

August 1, 2017

GS Yuasa Corporation
Consolidated Earnings Report for the
Three Months ended June 30, 2017
(Japanese GAAP)

Stock listing: Tokyo Stock Exchange Securities code: 6674
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Scheduled dates

Filing of statutory quarterly financial report (*Shihanki hokokusho*): August 1, 2017

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, 2017 (April 1, 2017 to June 30, 2017)

(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, 2017	87,805	16.5	2,876	(3.8)	3,273	13.9	1,254	(31.8)
Three Months ended June 30, 2016	75,364	(7.7)	2,988	(3.9)	2,875	(5.6)	1,840	93.5

Note: Comprehensive income: Three Months ended June 30, 2017: ¥2,856 million, -%
 Three Months ended June 30, 2016: ¥(2,923) million, -%

	Profit per share	Diluted profit per share
	yen	yen
Three Months ended June 30, 2017	3.04	2.83
Three Months ended June 30, 2016	4.46	4.15

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
June 30, 2017	368,755	187,592	43.7
March 31, 2017	370,508	188,155	43.6

Reference: Total equity: As of June 30, 2017: ¥161,166 million
 As of March 31, 2017: ¥161,722 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2017	-	3.00	-	7.00	10.00
Year ending March 31, 2018	-				
Year ending March 31, 2018 (forecast)		3.00	-	7.00	10.00

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

3. Earnings Forecast for the Year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(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, 2017	180,000	13.3	7,000	(2.4)	6,000	(9.8)	3,000	(27.0)	7.27
Year ending March 31, 2018	400,000	11.2	24,000	3.9	22,500	(0.2)	12,500	2.2	30.28

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

*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, 2017	March 31, 2017
1) Number of shares issued (including treasury stock)	413,574,714	413,574,714
2) Number of shares held in treasury	836,387	835,277
	Three Months ended June 30, 2017	Three Months ended June 30, 2016
3) Average number of shares outstanding during the period	412,739,167	412,757,204

*This report is not subject to the quarterly review requirements of Japan's Financial Instruments and Exchange Act.

*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. For information related to the earnings forecast, see section "(3) Note on Consolidated Earnings Forecast and Other Forward-looking Statements" on page 4.

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, 2018, consumer spending in Japan maintained its moderate recovery trend owing to improvements in the labor market and consumer sentiment. Spending activity finally recovered from the reactionary downturn following a spending surge before the 2014 consumption tax increase, with spending on automobiles and other durable goods showing steady recovery.

Reviewing the global economy, in China, while growing infrastructure and real estate investments alleviated the slowdown in economic growth, automobile sales declined year on year due to reductions in compact vehicle tax incentives. U.S. economic growth remained firm amid improvements in the labor market. In Europe, personal incomes and consumption remained sluggish due to deep-rooted concerns over the economic outlook amid Brexit. Overall, the trends in each country reflected a general sluggish global economic recovery.

In this economic environment, the GS Yuasa Group's consolidated net sales for the first three months of the fiscal year totaled ¥87,805 million, an increase of ¥12,441 million, or 16.5%, compared with the same period of the previous fiscal year. Sales grew on higher demand, mostly in the domestic automotive batteries business, and the inclusion of Panasonic's domestic lead-acid battery business in the consolidated results during the previous fiscal year.

In terms of profitability, operating income totaled ¥2,876 million for the first three months (¥3,415 million before goodwill amortization), a decrease of ¥112 million, or 3.8%, compared with the same period of the previous year. Although the domestic automotive batteries business performed well, profitability was impacted by goodwill amortization and other factors. Ordinary income increased by ¥398 million year on year, or 13.9%, to ¥3,273 million, as foreign exchange loss improved amid more stable exchange rates during the period compared to a sharp yen appreciation in the same period of the previous year.

Profit attributable to owners of parent totaled ¥1,254 million (¥1,837 million before goodwill amortization), a year-on-year decrease of ¥585 million, or 31.8%, due to higher tax expenses resulting from increased profit before income taxes and the recognition of tax deferred liabilities against the retained earnings of overseas affiliates.

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 for comparison.

(Automotive Batteries)

Net sales in Japan totaled ¥18,730 million for the first three months of the fiscal year, a year-on-year increase of ¥8,507 million, or 83.2%. Sales were bolstered by robust demand from new vehicle manufacturers and higher demand in the replacement battery market, along with the acquisition of Panasonic's domestic lead-acid battery business. Segment income (before goodwill amortization) increased ¥761 million year on year, or 262.9%, to ¥1,051 million, reflecting the recovery in battery demand and the business acquisition.

Overseas net sales totaled ¥44,419 million, a year-on-year increase of ¥1,933 million, or 4.6%. Sales increased mainly in Europe and Southeast Asian countries. Overseas segment income declined ¥76 million year on year, or 2.7%, to ¥2,712 million, as the impact of price increases in key raw material lead outweighed the benefits of the sales increase.

Combined net sales from Japan and overseas totaled ¥63,149 million for the first three months of the fiscal year, a year-on-year increase of ¥10,440 million, or 19.8%. Segment income (before goodwill amortization) increased ¥685 million year on year, or 22.3%, to ¥3,763 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 ¥13,023 million, a year-on-year increase of ¥987 million, or 8.2%, on robust sales of large-scale power supply systems and stationary lead-acid batteries. Segment income totaled ¥12 million, a year-on-year increase of ¥119 million.

(Automotive Lithium-ion Batteries)

Net sales in the automotive lithium-ion batteries segment for the first three months of the fiscal year totaled ¥8,724 million, a year-on-year increase of ¥349 million, or 4.2%. Although sales of lithium-ion batteries for plug-in hybrid vehicles slumped, sales of lithium-ion batteries for hybrid vehicles increased. Segment loss totaled ¥164 million, a year-on-year deterioration of ¥53 million, as higher R&D expenses outweighed the sales increase.

(Other)

Net sales in the other segment for the first three months of the fiscal year totaled ¥2,908 million, a year-on-year increase of ¥663 million, or 29.5%, boosted by the start of production of lithium-ion batteries for submarines. Segment loss after adjustments of corporate expenses, etc. totaled ¥196 million, a year-on-year deterioration of ¥324 million due to a temporary increase in expenses linked to the new production launch.

(2) Financial Condition

Total assets decreased by ¥1,753 million from the end of the previous fiscal year to ¥368,755 million. While there were increases in the market valuation of owned shares and inventories, progress was made in the collection of notes and accounts receivable and cash and deposits declined.

Liabilities decreased by ¥1,191 million from the end of the previous fiscal year to ¥181,162 million. While borrowings increased, there were declines in trade accounts payable and payables.

Net assets totaled ¥187,592 million, a decrease of ¥562 million from the end of the previous fiscal year. Despite increases in the market valuation of owned shares and profit attributable to owners of parent, net assets declined due to dividends paid.

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

There is no change to the consolidated forecast announced May 9, 2017.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	As of March 31, 2017 Amount	(Millions of yen) As of June 30, 2017 Amount
Assets		
Current assets		
Cash and deposits	24,994	18,919
Notes and accounts receivable	71,941	61,213
Merchandise and finished goods	34,445	39,491
Work in process	15,534	18,191
Raw materials and supplies	12,859	13,316
Deferred tax assets	3,175	3,151
Other	10,715	14,784
Allowance for doubtful receivables	(507)	(447)
Total current assets	173,159	168,621
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	51,122	50,516
Machinery and equipment, net	33,895	36,810
Land	24,250	24,307
Lease assets, net	954	765
Construction in progress	9,418	5,017
Other, net	4,636	4,462
Total property, plant, and equipment	124,278	121,879
Intangible assets		
Goodwill	5,599	5,287
Lease assets	679	647
Other	8,053	7,777
Total intangible assets	14,332	13,712
Investments and other assets		
Investment securities	47,711	52,531
Net defined benefit asset	6,714	7,564
Other	4,682	4,869
Allowance for doubtful receivables	(406)	(456)
Total investments and other assets	58,702	64,509
Total fixed assets	197,313	200,102
Deferred assets	36	31
Total assets	370,508	368,755

	As of March 31, 2017 Amount	(Millions of yen) As of June 30, 2017 Amount
Liabilities		
Current liabilities		
Notes and accounts payable	35,774	34,126
Electronically recorded obligation	8,480	14,442
Short-term borrowings	27,534	31,607
Commercial paper	-	2,000
Payables	14,858	8,447
Income taxes payable	3,616	1,866
Notes payable-facilities	2,317	268
Other	17,239	18,933
Total current liabilities	109,820	111,691
Long-term liabilities		
Convertible bonds	25,000	25,000
Long-term debt	21,723	18,484
Lease obligations	1,163	1,092
Net defined benefit liability	5,913	5,867
Other	18,732	19,026
Total long-term liabilities	72,532	69,470
Total liabilities	182,353	181,162
Net assets		
Shareholders' equity		
Common stock	33,021	33,021
Capital surplus	55,292	55,292
Retained earnings	59,501	57,866
Less treasury stock, at cost	(358)	(359)
Total shareholders' equity	147,456	145,821
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	10,769	12,459
Deferred gain (loss) on derivatives under hedge accounting	-	6
Land revaluation surplus	2,397	2,397
Foreign currency translation adjustments	2,330	1,790
Remeasurements of defined benefit plans	(1,231)	(1,309)
Total accumulated other comprehensive income	14,266	15,344
Non-controlling interests	26,432	26,426
Total net assets	188,155	187,592
Total liabilities and net assets	370,508	368,755

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

	(Millions of yen)	
	Three Months ended June 30, 2016	Three Months ended June 30, 2017
	Amount	Amount
Net sales	75,364	87,805
Cost of sales	57,643	68,298
Gross profit	17,721	19,507
Selling, general and administrative expenses	14,732	16,630
Operating income	2,988	2,876
Non-operating income		
Interest and dividend income	268	311
Equity in earnings of equity method affiliates	409	214
Other	182	197
Total non-operating income	859	724
Non-operating expenses		
Interest expenses	229	196
Foreign exchange loss	542	-
Other	201	130
Total non-operating expenses	973	327
Ordinary income	2,875	3,273
Extraordinary income		
Gain on sales of fixed assets	7	1
Other	24	0
Total extraordinary income	31	2
Extraordinary loss		
Loss on disposal of fixed assets	9	36
Loss on sales of fixed assets	0	0
Impairment loss	339	-
Other	19	3
Total extraordinary loss	370	40
Profit before income taxes	2,536	3,235
Income taxes	164	1,323
Profit	2,372	1,912
Profit attributable to non-controlling interests	531	657
Profit attributable to owners of parent	1,840	1,254

Consolidated Statements of Comprehensive Income

	Three Months ended June 30, 2016	(Millions of yen) Three Months ended June 30, 2017
	Amount	Amount
Profit	2,372	1,912
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(172)	1,688
Deferred gain (loss) on derivatives under hedge accounting	(67)	6
Foreign currency translation adjustments	(3,805)	(823)
Remeasurements of defined benefit plans	23	(72)
Share of other comprehensive income of equity method affiliates	(1,272)	146
Total other comprehensive income	(5,295)	944
Comprehensive income	(2,923)	2,856
Components:		
Comprehensive income attributable to owners of parent	(2,765)	2,332
Comprehensive income attributable to non-controlling interests	(157)	523

(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 quarter 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, 2016 (April 1 to June 30, 2016)

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	10,223	42,485	52,708	12,035	8,374	73,119	2,244	75,364
Inter-segment sales and transfers	319	296	615	746	552	1,914	(1,914)	-
Total	10,542	42,781	53,324	12,781	8,927	75,034	330	75,364
Segment income (loss)	289	2,788	3,078	(106)	(111)	2,860	128	2,988

Note: "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 632 million yen, which includes minus 371 million yen elimination of inter-segment transactions and minus 261 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. Impairment loss on fixed assets or goodwill by reportable segment

(Material impairment loss on fixed assets)

In the Automotive Lithium-ion Batteries segment, some of the assets held by consolidated subsidiaries for business purposes ceased to be used. The book values of these fixed assets were reduced to their recoverable amounts, and the losses were recorded as "impairment loss" under extraordinary loss.

The impairment loss recorded for this reason in the first three months for the fiscal year ending March 31, 2018 was 339 million yen.

II. 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							
	Automotive Batteries			Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Total	Other (note)	Total
	Japan	Overseas	Subtotal					
Net sales								
Sales to outside customers	18,730	44,419	63,149	13,023	8,724	84,897	2,908	87,805
Inter-segment sales and transfers	350	224	574	665	66	1,306	(1,306)	-
Total	19,080	44,643	63,724	13,688	8,790	86,204	1,601	87,805
Segment income (loss)	1,051	2,712	3,763	12	(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.

2. Changes to reportable segments

The GS Yuasa Group consists of segments based on business units, and up to the previous fiscal year, the reportable segments comprised Domestic Automotive Batteries, Domestic Industrial Batteries and Power Supplies, Overseas Operations, and Automotive Lithium-ion Batteries.

During the first quarter of the fiscal year ending March 31, 2018, the Group implemented one of the major strategic initiatives of "reorganization of the business structure in response to markets and customers" in the fourth mid-term management plan in order to flexibly respond to change in the market environment for our businesses, thereby unifying 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. Automotive Batteries-Overseas includes part of transactions for overseas industrial batteries which have been traded for some time.

The results of Automotive Batteries-Japan and Automotive Batteries-Overseas are added together to provide results of Automotive Batteries. Segment information for the three months ended June 30, 2016 has been restated to conform to the revised presentation.

6. Supplementary Information

(1) Quarterly profit/loss

Fiscal year ending 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	-	-	-	-	-	-
Operating income	2,876	-	-	-	-	-	-
Ordinary income	3,273	-	-	-	-	-	-
Profit attributable to owners of parent	1,254	-	-	-	-	-	-

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

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

	(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	65,632	82,278	92,557	107,526	147,911	240,468	347,995
Operating income	1,609	2,130	6,022	8,435	3,739	9,762	18,197
Ordinary income	2,658	2,421	6,290	8,963	5,079	11,369	20,333
Profit attributable to owners of parent	127	2,917	1,866	5,070	3,045	4,912	9,982