

GS Yuasa Corporation
Consolidated Earnings Report for the
Nine Months ended December 31, 2014
(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, 2015

Dividend payout: -

Supplementary materials to quarterly earnings report available: No

Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months ended December 31, 2014**(April 1 to December 31, 2014)**

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine Months ended December 31, 2014	266,462	10.8	13,365	36.9	15,233	34.0	8,530	73.7
Nine Months ended December 31, 2013	240,468	22.8	9,762	51.0	11,369	39.3	4,912	(11.0)

Note: Comprehensive income: Nine Months ended December 31, 2014: ¥15,215 million, + 189.5%
 Nine Months ended December 31, 2013: ¥5,260 million, + 51.6%

	Net income per share	Diluted net income per share
	yen	yen
Nine Months ended December 31, 2014	20.67	19.26
Nine Months ended December 31, 2013	11.90	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
December 31, 2014	343,842	170,475	43.1
March 31, 2014	340,462	154,702	41.0

Reference: Total equity: As of December 31, 2014: ¥ 148,181 million
 As of March 31, 2014: ¥ 139,454 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2014	-	0.00	-	8.00	8.00
Year ending March 31, 2015	-	3.00	-		
Year ending March 31, 2015 (forecast)				7.00	10.00

Note: No revision has been made to the latest dividends forecast.

3. Earnings Forecast for the Year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending March 31, 2015	380,000	9.2	25,000	37.4	26,000	27.9	13,000	30.2	31.49

Note: No revision has been made to the latest earnings forecast.

*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: Yes
 - 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, 2014	March 31, 2014
1) Number of shares issued (including treasury stock)	413,574,714	413,574,714
2) Number of shares held in treasury	791,513	773,397
	Nine Months ended December 31, 2014	Nine Months ended December 31, 2013
3) Average number of shares outstanding during the period	412,793,717	412,815,405

*Quarterly Review Status

This report is not subject to the quarterly review requirements of Japan's Financial Instruments and Exchange Act. As of the release date of this report, a review of the quarterly consolidated financial statements in accordance with the Act had been completed.

*Appropriate Use of Earnings Forecast and Other Important Information

The above forecasts are based on the assumptions of management in the light of information available as of the release date of this report. Actual results may differ from forecasts due to various factors such as changes in the business environment. For information related to the earnings forecast, see section "(3) Note on Consolidated Earnings Forecast and Other Forward-Looking Statements" on page 4.

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, 2015, Japan's economic recovery was sluggish. While the impact of a reactionary decline to a demand spike prior to the consumption tax hike began to ease during the period, a slump in consumer spending and other factors hindered economic growth.

Reviewing the global economy, despite a temporary downturn caused by poor weather, the U.S. economy continued to improve from spring due to firm internal demand. The European recovery came to a standstill amid unstable conditions, including concerns over a slowdown in Germany, which has been a driver of growth. In China, a slowdown in growth became more evident due to slumping investment. In Thailand, although public order continued to improve gradually, economic activity lacked vigor. Overall, therefore, the global economy slumped during the nine-month period.

In this environment, the GS Yuasa Group's consolidated net sales for the first nine months of the fiscal year ending March 31, 2015 totaled ¥266,462 million, an increase of ¥25,993 million, or 10.8%, compared with the same period of the previous fiscal year. The increase was primarily the result of a stronger business foundation in Asia resulting from an expanded scope of consolidation, the impact of exchange rates, and higher sales of lithium-ion automotive batteries.

In terms of profitability, operating income increased ¥3,602 million year on year, or 36.9%, to ¥13,365 million. The increase was primarily the result of higher sales of lithium-ion automotive batteries and an accompanying improvement in profitability, along with measures to raise sales prices overseas. Ordinary income increased by ¥3,863 million year on year, or 34.0%, to ¥15,233 million in tandem with the operating income rise. Net income increased by ¥3,618 million year on year, or 73.7%, to ¥8,530 million after income taxes and the recording of minority interests in net earnings.

2). Business Segment Results

(Domestic Automotive Batteries)

Net sales in the domestic automotive batteries segment totaled ¥38,524 million for the first nine months of the fiscal year ending March 31, 2015, a decline of ¥3,003 million, or 7.2%, compared with the same period of the previous fiscal year. Overall demand for automotive lead-acid batteries declined during the period and automotive components sales also decreased. Segment income declined ¥561 million, or 22.8%, to ¥1,898 million, due to the impact of higher costs for lead, a key raw material.

(Domestic Industrial Batteries and Power Supplies)

Net sales in the domestic industrial batteries and power supplies segment for the first nine months of the fiscal year totaled ¥53,848 million, an increase of ¥2,038 million, or 3.9% from the same period of the previous fiscal year. Sales of power supplies for solar power generation equipment slumped due to restrictions by electric power companies on connections to their power grids. There was strong demand, however, for power supplies for mobile phone base stations. Sales were also boosted by the inclusion of the lighting and membrane businesses, which were previously reported in the other segment, from the first quarter as a result of a reorganization. Segment income totaled ¥3,820 million, a year-on-year decrease of ¥2,205 million, or 36.6%, as a result of higher costs for lead, a key raw material, and the decline in sales of power supplies for solar power generation equipment.

(Overseas Operations)

Net sales in the overseas operations segment for the first nine months of the fiscal year totaled ¥132,119 million, an increase of ¥14,163 million, or 12.0%, from the same period of the previous fiscal year. This was primarily the result of the conversion of Thai equity-method affiliates into consolidated subsidiaries from the second quarter of the previous year, as well as the conversion of Indonesian equity-method affiliates into consolidated subsidiaries from the third quarter of the current year. Segment income totaled ¥7,565 million, a year-on-year increase of ¥1,220 million, or 19.2%. Although sales volumes slumped due to economic conditions in various markets, the Group effectively implemented measures to raise sales prices.

(Lithium-ion Batteries)

Net sales in the lithium-ion batteries segment for the first nine months of the fiscal year totaled ¥34,810 million, an increase of ¥16,736 million, or 92.6%, from the same period of the previous year, driven primarily by higher sales of lithium-ion batteries for hybrid and plug-in hybrid vehicles. Although segment

loss totaled ¥1,594 million, this marked an improvement of ¥5,232 million from the same period of the previous fiscal year.

(Other)

Net sales in the other segment for the first nine months of the fiscal year totaled ¥7,159 million, a year-on-year decrease of ¥3,941 million, or 35.5%, from the same period of the previous year primarily as a result of transfer of the lighting and membrane businesses to the domestic industrial batteries and power supplies segment. After adjustment for corporate expenses, segment income totaled ¥1,675 million, a year-on-year decrease of ¥83 million, or 4.7%.

(2) Financial Condition

Total assets increased by ¥3,380 million from the end of the previous fiscal year to ¥343,842 million at the end of the third quarter (December 31, 2014), as a result of an increase in inventories prior to the peak demand period and an increase in investment securities driven by increases in market valuation of owned stocks and equity in earnings of equity method affiliates.

Liabilities decreased ¥12,392 million to ¥173,367 million as a result of payment of trade accounts payables and facility investment fee.

Net assets at December 31, 2014 totaled ¥170,475 million, an increase of ¥15,773 million from the end of the previous fiscal year due to the booking of net income and an increase in minority interests, which outweighed dividend payments.

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

There is no change to the consolidated forecast announced May 8, 2014.

5. Other Information

(1) Changes Affecting the Status of Material Subsidiaries

Not applicable

(2) Changes in scope of consolidation or application of equity method

Effective the third quarter of the fiscal year ending March 31, 2015, PT. Trimitra Baterai Prakasa was included in scope of consolidation because of its higher importance.

(3) Use of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements

Regarding taxes, a reasonable estimate of the effective tax rate for the projected full-year pretax income for the current fiscal year, including the actual income figure for the nine months ended December 31, 2014, has been arrived at using the tax-effect accounting method. This estimated effective tax rate has been used to calculate taxes against income before taxes and minority interests for the nine months ended December 31, 2014.

(4) Changes in Accounting Policy, Changes in Accounting Estimates, and Retrospective Restatement

(Accounting Standard for Retirement Benefits)

Effective the first three months of the fiscal year ending March 31, 2015, the Company adopted the main clause of paragraph 35 of *Accounting Standard for Retirement Benefits* (ASBJ Statement No. 26, May 17, 2012, hereinafter, "*Accounting Standard*") and the main clause of paragraph 67 of *Guidance on Accounting Standard for Retirement Benefits* (ASBJ Guidance No. 25, May 17, 2012, hereinafter "*Guidance on Retirement Benefits*"). In accordance with this, the Company reviewed the calculation method for retirement benefit obligations and service cost. As a result, the method for attributing expected pension benefits to periods of employee service was switched from the straight-line attribution to the benefit formula, and the discount rate was switched from the previous discount rate based on the remaining service periods of employees to a single weighted average discount rate that reflects the estimated timing and amount of each benefit payment.

The *Accounting Standard* and the *Guidance on Retirement Benefits* are applied with transitional treatments stipulated in paragraph 37 of the Accounting Standard. As of the beginning of the first nine months of the fiscal year ending March 31, 2015 (April 1, 2014), impact of the change in calculation method was reflected in retained earnings.

Due to this, net defined benefit liability as of the beginning of the first nine months of the fiscal year ending March 31, 2015 (April 1, 2014) was 1,062 million yen higher, and retained earnings was 685 million yen lower. The impact of this change on operating income, ordinary income, and income before income taxes and minority interests was minor.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2014 Amount	(Millions of yen) As of December 31, 2014 Amount
Assets		
Current assets		
Cash and deposits	17,760	20,365
Notes and accounts receivable	76,475	70,117
Marketable securities	5,644	-
Merchandise and finished goods	30,592	35,660
Work in process	13,702	14,945
Raw materials and supplies	12,114	13,338
Deferred tax assets	3,474	3,589
Other	8,751	11,212
Allowance for doubtful receivables	(303)	(364)
Total current assets	168,211	168,864
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	54,799	54,350
Machinery and equipment, net	42,925	41,147
Land	21,892	22,305
Lease assets, net	2,368	1,817
Construction in progress	2,622	3,287
Other, net	4,568	4,659
Total property, plant, and equipment	129,177	127,567
Intangible assets		
Lease assets	455	453
Other	1,935	1,932
Total intangible assets	2,390	2,386
Investments and other assets		
Investment securities	35,497	39,632
Other	5,658	5,880
Allowance for doubtful receivables	(564)	(565)
Total investments and other assets	40,591	44,947
Total fixed assets	172,159	174,900
Deferred assets	90	77
Total assets	340,462	343,842

	As of March 31, 2014 Amount	(Millions of yen) As of December 31, 2014 Amount
Liabilities		
Current liabilities		
Notes and accounts payable	42,740	35,251
Short-term borrowings	21,662	24,723
Payables	18,202	14,951
Income taxes payable	5,925	1,643
Notes payable-facilities	4,306	777
Other	14,299	16,196
Total current liabilities	107,135	93,544
Long-term liabilities		
Convertible Bonds	25,000	25,000
Long-term debt	33,471	34,165
Lease obligations	2,027	1,459
Net defined benefit liability	5,739	5,004
Other	12,386	14,192
Total long-term liabilities	78,624	79,823
Total liabilities	185,760	173,367
Net assets		
Shareholders' equity		
Common stock	33,021	33,021
Capital surplus	54,880	54,880
Retained earnings	42,488	45,787
Less treasury stock, at cost	(326)	(337)
Total shareholders' equity	130,063	133,351
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	6,804	8,697
Deferred gain (loss) on derivatives under hedge accounting	(20)	(39)
Land revaluation surplus	1,418	1,418
Foreign currency translation adjustments	3,808	6,355
Remeasurements of defined benefit plans	(2,620)	(1,601)
Total accumulated other comprehensive income	9,390	14,830
Minority interests	15,247	22,293
Total net assets	154,702	170,475
Total liabilities and net assets	340,462	343,842

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

	(Millions of yen)	
	Nine Months ended December 31, 2013	Nine Months ended December 31, 2014
	Amount	Amount
Net sales	240,468	266,462
Cost of sales	189,289	209,499
Gross profit	51,178	56,962
Selling, general and administrative expenses	41,416	43,597
Operating income	9,762	13,365
Non-operating income		
Interest and dividend income	414	477
Equity in earnings of equity method affiliates	1,309	1,559
Foreign exchange gain	733	317
Other	704	830
Total non-operating income	3,162	3,184
Non-operating expenses		
Interest expenses	875	681
Other	680	635
Total non-operating expenses	1,555	1,316
Ordinary income	11,369	15,233
Extraordinary income		
Gain on sales of fixed assets	34	79
Gain on sales of investment securities	1,498	10
Gain on contribution of securities to retirement benefit trust	1,442	-
Other	292	10
Total extraordinary income	3,267	101
Extraordinary loss		
Loss on disposal of fixed assets	247	170
Loss on sales of fixed assets	7	0
Loss on product recall	6,700	-
Other	370	367
Total extraordinary loss	7,324	537
Income before income taxes and minority interests	7,312	14,796
Income taxes	7,713	5,582
Income (loss) before minority interests	(401)	9,213
Minority interests in net earnings (loss)	(5,313)	683
Net income	4,912	8,530

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine Months ended December 31, 2013	
	Nine Months ended December 31, 2014	
	Amount	
	Amount	
Income (loss) before minority interests	(401)	9,213
Other comprehensive income		
Net unrealized gain on available-for-sale securities	607	1,880
Deferred gain (loss) on derivatives under hedge accounting	118	(19)
Foreign currency translation adjustments	3,798	2,422
Remeasurements of defined benefit plans	-	1,019
Share of other comprehensive income of equity method affiliates	1,136	699
Total other comprehensive income	5,661	6,002
Comprehensive income	5,260	15,215
Components:		
Comprehensive income attributable to owners of the parent	10,521	13,970
Comprehensive income attributable to minority interests	(5,261)	1,245

(3) Notes on the Consolidated Financial Statements

(Note on the going-concern assumption)

Not applicable

(Note on significant change in shareholders' equity)

Not applicable

(Segment and other information)

Segment information

I. Nine months ended December 31, 2013 (April 1 to December 31, 2013)

1. Net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment						Other (note)	Total
	Domestic				Total			
	Domestic	Industrial	Overseas	Lithium-ion				
	Automotive Batteries	Batteries and Power Supplies						
Net sales								
Sales to outside customers	41,527	51,810	117,956	18,074	229,367	11,100	240,468	
Inter-segment sales and transfers	1,057	1,796	1,059	173	4,086	(4,086)	-	
Total	42,584	53,606	119,015	18,247	233,454	7,014	240,468	
Segment income (loss)	2,459	6,025	6,344	(6,826)	8,003	1,759	9,762	

Note: "Other" comprises a) businesses that are not included in any of the reportable segments such as lighting operation and b) segment income adjustment. Segment income adjustment was minus 1,640 million yen, which includes minus 964 million yen elimination of inter-segment transactions and minus 676 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.

II. Nine months ended December 31, 2014 (April 1 to December 31, 2014)

1. Net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment						Other (note)	Total
	Domestic				Total			
	Domestic	Industrial	Overseas	Lithium-ion				
	Automotive Batteries	Batteries and Power Supplies						
Net sales								
Sales to outside customers	38,524	53,848	132,119	34,810	259,302	7,159	266,462	
Inter-segment sales and transfers	1,169	1,876	1,245	280	4,570	(4,570)	-	
Total	39,693	55,725	133,364	35,090	263,873	2,588	266,462	
Segment income (loss)	1,898	3,820	7,565	(1,594)	11,689	1,675	13,365	

Note: "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 1,731 million yen, which includes minus 1,057 million yen elimination of inter-segment transactions and minus 673 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. Change in Reportable Segments and Other Changes

Effective the first three months of the fiscal year ending March 31, 2015, in line with the reorganization of the Company, the lightning and membrane businesses were reclassified from “Other” to “Domestic Industrial Batteries and Power Supplies.” This change is reflected in the following information on net sales and income/loss by reportable segment for the nine months ended December 31, 2013.

(Millions of yen)

	Reportable segment						Other (note)	Total
	Domestic		Overseas	Lithium-ion	Total			
	Domestic	Industrial						
	Automotive	Batteries and	Operations	Batteries				
Batteries	Power Supplies							
Net sales								
Sales to outside customers	41,527	56,252	117,956	18,074	233,810	6,658	240,468	
Inter-segment sales and transfers	1,057	1,823	1,059	173	4,113	(4,113)	-	
Total	42,584	58,075	119,015	18,247	237,923	2,545	240,468	
Segment income (loss)	2,459	6,119	6,344	(6,826)	8,097	1,665	9,762	

Note: “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 1,640 million yen, which includes minus 964 million yen elimination of inter-segment transactions and minus 676 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.

(Accounting Standard for Retirement Benefits)

Effective the first three months of the fiscal year ending March 31, 2015, the Company adopted the main clause of paragraph 35 of *Accounting Standard for Retirement Benefits* (ASBJ Statement No. 26, May 17, 2012, hereinafter, “*Accounting Standard*”) and the main clause of paragraph 67 of *Guidance on Accounting Standard for Retirement Benefits* (ASBJ Guidance No. 25, May 17, 2012, hereinafter “*Guidance on Retirement Benefits*”). In accordance with this, the Company reviewed the calculation method for retirement benefit obligations and service cost. As a result, the method for attributing expected pension benefits to periods of employee service was switched from the straight-line attribution to the benefit formula, and the discount rate was switched from the previous discount rate based on the remaining service periods of employees to a single weighted average discount rate that reflects the estimated timing and amount of each benefit payment.

The impact of this change was minor.

7. Supplementary Information

(1) Quarterly income/loss

Fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(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	82,321	89,199	94,940	-	171,521	266,462	-
Operating income	3,109	4,492	5,762	-	7,602	13,365	-
Ordinary income	3,763	5,039	6,430	-	8,802	15,233	-
Net income	2,342	2,856	3,331	-	5,198	8,530	-

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(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	65,632	82,278	92,557	107,526	147,911	240,468	347,995
Operating income	1,609	2,130	6,022	8,435	3,739	9,762	18,197
Ordinary income	2,658	2,421	6,290	8,963	5,079	11,369	20,333
Net income	127	2,917	1,866	5,070	3,045	4,912	9,982

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(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	62,900	64,581	68,396	78,631	127,481	195,878	274,509
Operating income	1,426	2,630	2,405	3,311	4,057	6,463	9,775
Ordinary income	1,927	3,025	3,207	4,099	4,952	8,159	12,258
Net income	1,062	2,085	2,371	248	3,147	5,519	5,767

Fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

(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	60,348	71,546	73,358	80,180	131,895	205,253	285,434
Operating income	812	3,985	4,129	7,103	4,797	8,927	16,030
Ordinary income	1,186	3,881	4,934	7,989	5,067	10,002	17,991
Net income	131	2,344	3,251	6,005	2,476	5,727	11,733

Fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

(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	59,229	68,793	69,417	75,073	128,022	197,440	272,514
Operating income	2,241	3,872	5,841	5,633	6,114	11,955	17,589
Ordinary income	2,079	3,750	6,365	5,318	5,829	12,195	17,513
Net income	815	1,798	5,427	3,681	2,613	8,041	11,722