

February 2, 2018

GS Yuasa Corporation
Consolidated Earnings Report for the
Nine Months ended December 31, 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*): February 2, 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 Nine Months ended December 31, 2017 (April 1, 2017 to December 31, 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	%
Nine Months ended December 31, 2017	296,984	16.8	13,721	(6.5)	14,210	(3.0)	6,218	(27.5)
Nine Months ended December 31, 2016	254,328	(4.1)	14,674	3.7	14,657	2.7	8,572	29.4

Note: Comprehensive income: Nine Months ended December 31, 2017: ¥ 14,720 million, -%
 Nine Months ended December 31, 2016: ¥ (2,014) million, -%

	Profit per share	Diluted profit per share
	yen	yen
Nine Months ended December 31, 2017	15.07	14.04
Nine Months ended December 31, 2016	20.77	19.36

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
December 31, 2017	388,831	196,898	43.3
March 31, 2017	370,508	188,155	43.6

Reference: Total equity: As of December 31, 2017: ¥168,418 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	-	3.00	-		
Year ending March 31, 2018 (forecast)				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
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)

	December 31, 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	2,353,373	835,277
	Nine Months ended December 31, 2017	Nine Months ended December 31, 2016
3) Average number of shares outstanding during the period	412,635,991	412,754,815

*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 nine months of the fiscal year ending March 31, 2018, consumer spending in Japan maintained its moderate recovery trend owing to continued improvements in the labor and income environments. Additionally, Japanese exports increased as a result of growing capital expenditures in global markets, primarily for IT. Overall, domestic and global demand was firm during the period.

Reviewing global economic trends, economic growth slowed moderately in China despite robust expansion in domestic consumer markets, as fund procurement costs increased due to more stringent financial regulations and industrial output slumped under tougher environmental regulations. In the United States, capital expenditures grew moderately as continued improvements in the labor market stimulated internal demand. In Europe, continued deep-rooted concerns over the economic outlook amid Brexit weighed on the economy recovery. Overall, the trends in each country reflected a slow global economic recovery.

In this economic environment, the GS Yuasa Group's consolidated net sales for the first nine months of the fiscal year totaled ¥296,984 million, an increase of ¥42,656 million, or 16.8%, compared with the same period of the previous fiscal year. Sales grew on strong demand for new automobile batteries in the domestic automotive batteries business, as well as the inclusion of Panasonic's domestic lead-acid battery business in the consolidated results from the start of the fiscal year.

In terms of profitability, operating income totaled ¥13,721 million for the first nine months (¥15,338 million before goodwill amortization), a decrease of ¥953 million, or 6.5%, compared with the same period of the previous year. Although the domestic automotive batteries business performed well, profitability was impacted by higher prices for main raw material lead in the industrial batteries and overseas automotive batteries businesses, as well as the impact of goodwill amortization. Ordinary income decreased by ¥446 million year on year, or 3.0%, to ¥14,210 million. Although 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, ordinary income declined along with the decline in operating income.

Profit attributable to owners of parent totaled ¥6,218 million (¥7,971 million before goodwill amortization), a year-on-year decrease of ¥2,354 million, or 27.5%, due to loss on liquidation of overseas affiliates and higher tax expenses resulting from the recognition of deferred tax 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 ¥65,654 million for the first nine months of the fiscal year, a year-on-year increase of ¥20,329 million, or 44.9%. Sales were bolstered by robust demand from new vehicle manufacturers, along with the acquisition of Panasonic's domestic lead-acid battery business. Segment income (before goodwill amortization) increased ¥716 million year on year, or 18.6%, to ¥4,573 million, reflecting the sales increase and acquisition of Panasonic's domestic lead-acid battery business.

Overseas net sales totaled ¥138,687 million, a year-on-year increase of ¥15,968 million, or 13.0%, due mainly to increased sales in Southeast Asia. Overseas segment income declined ¥1,468 million year on year, or 18.5%, to ¥6,464 million, due to the impact of price increases in key raw material lead.

Combined net sales from Japan and overseas totaled ¥204,342 million for the first nine months of the fiscal year, a year-on-year increase of ¥36,298 million, or 21.6%. Segment income (before goodwill amortization) decreased ¥751 million year on year, or 6.4%, to ¥11,037 million.

(Industrial Batteries and Power Supplies)

Net sales in the industrial batteries and power supplies segment for the first nine months of the fiscal year totaled ¥49,052 million, a year-on-year decrease of ¥490 million, or 1.0%, due to lower sales of industrial-use lithium-ion batteries. Segment income totaled ¥3,015 million, a year-on-year decrease of ¥1,020 million, or 25.3%, due to the sales decline and higher lead prices.

(Automotive Lithium-ion Batteries)

Net sales in the automotive lithium-ion batteries segment for the first nine months of the fiscal year totaled ¥31,369 million, a year-on-year increase of ¥1,278 million, or 4.2%, due mainly to higher sales of lithium-ion batteries for hybrid vehicles. The segment became profitable with income of ¥743 million, a year-on-year improvement of ¥1,024 million, as the increased sales outweighed higher R&D expenses.

(Other)

Net sales in the other segment for the first nine months of the fiscal year totaled ¥12,220 million, a year-on-year increase of ¥5,570 million, or 83.8%, boosted by higher sales of special purpose batteries and the start of production of lithium-ion batteries for submarines. Segment income after adjustments of corporate expenses, etc. totaled ¥542 million, a year-on-year improvement of ¥871 million due to lower expenses in administrative divisions and other factors.

(2) Financial Condition

Total assets increased by ¥18,322 million from the end of the previous fiscal year to ¥388,831 million, due mainly to an increase in inventories in preparation for high-demand periods and an increase in the market valuation of owned shares.

Liabilities increased by ¥9,579 million from the end of the previous fiscal year to ¥191,932 million, due mainly to an increase in interest-bearing debt, including the issuance of bonds.

Net assets totaled ¥196,898 million, an increase of ¥8,743 million from the end of the previous fiscal year. Although there were dividends paid, net assets increased due to profit attributable to owners of parent and higher net unrealized gain on available-for-sale securities owing to increases in the market valuation of owned shares, and other factors.

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

There is no change to the consolidated forecast announced October 30, 2017 with the financial results for the Six Months ended September 30, 2017.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	As of March 31, 2017 Amount	(Millions of yen) As of December 31, 2017 Amount
Assets		
Current assets		
Cash and deposits	24,994	20,979
Notes and accounts receivable	71,941	75,378
Merchandise and finished goods	34,445	41,699
Work in process	15,534	17,881
Raw materials and supplies	12,859	15,829
Deferred tax assets	3,175	3,214
Other	10,715	9,433
Allowance for doubtful receivables	(507)	(514)
Total current assets	173,159	183,902
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	51,122	49,674
Machinery and equipment, net	33,895	35,079
Land	24,250	24,479
Lease assets, net	954	780
Construction in progress	9,418	6,243
Other, net	4,636	4,368
Total property, plant, and equipment	124,278	120,626
Intangible assets		
Goodwill	5,599	4,662
Lease assets	679	662
Other	8,053	7,282
Total intangible assets	14,332	12,607
Investments and other assets		
Investment securities	47,711	57,452
Net defined benefit asset	6,714	9,256
Other	4,682	5,298
Allowance for doubtful receivables	(406)	(382)
Total investments and other assets	58,702	71,625
Total fixed assets	197,313	204,859
Deferred assets	36	69
Total assets	370,508	388,831

	As of March 31, 2017 Amount	(Millions of yen) As of December 31, 2017 Amount
Liabilities		
Current liabilities		
Notes and accounts payable	35,774	37,418
Electronically recorded obligation	8,480	14,767
Short-term borrowings	27,534	21,773
Commercial paper	-	8,000
Payables	14,858	6,387
Income taxes payable	3,616	2,531
Notes payable-facilities	2,317	239
Other	17,239	18,173
Total current liabilities	109,820	109,290
Long-term liabilities		
Bonds	-	10,000
Convertible bonds	25,000	25,000
Long-term debt	21,723	19,889
Lease obligations	1,163	1,086
Net defined benefit liability	5,913	5,851
Other	18,732	20,814
Total long-term liabilities	72,532	82,641
Total liabilities	182,353	191,932
Net assets		
Shareholders' equity		
Common stock	33,021	33,021
Capital surplus	55,292	55,313
Retained earnings	59,501	61,591
Less treasury stock, at cost	(358)	(1,385)
Total shareholders' equity	147,456	148,540
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	10,769	15,390
Deferred gain (loss) on derivatives under hedge accounting	-	1
Land revaluation surplus	2,397	2,397
Foreign currency translation adjustments	2,330	3,559
Remeasurements of defined benefit plans	(1,231)	(1,471)
Total accumulated other comprehensive income	14,266	19,877
Non-controlling interests	26,432	28,480
Total net assets	188,155	196,898
Total liabilities and net assets	370,508	388,831

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

(Millions of yen)

	Nine Months ended December 31, 2016	Nine Months ended December 31, 2017
	Amount	Amount
Net sales	254,328	296,984
Cost of sales	192,081	230,462
Gross profit	62,247	66,522
Selling, general and administrative expenses	47,572	52,801
Operating income	14,674	13,721
Non-operating income		
Interest and dividend income	533	657
Equity in earnings of equity method affiliates	562	125
Foreign exchange gain	-	358
Other	386	480
Total non-operating income	1,481	1,621
Non-operating expenses		
Interest expenses	675	620
Foreign exchange loss	362	-
Other	461	511
Total non-operating expenses	1,499	1,131
Ordinary income	14,657	14,210
Extraordinary income		
Gain on sales of fixed assets	38	161
Insurance income	121	-
Other	73	10
Total extraordinary income	233	171
Extraordinary loss		
Loss on disposal of fixed assets	187	129
Loss on sales of fixed assets	6	29
Impairment loss	339	-
Loss on liquidation of subsidiaries and affiliates	-	650
Other	152	63
Total extraordinary loss	686	872
Profit before income taxes	14,204	13,510
Income taxes	3,755	4,740
Profit	10,449	8,770
Profit attributable to non-controlling interests	1,876	2,552
Profit attributable to owners of parent	8,572	6,218

Consolidated Statements of Comprehensive Income

	Nine Months ended December 31, 2016	(Millions of yen) Nine Months ended December 31, 2017
	Amount	Amount
Profit	10,449	8,770
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	3,104	4,607
Deferred gain (loss) on derivatives under hedge accounting	5	1
Foreign currency translation adjustments	(11,282)	1,214
Remeasurements of defined benefit plans	(800)	(225)
Share of other comprehensive income of equity method affiliates	(3,489)	353
Total other comprehensive income	(12,463)	5,950
Comprehensive income	(2,014)	14,720
Components:		
Comprehensive income attributable to owners of parent	(1,677)	11,829
Comprehensive income attributable to non-controlling interests	(336)	2,891

(3) Notes on the Consolidated Financial Statements

(Note on the going-concern assumption)

Not applicable

(Note on significant change in shareholders' equity)

(Share Buyback)

The Company purchased 1,738,000 of its own shares based on the decision made by the Board of Directors on May 9, 2017. As a result, treasury shares increased by 999 million yen during the first nine months for the fiscal year ending March 31, 2018 and totaled 1,385 million yen as of the end of the period.

(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 nine 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. Nine Months ended December 31, 2016 (April 1 to December 31, 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	45,324	122,719	168,043	49,543	30,091	247,678	6,650	254,328
Inter-segment sales and transfers	1,149	821	1,971	2,338	829	5,139	(5,139)	-
Total	46,474	123,541	170,015	51,881	30,920	252,817	1,510	254,328
Segment income (loss)	3,856	7,932	11,788	4,035	(280)	15,543	(329)	15,214

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 1,879 million yen, which includes minus 1,120 million yen elimination of inter-segment transactions and minus 759 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 14,674 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. 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 nine months for the fiscal year ended March 31, 2017 was 339 million yen.

(Material change in the amount of goodwill)

In the automotive batteries-Japan segment, Panasonic Storage Battery Co., Ltd. (current: GS Yuasa Energy Co., Ltd.) has been included in the scope of consolidation since the end of the second quarter as the Company acquired the shares in the company.

Related to the transaction, goodwill was provisionally increased by 9,665 million yen; however, the amount was changed to 6,084 million yen as the allocation of the acquisition cost has completed in the third quarter of the fiscal year ended March 31, 2017.

II. Nine Months ended December 31, 2017 (April 1 to December 31, 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	65,654	138,687	204,342	49,052	31,369	284,764	12,220	296,984
Inter-segment sales and transfers	1,034	788	1,822	2,095	396	4,315	(4,315)	-
Total	66,688	139,476	206,165	51,148	31,766	289,079	7,905	296,984
Segment income (loss)	4,573	6,464	11,037	3,015	743	14,795	542	15,338

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 1,729 million yen, which includes minus 934 million yen elimination of inter-segment transactions and minus 794 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 13,721 million yen on the consolidated income statements represents amortization of goodwill and other intangible assets of 1,617 million yen. These goodwill and other intangible assets include identifiable assets acquired on the effective date of business combination.

2. Changes to reportable segments

As the GS Yuasa Group changed its management metrics from operating income to operating income before amortization of goodwill in the fiscal year ended March 31, 2017, its measurement of segment income has also been changed.

The segment income for the nine months ended December 31, 2016 is prepared with the new measurement.

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 nine months ended December 31, 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	96,402	112,776	-	184,208	296,984	-
Operating income	2,876	3,109	7,734	-	5,986	13,721	-
Ordinary income	3,273	3,174	7,763	-	6,447	14,210	-
Profit attributable to owners of parent	1,254	1,295	3,668	-	2,549	6,218	-

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