attributable to owners of parent totaled ¥1,430 million (¥1,992 million before goodwill amortization), an increase of ¥175 million, or 14.0%, compared with the previous year's result, due to lower tax expenses.

2) Business Segment Results

Business reportable segments have changed from the first quarter of the fiscal year under review. The year-on-year comparisons below are made by restating the previous year's results according to the new segments.

(Automotive Batteries)

Net sales in Japan totaled ¥19,662 million for the first three months of the fiscal year, a year-on-year increase of ¥932 million, or 5.0%. The main driver of sales growth during the first quarter was strong demand for replacement batteries. Domestic segment income (before goodwill amortization) fell ¥158 million year on year, or 15.1%, to ¥892 million, reflecting an increase in expenses, including distribution costs.

Overseas net sales totaled ¥46,915 million, a year-on-year increase of ¥3,042 million, or 6.9%. Sales growth was driven by higher sales in China and success in passing on the increase in the price of lead to product sales prices. As a result of these factors, overseas segment income increased ¥333 million year on year, or 12.9%, to ¥2,919 million.

Combined net sales from Japan and overseas totaled ¥66,578 million in the first three months of the fiscal year, a year-on-year increase of ¥3,974 million, or 6.3%. Overall automotive batteries segment income (before goodwill amortization) rose ¥175 million, or 4.8%, compared with the first quarter of the previous fiscal year, reaching ¥3,812 million.

(Industrial Batteries and Power Supplies)

Net sales in the industrial batteries and power supplies segment for the first three months of the fiscal year totaled ¥13,498 million, a year-on-year decline of ¥70 million, or 0.5%. Sales of industrial-use lead-acid batteries and forklift batteries were strong, but the overall sales decline was primarily due to lower sales of lighting equipment and the transfer of certain business to other companies. The segment posted a loss of ¥306 million, a deterioration of ¥445 million from the first quarter of the previous fiscal year.

(Automotive Lithium-ion Batteries)

Net sales in the automotive lithium-ion batteries segment for the first three months of the fiscal year totaled ¥11,488 million, a year-on-year increase of ¥2,763 million, or 31.7%. Although sales of

lithium-ion batteries for hybrid vehicles fell, sales of lithium-ion batteries for plug-in hybrid vehicles increased. Segment income rebounded to ¥113 million, an improvement of ¥278 million from the first quarter of the previous fiscal year.

(Other)

Net sales in the other segment for the first three months of the fiscal year totaled ¥4,691 million, a year-on-year increase of ¥1,783 million, or 61.3%, reflecting increased production of lithium-ion batteries for submarines. Segment loss after adjustments of corporate expenses, etc., came to ¥163 million, an improvement of ¥33 million over the previous year's result owing to the positive impact from increased production of lithium-ion batteries for submarines, which helped to offset a rise in R&D expenses.

(2) Financial Condition

Total assets as of June 30, 2018, amounted to ¥379,375 million, ¥9,840 million less than at the end of the previous fiscal year. The positive impact of increases in the market valuation of owned shares was offset by progress in the collection of notes and accounts receivable and by the depreciation of fixed assets.

Liabilities stood at ¥178,300 million, down ¥5,277 million from the end of the previous fiscal year. While trade accounts payable increased, liabilities were reduced by the repayment of borrowings and the payment of income taxes payable.

Net assets totaled ¥201,075 million, a decrease of ¥4,563 million from the end of the previous fiscal year. The positive effect of an increase in the market valuation of owned shares and the posting of profit attributable to owners of parent was offset by dividends paid and a decrease in foreign currency translation adjustments due to forex rate fluctuations.

(3) Note on Consolidated Earnings Forecast and Other Forward-looking Statements

There is no change to the consolidated forecast announced May 8, 2018.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2018	As of June 30, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	18,927	20,190
Notes and accounts receivable	79,919	67,337
Merchandise and finished goods	37,835	39,366
Work in process	16,621	17,282
Raw materials and supplies	15,286	13,978
Other	11,304	13,527
Allowance for doubtful receivables	(498)	(397)
Total current assets	179,395	171,284
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	50,449	50,176
Machinery and equipment, net	35,014	32,846
Land	24,047	23,637
Lease assets, net	777	767
Construction in progress	7,889	9,640
Other, net	4,669	4,277
Total property, plant, and equipment	122,846	121,346
Intangible assets		
Goodwill	4,349	4,029
Lease assets	843	832
Other	7,033	6,694
Total intangible assets	12,226	11,556
Investments and other assets		
Investment securities	56,685	57,025
Net defined benefit asset	12,096	12,200
Deferred tax assets	2,442	2,628
Other	3,895	3,707
Allowance for doubtful receivables	(438)	(432)
Total investments and other assets	74,683	75,130
Total fixed assets	209,756	208,033
Deferred assets	63	58
Total assets	389,216	379,375

	As of March 31, 2018 Amount	(Millions of yen) As of June 30, 2018 Amount
Liabilities		
Current liabilities		
Notes and accounts payable	36,504	37,101
Electronically recorded obligation	15,144	15,298
Short-term borrowings	17,464	11,958
Current portion of bonds with subscription rights to shares	25,000	25,000
Payables	8,804	6,964
Income taxes payable	3,005	1,773
Notes payable-facilities	140	973
Other	18,593	17,750
Total current liabilities	124,657	116,822
Long-term liabilities		
Bonds	10,000	10,000
Long-term debt	22,689	25,567
Lease obligations	1,223	1,197
Deferred tax liabilities	10,561	11,081
Deferred tax liabilities for land revaluation	1,042	1,042
Net defined benefit liability	6,351	5,561
Other	7,052	7,026
Total long-term liabilities	58,920	61,477
Total liabilities	183,577	178,300
Net assets		
Shareholders' equity		
Common stock	33,021	33,021
Capital surplus	55,313	55,313
Retained earnings	66,822	66,545
Less treasury stock, at cost	(1,387)	(1,388)
Total shareholders' equity	153,770	153,491
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	14,713	16,041
Deferred gain (loss) on derivatives under hedge accounting	(1)	(0)
Land revaluation surplus	2,397	2,397
Foreign currency translation adjustments	5,278	393
Remeasurements of defined benefit plans	(383)	(341)
Total accumulated other comprehensive income	22,005	18,490
Non-controlling interests	29,863	29,093
Total net assets	205,638	201,075
Total liabilities and net assets	389,216	379,375

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

	(Millions of yen)	
	Three Months ended June 30, 2017	Three Months ended June 30, 2018
	Amount	Amount
Net sales	87,805	96,256
Cost of sales	68,298	75,747
Gross profit	19,507	20,509
Selling, general and administrative expenses	16,630	17,592
Operating income	2,876	2,917
Non-operating income		
Interest and dividend income	311	342
Equity in earnings of equity method affiliates	214	407
Other	197	166
Total non-operating income	724	917
Non-operating expenses		
Interest expenses	196	140
Foreign exchange loss	-	223
Other	130	305
Total non-operating expenses	327	668
Ordinary income	3,273	3,165
Extraordinary income		
Gain on sales of fixed assets	1	205
Other	0	3
Total extraordinary income	2	209
Extraordinary loss		
Loss on disposal of fixed assets	36	144
Loss on sales of fixed assets	0	3
Other	3	8
Total extraordinary loss	40	157
Profit before income taxes	3,235	3,216
Income taxes	1,323	977
Profit	1,912	2,239
Profit attributable to non-controlling interests	657	809
Profit attributable to owners of parent	1,254	1,430

Consolidated Statements of Comprehensive Income

	Three Months ended June 30, 2017	(Millions of yen) Three Months ended June 30, 2018
	Amount	Amount
Profit	1,912	2,239
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	1,688	1,358
Deferred gain (loss) on derivatives under hedge accounting	6	0
Foreign currency translation adjustments	(823)	(656)
Remeasurements of defined benefit plans	(72)	45
Share of other comprehensive income of equity method affiliates	146	(1,591)
Total other comprehensive income	944	(842)
Comprehensive income	2,856	1,397
Components:		
Comprehensive income attributable to owners of parent	2,332	815
Comprehensive income attributable to non-controlling interests	523	581

(3) Notes on the Consolidated Financial Statements

(Note on the going-concern assumption)

Not applicable

(Note on significant change in shareholders' equity)

Not applicable

(Use of accounting procedures specific to preparation of quarterly consolidated financial statements)

The Company calculates tax expense by rationally estimating its effective tax rate after application of tax-effect accounting method to profit before income taxes for the current fiscal year, which includes the first three months of the fiscal year under review, and multiplying profit before income taxes by said estimated effective tax rate.

(Segment and other information)

Segment Information

I. Three months ended June 30, 2017 (April 1 to June 30, 2017)

1. Net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment							Total
	Automotive Batteries			Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Total	Other (note)	
	Japan	Overseas	Subtotal					
Net sales								
Sales to outside customers	18,730	43,873	62,603	13,569	8,724	84,897	2,908	87,805
Inter-segment sales and transfers	350	1,200	1,550	4,007	66	5,624	(5,624)	-
Total	19,080	45,073	64,154	17,576	8,790	90,522	(2,716)	87,805
Segment income (loss)	1,051	2,586	3,637	139	(164)	3,612	(196)	3,415

Notes: 1. "Other" comprises a) businesses that are not included in any of the reportable segments such as special batteries business and b) segment income adjustment. Segment income adjustment was minus 540 million yen, which includes minus 280 million yen elimination of inter-segment transactions and minus 260 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

2. The difference between the total segment income in the table above and operating income of 2,876 million yen on the consolidated income statements represents amortization of goodwill and other intangible assets of 539 million yen. These goodwill and other intangible assets include identifiable assets acquired on the effective date of business combination.

II. Three months ended June 30, 2018 (April 1 to June 30, 2018)

1. Net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment							
	Automotive Batteries			Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Total	Other (note)	Total
	Japan	Overseas	Subtotal					
Net sales								
Sales to outside customers	19,662	46,915	66,578	13,498	11,488	91,565	4,691	96,256
Inter-segment sales and transfers	358	1,087	1,446	3,315	104	4,865	(4,865)	-
Total	20,020	48,003	68,024	16,813	11,592	96,431	(174)	96,256
Segment income (loss)	892	2,919	3,812	(306)	113	3,619	(163)	3,456

Notes: 1. "Other" comprises a) businesses that are not included in any of the reportable segments such as special batteries business and b) segment income adjustment. Segment income adjustment was minus 665 million yen, which includes minus 391 million yen elimination of inter-segment transactions and minus 273 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

2. The difference between the total segment income in the table above and operating income of 2,917 million yen on the consolidated income statements represents amortization of goodwill and other intangible assets of 539 million yen. These goodwill and other intangible assets include identifiable assets acquired on the effective date of business combination.

2. Changes to reportable segments

The GS Yuasa Group implemented "reorganization of the business structure in response to markets and customers" in the previous fiscal year ended March 31, 2018 and unified the domestic automotive batteries business and the overseas lead-acid storage batteries business into the automotive battery business. In line with this, the Group's reportable segments have been reorganized into Automotive Batteries-Japan, Automotive Batteries-Overseas, Industrial Batteries and Power Supplies, and Automotive Lithium-ion Batteries. Then, Automotive Batteries-Overseas included part of transactions for overseas industrial batteries which have been traded for some time; however, from the first three months of the fiscal year ending March 31, 2019, these transactions have been transferred to Industrial Batteries and Power Supplies segment.

The results of segment information for the first three months of the fiscal year ended March 31, 2018 have been restated to conform to the revised presentation.

(Additional information)

(Changes to fiscal year-end date of consolidated subsidiaries and related matters)

From the first quarter of the fiscal year ending March 31, 2019, GS Battery Taiwan Co., Ltd. and other 15 consolidated subsidiaries have changed their fiscal year-end date to March 31. Those companies previously closed their financial statements at December 31, and the consolidated financial statements were prepared using their financial statements as of their fiscal year-end date with performing some necessary adjustments for important transactions that took place between the last year-end date of those companies and the consolidated year-end date.

The consolidation methods have also been changed for Tianjin GS Battery Co., Ltd. and other 11 consolidated subsidiaries which close their financial statements at December 31. Previously, the consolidated financial statements were prepared using their financial statements as of their fiscal year-end date with performing some necessary adjustments for important transactions that took place between the last year-end date of those companies and the consolidated year-end date. However, from the first quarter of the fiscal year ending March 31, 2019, the Company started using their financial statements provisionally closed at the consolidated fiscal year-end date, March 31, to ensure more appropriate management information and disclosure of the quarterly financial statements.

With these changes, the consolidated earnings report for the first quarter of the fiscal year ending March 31, 2019, comprise financial statements for the three months from April 1, 2018 to June 30, 2018.

For reference, profit/loss of these consolidated subsidiaries for the period of January 1, 2018 to March 31, 2018, have been included in retained earnings.

(Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

With the adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the fiscal year ending March 31, 2019, deferred tax assets are presented under “investments and other assets,” and deferred tax liabilities are presented under “long-term liabilities.”

6. Supplementary Information

(1) Quarterly profit/loss

Fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	96,256	-	-	-	-	-	-
Operating income	2,917	-	-	-	-	-	-
Ordinary income	3,165	-	-	-	-	-	-
Profit attributable to owners of parent	1,430	-	-	-	-	-	-

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	87,805	96,402	112,776	113,966	184,208	296,984	410,951
Operating income	2,876	3,109	7,734	8,198	5,986	13,721	21,920
Ordinary income	3,273	3,174	7,763	7,176	6,447	14,210	21,387
Profit attributable to owners of parent	1,254	1,295	3,668	5,231	2,549	6,218	11,449

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	75,364	83,535	95,428	105,277	158,899	254,328	359,605
Operating income	2,988	4,184	7,501	8,431	7,173	14,674	23,106
Ordinary income	2,875	3,774	8,007	7,887	6,650	14,657	22,545
Profit attributable to owners of parent	1,840	2,271	4,460	3,656	4,111	8,572	12,229

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	81,642	89,507	94,159	100,301	171,149	265,308	365,610
Operating income	3,109	3,705	7,338	7,756	6,814	14,153	21,909
Ordinary income	3,044	4,004	7,220	7,146	7,049	14,269	21,416
Profit attributable to owners of parent	951	2,665	3,010	2,402	3,616	6,627	9,030

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

	(Millions of yen)						
	Q1	Q2	Q3	Q4	Q2 YTD	Q3 YTD	Full year
	(Apr. – Jun.)	(Jul. – Sep.)	(Oct. – Dec.)	(Jan. – Mar.)	(Apr. – Sep.)	(Apr. – Dec.)	
Net sales	82,321	89,199	94,940	103,298	171,521	266,462	369,760
Operating income	3,109	4,492	5,762	7,548	7,602	13,365	20,914
Ordinary income	3,763	5,039	6,430	7,124	8,802	15,233	22,357
Profit attributable to owners of parent	2,342	2,856	3,331	1,513	5,198	8,530	10,043