

# Fiscal Year Ended March 31, 2016 (FY2015) Results and Mid-Term Management Plan Briefing



May 13, 2016

GS Yuasa Corporation

## **Part 1**      **FY2015 Financial Results**

- I. FY2015 Financial Results
- II. FY2016 Financial Results Forecast

## **Part2**      **Mid-Term Management Plan**

- I. Review of Third Mid-Term Management Plan
- II. Fourth Mid-Term Management Plan

## Part 1 FY2015 Financial Results

### I. FY2015 Financial Results

1. Financial Results Overview	P.04
2. Net Sales/Profits	P.05
3. Segment Results	P.07
4. Balance Sheet	P.17
5. Capital Investment, Depreciation, R&D Costs	P.18
6. Cash Flow Statements	P.19

### II. FY2016 Financial Results Forecast

1. Net Sales/Profits	P.21
2. Segment Results	P.22
3. Capital Investment, Depreciation, R&D Costs	P.23

## Part 2 Mid-Term Management Plan

### I. Review of Third Mid-Term Management Plan

1. Management Targets and Results	P.25
-----------------------------------	------

### II. Fourth Mid-Term Management Plan

1. Overview	P.30
2. Plan by Segment	P.39

# 1. Financial Results Overview

## Economic Environment

The domestic economy slowed down and remained stagnant as personal consumption slumped due to factors such as an increase in the light vehicle tax in April 2015, a bad summer weather and a warm winter besides the yen appreciation and lower stock prices.

As for the global economy, China's economy decelerated further given the restraints on investment and declining stock prices. Elsewhere in Asia, the pace of growth in Southeast Asian countries slowed. In addition, capital investment stagnated also in the U.S. As a result, the global economy slowed on the whole and remained at that level.

## Financial Results Overview

Net sales decreased in total compared to the previous fiscal year as a result of the slowdown in domestic sales of power supplies for mobile phone base stations and power supplies for photovoltaic power generation as well as a decline in sales of lithium-ion automotive batteries, despite an increase in overseas sales resulting from the impact of depreciation of the yen.

Operating income rose to record levels primarily due to the improvement in profitability of the lithium-ion battery business. Ordinary income declined due to foreign exchange loss reflecting depreciation of local currencies at overseas sites. Profit attributable to owners of parent decreased partly due to extraordinary loss such as liquidation loss and impairment loss resulting from liquidation of a business at a consolidated subsidiary overseas.

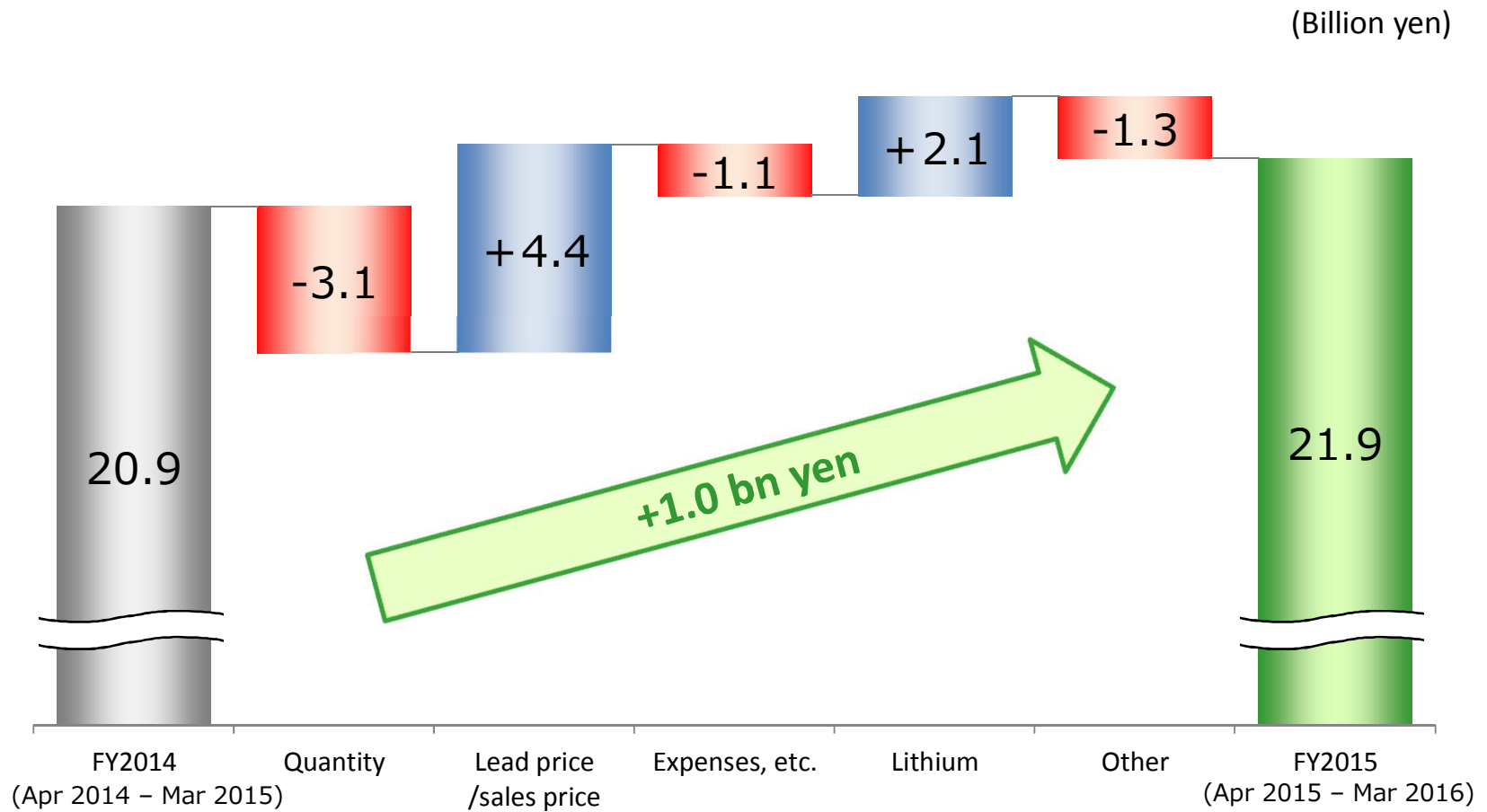
## 2. Net Sales/Profits

(Billion yen)

	FY2014 Apr 2014 – Mar 2015	FY2015 Apr 2015 – Mar 2016	Change Change	(YoY%) (YoY%)
Net sales	369.8	365.6	-4.2	(-1.1%)
Operating income (Operating income ratio)	20.9 5.7%	21.9 6.0%	+1.0 +0.3P	(+4.8%)
Ordinary income	22.4	21.4	-1.0	(-4.2%)
Extraordinary income	0.9	0.3	-0.6	
Extraordinary loss	5.7	4.8	-0.9	
Profit before income taxes	17.6	17.0	-0.6	
Income taxes	9.3	6.5	-2.8	
Profit attributable to non-controlling interests	-1.7	1.4	+3.1	
Profit attributable to owners of parent (Net profit ratio)	10.0 2.7%	9.0 2.5%	-1.0 -0.2P	(-10.1%)
Dividend	10 yen/share	10 yen/share (plan)	±0 yen/share	

## 2. Net Sales/Profits

### Factors for Operating Income Change



## 3. Segment Results

## Consolidated Results

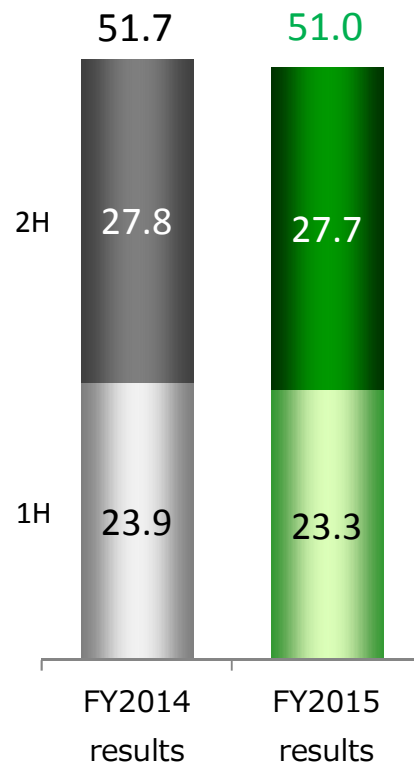
(Billion yen)

	FY2014 Apr 2014 – Mar 2015		FY2015 Apr 2015 – Mar 2016		Change	
	Net sales	Operating income (Op. income ratio: %)	Net sales	Operating income (Op. income ratio: %)	Net sales	Operating income (Op. income ratio: %)
Automotive battery (Japan)	51.7	2.4 (4.6)	51.0	3.3 (6.5)	-0.7	+0.9 (+1.9P)
Industrial battery and power supply (Japan)	79.8	8.7 (10.8)	74.8	8.1 (10.8)	-5.0	-0.6 (-0.0P)
Overseas	183.8	10.8 (5.9)	191.4	11.4 (5.9)	+7.6	+0.6 (+0.0P)
Lithium-ion battery	45.2	-2.6 (-5.8)	38.3	-0.6 (-1.5)	-6.9	+2.0 (+4.3P)
Others	9.2	1.7 (18.4)	10.1	-0.2 (-2.3)	+0.9	-1.9 (-20.7P)
<b>Total</b>	<b>369.8</b>	<b>20.9 (5.7)</b>	<b>365.6</b>	<b>21.9 (6.0)</b>	<b>-4.2</b>	<b>+1.0 (+0.3P)</b>

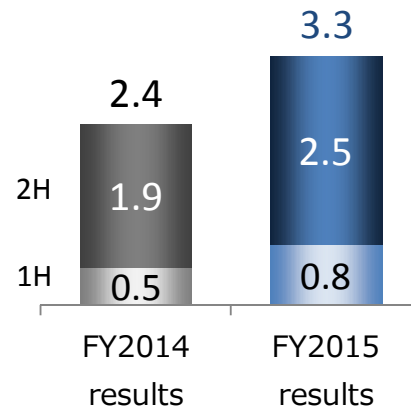
# 3. Segment Results

## Automotive Battery (Japan)

**Net sales** (Billion yen)



**Operating income** (Billion yen)



### FY2015 sales overview

- Sales of new vehicle batteries was sluggish due to stagnant automobile production volume.
- Sales of replacement batteries declined due to warmer-than-usual winter.
- Earnings improved because of the price revision for replacement storage batteries implemented in FY2014.

### Main profit change factors (Billion yen)

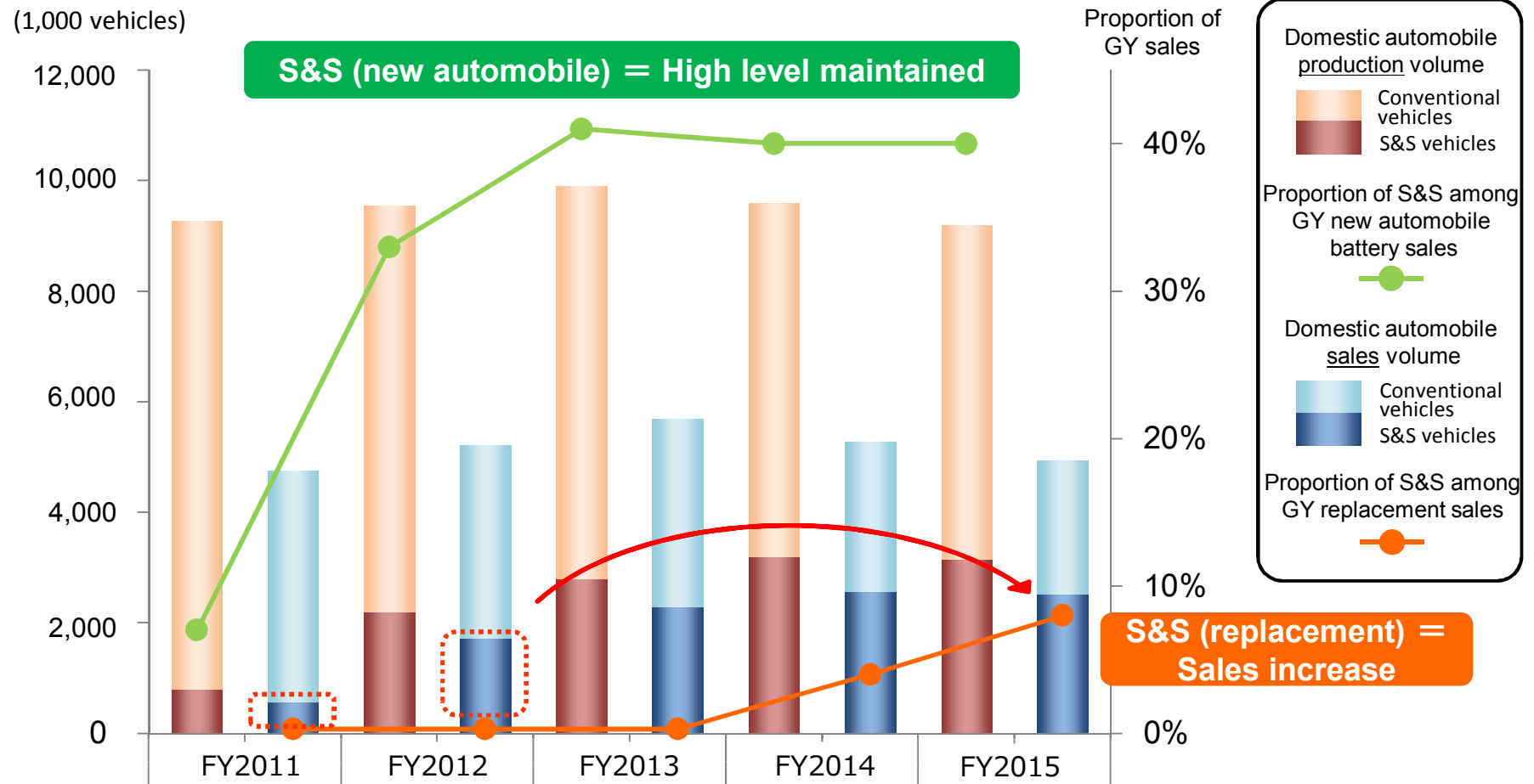
Quantity	-0.9
Lead prices / sales prices	+1.6
Streamlining, etc.	+0.1



### 3. Segment Results

## Automotive Battery (Japan)

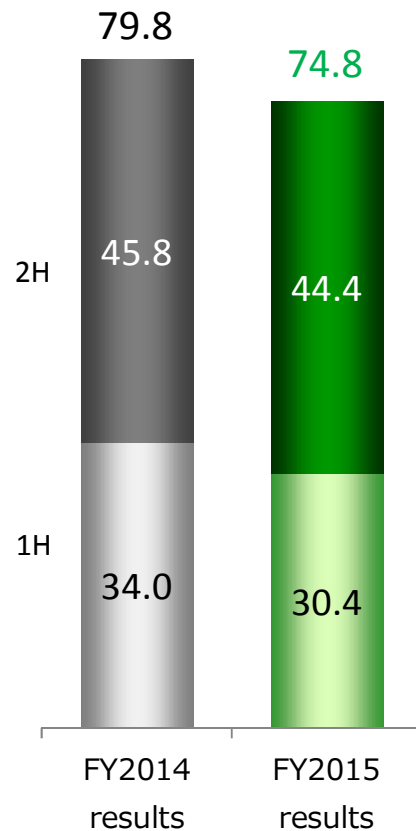
➤ Sales of replacements for start & stop vehicles (S&S) have been expanding steadily.



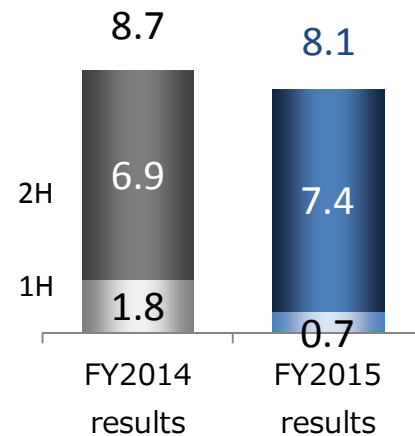
# 3. Segment Results

## Industrial Battery and Power Supply (Japan)

**Net sales** (Billion yen)



**Operating income** (Billion yen)



### FY2015 sales overview

- Sales of power supplies for mobile phone base stations declined as the demand ran its course.
- Sales of power conditioners declined due to the issue of connection withholding by electric power companies.
- Sales of chargers for digital cameras declined.
- Sales of lead-acid batteries for forklifts remained strong.

### Main Profit Change Factors

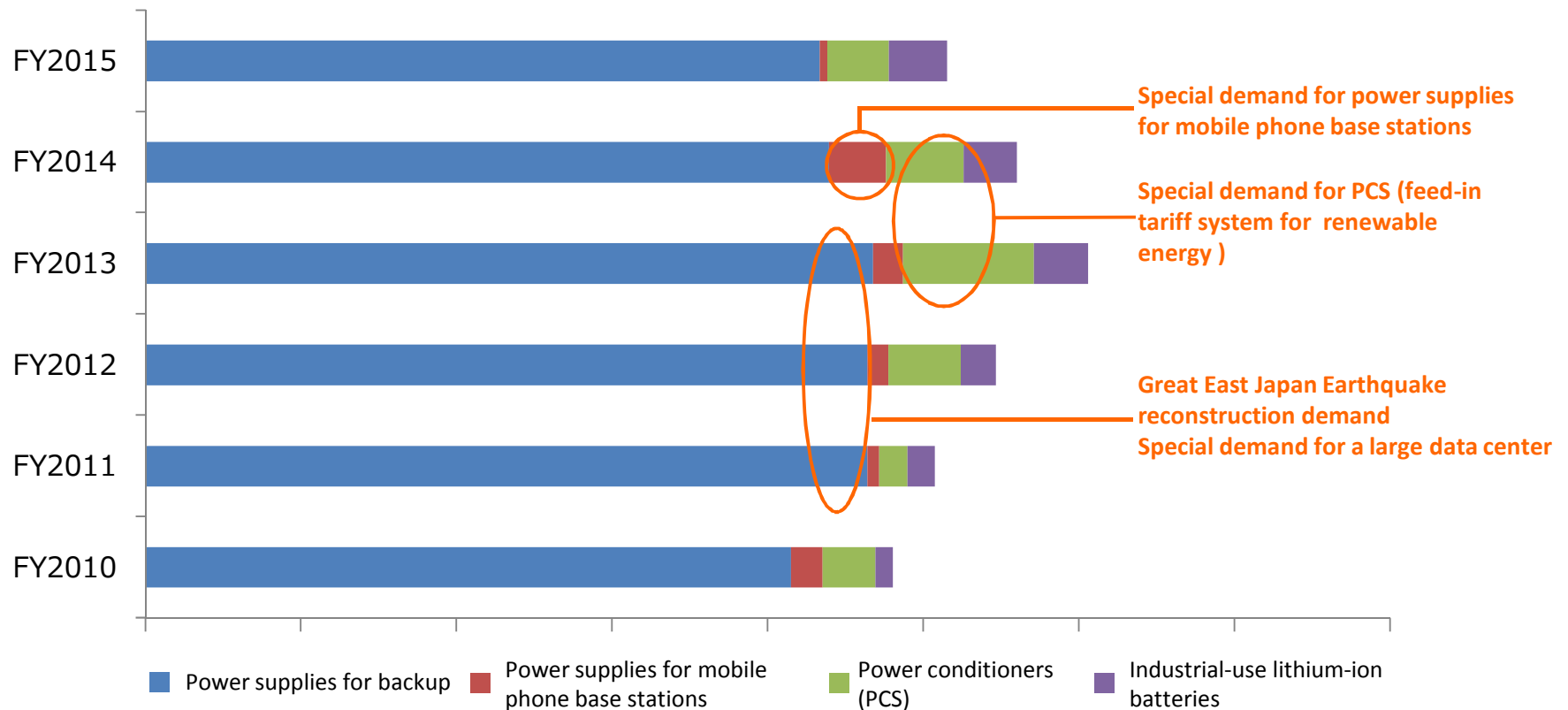
	(Billion yen)
Quantity	-0.8
Lead prices / sales prices	+0.4
Expenses, etc.	-0.2

### 3. Segment Results

## Industrial Battery and Power Supply (Japan)

➤ **Unable to achieve the plan to compensate with power supplies for backup and industrial-use lithium-ion batteries**

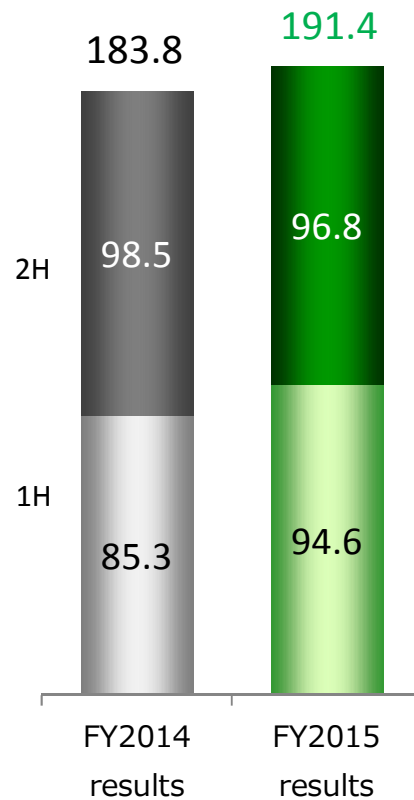
- ✓ Sales of power supplies for backup have fallen to the level before Great East Japan Earthquake
- ✓ Sales of industrial-use lithium-ion batteries have increased slightly



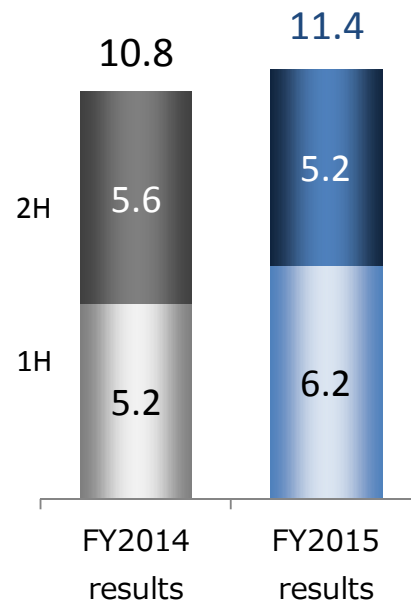
# 3. Segment Results

## Overseas

**Net sales** (Billion yen)



**Operating income** (Billion yen)



### FY2015 Sales Overview

- Sales of replacement automotive lead-acid batteries increased in Europe
- Sales declined in China, Thailand, and Indonesia.
- Revenues increased due to the impact of exchange rates.

### Main Profit Change Factors (Billion yen)

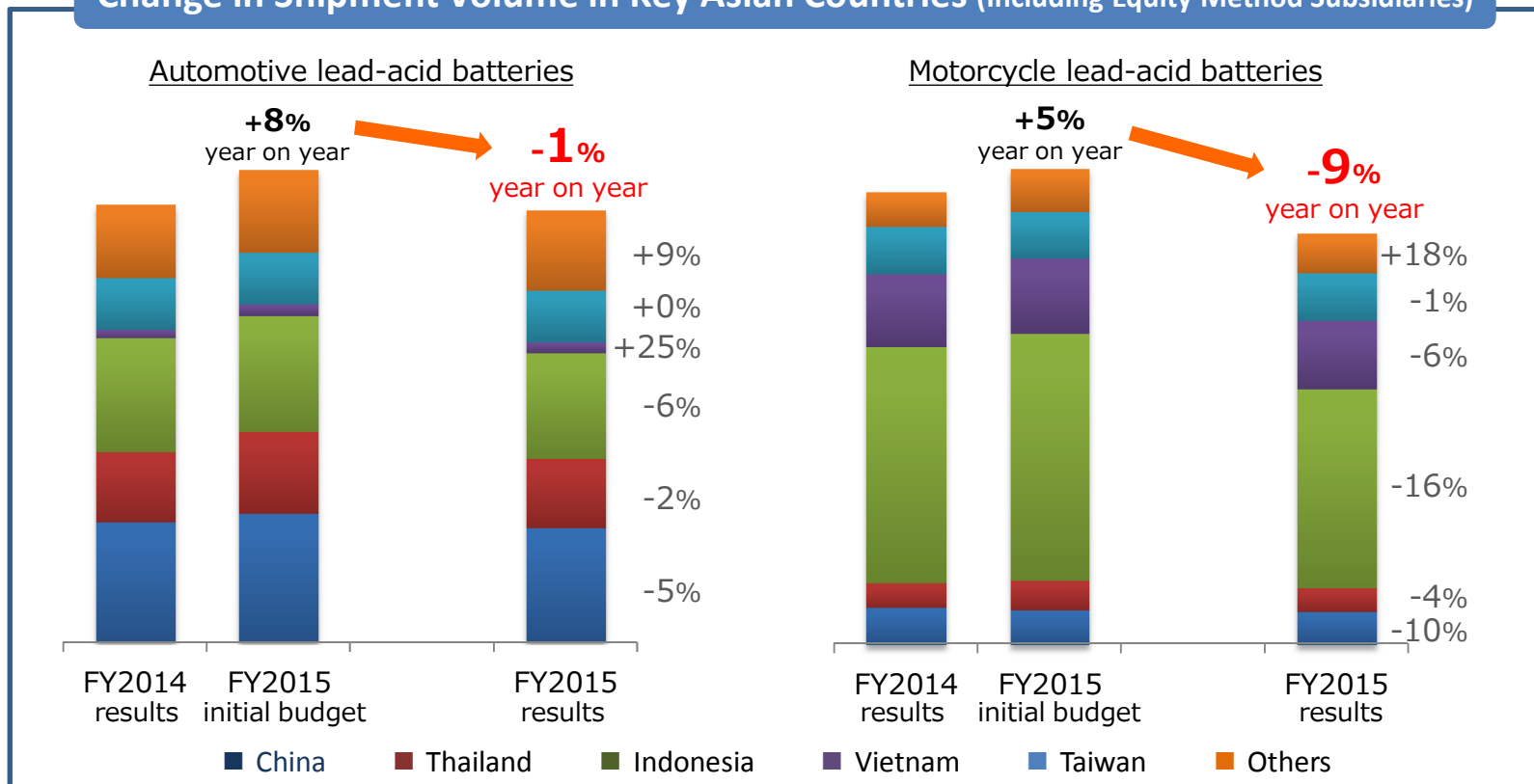
Quantity	-1.4
Lead prices / sales prices	+2.4
Personnel costs / expenses, etc.	-0.4

### 3. Segment Results

## Overseas

- **Shipment volume of both automotive and motorcycle batteries in key Asian countries declined compared with FY2014**
  - ✓ Automotive batteries fell slightly below the estimate of up 8% year on year
  - ✓ Motorcycle batteries declined significantly below the estimate of up 5% year on year

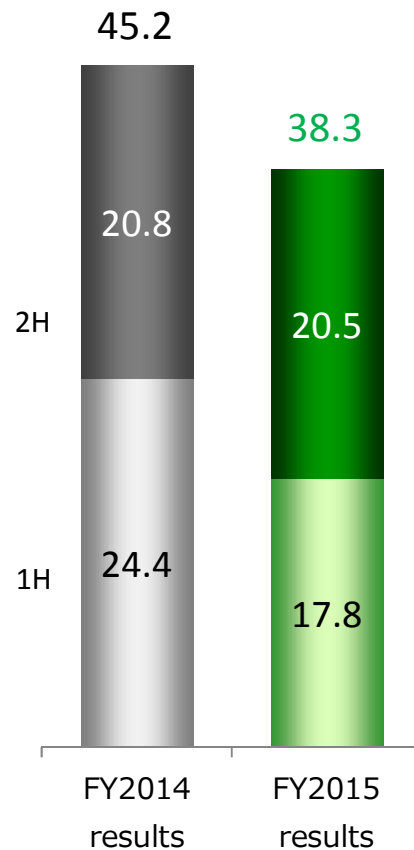
**Change in Shipment Volume in Key Asian Countries (Including Equity Method Subsidiaries)**



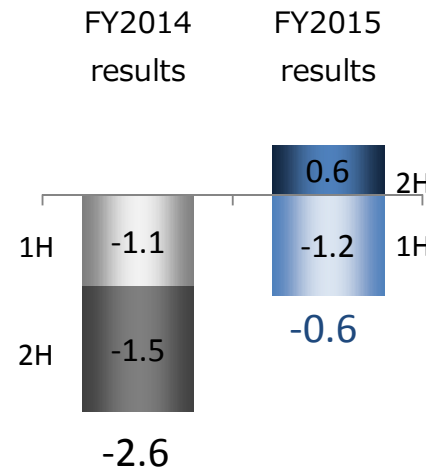
# 3. Segment Results

## Lithium-ion Battery

**Net sales** (Billion yen)



**Operating income** (Billion yen)



### FY2015 Sales Overview

- **Lithium Energy Japan (LEJ)**  
Sales of lithium-ion batteries for plug-in hybrid electric vehicles for Japanese and overseas manufacturers were strong.
- **Blue Energy (BEC)**  
Sales of lithium-ion batteries for hybrid vehicles declined significantly due to slumping domestic automobile sales.

### Main Profit Change Factors

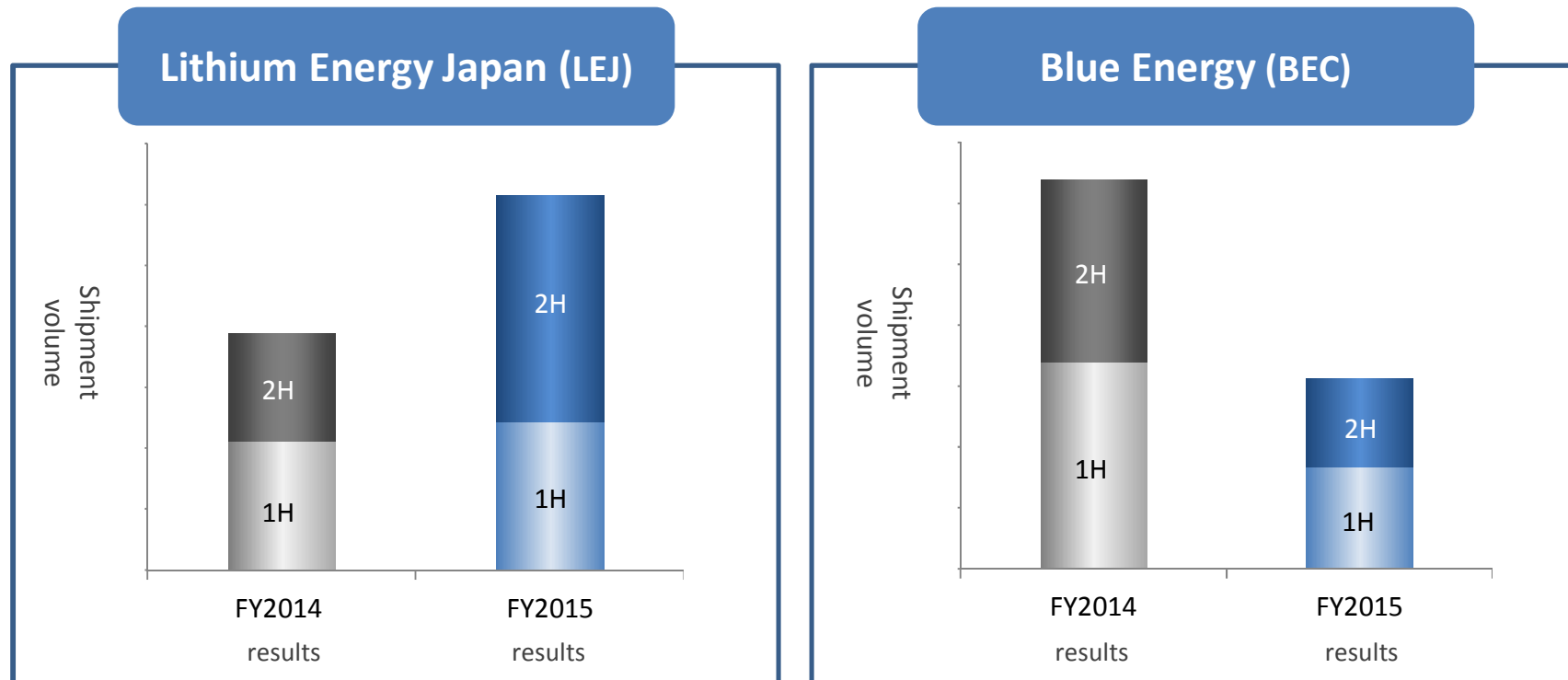
Improved productivity compensated for a sales decrease,  
and profitability improved significantly.

### 3. Segment Results

## Lithium-ion Battery

➤ **Reduced loss significantly, and breakeven is now within the reach**

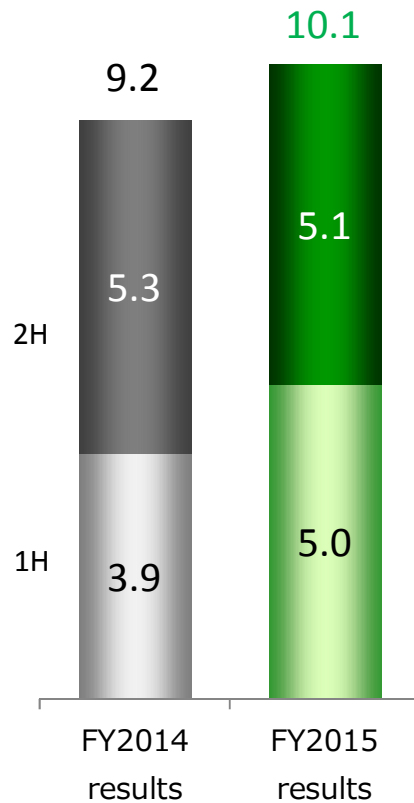
- ✓ Total shipment volume of LEJ increased about 50% with shipment volume of lithium-ion batteries for PHEV in Europe rising about 6 times.
- ✓ Shipment volume decline at BEC was limited to about a half.



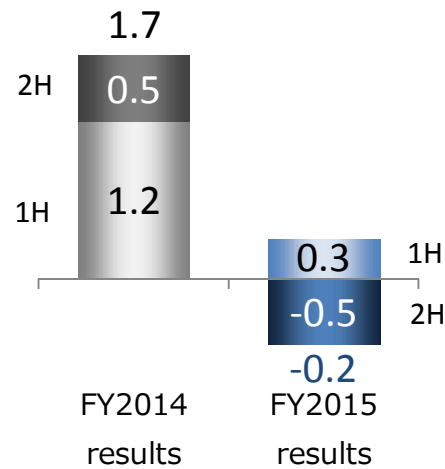
# 3. Segment Results

## Others

**Net sales** (Billion yen)



**Operating income** (Billion yen)



### Main Profit Change Factors

Strong sales of specialty batteries

Increase in R&D costs in preparation for next-generation products



## 4. Balance Sheet

(Billion yen)

	3/31/2015	3/31/2016	Change		3/31/2015	3/31/2016	Change
Current assets	177.3	175.8	-1.5	Liabilities	177.3	168.7	-8.6
▪ Cash and deposits			+3.8	▪ Notes and accounts payable			+1.8
▪ Notes and accounts receivable			-6.5	▪ Borrowings and commercial paper			-8.6
<div style="border: 1px solid black; padding: 2px; display: inline-block;">           Reduction of accounts receivable            Lower sales at industrial battery            and power supply in Japan         </div>				▪ Payables			+2.4
▪ Inventories			+1.2	▪ Deferred tax liabilities			-3.3
Fixed assets	182.2	170.7	-11.5	Net assets	182.2	177.8	-4.4
▪ Property, plant and equipment			-7.6	▪ Retained earnings			+4.9
<div style="border: 1px solid black; padding: 2px; display: inline-block;">           Depreciation and amortization and impairment            loss together exceeded capital investment         </div>				▪ Foreign currency translation adjustments			-4.9
▪ Investment securities			+2.2	<div style="border: 1px solid black; padding: 2px; display: inline-block;">           Impact of yen's appreciation         </div>			
▪ Net defined benefit assets			-7.2	▪ Remeasurements of defined benefit plans			-7.1
<div style="border: 1px solid black; padding: 2px; display: inline-block;">           Change in retirement asset due to falling stock prices            Increase in retirement benefit obligations due to            decline of interest rates         </div>				<div style="border: 1px solid black; padding: 2px; display: inline-block;">           Change in assets associated            with retirement benefits         </div>			
Total assets	359.5	346.5	-13.0	Total liabilities and net assets	359.5	346.5	-13.0

	3/31/2015	3/31/2016
Equity ratio	44.9%	44.4%
ROE (return on equity)	6.7%	5.7%

## 5. Capital Investment, Depreciation, R&D Costs

(Billion yen)

	FY2014 Apr 2014 – Mar 2015	FY2015 Apr 2015 – Mar 2016
<b>Capital Investment</b>	11.0	13.0
Lithium-ion battery	1.9	2.7
Overseas	4.0	2.5
Domestic existing businesses, others	5.1	7.7
<b>Depreciation</b>	15.7	15.3
Lithium-ion battery	6.0	5.2
<b>R&amp;D Costs</b>	6.7	7.0
(Ratio of R&D Costs to Net Sales)	1.8%	1.9%

## 6. Cash Flow Statements

(Billion yen)

Operating C/F		30.2	Investing C/F		-17.3	Financing C/F		-9.7
▪ Profit before income taxes	17.0		▪ Purchase of property, plant and equipment	-10.5		▪ Decrease in borrowings	-7.4	
▪ Depreciation and amortization	16.0		▪ Purchase of investment securities	-5.0		▪ Dividends paid	-4.1	
▪ Decrease in receivables	4.2					▪ Proceeds from non-controlling interests due to capital increase in consolidated subsidiaries	4.1	
▪ Increase in inventories	-2.8							
▪ Decrease in purchase liabilities	2.8							
▪ Income taxes paid, etc.	-4.6							
<b>Balance of Cash and Cash Equivalents</b>								
			April 1, 2015	25.7			March 31, 2016	27.8
<b>Free C/F</b>		※1	<b>12.9</b>					

### Highlights

- Operating cash flow was ¥30.2 billion, considerably higher than ¥19.7 billion a year ago.
- Free cash flow increased as investment in lithium-ion batteries peaked out and used it to repay borrowings. As a result, balance of cash and cash equivalents came to ¥27.8 billion at the end of the fiscal year.

\*1: Total of cash flow from operating activities and cash flow from investing activities

## Part 1 FY2015 Financial Results

### I. FY2015 Financial Results

1. Financial Results Overview	P.04
2. Net Sales/Profits	P.05
3. Segment Results	P.07
4. Balance Sheet	P.17
5. Capital Investment, Depreciation, R&D Costs	P.18
6. Cash Flow Statements	P.19

### II. FY2016 Financial Results Forecast

1. Net Sales/Profits	P.21
2. Segment Results	P.22
3. Capital Investment, Depreciation, R&D Costs	P.23

## Part 2 Mid-Term Management Plan

### I. Review of Third Mid-Term Management Plan

1. Management Targets and Results	P.25
-----------------------------------	------

### II. Fourth Mid-Term Management Plan

1. Overview	P.30
2. Plan by Segment	P.39

# 1. Net Sales/Profits

	FY2015 Apr 2015 – Mar 2016 results	FY2016 Apr 2016 – Mar 2017 forecast	(Billion yen) Change
Net sales	365.6	410.0	+44.4
Operating income	21.9	24.5	+2.6
(Operating income ratio)	6.0%	6.0%	-0.0P
Operating income before amortization of goodwill	-	26.0	-
(Operating income ratio before amortization of good will)	-	6.3%	-
Ordinary income	21.4	24.0	+2.6
Profit attributable to owners of parent (Net profit ratio)	9.0 2.5%	12.0 2.9%	+3.0 +0.4P
Profit attributable to owners of parent before amortization of goodwill	-	14.0	-
(Net profit ratio before amortization of goodwill)	-	3.4%	-
Dividend	10 yen/share (forecast)	10 yen/share (forecast)	±0 yen/share
Domestic lead price quote	¥273,500/t	¥270,000/t	-
LME	1,786US\$/t	1,800US\$/t	-
Forex	¥121.03/US\$	¥115.0/US\$	-

\* The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

## 2. Segment Results

(Billion yen)

	FY2015 Apr 2015 – Mar 2016 results		FY2016 Apr 2016 – Mar 2017 forecast		Change	
	Net sales	Operating income (Op. income ratio: %)	Net sales	Operating income (Op. income ratio: %)	Net sales	Operating income (Op. income ratio: %)
Automotive battery (Japan)	51.0	3.3 (6.5)	75.0	5.8 (7.7)	+24.0	+2.5 (+1.2P)
Industrial battery and power supply (Japan)	74.8	8.1 (10.8)	79.0	9.0 (11.4)	+4.2	+0.9 (+0.6P)
Overseas	191.4	11.4 (5.9)	204.0	11.2 (5.5)	+12.6	-0.2 (-0.4P)
Automotive lithium-ion battery	38.3	-0.6 (-1.5)	43.0	0.5 (1.2)	+4.7	+1.1 (+2.7P)
Others	10.1	-0.2 (-2.3)	9.0	-0.5 (-5.6)	-1.1	-0.3 (-3.3P)
<b>Total</b>	<b>365.6</b>	<b>21.9 (6.0)</b>	<b>410.0</b>	<b>26.0 (6.3)</b>	<b>+44.4</b>	<b>+4.1 (+0.3)</b>

(\*1) Operating income ratio and operating income for FY2016 are figures before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

### 3. Capital Investment, Depreciation, R&D Costs

(Billion yen)

	FY2015 Apr 2015 – Mar 2016 results	FY2016 Apr 2016 – Mar 2017 forecast	Change
<b>Capital investment</b>	13.0	33.0	+20.0
Automotive battery (Japan)	1.5	2.0	+0.5
Industrial battery and power supply (Japan)	1.3	2.0	+0.7
Overseas	2.5	10.0	+7.5
Automotive lithium-ion battery	2.7	4.0	+1.3
Others	4.9	15.0	+10.1
<b>Depreciation</b>	15.3	17.0	+1.7
Automotive lithium-ion battery	5.2	5.5	+0.3
<b>R&amp;D costs</b>	7.0	7.0	+0.0
(Ratio of R&D costs to net sales)	1.9%	1.7%	-0.2%

\* The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

## Part 1 FY2015 Financial Results

### I. FY2015 Financial Results

1. Financial Results Overview	P.04
2. Net Sales/Profits	P.05
3. Segment Results	P.07
4. Balance Sheet	P.17
5. Capital Investment, Depreciation, R&D Costs	P.18
6. Cash Flow Statements	P.19

### II. FY2016 Financial Results Forecast

1. Net Sales/Profits	P.21
2. Segment Results	P.22
3. Capital Investment, Depreciation, R&D Costs	P.23

## Part 2 Mid-Term Management Plan

### I. Review of Third Mid-Term Management Plan

1. Management Targets and Results	P.25
-----------------------------------	------

### II. Fourth Mid-Term Management Plan

1. Overview	P.30
2. Plan by Segment	P.39



## 1. Management Targets and Results

(Billion yen)

		FY2015 (Apr 2015 – Mar 2016)					Rate of achievement
		Final targets		Results			
Net sales		450.0		365.6			81%
Operating income ratio		8% (36.0)		6.0% (21.9)			-2.0P (61%)
Profit attributable to owners of parent		5% (23.0)		2.5% (9.0)			-2.5P (39%)
ROE (return on equity)		15% or more		5.7%			-9.3P
Cash flow vs. interest-bearing debts (years)		2.0 or less		2.5			-0.5
		Automotive battery (Japan)	Industrial battery and power supply (Japan)	Overseas	Lithium-ion battery	Others	Consolidated total
FY2015 (Apr 2015 – Mar 2016) final targets	Net sales	62.0	87.0	228.0	60.0	13.0	450.0
	Operating income	6.5	12.5	15.5	1.0	0.5	36.0
FY2015 (Apr 2015 – Mar 2016) results	Net sales	51.0	74.8	191.4	38.3	10.1	365.6
	Operating income	3.3	8.1	11.4	-0.6	-0.2	21.9
Difference	Net sales	-11.0	-12.2	-36.6	-21.7	-2.9	-84.4
	Operating income	-3.2	-4.4	-4.1	-1.6	-0.7	-14.1

# 1. Management Targets and Results

## Business environment

	Net sales	Operating income
<b>Automotive battery (Japan)</b>	<ul style="list-style-type: none"> <li>● The new vehicle sales number declined due to the tax increase</li> <li>● Dealer-installed car navigation systems have become common as dealer options</li> </ul>	<ul style="list-style-type: none"> <li>● Raw material prices rose due to the weaker yen and there was a delay in shifting cost increase to selling price</li> <li>● Demand for new start &amp; stop vehicles has been strong and measures implemented for expanding the share</li> <li>● Delay in full-scale demand for replacement batteries for start &amp; stop vehicles</li> </ul>
<b>Industrial battery and power supply (Japan)</b>	<ul style="list-style-type: none"> <li>● End of special demand caused by Great East Japan Earthquake</li> <li>● Demand for power conditioner for photovoltaic power generation due to the issue of connection withhold</li> <li>● Developed supply structure for industrial-use lithium-ion batteries although it did not form a full-scale market</li> </ul>	<ul style="list-style-type: none"> <li>● Raw material prices rose due to the weaker yen</li> <li>● Selling price declined due to intensified competition as demand declined</li> </ul>
<b>Overseas</b>	<ul style="list-style-type: none"> <li>● U.S. and European economies are on a recovery trend</li> <li>● China's environmental restrictions issue, popularization of electricity powered motorcycles</li> <li>● Delay in recovery of Thai and Indonesian economies</li> <li>● An equity method subsidiary in Thailand was made a consolidated subsidiary</li> <li>● Capital investment in Inci of Turkey to promote global expansion</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing personnel cost in China and ASEAN countries</li> <li>● Demand for lead-acid batteries for motorcycles did not grow as expected and profit declined</li> </ul>
<b>Lithium-ion battery</b>	<ul style="list-style-type: none"> <li>● Exhaust emission regulations strengthened in developed countries</li> <li>● Popularization of environmentally friendly vehicles has been slower than expected</li> <li>● Slow sales to existing customers</li> </ul>	<ul style="list-style-type: none"> <li>● Fierce competition against major as well as foreign manufacturers</li> <li>● Progress in improvement of productivity and streamlining</li> </ul>

**Insufficient flexible responses and business deployment against changing environment**

# 1. Management Targets and Results

## Capital investment and depreciation

(Billion yen)

	Second Mid-Term Management Plan (FY2010 - FY2012)	Third Mid-Term Management Plan (FY2013 - FY2015)	
	Results (Three year total)	Plan (Three year total)	Results (Three year total)
<b>Capital investment</b>	92.0	60.0	52.0
Lithium-ion battery	65.5	12.0	13.2
Overseas	11.2	26.0	19.8
Existing business (Japan), Others	15.3	22.0	19.0
<b>Depreciation</b>	34.7	41.0	43.9
Lithium-ion battery	12.3	16.0	16.1

# 1. Management Targets and Results

## Financial measures

	FY2012 results	FY2015	
		Final targets	Results
Interest-bearing debts	¥71.7 bn	¥60.0 bn or less	¥73.6 bn
Equity ratio	43.2 %	45 % or more	44.4 %
Dividend per share	6 yen	12 yen	10 yen (plan)

## Part 1 FY2015 Financial Results

### I. FY2015 Financial Results

1. Financial Results Overview	P.04
2. Net Sales/Profits	P.05
3. Segment Results	P.07
4. Balance Sheet	P.17
5. Capital Investment, Depreciation, R&D Costs	P.18
6. Cash Flow Statements	P.19

### II. FY2016 Financial Results Forecast

1. Net Sales/Profits	P.21
2. Segment Results	P.22
3. Capital Investment, Depreciation, R&D Costs	P.23

## Part 2 Mid-Term Management Plan

### I. Review of Third Mid-Term Management Plan

1. Management Targets and Results	P.25
-----------------------------------	------

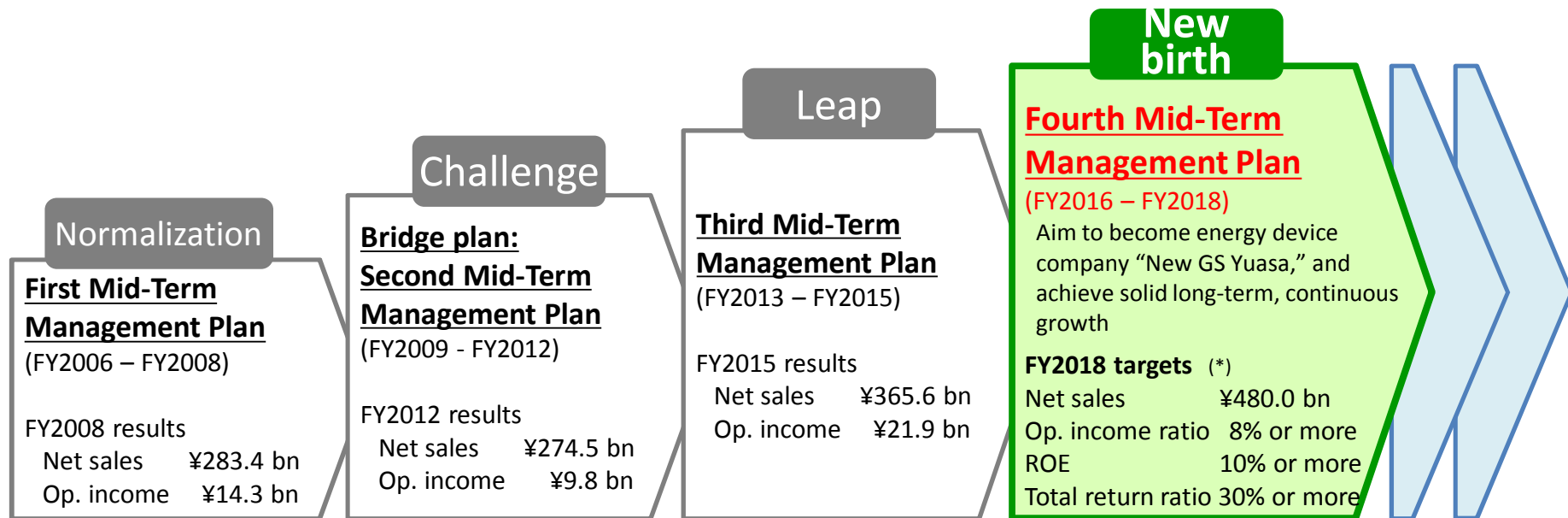
### II. Fourth Mid-Term Management Plan

1. Overview	P.30
2. Plan by Segment	P.39

# 1. Overview

## Long-term vision

- ◆ Long-term management policy: an energy device company that offers comfort and security to customers
- ◆ Long-term management target: operating income ratio of 10%



\*1 The benchmark for FY2018 is equivalent to the profit before goodwill amortization (operating income, net income).

\*2 The above figures take into account the impact of transfer of Panasonic’s business on the premise of approval from competition law authorities of concerned countries.

## Business environment

### Automotive battery (Japan)

- Spreading environmentally friendly vehicles
  - ✓ Demand for high performance, high quality dedicated batteries to increase
- Advancement of global standards auto parts procurement
  - ✓ Competition to intensify as foreign manufacturers enter the Japanese market

### Industrial battery and power supply (Japan)

- Progress in practical use of industrial-use lithium-ion batteries
  - ✓ Power storage market emerges in Japan and abroad
  - ✓ The speed at which market price is falling accelerates as overseas manufacturers go into the offensive
- Use of renewable energy for own consumption to increase
  - ✓ Demand for photovoltaic power generation facility with storage batteries to increase
- 2020 Tokyo Olympic and Paralympic Games
  - ✓ Progress of social infrastructure facilities improvement primarily in the Tokyo metropolitan area

## 1. Overview

### Overseas

- The use of high performance batteries for environmentally friendly vehicles, mainly by Japanese automobile manufacturers, to increase
  - ✓ Demand for batteries for start & stop vehicles to expand in emerging countries
- A new growth market for motorcycle batteries to emerge
  - ✓ Demand increasing in India, Africa, Middle East and Latin America even as China is witnessing an accelerated decline in demand
- Demand for industrial-use batteries to expand
  - ✓ Demand for batteries for communications and UPS to expand in emerging countries

### Automotive lithium-ion battery

- The speed at which environmentally friendly vehicles are expanding is slower than expected
  - ✓ Overcapacity in the overall industry, and cost competition
- Electric vehicles are rapidly increasing in China
  - ✓ Investment in China to accelerate

### Others

- Promotion of space development applications
  - ✓ Demand for high quality lithium-ion batteries for space and satellite uses to expand
- Formulation of three principles of defense equipment transfer
  - ✓ Overseas relocation of defense equipment and international joint development to advance



## Mid-Term Management Policy

**With the aim of becoming energy device company “new GS Yuasa,” we will ensure long-term, continuous growth.**

- Ensure profit at the new business (lithium-ion business) and firmly put the business on a stable growth track
- Further expand business domain of growth business (overseas operations) and raise its profitability
- Expand and stabilize the cash flow from existing businesses (automotive battery business and industrial battery and power supply business) and make investment for future growth

## Key Mid-Term Strategic Tasks

### [Basic strategy]

Stabilize and expand the new business by enhancing management foundation and earnings power of existing and growth businesses and grow it into the second pillar of the corporate foundation following the lead business.

- ✓ Ensure the achievement of the fourth quality improvement plan over the next three years, based on the GS YUASA Basic Policy on Quality
- ✓ Reorganize the business structure in response to markets and customers

## Management goals

### Plan period

three years from April 2016 to March 2019

### FY2018 (Apr 2018 to Mar 2019) final targets<sup>(\*)</sup>

Net sales	¥480.0 bn
Operating income ratio	8 % or more
ROE (return on equity)	10 % or more
Total return ratio	30 % or more

\*1 The above benchmark is equivalent to the profit before goodwill amortization (operating income, net income).

\*2 The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

## Business results and management targets

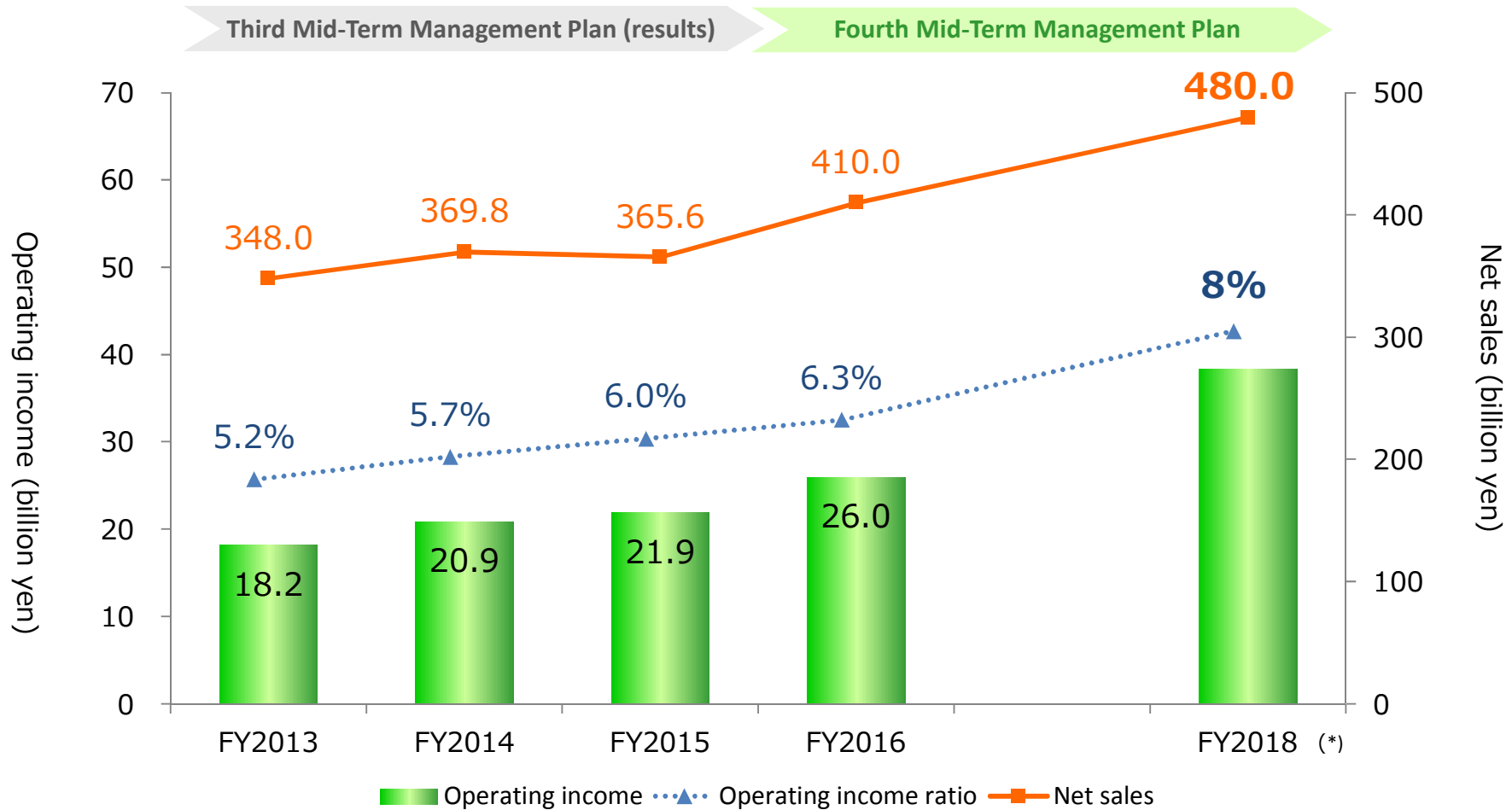
(Billion yen)

	Third Mid-Term Management Plan FY2015 (Apr 2015 – Mar 2016)	Fourth Mid-Term Management Plan FY2018 <sup>(*)</sup> (Apr 2018 – Mar 2019)	Change
Net sales	365.6	480.0	+114.4
Operating income ratio	6.0%	8% or more	-
Domestic lead price quote	¥273,500/t	¥290,000/t	-
LME	1,786US\$/t	2,000US\$/t	-
Forex	¥121.03/US\$	¥115.0/US\$	-

(\*1) Operating income ratio for FY2018 is the operating income ratio before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

# Business results and management targets



(\*1) Operating income ratio and operating income for FY2016 and FY2018 are figures before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

## Financial policy

- Focus on ROE (target: 10% or more) as a management index, promote efficient use of invested capital and reduce interest-bearing debts
- Achieve total return ratio before goodwill amortization of 30% or more (achieve stable dividend payment to shareholders and improve capital efficiency)

	FY2015 results (2015.4 – 2016.3)	FY2018 targets (*) (2018.4 – 2019.3)
Interest-bearing debts	¥73.6 bn	¥80.0 bn or less
Cash flow vs. interest-bearing debts ※	2.5 years	2.0 years or less
Total return ratio (total return)	45.7% (¥4.1 bn)	30% or more (approx. ¥7.0 bn)

※ Interest-bearing debts (including lease obligations)/operating cash flow

	Third Mid-Term Management Plan Three year total	Fourth Mid-Term Management Plan Three year total
Operating cash flow	¥69.6 bn	¥130.0 bn
Investing cash flow	-¥42.6 bn	-¥120.0 bn
Free cash flow	¥27.0 bn	-¥10.0 bn

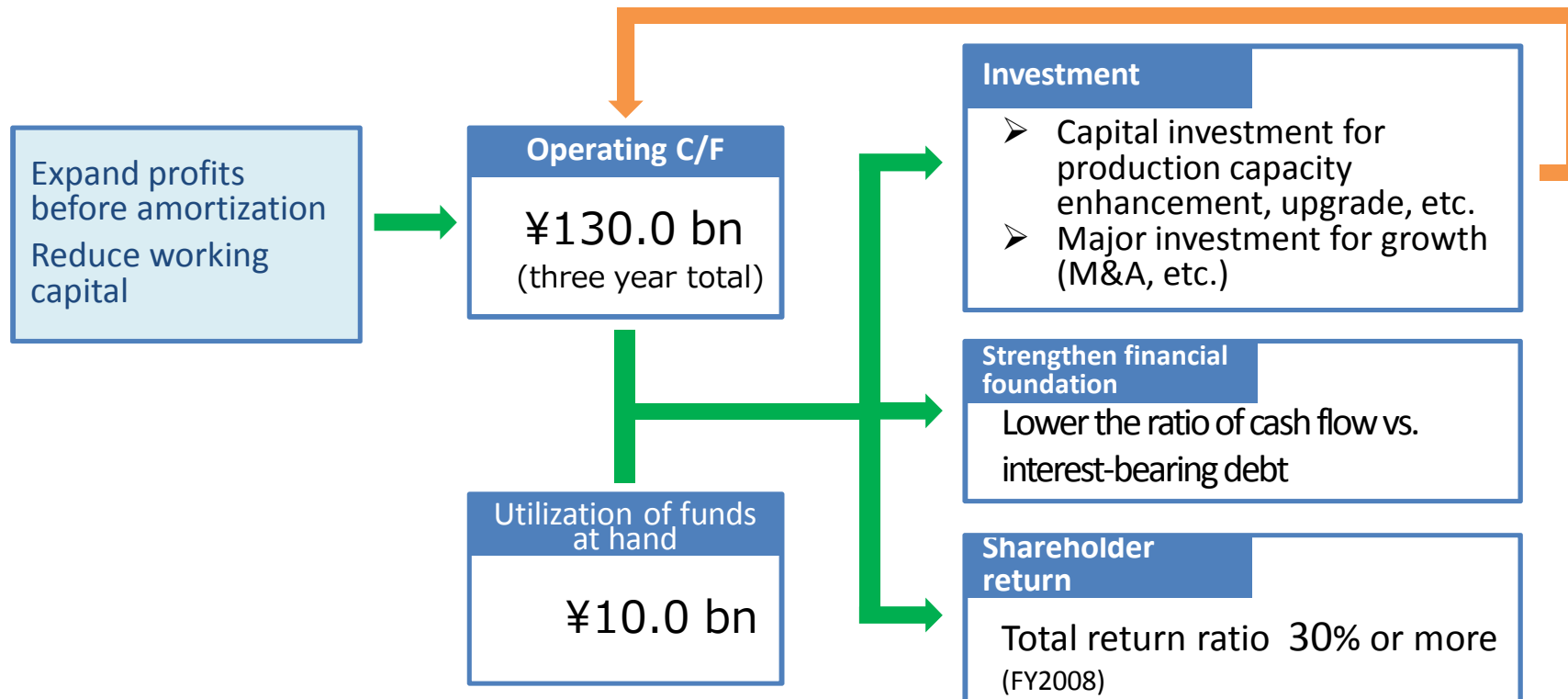
(\*1) Total return ratio for FY2018 is the total return ratio before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

# 1. Overview

## Capital policy

To improve corporate value, distribute funds in a balanced manner in investment for medium- to long-term growth, strengthening of financial foundation for supporting growth and appropriate shareholder return.



(\*1) Total return ratio for FY2018 is the total return ratio before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic’s business on the premise of approval from competition law authorities of concerned countries.

# Net sales and operating income

(Billion yen)

	Results				Fourth Mid-Term Management Plan			
	FY2015 (Apr 2015 – Mar 2016)		FY2016 (Apr 2016 – Mar 2017)		FY2018 (Apr 2018 - Mar 2019)		Change (Mar 2019 – Mar 2016)	
	Net sales	Op. income ratio (Op. income)	Net sales	Op. income ratio (Op. income)	Net sales	Op. income ratio (Op. income)	Net sales	Op. income ratio (Op. income)
Automotive battery (Japan)	51.0	6.5% (3.3)	75.0	7.7% (5.8)	86.0	10%	+35.0	+3.5P
Industrial battery and power supply (Japan)	74.8	10.8% (8.1)	79.0	11.4% (9.0)	90.0	13%	+15.2	+2.2P
Overseas	191.4	5.9% (11.4)	204.0	5.5% (11.2)	230.0	7%	+38.6	+1.1P
Automotive lithium-ion battery	38.3	-1.5% (-0.6)	43.0	1.2% (0.5)	56.0	5%	+17.7	+6.5P
Others	10.1	-2.3% (-0.2)	9.0	-5.6% (-0.5)	18.0	—	+7.9	—
<b>Total</b>	<b>365.6</b>	<b>6.0%</b> (21.9)	<b>410.0</b>	<b>6.3%</b> (26.0)	<b>480.0</b>	<b>8%</b>	<b>+114.4</b>	<b>+2.0P</b>

(\*1) Operating income ratio and operating income for FY2016 and FY2018 are figures before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

# Capital investment and depreciation

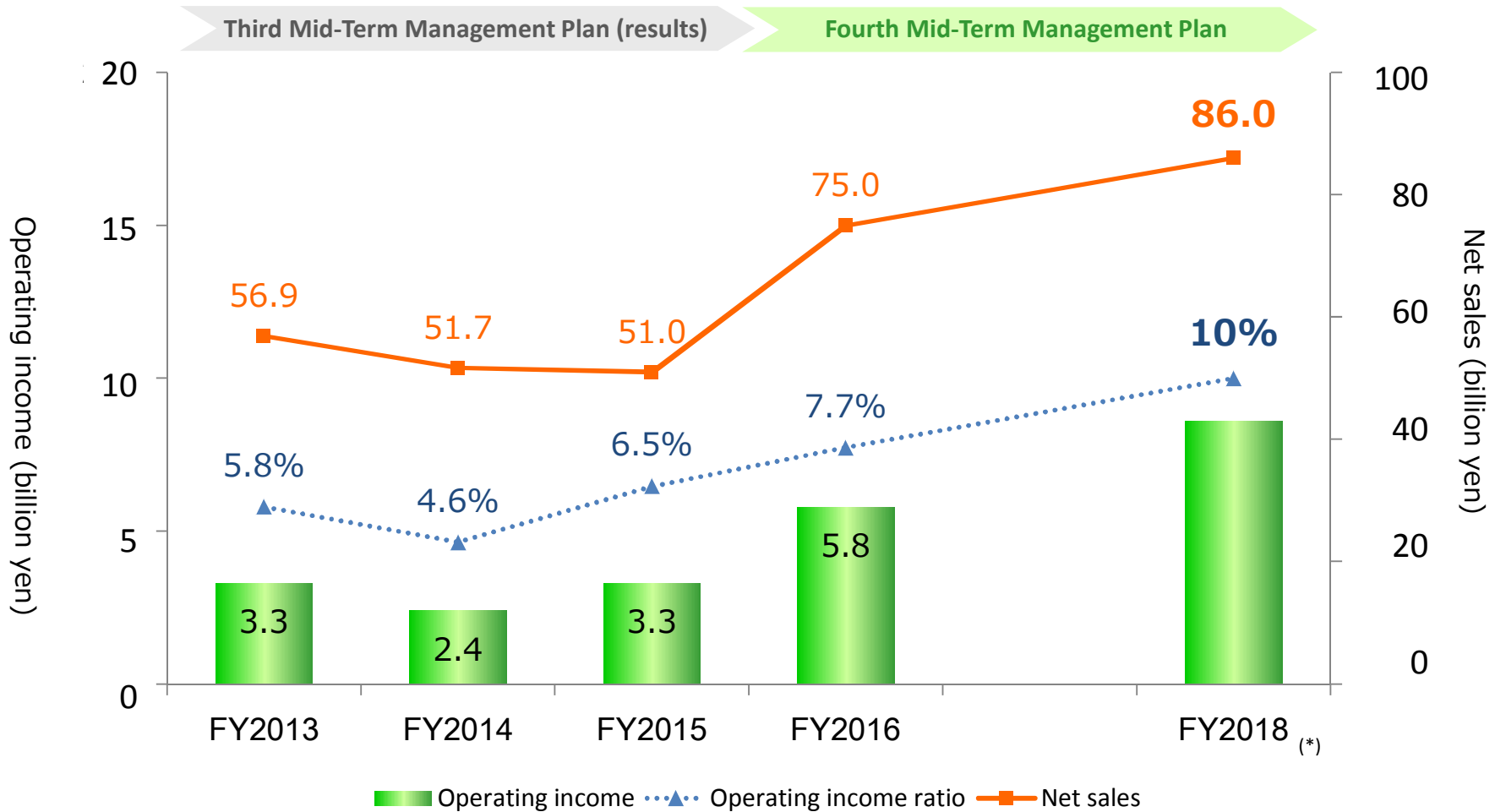
(Billion yen)

	Third Mid-Term Management Plan	Fourth Mid-Term Management Plan
	Three year total (Apr 2013 – Mar 2016)	Three year total (Apr 2016 – Mar 2019)
Automotive battery (Japan)	3.4	8.0
Industrial battery and power supply (Japan)	4.5	6.0
Overseas	12.2	36.0
Automotive lithium-ion battery	11.5	11.0
Others	10.9	29.0
Capital investment total	42.5	90.0
Depreciation	43.9	55.0
Automotive lithium-ion battery	16.1	17.0

\* The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.



# Automotive Battery (Japan)



(\*1) Operating income ratio and operating income for FY2016 and FY2018 are figures before goodwill amortization.  
 (\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

## Automotive Battery (Japan)

### Business policy

**Win further trust of customers and market and ensure No.1 position in the industry**

### Strategy and key tasks

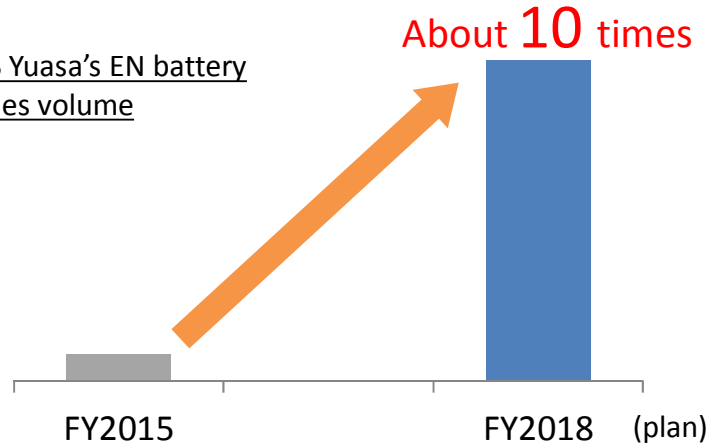
- Achieve high-performance, high-quality, low-cost  
(build optimal production structure, including for the transfer of Panasonic business)
- Capture orders for next-generation batteries and expand share of high-added-value battery market

# Automotive Battery (Japan)

## New vehicle

- Increase share in advance in EN Standard (European Norm) lead-acid battery market

GS Yuasa's EN battery sales volume



Models for which GS Yuasa supplies the batteries (FY2015)

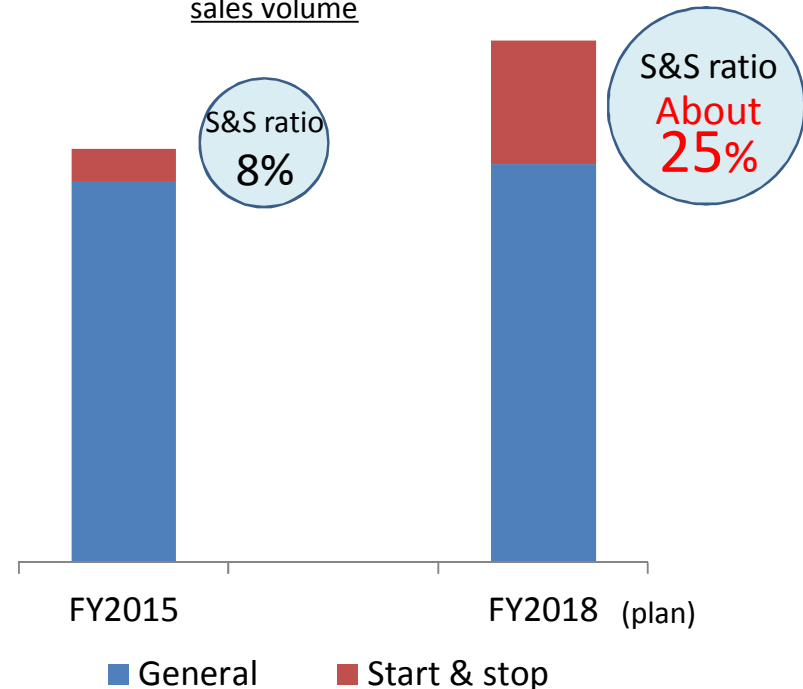


- Build a business structure for 12 V lithium-ion engine-start battery

## Replacement

- Enable both profit improvement and market share increase by steadily capturing replacement demand for start & stop (S&S) vehicles

GS Yuasa's replacement sales volume



## Automotive Battery (Japan)

### ➤ Create synergies from the transfer of Panasonic's lead-acid battery business

#### ■ Synergy effects

- Development of a business structure that will be recognized for technology, quality, and cost through synergies between the technological capabilities of the two companies
- Pursuit of production streamlining through horizontal deployment of production technologies globally
- Development of an optimal production structure consisting of GS Yuasa's existing plants plus the Hamanako Plant
- Development speed improvement to cope with diversification of product development requirements

#### ■ Subjects of business transfer

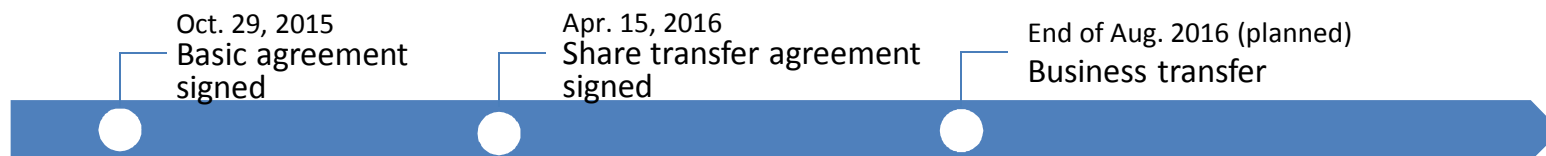
- Panasonic Storage Battery Co., Ltd.
- Panasonic Storage Battery (Shenyang) Co., Ltd.
- Business split is expected to take time Lead-acid battery business of Panasonic Energy (Thailand) Co., Ltd. (excluding the dry cell battery business)

No-longer the subject of transfer Panasonic Minda Storage Batteries India Private Ltd.

#### ■ Expected purchase price

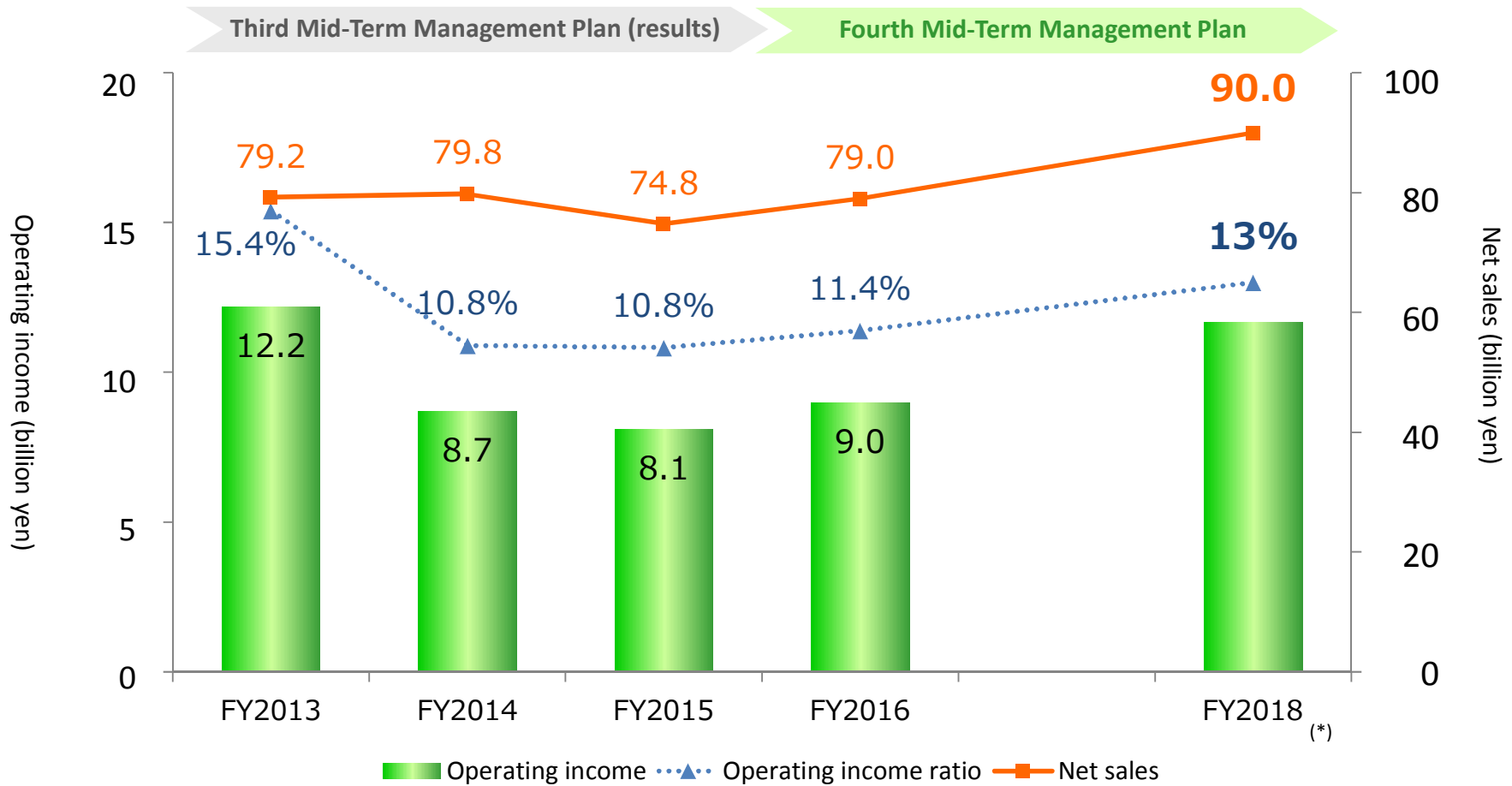
Approx. 30.0 billion yen

#### ■ Schedule



Note: the date of business transfer may change due to situations such as the approval status by each country's competition law authority.

# Industrial Battery and Power Supply (Japan)



(\*1) Operating income ratio and operating income for FY2016 and FY2018 are figures before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

## Industrial Battery and Power Supply (Japan)

### Business policy

**Ensure profitability of existing business and build the base for new business**

### Strategy and key tasks

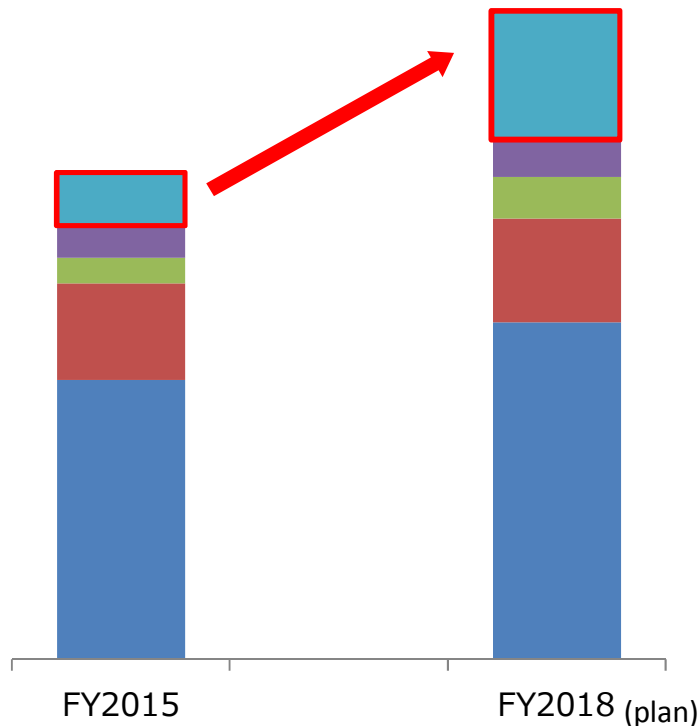
- Solidify earnings by promoting measures to strengthen competitiveness in production, sales and technology in the existing business
- Expand into new businesses in the industrial-use lithium-ion battery market in Japan and abroad (electric power and communication, railways and construction machinery, housing, etc.)

## Industrial Battery and Power Supply (Japan)

### Focus management resources on nurturing next-generation businesses

- ✓ Expand the business domain in new energy field
- ✓ Strengthen the foundation in existing business field and develop new markets and new customers

Change in net sales by business



#### New energy

Industrial-use lithium-ion batteries, renewable energy-related equipment

#### Lightings

LED facilities lighting equipment, ultraviolet applied equipment

#### Specialized equipment

Digital camera chargers, battery packs and chargers for electrically powered equipment

#### Batteries for electrically powered vehicles

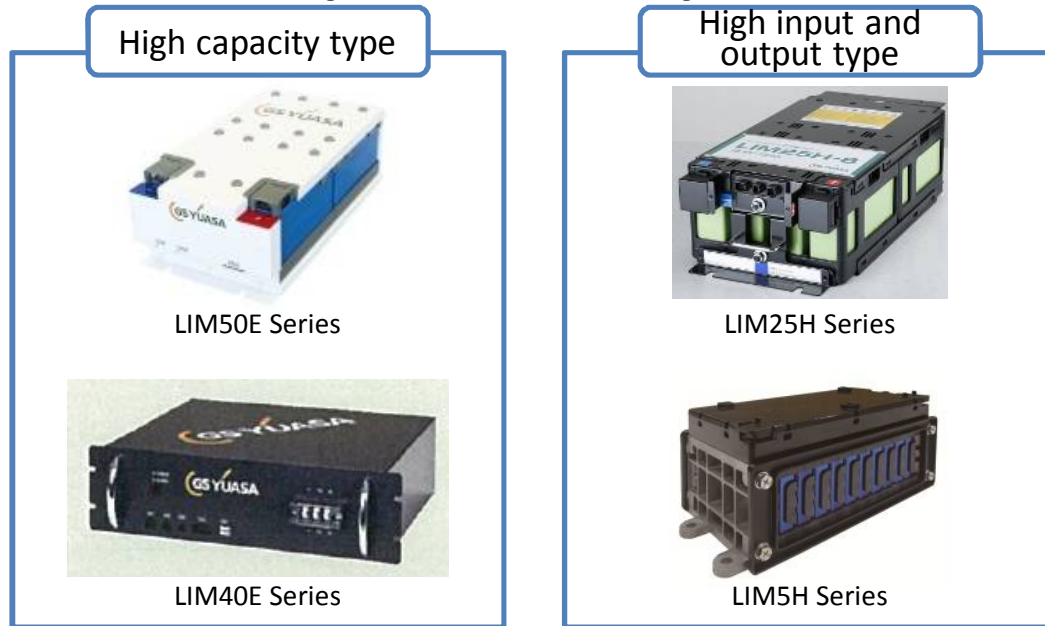
Batteries for battery-type forklift

#### Backup

Power source system, industrial-use batteries

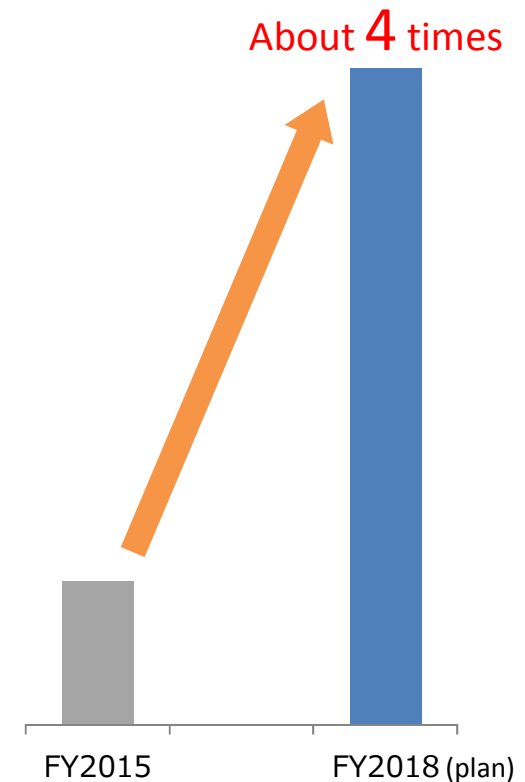
# Industrial Battery and Power Supply (Japan)

Offer most suitable products for respective applications from the abundant product lineup



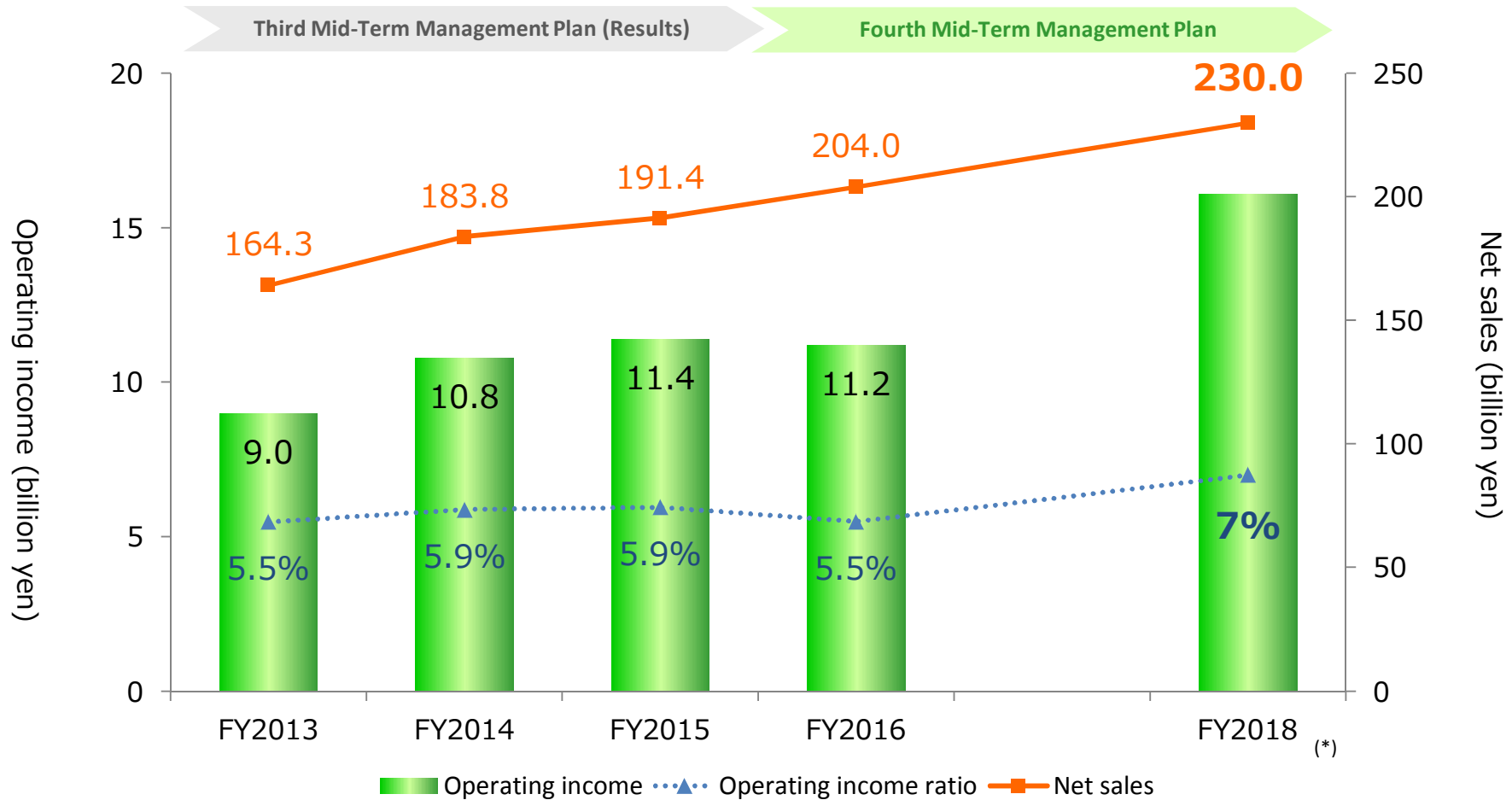
- Railway
- Construction machinery
- Electric power
- Housing
- Communication
- Disaster prevention

Change in net sales of non-automotive lithium-ion batteries





Overseas



(\*1) Operating income ratio and operating income for FY2016 and FY2018 are figures before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

## Overseas

### Business policy

**Firmly maintain No.1 position in Asian market and make a great leap in the global market**

### Strategy and key tasks

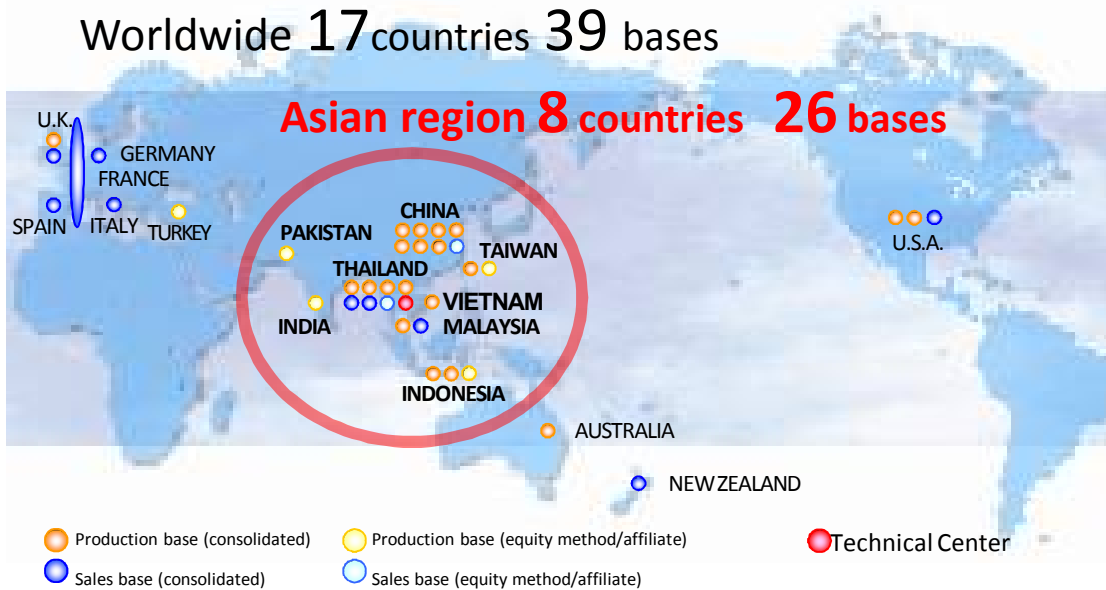
- Utilize the bases acquired in the Panasonic business transfer (China, Thailand)
- Business expansion to unexplored regions (Asia, Africa, Middle East, Central and Latin America, etc.)
- Improve profitability and strengthen structure of existing bases
- Expand business scale through M&As

Overseas

Expand global market share in lead-acid batteries

- ✓ Structural improvement of existing bases
- ✓ Expansion into unexplored regions

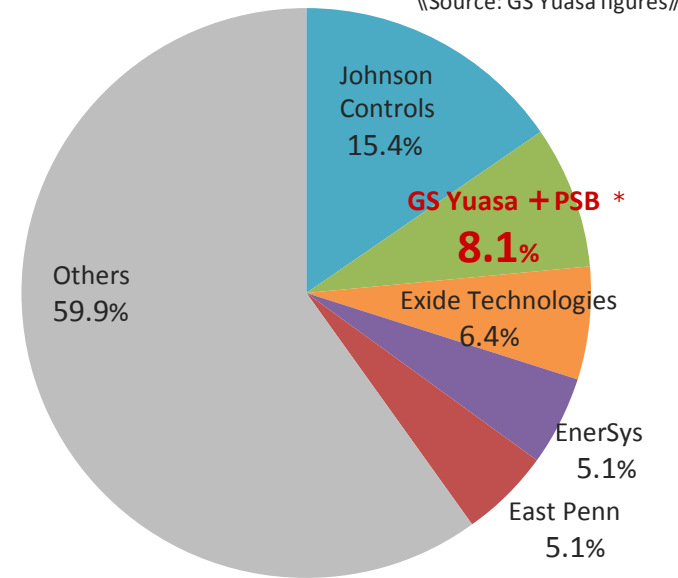
Worldwide 17 countries 39 bases



(As of April 2016)

Global share

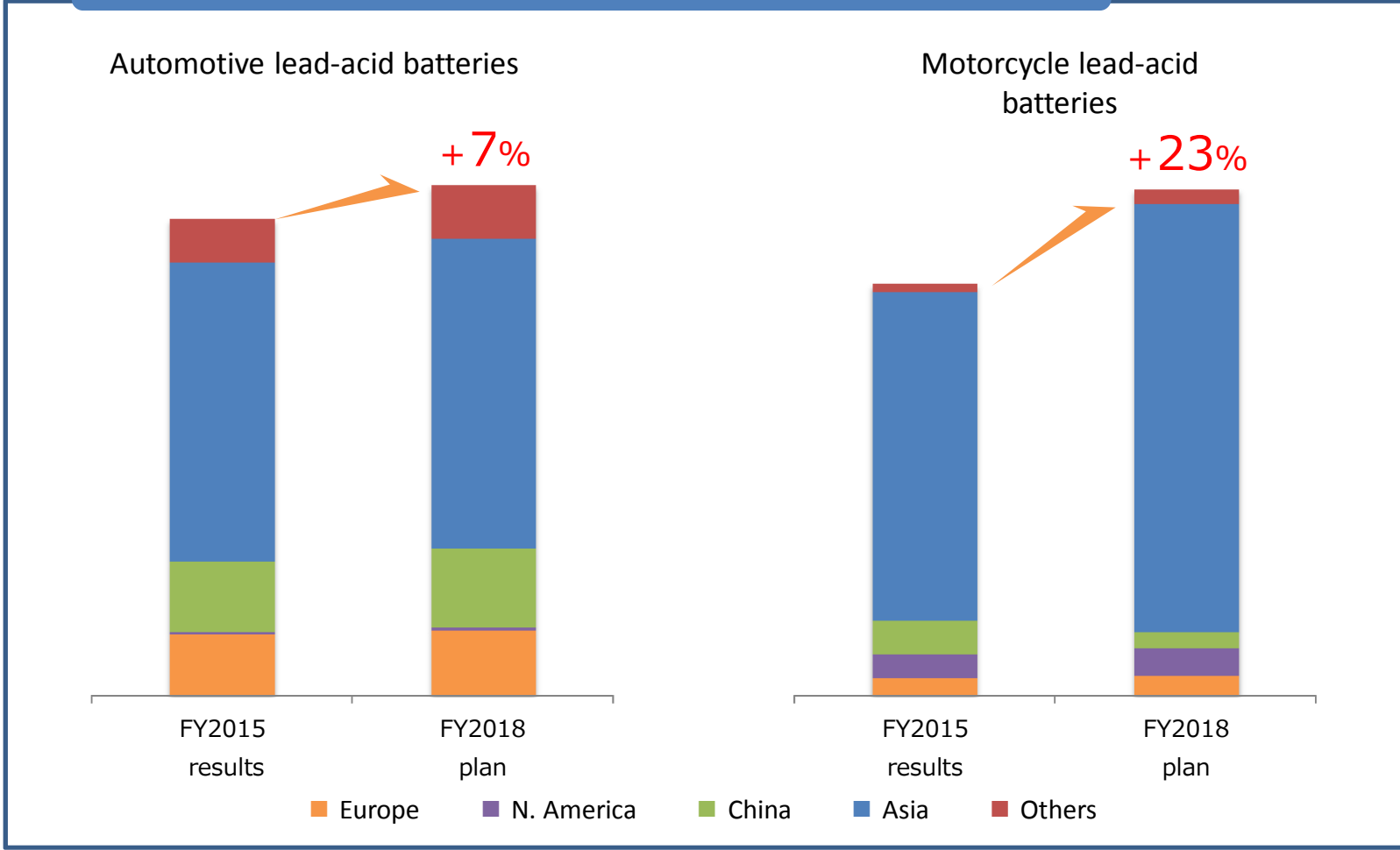
Overall market for lead-acid battery for automobiles, motorcycles and industrial-use (incl. electrically powered vehicles)  
 (Source: GS Yuasa figures)



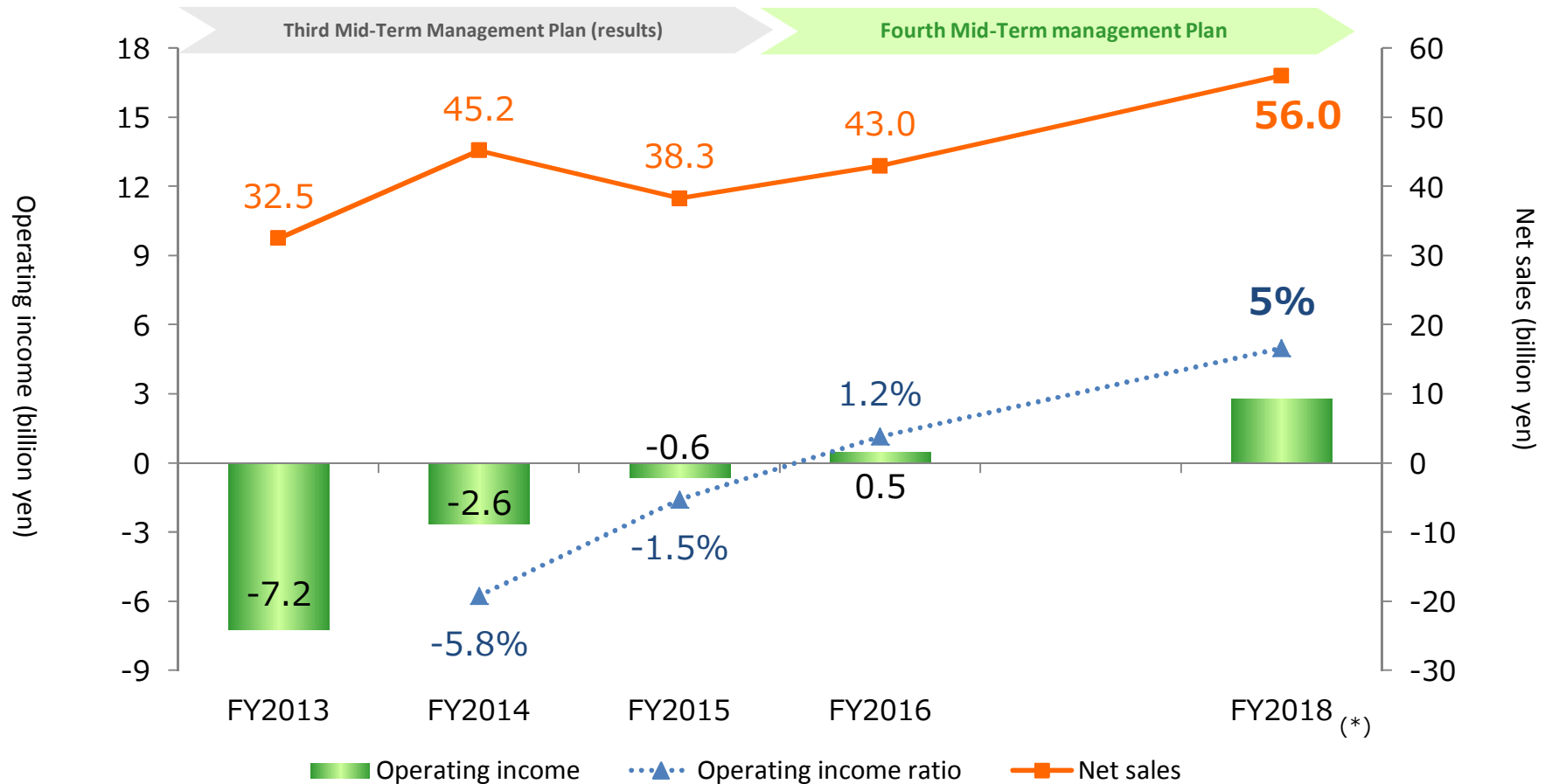
\*Panasonic Storage Battery

Overseas

Shipping trend by region (includes equity method)



## Automotive lithium-ion battery



(\*1) Operating income ratio and operating income for FY2016 and FY2018 are figures before goodwill amortization.

(\*2) The above figures take into account the impact of transfer of Panasonic's business on the premise of approval from competition law authorities of concerned countries.

## Automotive lithium-ion battery

### Business policy

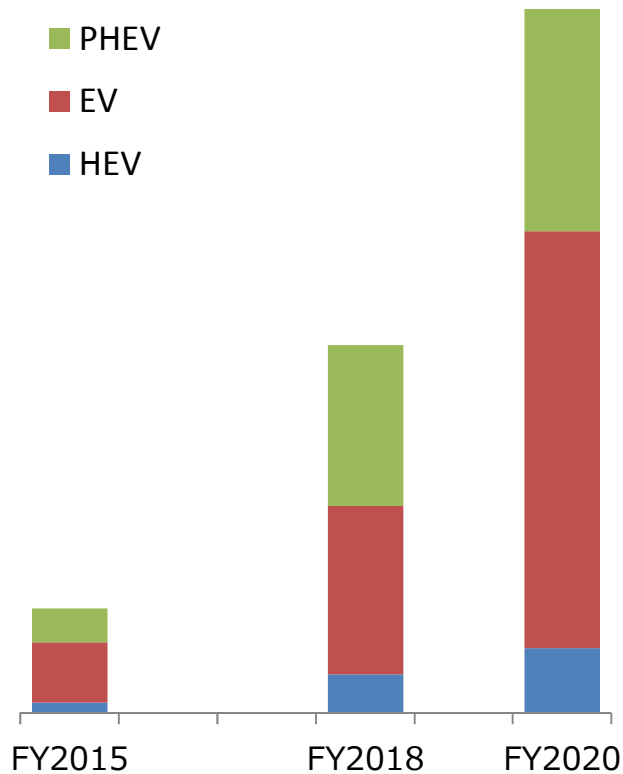
**With the automotive lithium-ion battery business as the bedrock, expand the business domain**

### Strategy and key tasks

- Establish position in automotive battery market (electric vehicles, plug-in hybrid vehicles, hybrid vehicles, etc.)
- Develop products to cultivate new markets, including 12V engine start batteries and stationary batteries
- Expand business through collaboration with overseas companies (Europe, China, etc.)

## Automotive lithium-ion battery

Market size forecast for automotive lithium-ion batteries (Capacity-based)



\*Source: Prepared by GS Yuasa based on Comprehensive Survey of Battery-related Market by Fuji Keizai and estimates by Yano Research Institute

### Strengths

- ✓ Mass production expertise by leading the world in establishing a mass production structure
- ✓ Used in wide-ranging applications (automotive, industry, specialty)
- ✓ R&D ability and adaptability with various models
- ✓ Future expansion with Bosch

### Issues

- ✓ Development of high-performance cell
- ✓ Capturing new customers
- ✓ Promoting cost-reduction activities

**Aim for expansion with profits**

# Others

➤ **Expand the business scale of specialty batteries**

Offer products having **best performance and best quality**, which can endure severe conditions from the seas to the space



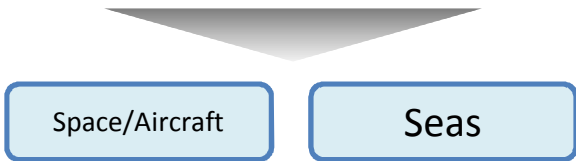
Lithium-ion batteries (high capacity type)



Thermal batteries



Lithium-ion battery for H-II A/B rocket



**Growth strategy**


- ✓ Expand overseas taking advantage of the three principles of defense equipment transfer
- ✓ Start new businesses

Topics


## GS Yuasa Wins METI Award

at the 2nd Space Development Usage Prize

- **Winning case**  
Utilization of lithium-ion battery for reducing the size and weight and increased life of satellite power source.
- **Assessment**
  - Pioneering development of lithium-ion batteries for artificial satellite
  - Contribution to major reduction in satellite launch cost and dramatic leap in operational life
  - Deployed in more than 100 satellites



Lithium-ion batteries for artificial satellites



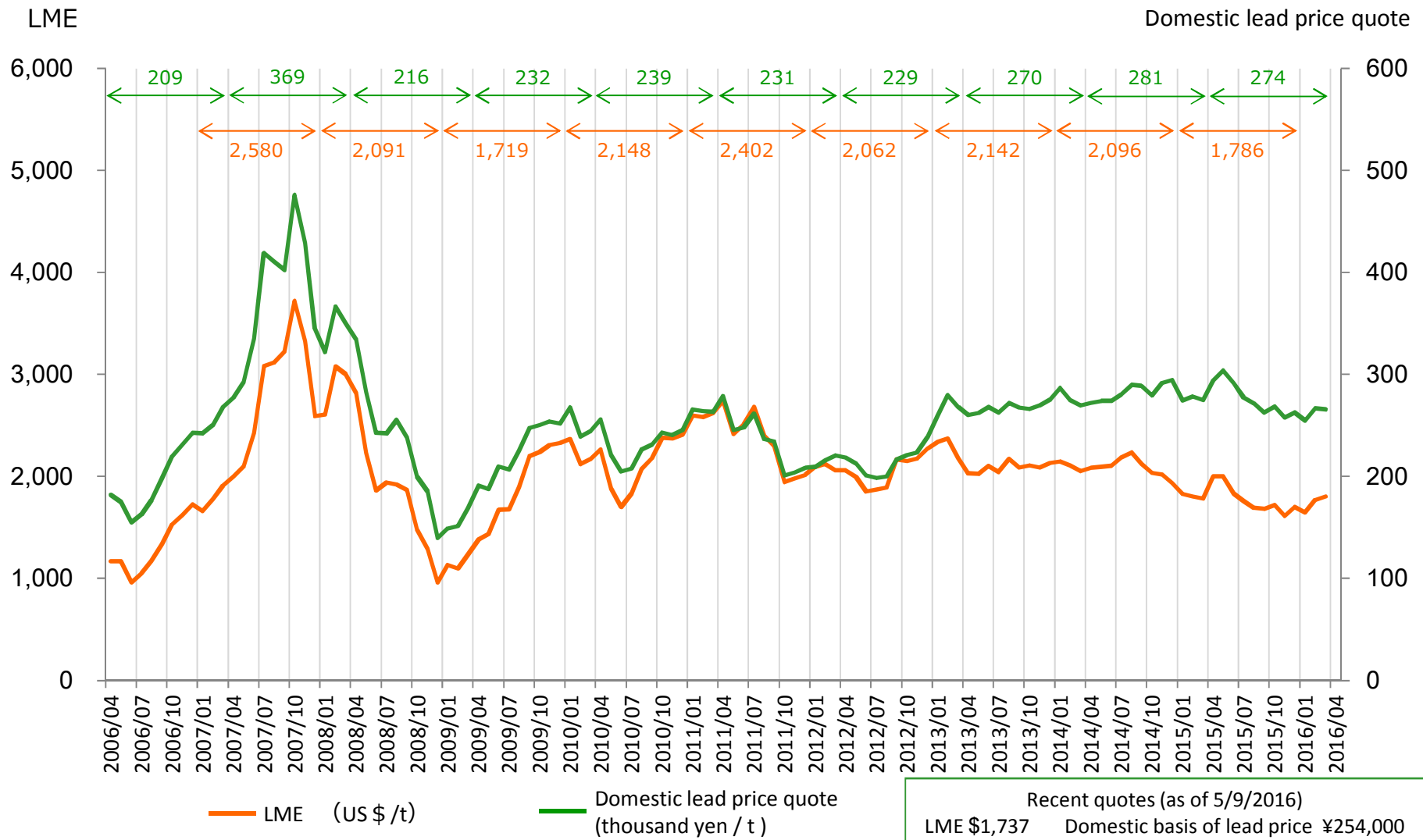
Geostationary weather satellite "Himawari 8" (Source: Meteorological Agency)



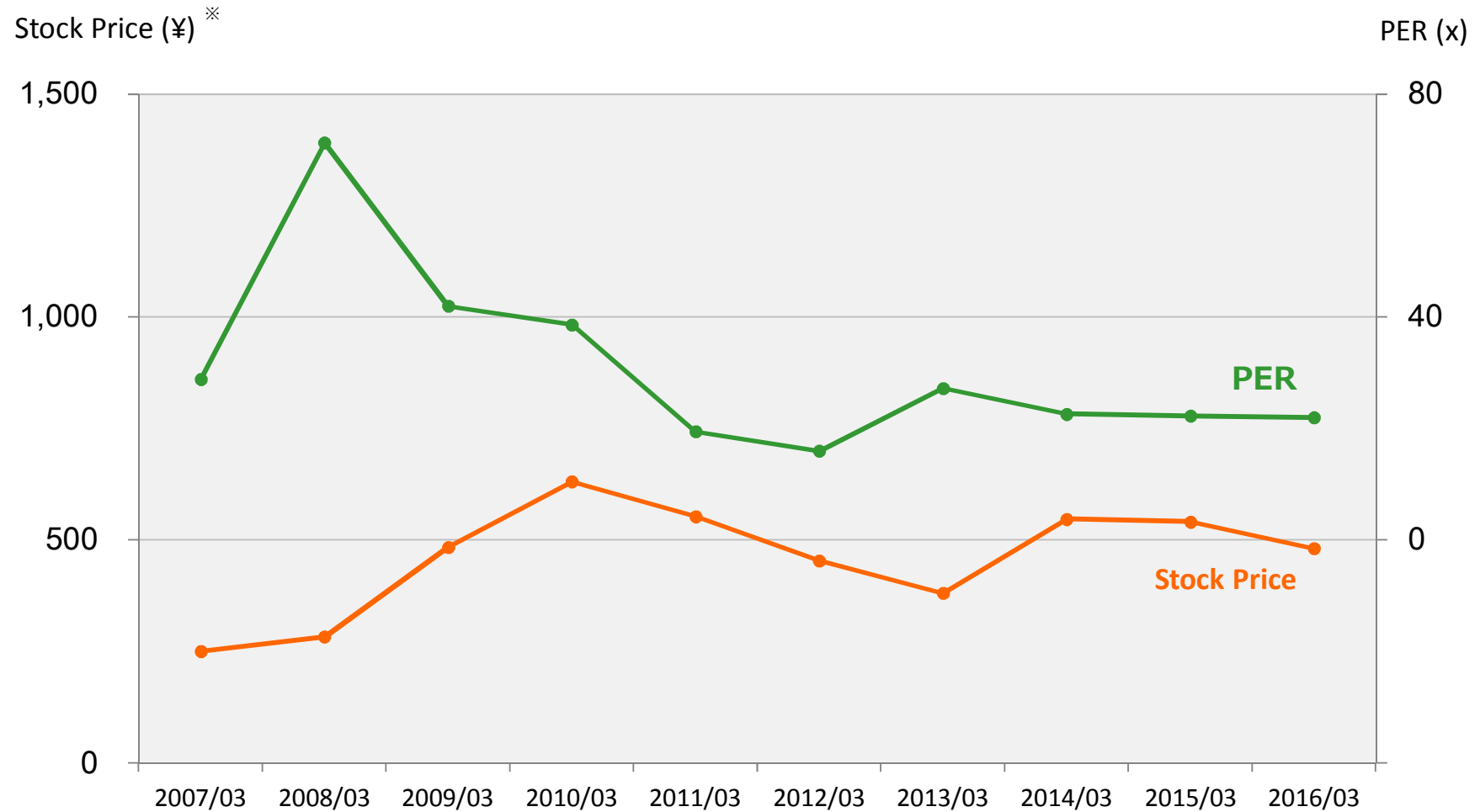
Although this document has been prepared with information believed to be correct, GS Yuasa Corporation does not guarantee the accuracy or the completeness of such information. Also, the information herein contains forward-looking statements regarding the Company's plans, outlooks, strategies and results for the future. All the forward-looking statements are based on judgments derived from information available to the Company at the time of release. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented herein.



## Raw Materials Prices



## Stock Price, Price to Earnings Ratio (PER)



※ Closing price on final trading day of March

## Return on Equity (ROE), Earnings per Share (EPS), Dividends

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
ROE (%)	11.2	10.5	4.8	7.5	6.7	5.7
EPS (¥)	28.39	28.42	13.97	24.18	24.33	21.88
Dividend per Share (¥)	8	8	6	8	10	10 (plan)
Payout Ratio (%)	28.2	28.1	42.9	33.1	41.1	45.7

## Interest-bearing Debt, D/E Ratio, Equity Ratio, Interest-bearing Debt to Cash Flow Ratio

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Interest-bearing Debt (¥bn)	48.3	56.1	71.7	80.1	82.2	73.6
D/E Ratio (x)	0.43	0.55	0.62	0.64	0.63	0.54
Equity Ratio (%)	43.8	41.3	43.2	41.0	44.9	44.4
Debt to cash flow ratio (year)	1.9	8.0	4.0	4.2	4.3	2.5