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GS Yuasa Corporation
Summary of Q&A Session
at Automotive Lead-acid Battery Business Briefing
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<Outline of financial results briefing>

Date: March 15, 2024 16:00-17:00

Contents: Automotive Lead Acid Battery Business (Domestic and
Overseas Medium to Long-Term Strategies, etc.)

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Automotive Batteries, GS Yuasa International Ltd.

*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

GYE: GS Yuasa Energy Co., Ltd.

GYB: GS Yuasa Battery Ltd.

[Question 1]

I believe we are seeing the effects of price increases for new automotive batteries in Japan. How effective is it? In addition, please tell us what the current profitability is.

[Answer 1]

I will refrain from giving specific amounts, but since the business for new automotive batteries is generally underwater on an operating income basis, we are thinking in terms of wiping out the deficit. We call the next step after going into the red the "white," and our goal is to move from the red to the white, and then from the white to the black. Currently, we are working to eliminate all deficits. The effects of the price increase have been seen in the current fiscal year, and we believe

that they will be even more effective in the future, from FY2024 to FY2025.

[Question 2]

GS Yuasa's market share for new automotive batteries is about 70%, so we were aware that it would be easy to negotiate price hikes, but why have you not been able to raise prices for new automotive batteries so far? Is the effect of the price increase for new automobiles this fiscal year due to the impact of procurement price hikes by new car manufacturers to their suppliers?

[Answer 2]

In the past, the number of battery manufacturers in Japan was extremely large in relation to the size of the Japanese market. Before the merger in 2004, when there were five battery manufacturers in Japan, each company cut prices to obtain volume for new automotive batteries, resulting in fierce competition. Until then, it had been customary to cut prices in order to obtain orders from new car manufacturers. For example, before the merger, Japan Storage Battery Co., Ltd. was strong in sales to Toyota and Yuasa Corporation was strong in sales to Honda, but in order to obtain orders from new car manufacturers whose own share was not high, they had to deliver at a loss, and the business had long been one in which battery manufacturers fell into the red. Since the merger of Japan Storage Battery and Yuasa Corporation, GS Yuasa was established, and we took over Panasonic's lead-acid battery business, there are now three battery manufacturers in Japan. GS Yuasa's volume of supplies to new car manufacturers has also increased overwhelmingly. As new car manufacturers are considering becoming mega-suppliers, we have finally been able to have a dialogue with new car manufacturers, as we are now in the process of negotiating with them for compensation if we are to guarantee the volume of batteries we supply.

[Question 3]

You announced price increases for replacement batteries in Japan last year and the year before. I believe lead prices have been rising in the

recent past, but is there a possibility of further price increases?

[Answer 3]

The effect of the price shift was more than double-digit billion yen in Japan. The competitive environment for replacement batteries is intense. Although we manufacture Panasonic brand batteries at GYE, Panasonic continues to hold the sales rights, so GYE is competing with GYB. In addition, we are competing with imported batteries, including Korean products. We are trying to pass on the selling price, but it is difficult to see the balance between selling price and volume for replacement batteries, so we cannot raise prices as aggressively as we do for new automotive batteries. If we raise prices, the volume of products will decrease, which will affect our group's overall capacity utilization. We would like to make a decision on raising prices for replacement batteries after carefully monitoring the market.

[Question 4]

Regarding the overseas business of selection and concentration, I know you are reviewing your China business, but in which other areas are you considering selection and concentration?

[Answer 4]

The Indian market is large for both batteries for automobiles and motorcycles, and although we have been operating our business through a joint venture, we are now forced to consider our future. Although we are not discontinuing the joint venture, we are considering how we should look at the future of the Indian market. The lead-acid battery business is a cash cow business for us, so from the perspective of selection and concentration, we will reduce resources to challenging regions and concentrate on regions such as ASEAN and Europe.

[Question 5]

What is meant by "innovative and well-established company" as described on p.20? Also, what kind of business is being considered by the "considering next business model" mentioned in "-FY2034"?

[Answer 5]

We are a leading manufacturer in terms of technology, but as a warm, well-established company with a history of over 100 years, we want to convey the message that we are always a market mover, not a market follower. For example, the image of a Western-style restaurant like "Taimeiken". Our next business model is not a sell-out business, but we would like to foster a "*koto-zukuri*" business that leverages our service capabilities in the automotive battery business as well.

[Question 6]

With regard to strengthening business in ASEAN, you mentioned focusing on Thailand and Indonesia. What is your long-term strategy amid the gradual decline in overall volume in the future? Please tell us about your specific measures, including the competitive environment and time frame.

[Answer 6]

Thailand is positioned as a hub for supply, and we will promote expansion of production capacity in order to increase the quantity of batteries. (5 million units per year \Rightarrow 6 million units per year) In addition, fixed costs have been rising, and we are aiming to reduce costs, so we would like to promote labor saving and automation. In Indonesia, the combined market share of the two bases is over 80%, so we will work to secure production volume and foster brand strength. As in Thailand, we would like to promote labor saving. In addition, since motorcycle batteries produced in Indonesia are exported to Europe and the U.S., we are hurrying to develop a global supply chain.

Overseas, some countries sell both GS and Yuasa brands within the same country, so we would like to compete with Chinese and Korean manufacturers by making good use of the two brands. We believe that fostering brand loyalty is essential, so we would like to hone our brand power through individual strategies for each company.

[Question 7]

Regarding the possibility of consolidating bases overseas, you mentioned that you are considering reviewing bases in India. What are

your thoughts on the issues at overseas bases, the possibility of consolidation in other regions, and the time frame?

[Answer 7]

In addition to the review in India, we are considering the integration of multiple bases within ASEAN and collaboration with companies in manufacturing hubs, and would like to promote localization by streamlining resources and reducing the number of Japanese expatriate staff as much as possible. Basically, we intend to move forward with combining bases at the earliest possible time during the period of the Sixth and Seventh Mid-Term Management Plans.

[Question 8]

Regarding the medium- to long-term strategy in Japan, do you have any profitability targets beyond the "white" for new automotive batteries? I believe that you will share production lines and reduce costs, but since you are responsible for supply and have the advantage of residuals, I believe that your ability to negotiate costs will increase. How much profit do you expect to make from new automotive batteries?

[Answer 8]

We believe that we need to earn a reasonable profit for new automotive batteries, but it is difficult to earn the same profit as for replacement batteries. In particular, the largest new car manufacturers have a large volume, so we will charge inflation and other necessary costs. We do not charge only the rising costs to new car manufacturers. For example, our manufacturing bases are dispersed throughout eastern, central, and western Japan, and each factory has obtained certification from new car manufacturers. The key point to negotiating the selling price is to make them understand the added value of our ability to supply new car manufacturers with a so-called "anywhere production" system that allows us to supply from any location. The minimum task is to "make a profit," and we must aim to turn a profit. We cannot give you a quantitative target for the profit level, but we would like to proceed with our consideration at an appropriate level.

[Question 9]

Are there any challenges in sharing production lines, including GYE plants?

[Answer 9]

GYE (Hamanako) has no affinity with GS Yuasa's production line because the specifications of the production line are very different. In Kyoto, Osadano and Gunma, we will promote an "anywhere production" system, but Hamanako has an automated line and is good at mass production, so we would like to utilize this system separately. Quality level is almost the same in Kyoto, Osadano and Gunma. Since it is difficult for new car manufacturers to obtain certification, we would like to promote "anywhere production" from the perspective of BCP, while consulting with new car manufacturers.