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GS Yuasa Corporation
Summary of Q&A Session of
Sixth Mid-Term Management Plan Update Briefing

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<Outline of briefing>
Date: July 9, 2024, 16:00-17:00
Content: Update on the Sixth Mid-Term Management Plan (FY2023-2025)
Explanator: Takashi Abe, President
Hiroaki Matsushima, Director and CFO

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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.
HGYB: Honda･GS Yuasa EV Battery R&D
■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]
I believe there are some areas that were raised and some areas that were lowered in this review as a direction through FY2025. Are you assuming the same trend for FY2024 as for FY2025?

[Answer 1]
That is fine.

[Question 2]
I am confused about the production capacity of LiB for BEVs, as there are various figures including GS Yuasa Group sites and Honda sites. The production capacity of BEC for BEVs is 20 GWh/year in 2035, but I would like a more organized explanation of the image of production capacity after FY2027.
Also, how long do you expect the impact of the spread between the lithium purchase price and the selling price to continue, and will it continue to a significant degree after FY2025?

[Answer 2]
We believe that the Group's production capacity for BEVs (exceed 20 GWh/year in 2035) should be a minimum target. Since it is impossible to expand the capacity all at once, we would like to increase the production capacity step by step so that we can achieve the goal by 2035.
The impact of the scheme with lithium purchase price is under negotiation with material suppliers, and all schemes will be reviewed in FY2024-2025 and completed within the Sixth Medium-Term Management Plan period.

[Question 3]
You did not mention any review of capital expenditures or depreciation expenses this time, but have there been any changes from the figures you had announced in the initial targets? Also, what are your thoughts on the possibility of future financing, given the various changes in the environment from FY2025 onward compared to the past?

[Answer 3]
Capital expenditures and depreciation expenses are under scrutiny. We are currently looking at various funding options for our capital needs.

[Question 4]
You mentioned that you set a conservative figure for the target for industrial battery and power supply segment because it depends on projects. Although the target remains unchanged from FY2024, I think this segment can be expected to grow in the medium to long term. At what point do you expect to reach another phase of growth, and what is the background behind your forecast for FY2025 to remain unchanged from FY2024? In addition, how much do you plan to expand production capacity for ESS from the current 1.3 million cells per year to after FY2027, and do you not expect dramatic growth in sales until FY2027?

[Answer 4]
The maximum annual production capacity for ESS is 1.3 million cells at this stage. Actual inquiries from customers have been 2.5 to 3 times as many. The customer decides whether or not to become an electric power company, but due to subsidies, the actual delivery may be delayed, making it very difficult for the division to forecast demand. Demand for ESS is estimated to be approximately 4.5 GWh to 5 GWh per year by 2030, and we hope to capture at least 40% of that demand. The growth area for industrial battery and power supply segment is the regular field, and the market for emergency field (in Japan) is saturated and is not expected to grow any further. For ESS, we will have to cope with a maximum annual production capacity of 1.3 million cells until FY2027.

[Question 5]
Regarding automotive lithium-ion batteries, I believe you are assuming that the volume of LiBs for HEVs will increase from FY2024 to FY2026. Is there any change in customer share, or are you assuming volume growth for existing customers? Will there be any change in the competitive environment?

[Answer 5]
Basically, we expect an increase in car models and volume from existing customers. It does not mean that there will be no new customers, but we expect to increase production volume and capacity based on Honda, Toyota, and Mitsubishi Motors. We do not expect any change in market share.

[Question 6]
Regarding the production capacity of LiBs for BEVs, will Honda basically be the main customer as of 2030, or will it include deliveries to other companies?

[Answer 6]
This production capacity includes not only Honda but also other companies.

[Question 7]
Regarding automotive batteries (overseas), I had expected that the target for FY2025 would grow a little more than that for FY2024, but what is the background behind the lack of significant growth? There was some talk of volume growth for motorcycles in Indonesia, so we can expect growth in both net sales and profit. Please elaborate on the difference between the FY2024 and FY2025 forecasts.

[Answer 7]
Even excluding the impact of the equity method conversion of the China site, we recognize that we have raised our net sales target to 260 billion by strengthening existing sites. Since all major sites, including Indonesia, Thailand, Vietnam, Australia, and Europe, plan to increase sales and profits, they are expanding their business as planned.

[Question 8]
There was a time when the volume of motorcycles in ASEAN market was declining due to intensifying competition, but now that the cost competitiveness has improved, do you think you can expand the

business further? Please tell us about the changes in the business environment.

[Answer 8]
There are two types of sales for motorcycles in ASEAN: one to ASEAN and the other to Europe. For Europe, we are particularly focused on the business of exporting products manufactured in Vietnam and Indonesia to Europe. We intend to increase the sales volume of motorcycles for both ASEAN and Europe by reducing the number of workers in production and cutting costs.

[Question 9]
In the automotive lithium-ion battery segment, how does the raw material purchasing scheme push down earnings? Also, why does the impact end in 2025 and not in FY2026? Under the contract, profitability will remain low in FY2025, but can we expect it to improve in FY2026 and beyond? What upside to the 5% profit margin target can we expect?

[Answer 9]
Basically, we purchase a certain quantity of lithium over a long period of time, which is affected by the relationship between price, quantity, and period. We have been working on correcting this scheme since last year, and we do not think it will be prolonged. We are reviewing the scheme for each material because the materials used will change as we move forward with the LiB business for BEVs. We plan to review all of the current schemes in FY2024 to FY2025. We would like to ensure that we aim to achieve a profit margin of over 5% in the future.

[Question 10]
Regarding industrial battery and power supply segment, what will be different about the third-generation batteries for ESS? Is it correct to assume that output and the number of cells required will change, and that cost competitiveness will increase and profitability will rise?
Are third generation batteries to be produced at the plant of LiB for BEVs (BEC) after FY2027? Is there any segregation with LEJ?

[Answer 10]
The first-generation batteries are no longer available and the second-generation batteries are currently being supplied. The third-generation batteries will be produced at BEC and these cells will be used in the ESS. Therefore, second generation batteries will be completely replaced by third generation batteries in FY2027. The second-generation batteries may remain as a partial replacement demand. Since the batteries for ESS are large and their capacity is measured in terms of capacity per footprint, the use of third-generation batteries is expected to require a smaller footprint.

[Question 11]
I have the impression that the revised target of medium-term management plan is frankly weak. Regarding the target of 46 billion yen in operating income for FY2025, please tell us about your thoughts behind the plan to increase operating income by only 1.5 billion yen compared to FY2024. Also, is there any potential for growth beyond 46 billion yen, or is there any upward swing? There was talk that it is hard to gauge demand of industrial battery and power supply segment and that production capacity for ESS is full... but to be honest, I was disappointed.

[Answer 11]
As for the 46 billion yen of operating income target, there was a desire to increase it a little more. The industrial battery and power supply business had to be viewed more harshly than expected due to projects. Automotive batteries (overseas) appear to be flat, partly due to inflation accounting adjustments. Even in the automotive lithium-ion battery segment, there will be some volume and other adjustments in the area of LiBs for HEVs, so it is not surprising that you do not see strength from our targets. We are hoping to exceed 46 billion yen as a minimum target. We do not expect a large increase in automotive batteries (Japan) and industrial batteries and power supplies due to demand.

[Question 12]
Why has specialized batteries and others lowered its outlook slightly?

[Answer 12]
It is an adjustment level and there has been no change in the market.

[Question 13]
I have heard a nuance that automotive lithium-ion battery segment might not grow after the Seventh Mid-term Management Plan due to depreciation expenses of the new plant for BEVs. Please provide more details. What is the impact on GS Yuasa itself regarding the exchange of royalties between HGYB and the production companies? I believe GS Yuasa has battery know-how, but it is possible that Honda also has some IP. What are your thoughts on the possibility of profit reductions due to increased depreciation expenses and how much royalty income can be expected from the Seventh Mid-term Management Plan and onward?

[Answer 13]
We believe it is important to see how much we can add by the existing businesses after the Seventh Mid-Term Management Plan. Since the operating rate of LiB for BEVs is low at the beginning of plant operation and the initial depreciation expenses will affect operating income, it is important how much the existing businesses (automotive batteries, industrial batteries and power supplies, and LiB for HEVs) can recover the depreciation expenses. In order to minimize the impact of depreciation expenses, we are currently working closely with business divisions to determine how to respond to this issue in existing businesses.
Royalty income is quite promising.

[Question 14]
I understand that you will produce batteries for BEVs and ESS at the same plant starting in FY2027, and I assume that batteries for ESS will be accounted for in the industrial battery power supply segment. Will batteries for ESS be produced at both the former LEJ and BEC? Also,

how will the growth of batteries for ESS affect your business performance from FY2027 onward?

[Answer 14]
The LiB for ESS will be purchased from the production company, which will have about half of the impact. The LiB for ESS will be sold as systems in the industrial battery and power supply segment, so 100% of net sales and profits will affect GS Yuasa itself.

[Question 15]
Regarding royalty income going into HGYB, how much royalty income do you envision per BEV or per kWh? If it is difficult, please give us an idea of what the profit sharing ratio would be between development and production.

[Answer 15]
Details of royalty income cannot be disclosed because it is an important matter in the contract with Honda.