

# Sixth Mid-Term Management Plan Update Briefing



July 9, 2024

GS Yuasa Corporation

## Sixth Mid-Term Management Plan Update

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## Sixth Mid-Term Management Plan Update

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# 1. Policies and Issues of Sixth Mid-Term Management Plan

## Sixth Mid-Term Management Policy

Positioning this period as one for laying the foundation for reform to realize the vision envisioned in Vision 2035, we will implement a variety of measures to reform our business structure.

### Implementation Measures

#### ① Development of batteries for BEVs

##### Measures

- Development of a high-capacity, high-output lithium-ion batteries by utilizing joint venture company with Honda
- Establishment of production and supply systems of batteries for BEVs to expand mobility and public infrastructure business

#### ② Reinforcement of earning capacity in existing business

##### Measures

- Thorough value-added creation and improvement in profitability
- Maximization of profits due to unparalleled superiority in Industrial Batteries and Power Supplies Business in Japan
- Transformation of regional strategy including review of business in China, maximization of profits by concentrating resources at main sites

#### ③ DX / new business

##### Measures

- DX promotion to enable business structure transformation
- Creation of new business that contribute to solving social issues

## 2. Reasons for Sixth Mid-Term Management Plan Update

### Changes in the market environment

- Rising costs such as raw material prices due to the weaker yen and labor costs due to labor shortages
- Changing trends of conversion to EVs, reevaluation of HEVs mainly in the U.S. and Europe
- Expansion of national carbon neutral policies (subsidies for ESS and BEVs, etc.)
- Restructuring of the supply chain in the lithium-ion battery field and the growth of large competitors

### Changes in GS Yuasa

- Strengthen "earning power" of existing businesses  
mainly in Automotive Batteries and Industrial batteries and Power Supplies
- Reconsideration of business portfolio as part of the selection and concentration  
(transfer of business in China, etc.)
- Execution of strategies in growth areas with a focus on BEV business  
(establishment of Honda • GS Yuasa EV Battery R&D and land acquisition, etc.)



### 3. Management Target Update

#### Sixth Mid-Term Management Targets (FY2025 target)

	FY2023 Actual	FY2024 Forecast	Sixth Mid-Term Management Plan FY2025 Target		Change ( (B)-(A) )
			Initial target (Apr. 2023) (A)	Revised target (Jul. 2024) (B)	
Net Sales	562.9 billion yen	590.0 billion yen	610.0 billion yen or more	<b>600.0 billion yen or more</b>	-10.0 billion yen
Operating income before amortization of goodwill (Operating income ratio)	42.2 billion yen 7.5 %	44.5 billion yen 7.5 %	41.0 billion yen or more 6.7 % or more	<b>46.0 billion yen or more 7.7 % or more</b>	+5.0 billion yen +1.0 P
[Reference] Operating income before amortization of goodwill (before application of hyperinflationary accounting)	44.9 billion yen	47.1 billion yen	-	<b>48.6 billion yen or more</b>	-
Return on equity (ROE)	11.6 %	8 %	8 % or more	<b>8 % or more</b>	-
Return on invested capital (ROIC)	13.7 %	12.5 %	10 % or more	<b>10 % or more</b>	-
Total return ratio	20.6 %	26.5 %	30 % or more	<b>30 % or more</b>	-
Prerequisites	Domestic lead price quote	¥373,400 /t	¥372,000 /t	<b>¥372,000 /t</b>	+¥30,000 /t
	LME	2,121 US\$/t	2,200 US\$/t	<b>2,100 US\$/t</b>	+100 US\$/t
	Exchange rate	¥145.31 /US\$	¥145.0 /US\$	<b>¥145.0 /US\$</b>	+¥5.0 /US\$

Notes: 1. The above indicators are based on profit before amortization of goodwill.  
2. ROIC is calculated as follows: Invested capital (fixed assets [excl. goodwill amortization] + working capital) / Operating income before amortization of goodwill. Invested capital is the average of amount at beginning and end of term.  
3. The amount of application of hyperinflationary accounting shown for reference is included in the FY2024 forecast and the FY2025 revised target for operating income as the same level as in FY2023.

#### Forecast

- The performance will remain strong due to significant price corrections mainly in Automotive Batteries, Industrial Batteries and Power Supplies
- Domestic lead prices will remain high due to the impact of yen depreciation

## 4. Update by Segments

(Billion yen)

		FY2023 Actual		FY2024 Forecast		Sixth Mid-Term Management Plan FY2025 Target				Change ( (B)-(A) )		[Reference] FY2025 Revised Target (before application of hyperinflationary accounting)	
						Initial target (Apr. 2023) (A)		Revised target (Jul. 2024) (B)					
		Net sales	Operating income (Op. income ratio: %)	Net sales	Operating income (Op. income ratio: %)	Net sales	Operating income (Op. income ratio: pp)	Net sales	Operating income (Op. income ratio: pp)	Net sales	Operating income (Op. income ratio: pp)	Net sales	Operating income (Op. income ratio: pp)
Automotive Batteries	Japan	94.0	8.1 (8.6)	100.0	8.0 (8.0)	100.0	7.0 (7.0)	100.0	9.0 (9.0)	±0.0	+2.0 (+2.0)	100.0	9.0 (9.0)
	Overseas	252.9	15.1 (6.0)	259.0	16.5 (6.4)	240.0	17.0 (7.1)	260.0	17.0 (6.5)	+20.0	±0.0 (-0.6)	260.0	19.6 (7.5)
Industrial Batteries and Power Supplies		109.7	13.2 (12.0)	120.0	13.0 (10.8)	140.0	11.0 (7.9)	120.0	13.0 (10.8)	-20.0	+2.0 (+2.9)	120.0	13.0 (10.8)
Automotive Lithium-ion Batteries		84.8	2.6 (3.1)	90.0	4.0 (4.4)	110.0	6.0 (5.5)	100.0	5.0 (5.0)	-10.0	-1.0 (-0.5)	100.0	5.0 (5.0)
Specialized Batteries and Others		21.5	3.2 (7.7)	21.0	3.0 (14.3)	20.0	0.0 ( - )	20.0	2.0 (10.0)	±0.0	+2.0 (+10.0)	20.0	2.0 (10.0)
Total		562.9	42.2 (7.5)	590.0	44.5 (7.5)	610.0	41.0 (6.7)	600.0	46.0 (7.7)	-10.0	+5.0 (+1.0)	600.0	48.6 (8.1)

### Main reasons for profit forecast revision

- Automotive Batteries and Industrial Batteries and Power Supplies reflects the impact of price revision
- Automotive Batteries (Overseas) considers the impact of hyperinflationary accounting in Turkey
- Industrial Batteries and Power Supplies considers strong performance in the regular field
- Specialized Batteries and Others reflects revision of administrative expenses

Notes:

1. Operating income is operating income before amortization of goodwill and operating income ratio is operating income ratio before amortization of goodwill.

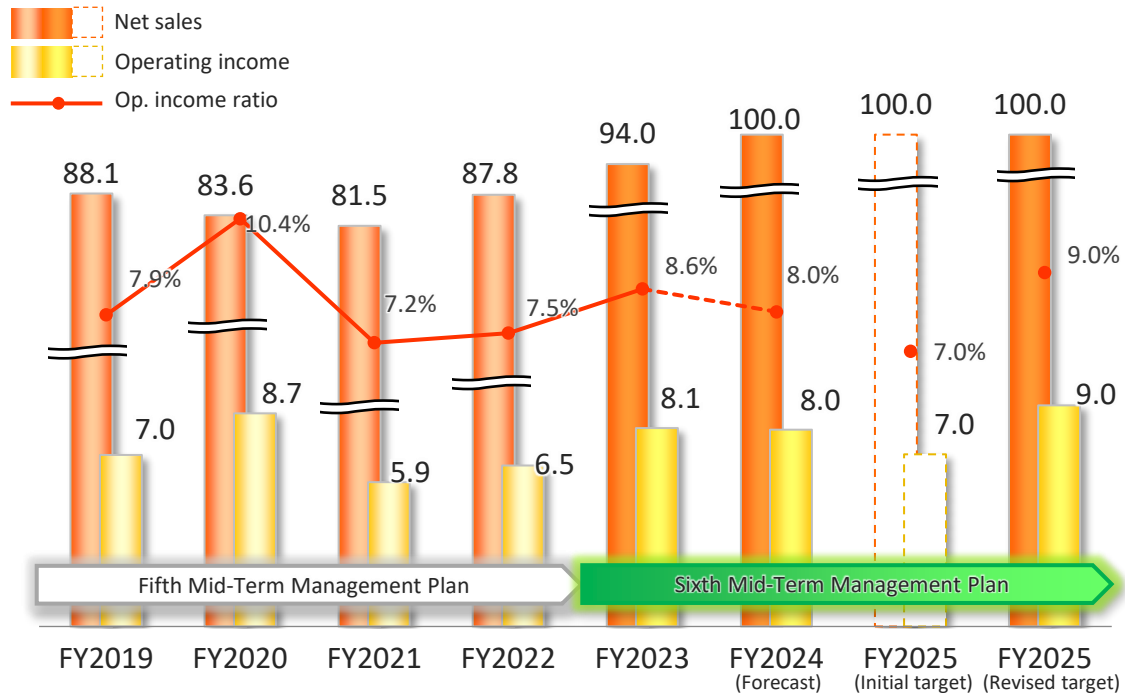
2. The inflation adjustment amount shown in Automotive Batteries (overseas) segment for reference is included in the FY2025 revised target for operating income as the same level as in FY2023.

<Prerequisites>	FY2023 Actual	FY2024 Forecast	FY2025 Initial target (A)	FY2025 Revised Target (B)	Change ( (B)-(A) )
Domestic lead price quote (¥10,000/t)	37.34	37.2	34.2	37.2	+3.0
LME (US\$/t)	2,121	2,200	2,000	2,100	+100
Exchange rate (¥/US\$)	145.31	145.00	140.00	145.00	+5.00

## 4. Update by Segments (Automotive Batteries (Japan))

### Automotive Batteries (Japan)

Net sales, Operating income and Op. ratio (Billion yen)



#### Factors for Target Revision (Sixth Mid-Term Management Plan)

- Effects of establishing appropriate prices for new automobiles, reflecting the impact of soaring raw material prices and other costs
- Strengthen sales by restructuring marketing strategies for replacement

Note: Operating income is operating income before amortization of goodwill and operating income ratio is operating income ratio before amortization of goodwill.

### Upcoming Initiatives

#### ➤ [Production]

Building an optimal production system and stable supply system in response to BCP

#### ➤ [Sales]

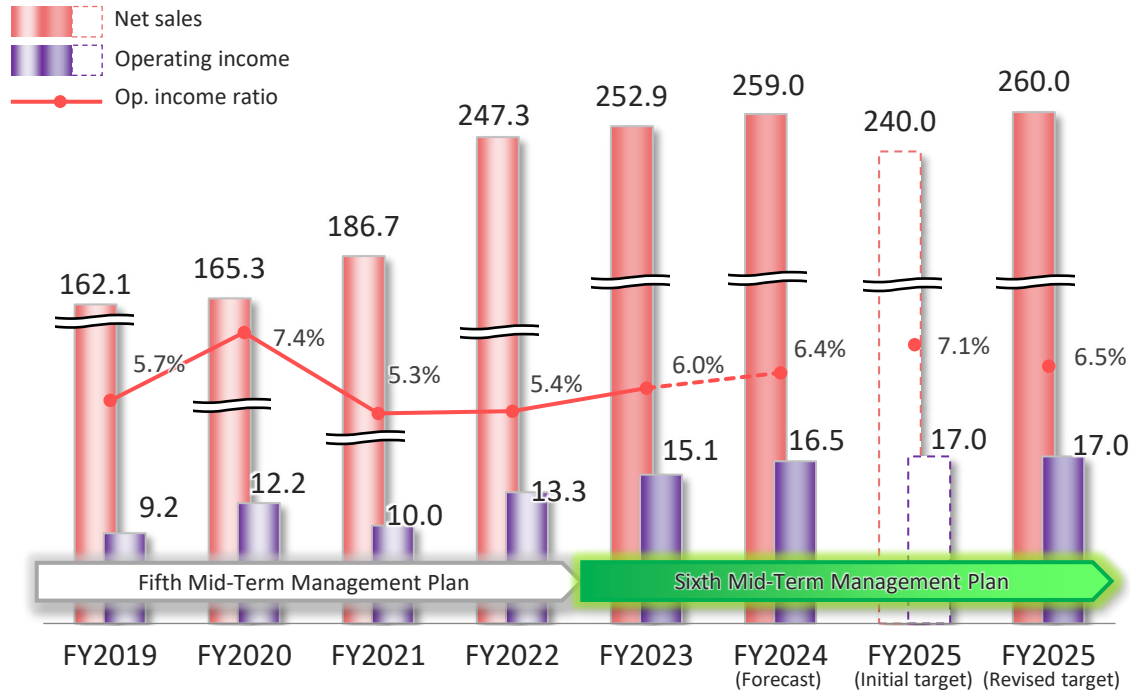
Continuing efforts to further strengthen profitability for both new automotive and replacement batteries



## 4. Update by Segments (Automotive Batteries (Overseas))

### Automotive Batteries (Overseas)

Net sales, Operating income and Op. ratio (Billion yen)



#### Factors for Target Revision (Sixth Mid-Term Management Plan)

- Effects of price revision mainly in Europe and Australia
- Impact of the hyper-inflationary accounting in Turkey after FY2023

#### Upcoming Initiatives

- **[Strategic sites (Southeast Asia, Europe and Australia)]**  
Strengthening management base and further improving profitability by concentrating resources
- **[Other sites]**  
Promoting strategies based on selection and concentration following the conversion of the China site to an equity-method affiliate company

Note: Operating income is operating income before amortization of goodwill and operating income ratio is operating income ratio before amortization of goodwill.

## 4. Update by Segments (Automotive Batteries)

### Strategies of Automotive Batteries Business



#### Europe

##### □ Turkey

Forming a product mix centered on high value-added products  
Expanding sales as an export site to Europe and other neighboring regions against the backdrop of the weak Turkish lira



#### Japan

##### □ Improving business for new automobiles

Improve profitability by realizing adequate price for new automotive batteries

##### □ Developing an optimal production and stable supply system in response to BCP

Reconsidering domestic production sites to build a mutually complementary system



#### Southeast Asia

##### □ Thailand

Expanding sales of high value-added products by leveraging our brand and product strength as a core site for automotive batteries



Production  
volume

FY2023  
5.0 million  
units / year

Establish  
a production system  
6.0 million units / year

##### □ Indonesia

Promoting improvement of profit rate by strengthening sales expansion of replacement and export batteries as a core site for motorcycle batteries

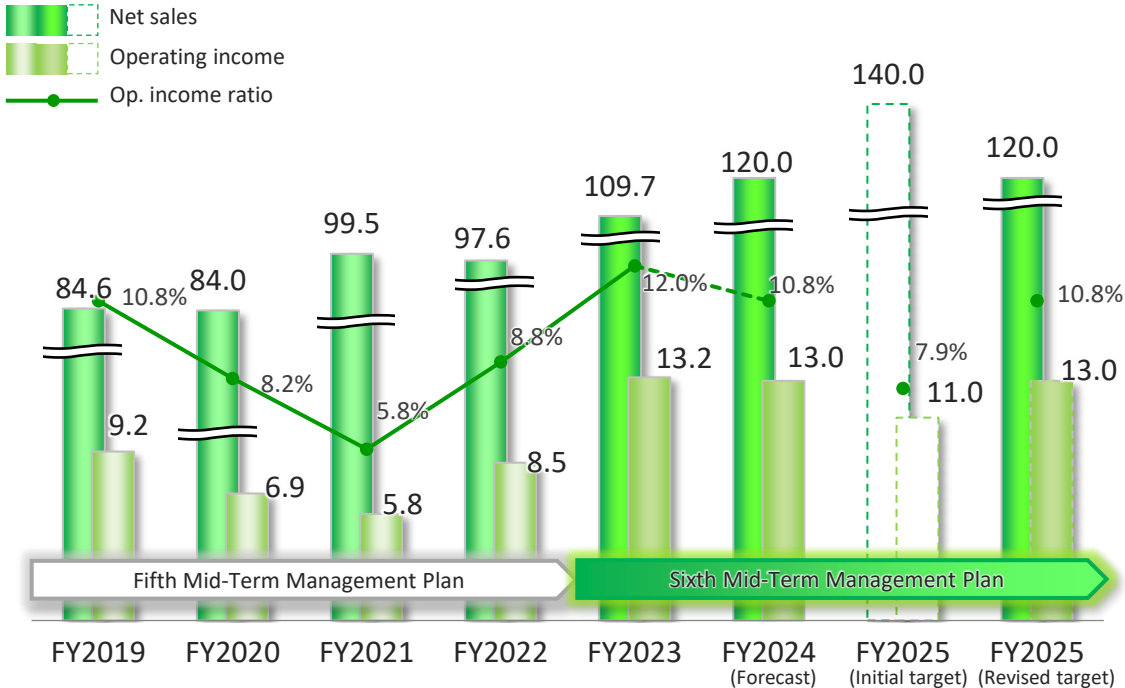
##### □ Vietnam

Increasing sales by improving productivity through the introduction of labor-saving equipment and by restructuring the sales system

## 4. Update by Segments (Industrial Batteries and Power Supplies)

### Industrial Batteries and Power Supplies

Net sales, Operating income and Op. ratio (Billion yen)



#### Factors for Target Revision (Sixth Mid-Term Management Plan)

- Effects of the price pass-through in the emergency field
- Increased profitability in the regular field due to demand for carbon neutrality and subsidies

Note: Some consolidated subsidiaries in the "Industrial Batteries and Power Supplies" segment were transferred to the "Specialized Batteries and Others" segment in fiscal 2023. In conjunction with this change, figures for fiscal 2022 were restated according to the modified segments.

### Upcoming Initiatives

- **[Emergency Field (Japan)]**  
Improving profitability by reflecting raw material prices and inflation effects on selling prices
- **[Regular Field (Japan)]**  
Securing production capacity to meet strong demand and expanding sales by ESS with PCS
- **[For Forklifts (Global)]**  
Establishing of efficient production system by starting operation of new forklift plant in Kyoto area

## 4. Update by Segments (Industrial Batteries and Power Supplies)

### Strategies of Regular Field

Conceptional image of Yatogo Energy Storage Station  
(Kumagaya City, Saitama Pref.)



- Project owner : Sub-subsidiary of Mizuho Leasing Company
- Operation : February 2025
- Capacity : 7.46MWh

Conceptional image of Tsunokobaru Power Storage Station  
(Oita City)



Created by Chiyoda Corporation  
(using Google Maps and map data from the Geospatial Information Authority of Japan)

- Project owner : Nijio Co., Ltd.
- Operation : FY2026 (Plan)
- Capacity : 50MWh

**The performance  
of regular field  
will remain strong  
in FY2024**

### Expanding production of lithium-ion batteries for regular use

- Expanding the production capacity of the former LEJ (current GS Yuasa) in FY2023
- BEV production capacity at the new plant, which will start operation in FY2027, will also be utilized in the regular field, where demand is strong.

Production for regular field (Sales volume expansion)

FY2023

Approx.  
1.0 million cells

FY2024

Supply approx. **1.3 million cells** (Plan)

FY2027-

Utilizing **production capacity of lithium-ion batteries for BEVs** and expand production

### Development and sales expansion of lithium-ion batteries for renewable energies

**The 1<sup>st</sup> Generation  
(LEPS-1)**

Increasing production capacity to meet growing demand, starting with delivery to one of the world's largest storage batteries facilities



**Delivery for a world-class  
storage battery facility  
(Toyotomi-cho, Hokkaido)**

Source: North Hokkaido Wind Energy Transmission Corporation  
(<https://www.hokubusouden.com/progress/869/#contents>)

**The 2<sup>nd</sup> Generation  
(LEPS-2)**

**Received the order from ENEOS for  
Japan's largest storage battery  
system for power grid applications**



ENEOS Muroran Plant  
(construction phase)

**The 3<sup>rd</sup> Generation (FY2027-)**

Leveraging R&D results with Honda to meet growing demand for carbon neutrality



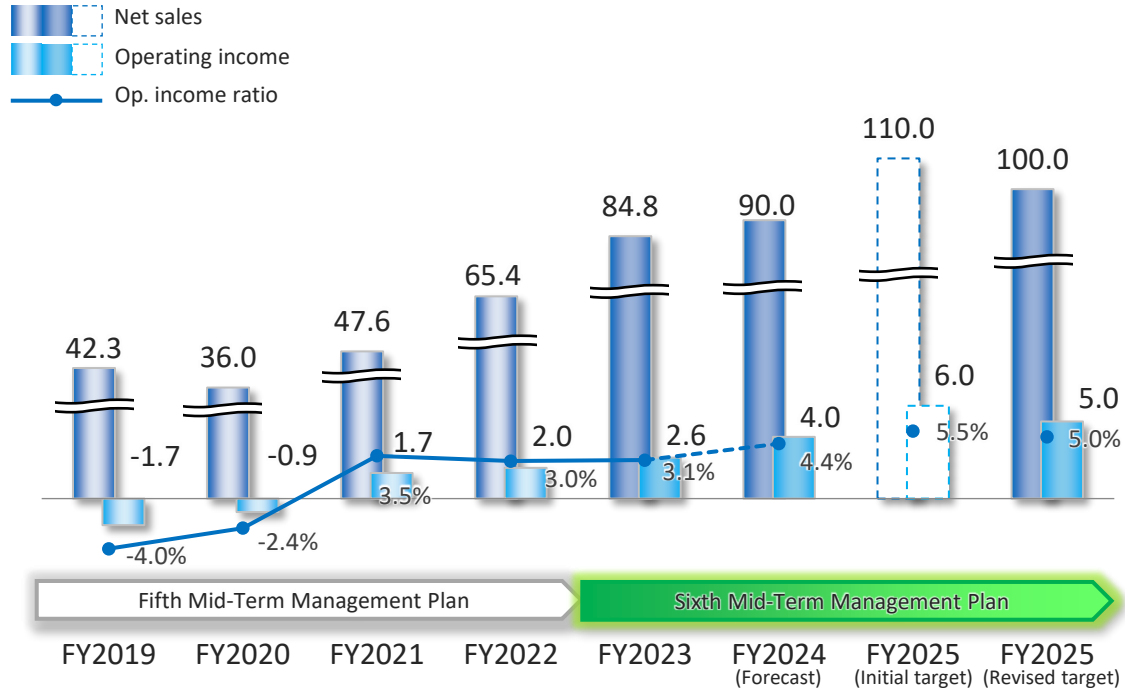
Chiba Refinery of Osaka International Refining Company  
(conceptional image of completed site)



## 4. Update by Segments (Automotive Lithium-ion Batteries)

### Automotive Lithium-ion Batteries

Net sales, Operating income and Op. ratio (Billion yen)



#### Factors for Target Revisions (Sixth Mid-Term Management Plan)

- Decrease in selling price due to significant decline in raw material prices
- Decrease in volume due to delivery delay from the additional car manufacturer

### Upcoming Initiatives

#### ➤ [HEV]

- Revising selling prices according to the situation such as raw material price hikes and inflation
- Promoting stable operation of facilities and improving yield in line with production capacity

#### ➤ [PHEV / ESS]

Responding to demand by expanding production capacity

#### ➤ [BEV]

Preparation for new plant start-up in FY2027

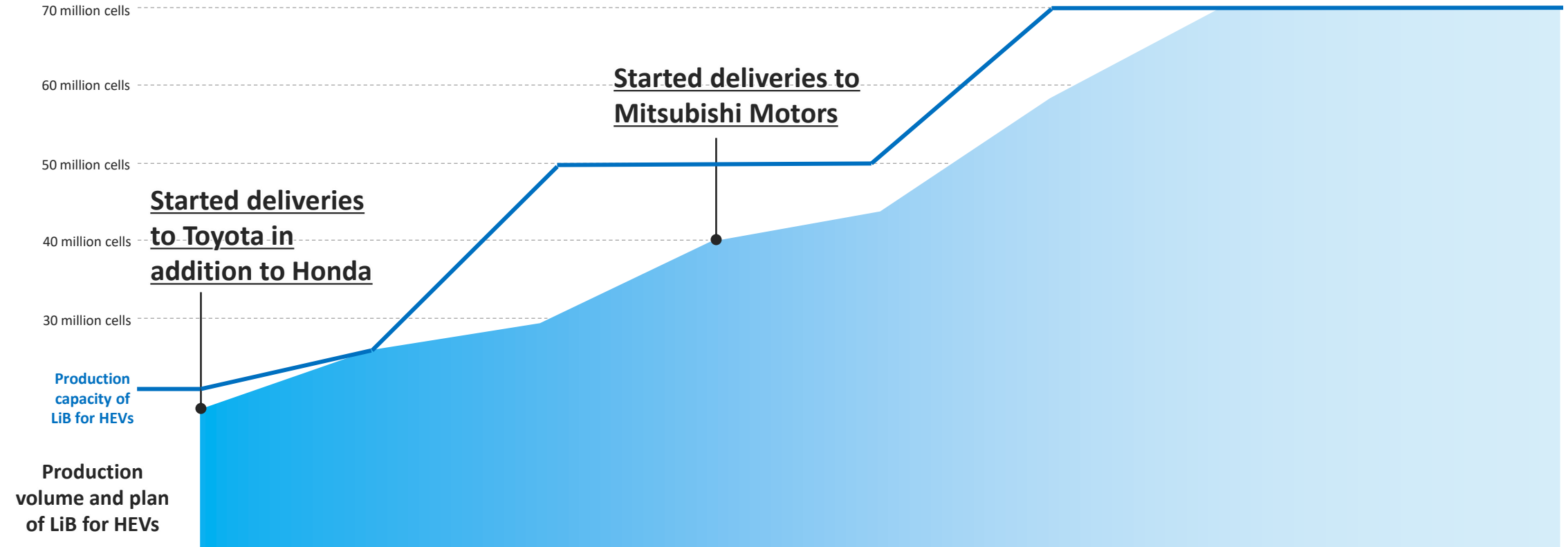


## 4. Update by Segments (Automotive Lithium-ion Batteries)

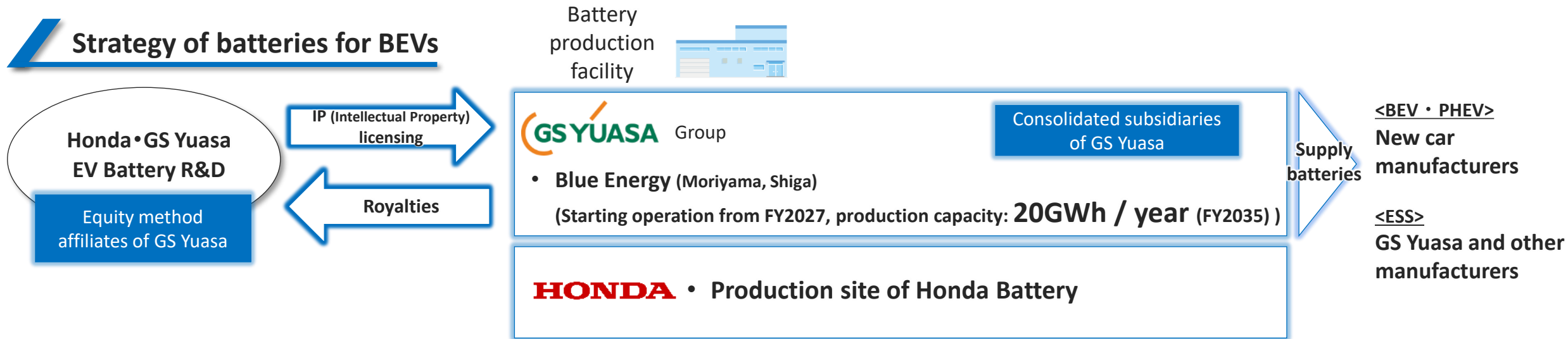
### Strategy of batteries for HEVs

Production volume  
(per year)  
70 million cells

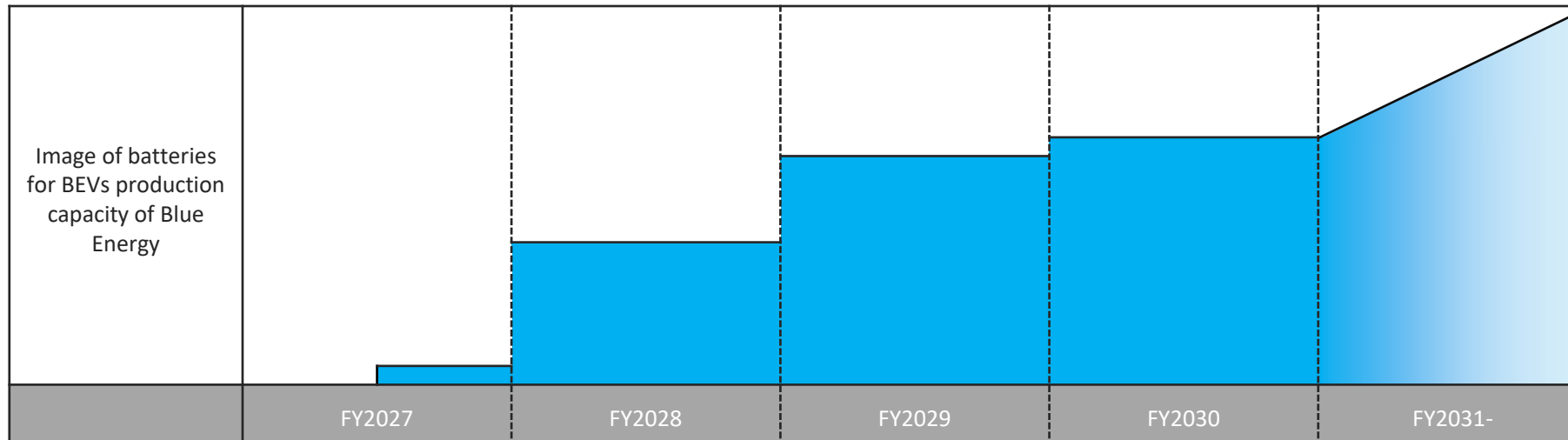
Responding to inquiries from existing business partners  
commensurate with expansion of production capacity



## 4. Update by Segments (Automotive Lithium-ion Batteries)



GSYUASA Image of production capacity

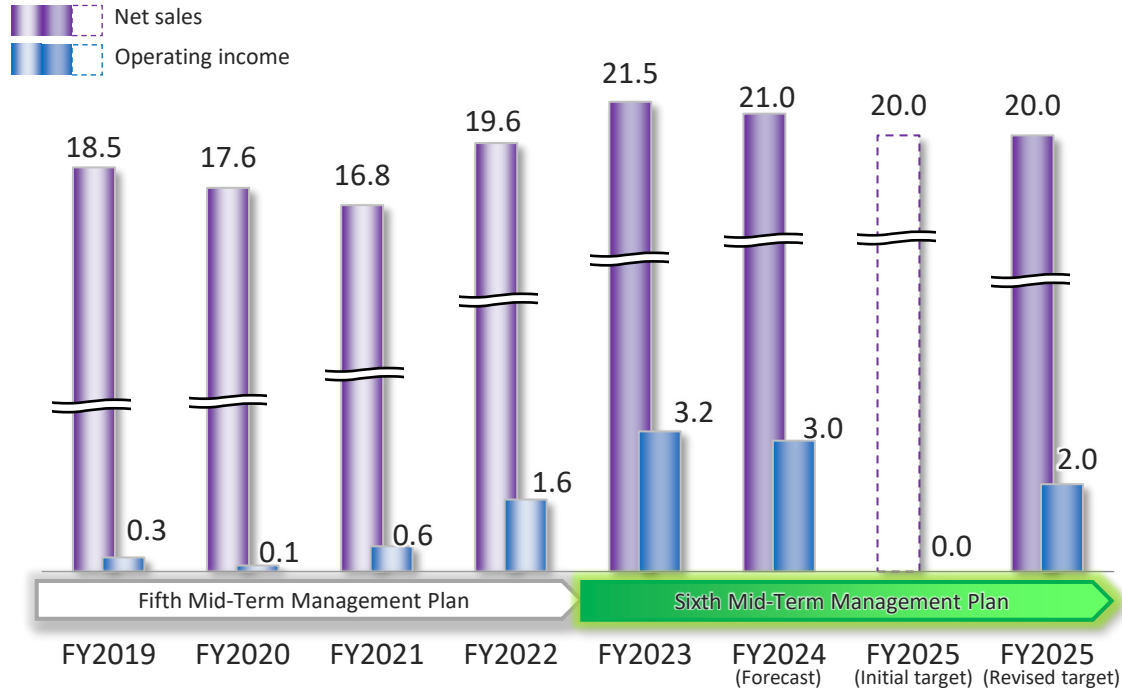


**Exceed  
20GWh / year  
(FY2035)**

## 4. Update by Segments (Specialized Batteries and Others)

### Specialized Batteries and Others

Net sales, Operating income and Op. ratio (Billion yen)



Factors for Target Revisions (Sixth Mid-Term Management Plan)

- Effect of the price pass-through of lithium-ion batteries for submarines
- Revision of administrative expenses

Upcoming Initiatives

- **[Lithium-ion Batteries for Submarines]**  
Securing appropriate profit and preparing for the demand of replacement batteries
- **[Other Specialized Batteries]**  
Expansion of production capacity in response to enhancing defense capabilities

Note: Some consolidated subsidiaries in the "Industrial Batteries and Power Supplies" segment were transferred to the "Specialized Batteries and Others" segment in fiscal 2023. In conjunction with this change, figures for fiscal 2022 were restated according to the modified segments.

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## Reference

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## IAS 29, Financial Reporting in Hyperinflationary Economies

➤ In hyperinflationary economies, the three-year cumulative inflation rate is close to or exceeds 100%.

1. Assets and liabilities (BS items) and income and expense items (PL items) must be **converted at the closing rate when** converted to Japanese yen.

	Conventional	IAS 29
Assets and liabilities (BS items)	Closing date rate	Closing date rate
Income and expense (PL items)	Average rate for the period	

2. Changes in the price index (CPI) must be **reflected in the financial statements**

### ■ Impact on the Balance Sheet

• Non-monetary items such as inventories, tangible fixed assets, and intangible fixed assets **are restated from the date of acquisition/transaction, and capital is restated from the date of investment**, according to price changes up to the end of the period.

• Retained earnings are restated to reflect the cumulative effect up to the end of the period.

### ■ Impact on the income statement

• All items are restated for price changes from the time of the transaction to the end of the period

➡ Difference due to inflation impact is recorded in non-operating income/loss  
**"Net gain/loss on monetary assets".**

## Changes in Raw Materials Prices

