

GS Yuasa Corporation
Consolidated Earnings Report for the
Nine Months ended December 31, 2020
(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 4, 2021
 Dividend payout: -

Supplementary materials to quarterly earnings report available: Yes
 Quarterly earnings presentation held: Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months ended December 31, 2020
(April 1, 2020 to December 31, 2020)

(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, 2020	278,016	(5.1)	14,383	(0.3)	16,623	4.4	5,667	(38.4)
Nine Months ended December 31, 2019	293,077	(4.1)	14,421	0.7	15,924	0.8	9,204	(8.8)

Note: Comprehensive income: Nine Months ended December 31, 2020: ¥14,714 million, 34.9%
 Nine Months ended December 31, 2019: ¥10,909 million, 55.4%

	Profit per share	Diluted profit per share
	yen	yen
Nine Months ended December 31, 2020	70.18	-
Nine Months ended December 31, 2019	113.17	-

Note: Operating income before amortization of goodwill:
 Nine Months ended December 31, 2020: ¥16,078 million, -0.2%
 Nine Months ended December 31, 2019: ¥16,115 million, -0.3%

The Company uses "operating income before amortization of goodwill" as an important indicator for management.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
December 31, 2020	394,996	214,190	46.7
March 31, 2020	385,416	205,318	45.8

Reference: Total equity: As of December 31, 2020: ¥184,615 million
 As of March 31, 2020: ¥176,336 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-End	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2020	-	15.00	-	35.00	50.00
Year ending March 31, 2021	-	0.00	-		
Year ending March 31, 2021 (forecast)				40.00	40.00

Note: The latest dividends forecast has been revised.

3. Earnings Forecast for the Year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(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, 2021	380,000	(3.9)	20,000	(7.7)	22,000	(4.8)	9,000	(34.2)	111.44

Note: The latest earnings forecast has been revised.

The Company has revised its earnings forecast for the year ending March 31, 2021 released on November 6, 2020.

For further details, please see (3) Note on Consolidated Earnings Forecast and Other Forward-looking Statements on page 4.

*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, 2020	March 31, 2020
1) Number of shares issued (including treasury stock)	82,714,942	82,714,942
2) Number of shares held in treasury	2,108,768	1,579,708
	Nine Months ended December 31, 2020	Nine Months ended December 31, 2019
3) Average number of shares outstanding during the period	80,757,420	81,330,200

*Quarterly financial reports are not subject to audit procedures to be conducted by certified public accountants or an audit firm.

*Appropriate Use of Earnings Forecast and Other Important Information

The above forecasts are based on the assumptions of management in 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.

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, 2021, the global economy saw business conditions deteriorate severely owing to the impact of the novel coronavirus (COVID-19) pandemic. While economic activity has been resuming in stages and signs of a recovery are emerging, there was a significant resurgence of COVID-19 infections with the onset of winter. The economic outlook therefore remains highly uncertain.

In this economic environment, the GS Yuasa Group's consolidated net sales for the first nine months of the fiscal year totaled ¥278,016 million, down ¥15,060 million or 5.1% from the same period of the previous fiscal year. The decline in sales mainly reflects declines in domestic and overseas sales of lead-acid batteries for new vehicles and lower sales of lithium-ion batteries for plug-in hybrid vehicles. Operating income was ¥14,383 million (¥16,078 million before goodwill amortization), a year-on-year decrease of ¥37 million or 0.3%, as solid domestic and overseas sales of replacement batteries for automobiles offset the impact from lower sales to keep profit near the previous year's level. Ordinary income, however, rose to ¥16,623 million, a ¥699 million or 4.4% year-on-year increase on the back of improvements in non-operating items, such as the recording of foreign exchange gains and lower interest expenses. Profit attributable to owners of parent, on the other hand, fell to ¥5,667 million (¥7,256 million before goodwill amortization), a year-on-year decrease of ¥3,536 million or 38.4%, that takes into account the recoverability of deferred tax assets in light of the decline in profitability and the recording of a ¥2,760 million impairment loss at a consolidated subsidiary.

2) Business Segment Results

(Automotive Batteries)

Net sales of automotive batteries in Japan totaled ¥60,970 million in the first nine months of the fiscal year, ¥4,357 million or 6.7% less than a year earlier. Demand for replacement batteries was solid, but shipments of batteries for new vehicles decreased owing to the large decline in production of new automobiles in the first quarter of the fiscal year. Net sales also were negatively affected as product selling prices were lowered to reflect the fall in the price of lead. Domestic segment income (before goodwill amortization) came to ¥6,396 million, up ¥1,564 million or 32.4% year on year, on the growth in sales of replacement batteries.

Overseas net sales totaled ¥121,250 million, a year-on-year decline of ¥3,627 million, or 2.9%. The decline reflects lower automobile sales in countries around the world during the first quarter due to the COVID-19 pandemic (as was also the case in Japan). Overseas segment income totaled ¥8,675 million, a year-on-year increase of ¥1,390 million or 19.1% driven by increased sales of replacement batteries for automobiles primarily in Australia and some ASEAN countries, with an additional boost coming from the lower price of lead and reduced expenses.

As a result of the above factors, the automotive batteries segment's combined net sales in Japan and overseas in the first nine months of the fiscal year totaled ¥182,221 million, a year-on-year decrease of ¥7,984 million, or 4.2%. However, overall segment income (before goodwill amortization) rose to ¥15,071 million, a ¥2,955 million or 24.4% increase over the previous fiscal year.

(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 ¥58,236 million, a year-on-year decline of ¥145 million, or 0.2%. The start of shipments of lithium-ion batteries for large-scale wind power generation facilities was a positive factor but overall sales were depressed by the wind down in the sales cycle for power supplies to telecom companies and a decline in sales of forklift batteries. Segment income came to ¥2,142 million, a year-on-year decrease of ¥2,780 million, or 56.5%, reflecting the abovementioned change in sales composition.

(Automotive Lithium-ion Batteries)

Net sales in the automotive lithium-ion batteries segment during the first nine months of the fiscal year totaled ¥24,416 million, a year-on-year decrease of ¥6,395 million, or 20.8%. The decline primarily reflects lower sales of lithium-ion batteries used in plug-in hybrid vehicles, which offset an increase in overall sales of batteries for hybrid vehicles. The segment posted a loss of ¥1,407 million, a year-on-year deterioration of ¥148 million, owing to the decline in net sales.

(Other)

Net sales in the other segment during the first nine months of the fiscal year totaled ¥13,142 million, a year-on-year decrease of ¥534 million or 3.9%. The decline mainly reflects lower sales of lithium-ion batteries for aircrafts. Segment income after adjustments for corporate expenses, etc., came to ¥271 million, a year-on-year decrease of ¥63 million or 19.0%.

(2) Financial Condition

Total assets as of December 31, 2020, amounted to ¥394,996 million, ¥9,579 million more than at the end of the previous fiscal year. The increase mainly reflects increases in cash and deposits and the market value of owned shares, which offset decreases from the collection of trade accounts receivable and the depreciation of fixed assets.

Liabilities increased to ¥180,806 million, ¥708 million more than at the end of the previous fiscal year, as increases in commercial paper and long-term debt to secure financing in preparation for possible fluctuations in business conditions outweighed decreases in trade accounts payable and advances received for a large project order received by the Industrial Batteries and Power Supplies segment.

Net assets totaled ¥214,190 million, an increase of ¥8,871 million from the end of the previous fiscal year. The increase mainly reflects an increase in the market value of owned shares, which outweighed outflows from dividends paid and the purchase of treasury shares.

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

The consolidated earnings forecast announced on November 6, 2020, has been revised as shown below. The upward revisions to profits primarily reflect the recent strong sales of replacement batteries for automobiles in Japan and overseas.

In light of the upward revisions to the Company's profit forecasts, the forecast for the year-end dividend has been raised to ¥40 per share, an increase of ¥5 from the previous forecast of ¥35.

Full-Year Consolidated Earnings Forecast

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Profit attributable to owners of parent (million yen)	Profit per share (yen)
Previous outlook (A)	380,000	16,000	17,000	7,000	86.60
Revised outlook (B)	380,000	20,000	22,000	9,000	111.44
Change (B-A)	—	4,000	5,000	2,000	—
Change (%)	—	25.0	29.4	28.6	—
Results for year ended March 31, 2020	395,553	21,676	23,109	13,674	168.23

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of December 31, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	25,226	29,547
Notes and accounts receivable	68,704	66,373
Electronically recorded monetary claims	6,933	5,652
Merchandise and finished goods	35,918	36,936
Work in process	14,718	15,200
Raw materials and supplies	13,655	14,147
Other	10,906	10,726
Allowance for doubtful receivables	(349)	(315)
Total current assets	175,714	178,270
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	51,720	50,486
Machinery and equipment, net	32,904	34,515
Land	22,138	22,422
Lease assets, net	453	340
Right-of-use assets, net	4,555	4,663
Construction in progress	11,408	8,443
Other, net	4,671	4,891
Total property, plant, and equipment	127,852	125,763
Intangible assets		
Goodwill	1,995	989
Lease assets	982	892
Other	3,448	2,853
Total intangible assets	6,426	4,735
Investments and other assets		
Investment securities	53,684	60,655
Net defined benefit asset	12,945	15,500
Deferred tax assets	2,976	3,302
Lease receivables	2,266	2,590
Other	3,816	4,451
Allowance for doubtful receivables	(330)	(328)
Total investments and other assets	75,358	86,171
Total fixed assets	209,636	216,670
Deferred assets	65	55
Total assets	385,416	394,996

	As of March 31, 2020 Amount	(Millions of yen) As of December 31, 2020 Amount
Liabilities		
Current liabilities		
Notes and accounts payable	30,778	29,757
Electronically recorded obligation	14,893	16,197
Short-term borrowings	14,786	13,996
Commercial paper	-	2,000
Payables	9,984	8,225
Income taxes payable	3,786	3,378
Notes payable-facilities	370	536
Electronically recorded obligations-facilities	1,998	3,752
Other	25,417	18,815
Total current liabilities	102,015	96,660
Long-term liabilities		
Bonds	20,000	20,000
Long-term debt	29,761	32,626
Lease obligations	5,457	5,624
Deferred tax liabilities	10,627	12,899
Deferred tax liabilities for land revaluation	928	928
Net defined benefit liability	4,094	4,237
Other	7,214	7,828
Total long-term liabilities	78,082	84,146
Total liabilities	180,098	180,806
Net assets		
Shareholders' equity		
Common stock	33,021	33,021
Capital surplus	55,301	55,301
Retained earnings	87,180	90,081
Less treasury stock, at cost	(3,680)	(4,652)
Total shareholders' equity	171,823	173,751
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	11,933	15,660
Deferred gain (loss) on derivatives under hedge accounting	(244)	(13)
Land revaluation surplus	2,137	2,137
Foreign currency translation adjustments	(6,265)	(4,567)
Remeasurements of defined benefit plans	(3,047)	(2,352)
Total accumulated other comprehensive income	4,513	10,864
Non-controlling interests	28,982	29,574
Total net assets	205,318	214,190
Total liabilities and net assets	385,416	394,996

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

	(Millions of yen)	
	Nine Months ended December 31, 2019	Nine Months ended December 31, 2020
	Amount	Amount
Net sales	293,077	278,016
Cost of sales	224,827	210,247
Gross profit	68,249	67,768
Selling, general and administrative expenses	53,827	53,385
Operating income	14,421	14,383
Non-operating income		
Interest and dividend income	667	559
Equity in earnings of equity method affiliates	2,060	2,050
Foreign exchange gain	-	353
Other	380	663
Total non-operating income	3,109	3,625
Non-operating expenses		
Interest expenses	611	520
Foreign exchange loss	426	-
Other	568	865
Total non-operating expenses	1,606	1,386
Ordinary income	15,924	16,623
Extraordinary income		
Gain on sales of fixed assets	2,218	466
Gain on sales of investment securities	14	1
Other	53	-
Total extraordinary income	2,286	467
Extraordinary loss		
Loss on disposal of fixed assets	336	458
Loss on sales of fixed assets	49	8
Impairment loss	-	2,760
Loss on valuation of investment securities	-	122
Loss on liquidation of subsidiaries and affiliates	1,400	-
Other	192	255
Total extraordinary loss	1,979	3,606
Profit before income taxes	16,231	13,485
Income taxes	4,983	6,260
Profit	11,248	7,224
Profit attributable to non-controlling interests	2,043	1,556
Profit attributable to owners of parent	9,204	5,667

Consolidated Statements of Comprehensive Income

	Nine Months ended December 31, 2019	(Millions of yen) Nine Months ended December 31, 2020
	Amount	Amount
Profit	11,248	7,224
Other comprehensive income		
Net unrealized gain on available-for-sale securities	2,045	3,610
Deferred gain (loss) on derivatives under hedge accounting	(160)	183
Foreign currency translation adjustments	(366)	3,257
Remeasurements of defined benefit plans	131	694
Share of other comprehensive income of equity method affiliates	(1,989)	(256)
Total other comprehensive income	(338)	7,490
Comprehensive income	10,909	14,714
Components:		
Comprehensive income attributable to owners of parent	8,813	12,017
Comprehensive income attributable to non-controlling interests	2,096	2,696

(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 540,900 of its own shares based on a resolution made by the Board of Directors on May 12, 2020. As a result of purchase and disposal of treasury shares including the May 12 share buyback, treasury shares increased by 971 million yen during the first nine months of the fiscal year ending March 31, 2021, and totaled 4,652 million yen as of the end of the period under review.

(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 to profit before income taxes for the current fiscal year, which includes the first nine months ended December 31, 2020, and multiplying profit before income taxes by said estimated effective tax rate.

(Additional information)

With respect to the assumptions underlying accounting estimates for the impact of the COVID-19 pandemic on the GS Yuasa Group's business in the financial statements for the first nine months of the fiscal year ending March 31, 2021, there are no material differences with the content stated in the (Additional information) section of the statutory financial report for the fiscal year ended March 31, 2020.

(Segment and other information)
Segment Information

I. Nine Months ended December 31, 2019 (April 1 to December 31, 2019)

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	65,328	124,877	190,205	58,382	30,812	279,399	13,677	293,077
Inter-segment sales and transfers	1,012	2,989	4,002	8,841	615	13,458	(13,458)	-
Total	66,340	127,867	194,208	67,223	31,427	292,858	218	293,077
Segment income (loss)	4,832	7,284	12,116	4,923	(1,259)	15,780	335	16,115

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 1,631 million yen, which includes minus 897 million yen elimination of inter-segment transactions and minus 733 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 (loss) in the table above and operating income of 14,421 million yen on the consolidated statements of income represents amortization of goodwill and other intangible assets of 1,694 million yen. These goodwill and other intangible assets include identifiable assets acquired on the effective date of business combination.

II. Nine Months ended December 31, 2020 (April 1 to December 31, 2020)

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	60,970	121,250	182,221	58,236	24,416	264,874	13,142	278,016
Inter-segment sales and transfers	933	2,150	3,084	8,854	6,851	18,790	(18,790)	-
Total	61,904	123,401	185,305	67,090	31,268	283,664	(5,647)	278,016
Segment income (loss)	6,396	8,675	15,071	2,142	(1,407)	15,806	271	16,078

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 1,696 million yen, which includes minus 1,031 million yen elimination of inter-segment transactions and minus 665 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 (loss) in the table above and operating income of 14,383 million yen on the consolidated statements of income represents amortization of goodwill and other intangible assets of 1,694 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)

With a decrease in business profitability of manufacturing plants held by a consolidated subsidiary in the "Automotive Lithium-ion Batteries" segment, the book value of fixed assets held by the segment were reduced to their recoverable amounts, and impairment loss was recorded under extraordinary loss.

The impairment loss recognized for this reason in the nine months ended December 31, 2020 totaled 2,760 million yen.

6. Supplementary Information

(1) Quarterly profit/loss

Fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	76,376	95,949	105,691	-	172,325	278,016	-
Operating income	1,002	4,292	9,089	-	5,294	14,383	-
Ordinary income	1,699	4,800	10,123	-	6,500	16,623	-
Profit attributable to owners of parent	(27)	149	5,546	-	121	5,667	-

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	90,082	100,331	102,662	102,476	190,414	293,077	395,553
Operating income	2,040	5,508	6,872	7,254	7,549	14,421	21,676
Ordinary income	2,873	5,551	7,499	7,185	8,424	15,924	23,109
Profit attributable to owners of parent	1,473	3,300	4,430	4,469	4,774	9,204	13,674

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	96,256	99,158	110,230	107,442	195,415	305,646	413,089
Operating income	2,917	4,038	7,358	8,339	6,956	14,315	22,654
Ordinary income	3,165	4,327	8,308	8,927	7,492	15,800	24,728
Profit attributable to owners of parent	1,430	2,023	6,636	3,433	3,454	10,090	13,524

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	87,805	96,402	112,776	113,966	184,208	296,984	410,951
Operating income	2,876	3,109	7,734	8,198	5,986	13,721	21,920
Ordinary income	3,273	3,174	7,763	7,176	6,447	14,210	21,387
Profit attributable to owners of parent	1,254	1,295	3,668	5,231	2,549	6,218	11,449

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
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