

Six Months ended September 30, 2015

Results Briefing



November 5, 2015

GS Yuasa Corporation

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1. Financial Results Overview

Economic Environment

Although the impact of the reactionary decline following the consumption tax hike of April 2014 ran its course, the domestic economy stalled as consumer spending slumped due to factors such as poor summer weather and the impact of an increase in the light vehicle tax.

In the global economy, China's economy continued to intensify its downturn, as indicated by plummeting stock prices, amid increasing signs of economic slowdown. Elsewhere in Asia, the pace of growth in Southeast Asian countries slowed. The U.S. economy showed a recovery trend, and in Europe modest economic recovery continued.

Financial Results Overview

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

Operating income decreased due to the decline in domestic sales, and ordinary income declined due to foreign exchange loss and a decrease in equity in earnings of equity method affiliates. As a result, profit attributable to owners of parent decreased.

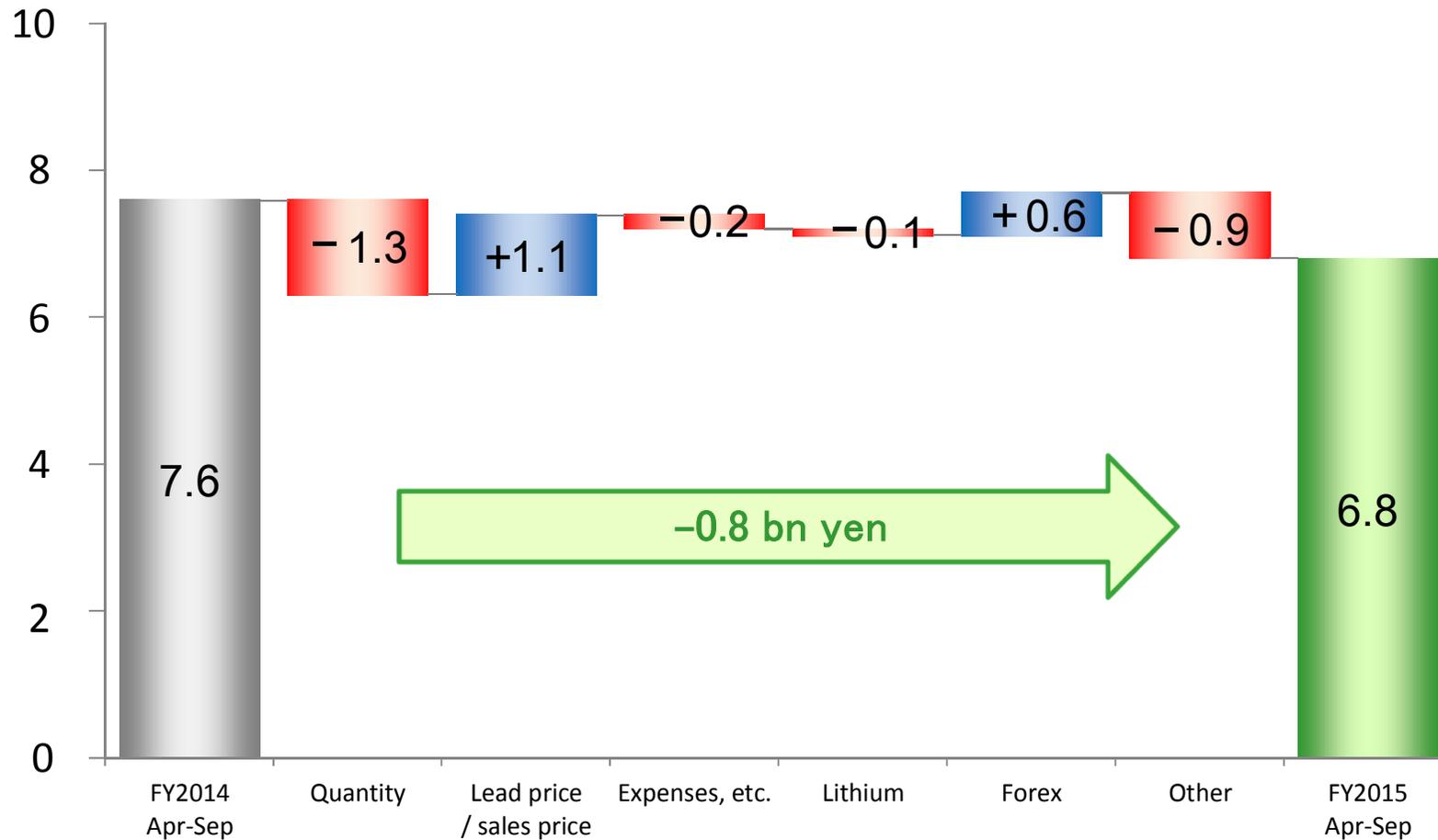
2. Net Sales/Profits

	FY2014 April - September	FY2015 April - September	Change (YoY%)
			(Billion yen)
Net sales	171.5	171.1	-0.4 (-0.2%)
Operating income (Operating income ratio)	7.6 4.4%	6.8 4.0%	-0.8 (-10.4%) -0.4P
Ordinary income	8.8	7.0	-1.8 (-19.9%)
Extraordinary income	0.1	0.0	-0.1
Extraordinary loss	0.4	0.6	+0.2
Profit before income taxes	8.5	6.5	-2.0
Income taxes	2.9	2.5	-0.4
Profit attributable to non-controlling interests	0.4	0.4	-0.0
Profit attributable to owners of parent (Net income ratio)	5.2 3.0%	3.6 2.1%	-1.6 (-30.4%) -0.9P
Interim dividend	3 yen/share	3 yen/share	±0 yen/share

2. Net Sales/Profits

Factors for Operating Income Change

(Billion yen)



3. Segment Results

Consolidated Results (April – September 2015)

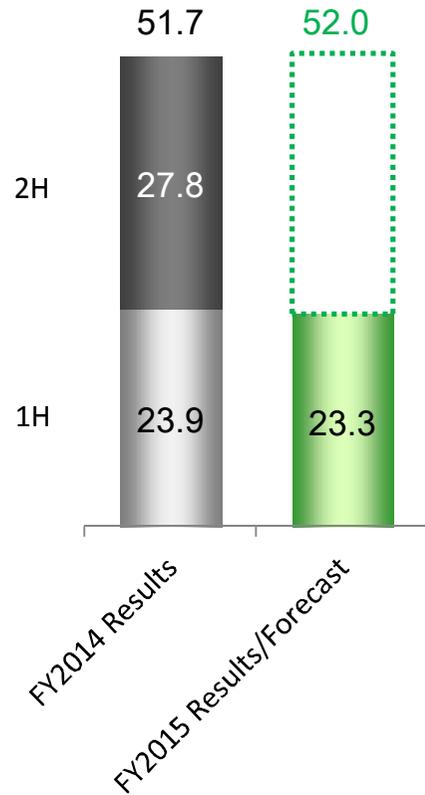
(Billion yen)

	FY2014 Apr-Sep		FY2015 Apr-Sep		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)	23.9	0.5 (2.2)	23.3	0.8 (3.5)	-0.6	+0.3 (+1.3)
Industrial battery and power supply (Japan)	34.0	1.8 (5.2)	30.4	0.7 (2.1)	-3.5	-1.1 (-3.1)
Overseas	85.3	5.2 (6.1)	94.6	6.2 (6.6)	+9.3	+1.0 (+0.5)
Lithium-ion battery	24.4	-1.1 (-4.6)	17.8	-1.2 (-6.5)	-6.6	-0.1 (-1.9)
Others	3.9	1.2 (31.4)	5.0	0.3 (5.5)	+1.0	-1.0 (-25.9)
Total	171.5	7.6 (4.4)	171.1	6.8 (4.0)	-0.4	-0.8 (-0.4)

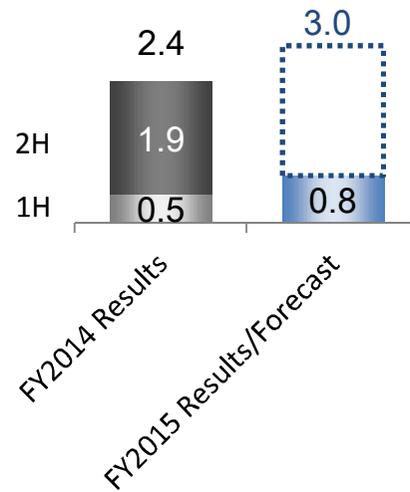
3. Segment Results

Automotive Battery (Japan)

Net sales (Billion yen)



Operating income (Billion yen)



FY2015 1H Sales Overview

- Sales of new vehicle batteries declined due to stagnant automobile production volume.
- Earnings improved because of the price revision for replacement storage batteries implemented in FY2014.
- Automotive component sales (car navigation systems, etc.) declined.

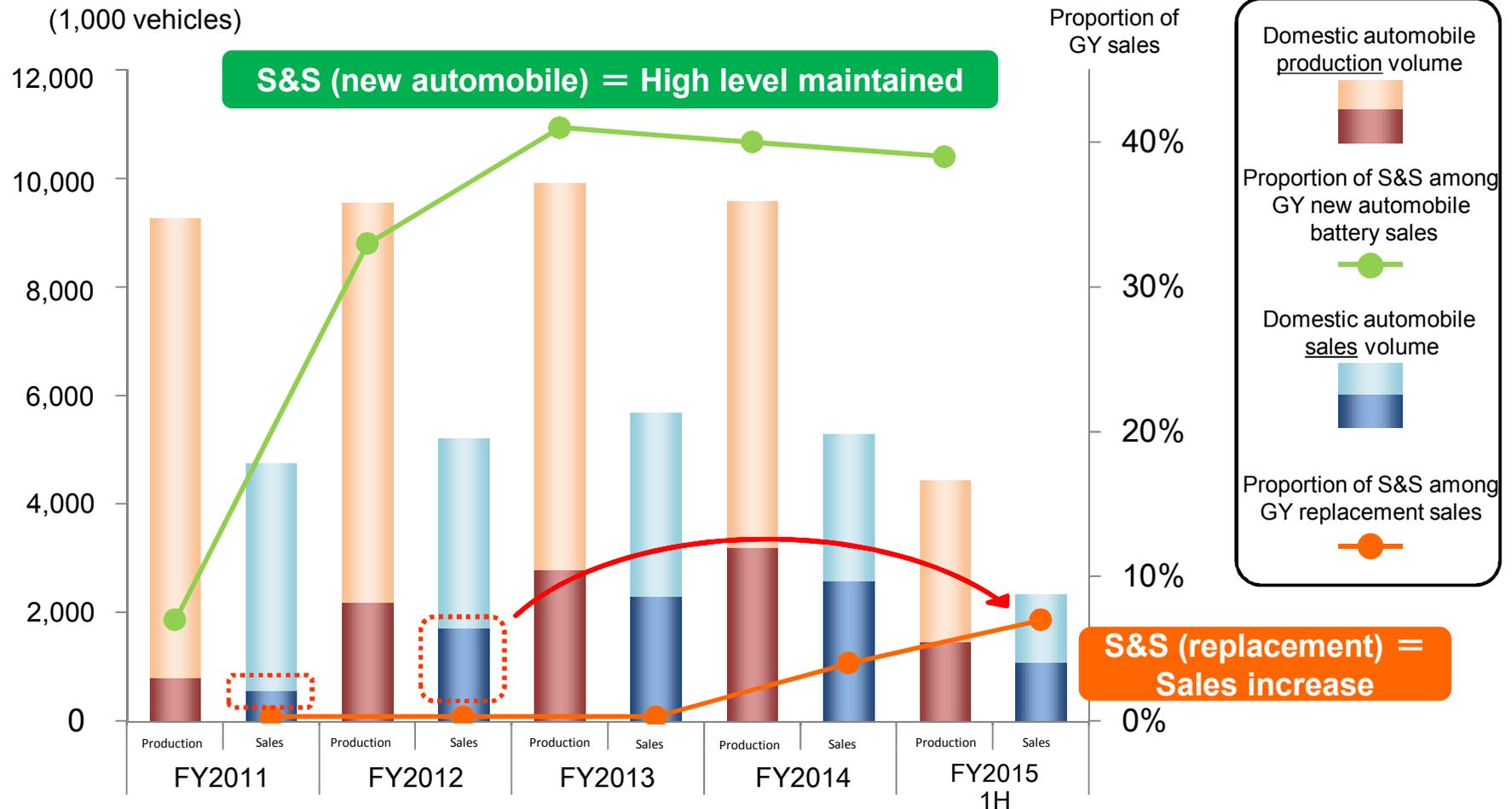
Main Profit Change Factors (Billion yen)

Quantity	-0.4
Lead prices / sales prices	+0.5
Streamlining, etc.	+0.2

3. Segment Results

Automotive Battery (Japan)

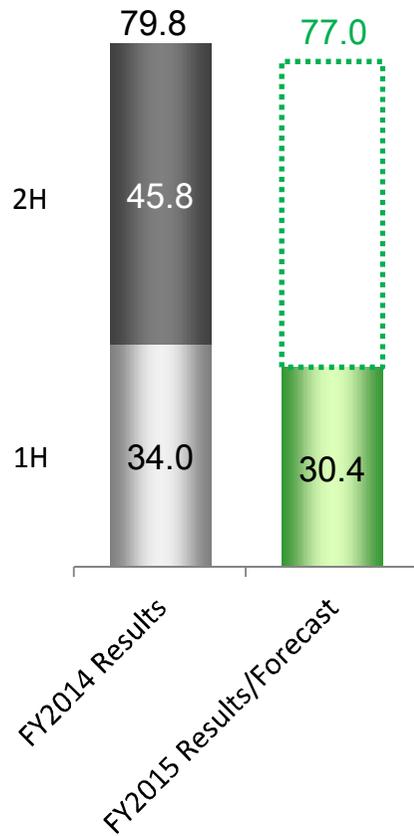
➤ Full-fledged sales of replacements for start & stop vehicles (S&S) started in FY2014.



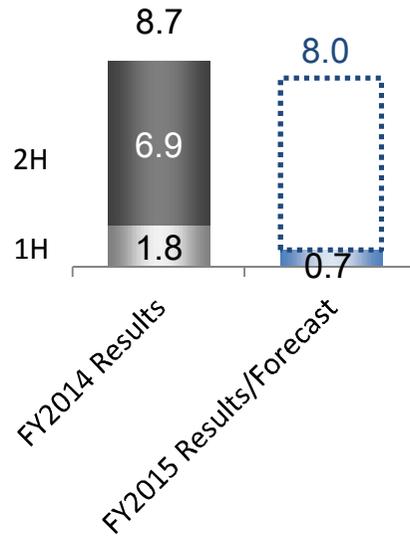
3. Segment Results

Industrial Battery and Power Supply (Japan)

(Billion yen)
Net sales



(Billion yen)
Operating income



FY2015 1H Sales Overview

- Sales of power supplies for mobile phone base stations declined.
- Sales of power conditioners for solar power generation equipment declined.
- Sales of lead-acid batteries for forklifts remained strong.

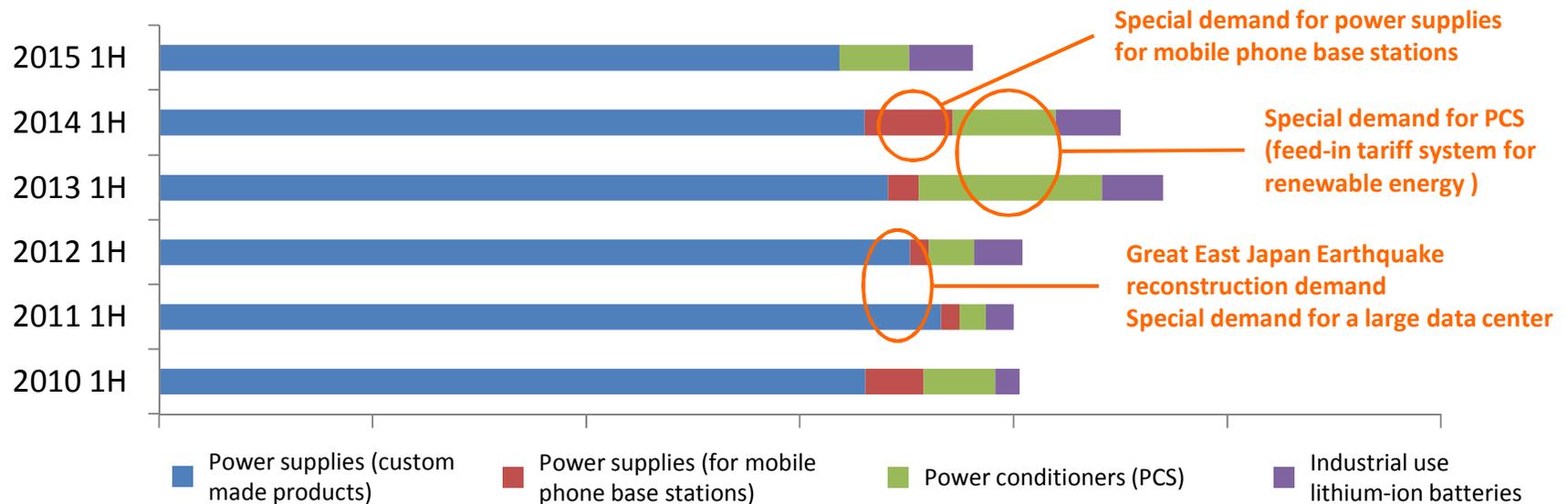
Main Profit Change Factors (Billion yen)

Quantity	-0.9
Lead prices / sales prices	+0.1
Expenses, etc.	-0.3

3. Segment Results

Industrial Battery and Power Supply (Japan)

- **Inability to compensate for a decline in sales of power supplies for mobile phone base stations and PCS with sales of custom made products and industrial use lithium-ion batteries**



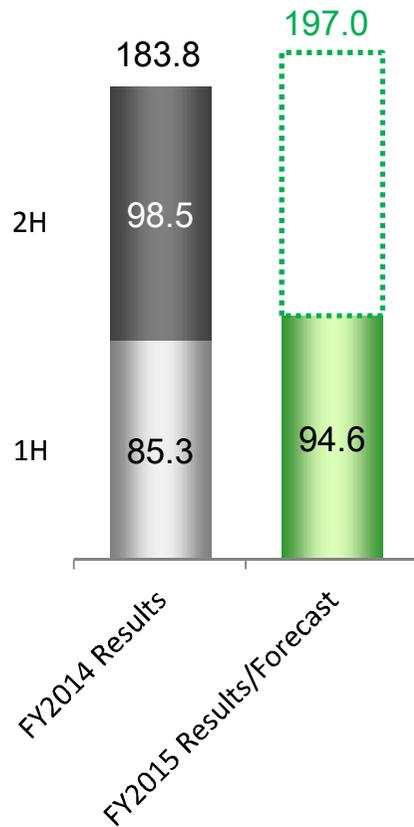
Coming Initiatives to Increase Earnings

- **Bolster the response to replacement projects with short lead times ahead of the fiscal year-end (budget consumption projects).**
- **Bolster the response to demand associated with arrival of the Green New Deal project deadline.**
- **Secure earnings through expense reduction.**

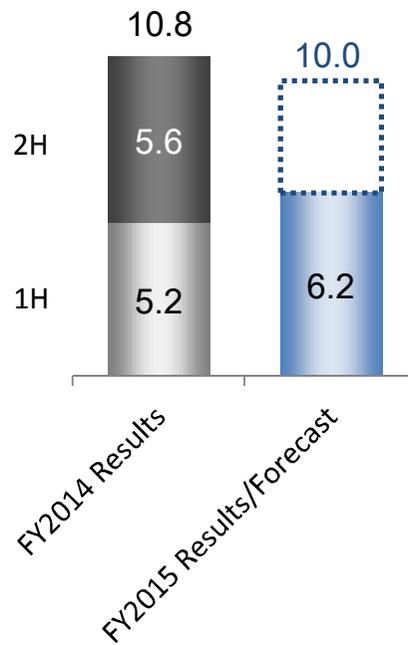
3. Segment Results

Overseas

(Billion yen)
Net sales



(Billion yen)
Operating income



FY2015 1H Sales Overview

- An Indonesian group company was converted into a consolidated subsidiary in FY2014 3Q.
- Sales declined in China, Thailand, and Indonesia.
- Revenues increased due to the impact of exchange rates.

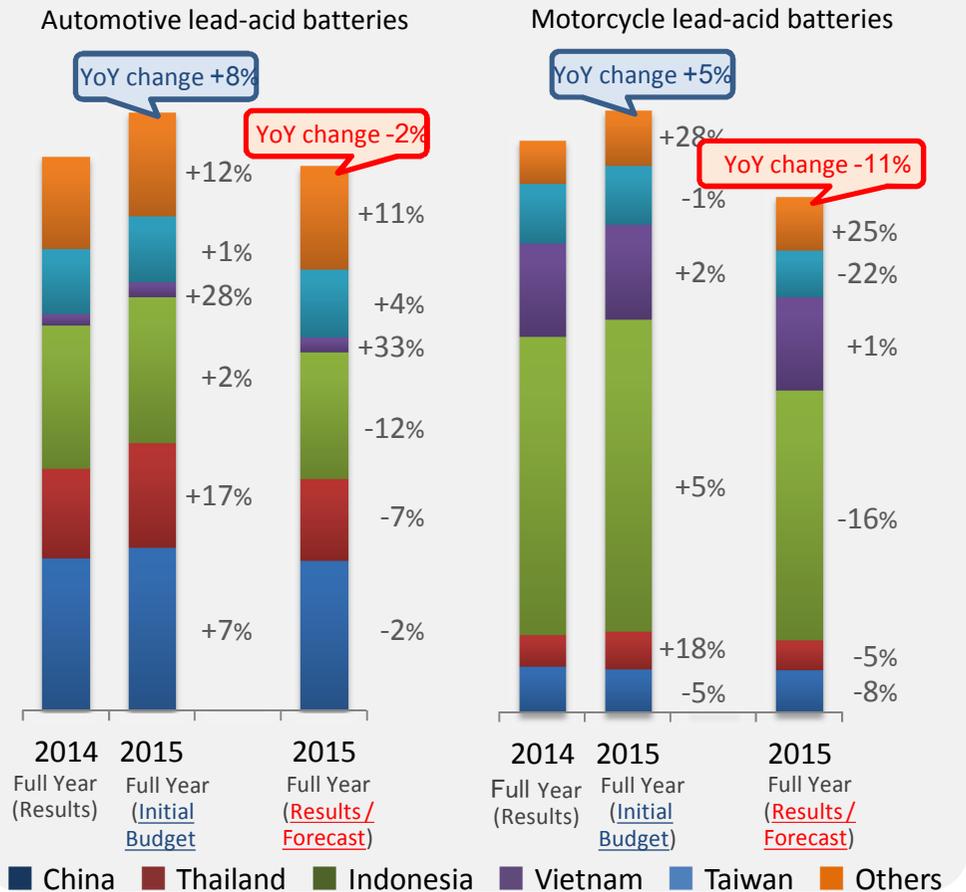
Main Profit Change Factors (Billion yen)

Quantity	-0.1
Lead prices / sales prices	+0.6
Forex	+0.6
Personnel costs / expenses, etc.	-0.1

3. Segment Results

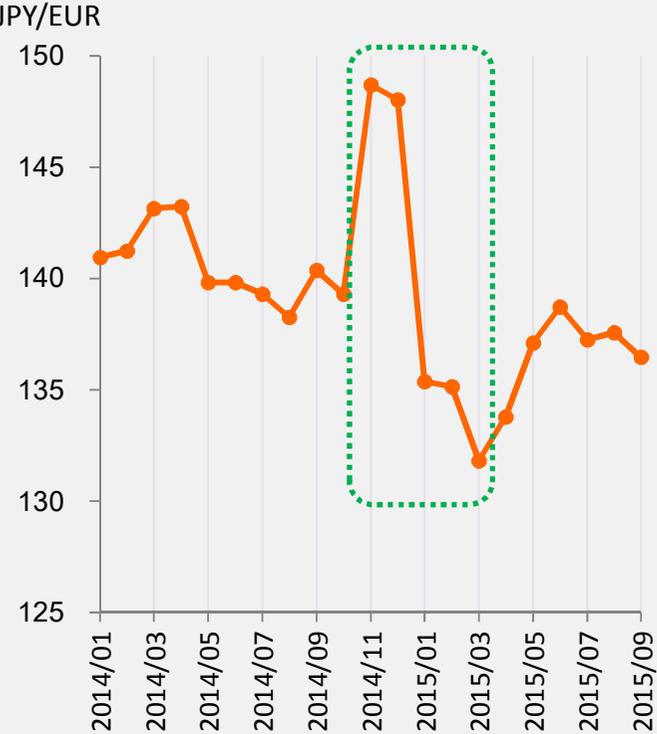
Overseas

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



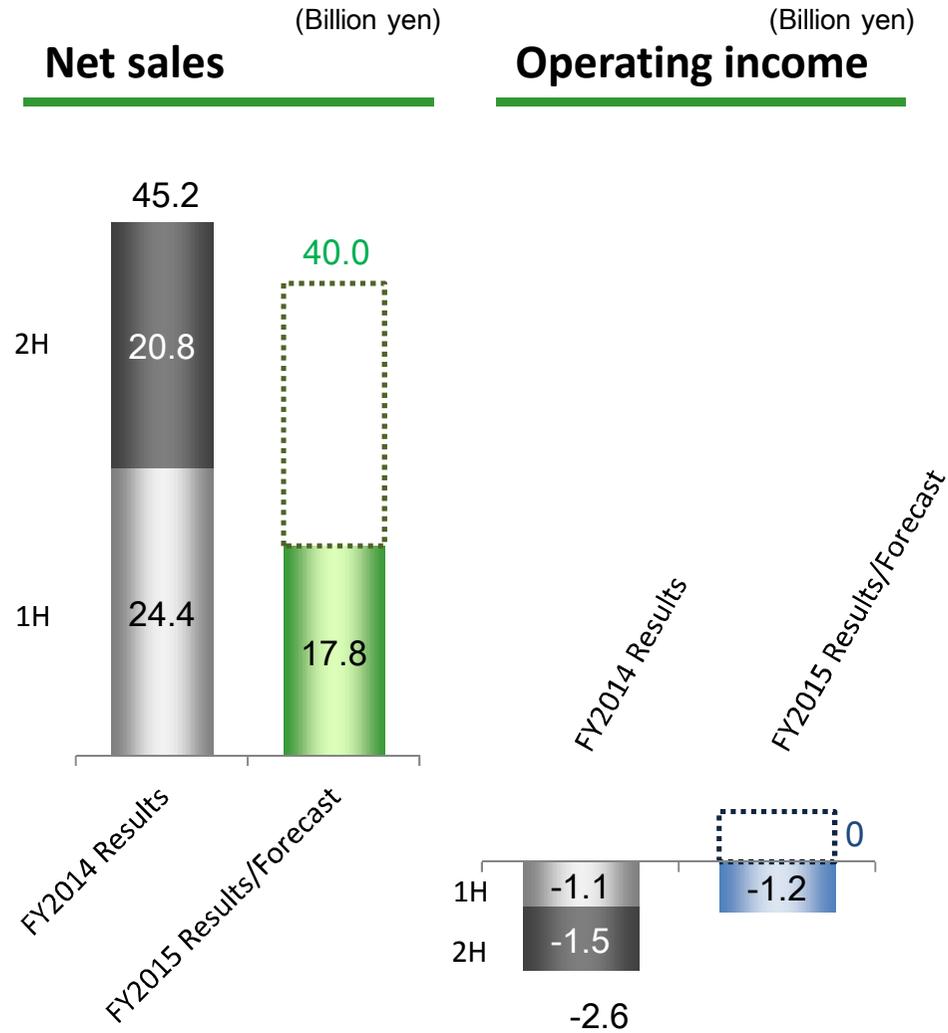
Forex Impact

A foreign exchange loss (non-operating expense of 0.7 billion yen) occurred, mainly due to weakening of the euro.



3. Segment Results

Lithium-ion Battery



FY2015 1H Sales Overview

- Blue Energy
Sales of lithium-ion batteries for hybrid vehicles declined due to slumping domestic automobile sales.
- Lithium Energy Japan
Sales of lithium-ion batteries for plug-in hybrid electric vehicles were strong.

Main Profit Change Factors

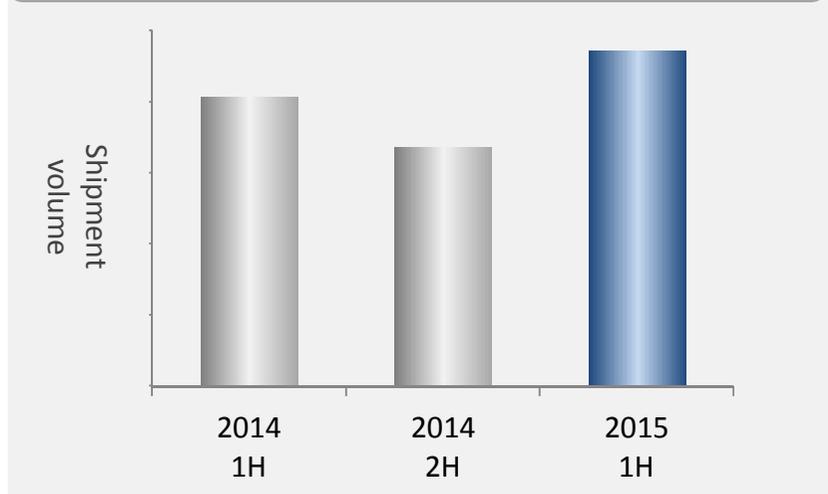
Streamlining compensated for a sales decrease, and profit at the prior-year level was secured.

3. Segment Results

Lithium-ion Battery

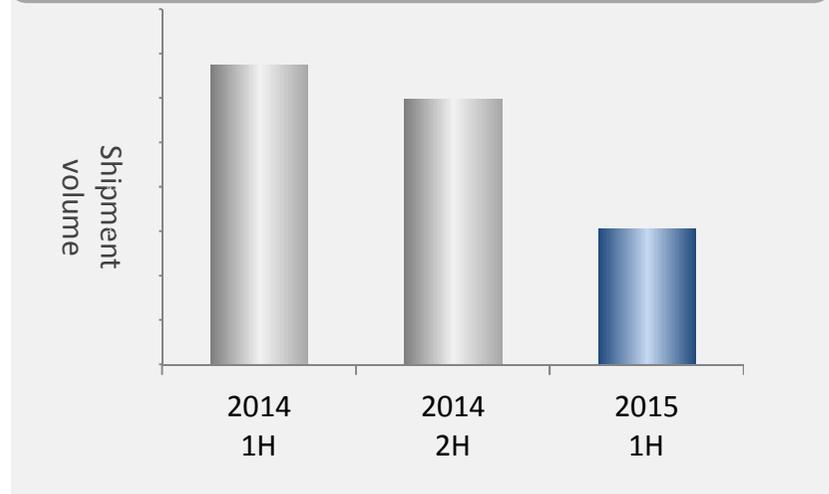
➤ **Steady progress toward achieving full-year segment profitability**

Lithium Energy Japan



- Strong shipments of batteries for plug-in hybrid electric vehicles to Japanese and overseas automakers
- Comparatively firm shipments of batteries for electric vehicles as well
- Reduced loss on dilution of fixed expenses due to a volume increase and streamlining measures

Blue Energy

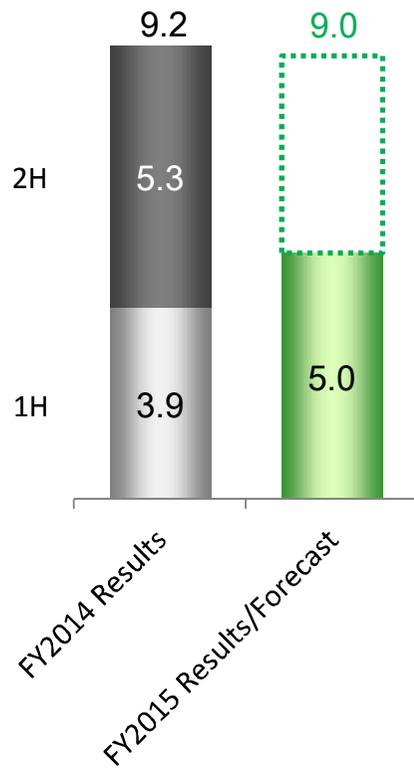


- Profit secured due to streamlining measures despite sales and profit decreases due to a volume decrease for batteries for hybrid electric vehicles

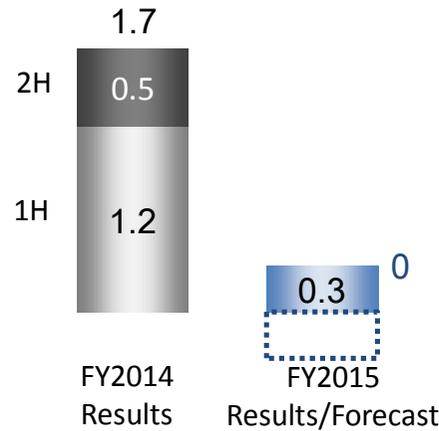
3. Segment Results

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. Revision to Consolidated Results Forecast

(Billion yen)

	FY2014 Results	FY2015 Initial Forecast	FY2015 Revised Forecast	Change (Revised - Initial)	
Net sales	369.8	400.0	375.0	-25.0	
Operating income	20.9	24.0	21.0	-3.0	
(Operating income ratio)	5.7%	6.0%	5.6%	-0.4P	
Ordinary income	22.4	25.0	21.0	-4.0	
Profit attributable to owners of the parent	10.0	13.0	11.0	-2.0	
(Net profit ratio)	2.7%	3.3%	2.9%	-0.4P	
Profit per share	¥24.33	¥31.49	¥26.65	-¥4.84	
Dividend	10 yen/share	10 yen/share	10 yen/share	±0 yen/share	
Assumptions	Domestic lead price quote	¥281,200/t	¥290,000/t	¥270,000/t	-¥20,000/t
	LME	2,096US\$/t	2,000US\$/t	1,700US\$/t	-300US\$/t
	Forex	¥106.46/US\$	¥115/US\$	¥120/US\$	+¥5/US\$

4. Revision to Consolidated Results Forecast

Segment Results

(Billion yen)

	FY2014 Results		FY2015 Initial Forecast		FY2015 Revised Forecast		FY2015 Apr-Sept.	
	Net sales	Operating income (Op. income ratio: %)	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)	52.0	3.0 (5.8)	52.0	3.0 (5.8)	23.3	0.8 (3.5)
Industrial battery and power supply (Japan)	79.8	8.7 (10.8)	81.0	9.0 (11.1)	77.0	8.0 (10.4)	30.4	0.7 (2.1)
Overseas	183.8	10.8 (5.9)	218.0	12.0 (5.5)	197.0	10.0 (5.1)	94.6	6.2 (6.6)
Lithium-ion battery	45.2	-2.6 (-5.8)	40.0	0 (0.0)	40.0	0 (0.0)	17.8	-1.2 (-6.5)
Others	9.2	1.7 (18.4)	9.0	0 (0.0)	9.0	0 (0.0)	5.0	0.3 (5.5)
Total	369.8	20.9 (5.7)	400.0	24.0 (6.0)	375.0	21.0 (5.6)	171.1	6.8 (4.0)

4. Revision to Consolidated Results Forecast

➤ Situation in Regions Where Change from the Original Forecast is Great

<p>China</p>	<ul style="list-style-type: none"> ● A volume downtrend attributable to stagnant replacement demand has led to fierce competition with local manufacturers in the automotive batteries market. Sales of high value-added new automobile batteries to Japanese automakers are strong. ● Although switching to high value-added motorcycle batteries (VRLA type) is progressing, volume has decreased. In addition, price competition is fierce. ● Electric power, communications, and other infrastructure-related demand for industrial-use batteries is strong. ● The impact at a major lead-acid storage battery plant due to explosion in Tianjin was minor.
<p>Thailand</p>	<ul style="list-style-type: none"> ● With regard to automotive batteries, automakers anticipate a year-on-year decrease in full-year sales volumes, and a slump in private consumption resulting from an increase in household debt and drought damage have led to fierce price competition for replacements. ● Sales volumes of new motorcycle batteries are compensating for a decline in sales volumes of replacement batteries. ● The domestic forklift battery market is weakening.
<p>Indonesia</p>	<ul style="list-style-type: none"> ● Exports are compensating for stagnant domestic demand for automotive batteries resulting from price increases caused by currency weakness, persistently high interest rates, and higher domestic oil prices. ● Demand for both new and replacement motorcycle batteries is weak.

5. Balance Sheet

(Billion yen)

	3/31/2015	9/30/2015	Change		3/31/2015	9/30/2015	Change
Current assets	177.3	170.7	-6.6	Liabilities	177.3	167.1	-10.2
▪ Cash and deposits			-1.7	▪ Notes and accounts payable			-4.3
▪ Notes and accounts receivable			-9.2				
Smooth collection of receivables accompanying a year-end sales increase				Payment of payables accompanying a year-end increase in purchase of stock			
▪ Marketable securities			-1.2	▪ Borrowings and commercial paper			-0.8
▪ Inventories			+6.7	▪ Payables			-2.8
Inventory buildup ahead of the demand season				▪ Income taxes payable			-0.6
Fixed assets	182.2	180.7	-1.5	Net assets	182.2	184.3	+2.1
▪ Property, plant and equipment			-2.3	▪ Retained earnings			+0.9
Depreciation exceeded capital investment				▪ Non-controlling interests			+1.4
▪ Net defined benefit assets			+1.6				
Total assets	359.5	351.4	-8.1	Total liabilities and net assets	359.5	351.4	-8.1

	3/31/2015	9/30/2015
Equity ratio	44.9%	46.1%
ROE (Return on equity)	6.7%	-

6. Capital Investment, Depreciation, R&D Costs

(Billion yen)

	FY2014 Apr-Sep	FY2015 Apr-Sep	FY2014 Full-year results	FY2015 Full-year forecast
Capital Investment	4.6	5.5	11.0	17.0
Lithium-ion battery	0.8	1.1	1.9	3.4
Overseas	1.9	1.7	4.0	5.5
Domestic existing businesses, others	1.9	2.7	5.1	8.1
Depreciation	7.5	7.7	15.7	17.0
Lithium-ion battery	3.0	2.6	6.0	6.2
R&D Costs	3.0	3.6	6.7	7.0
(Ratio of R&D Costs to Net Sales)	1.7%	2.1%	1.8%	1.9%

7. Cash Flow Statements

April – September Results

(Billion yen)

Operating C/F		Investing C/F		Financing C/F	
	5.4		-6.1		-2.3
▪ Profit before income taxes	6.5	▪ Purchase of property, plant and equipment	-5.9	▪ Decrease in borrowings	-0.8
▪ Depreciation and amortization	8.0			▪ Dividends paid	-3.4
▪ Decrease in receivables	9.8			▪ Proceeds from non-controlling interests due to capital increase in consolidated subsidiaries	2.5
▪ Increase in inventories	-6.6				
▪ Decrease in purchase liabilities	-5.2				
▪ Other	-2.8				
▪ Income taxes paid, etc.	-2.6				
Balance of Cash and Cash Equivalents					
		April 1, 2015	25.7	Sept. 30, 2014	22.7

Free C/F ※1 -0.7

Highlights

- Operating cash flow of ¥5.4 billion was nearly the same as in FY2014 2Q (¥5.5 billion).
- Free cash flow was -¥0.7 billion due to the purchase of property, plant and equipment, but this was covered by cash on hand. As a result, cash and cash equivalents at September 30, 2015 totaled ¥22.7 billion.

※1: Total of cash flow from operating activities and cash flow from investing activities

➤ Overview of the Acquisition

■ Acquired Companies and Businesses

- **Panasonic Storage Battery Co., Ltd.**
- **Panasonic Storage Battery (Shenyang) Co., Ltd.**
- **Panasonic Minda Storage Batteries India Private Ltd.**
- **Lead-acid battery business of Panasonic Energy (Thailand) Co., Ltd. (excluding the dry cell battery business)**

■ Expected Purchase Price (Estimate)

Approx. ¥30.0 billion

■ Future Schedule

Scheduled closing date: within first quarter of 2016

8. Acquisition of Panasonic Corporation's Lead-acid Battery Business

➤ Information on Individual Companies

Japan	
Name	Panasonic Storage Battery Co., Ltd.
Location	Kosai-shi, Shizuoka, Japan
Date established	October 2004 *Spun of as an independent company from the former Matsushita Battery Industrial Co., Ltd. (currently Panasonic Corporation AIS Company)
Main products	Lead-acid batteries for vehicles and electric vehicles (EV)

People's Republic of China	
Name	Panasonic Storage Battery (Shenyang) Co., Ltd.
Location	Shenyang, Liaoning Province
Date established	October 1994
Main products	Small industrial VRLA batteries

Kingdom of Thailand	
Name	Panasonic Energy (Thailand) Co., Ltd.
Location	Samutprakarn
Date established	December 1996
Main products	Batteries (manganese and alkaline) and lead-acid batteries for vehicles

Republic of India	
Name	Panasonic Minda Storage Batteries India Private Ltd.
Location	New Delhi
Date established	December 2014
Main products	Lead-acid batteries for vehicles and industrial lead-acid batteries

8. Acquisition of Panasonic Corporation’s Lead-acid Battery Business

➤ Purpose of the Acquisition

- Implementation of growth scenario which is “to ensure the expansion of earnings of existing businesses and to cultivate new businesses”
- Innovative change in the business structure by integrating the technological R&D, production know-hows and quality control skills of Panasonic and GS Yuasa
- Expansion of global market share in lead-acid battery business



- Knowledge and track record as a specialty battery manufacturer
- Technical support capabilities and sales capabilities that leverage a global foundation
- Far-sighted technology R&D capabilities
- A full line of lead-acid storage battery products



Automotive and motorcycle batteries



Small VRLA batteries



Unit batteries (SNL)



Lead-acid batteries for electrically powered vehicles



Industrial lead-acid batteries and power systems




- Technology development capabilities, production technology capabilities, and quality control capabilities
- Brand power



Blue Battery Caos



caos PRO for ISS vehicles + standard vehicles



circla for Minicars and compact cars



caos for hybrid vehicles

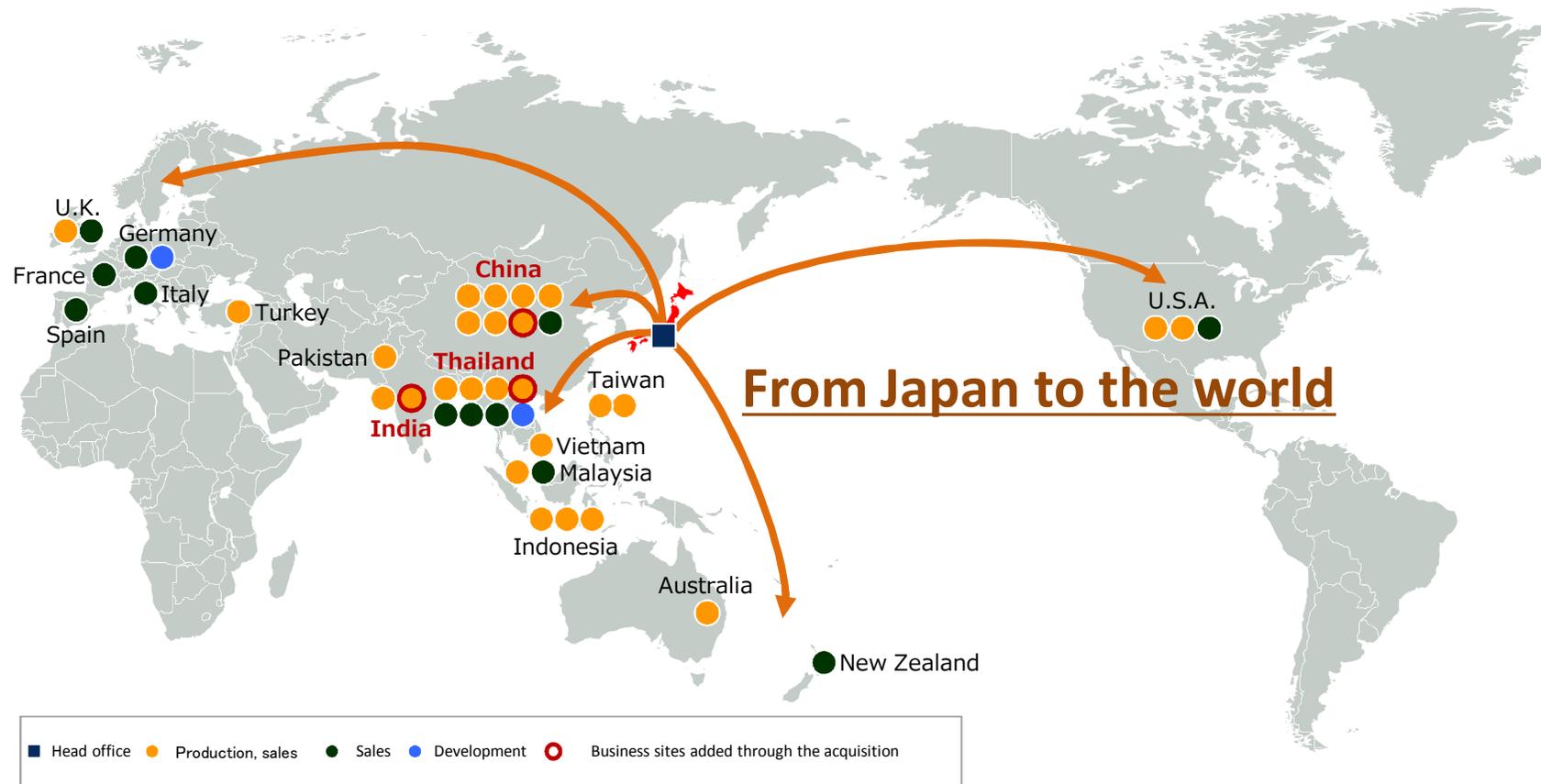
➤ Anticipated Synergies

- **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**

8. Acquisition of Panasonic Corporation's Lead-acid Battery Business

➤ GS Yuasa Group Overseas Business Sites

GS Yuasa will have global business operations spanning 40 business sites in 17 overseas countries, including sites added through the acquisition.



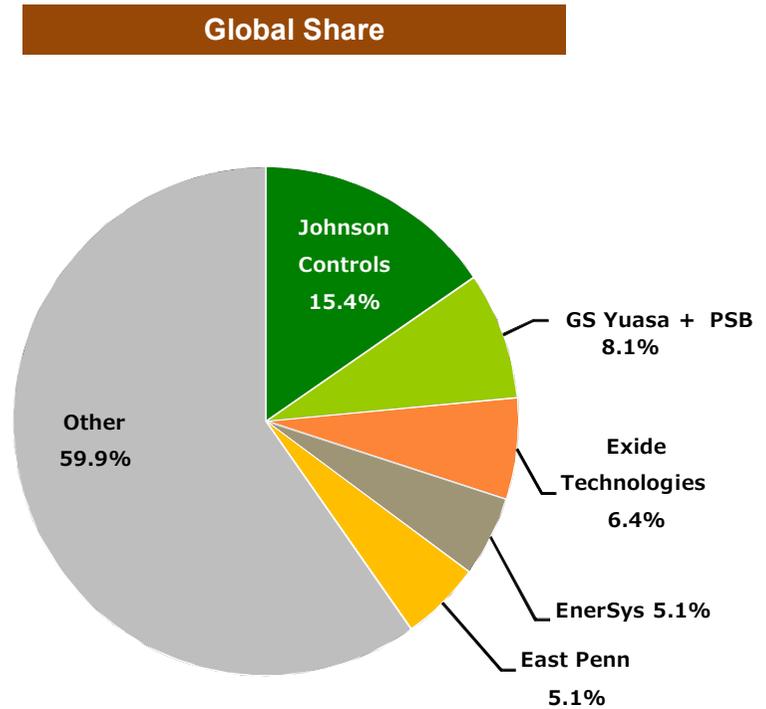
8. Acquisition of Panasonic Corporation's Lead-acid Battery Business

➤ Global Share of the Lead-Acid Battery Market

*The entire market for automotive, motorcycle, and industrial (including electrically powered vehicles) lead-acid batteries

Sales value basis

Manufacturer		2014 Share
	Johnson Controls	15.4%
	GS Yuasa + PSB	8.1%
	GS Yuasa	6.9%
	Exide Technologies	6.4%
	EnerSys	5.1%
	East Penn	5.1%
:	:	:
	Panasonic Storage Battery (PSB)	1.2%
	Other	59.9%
	Total	100.0%

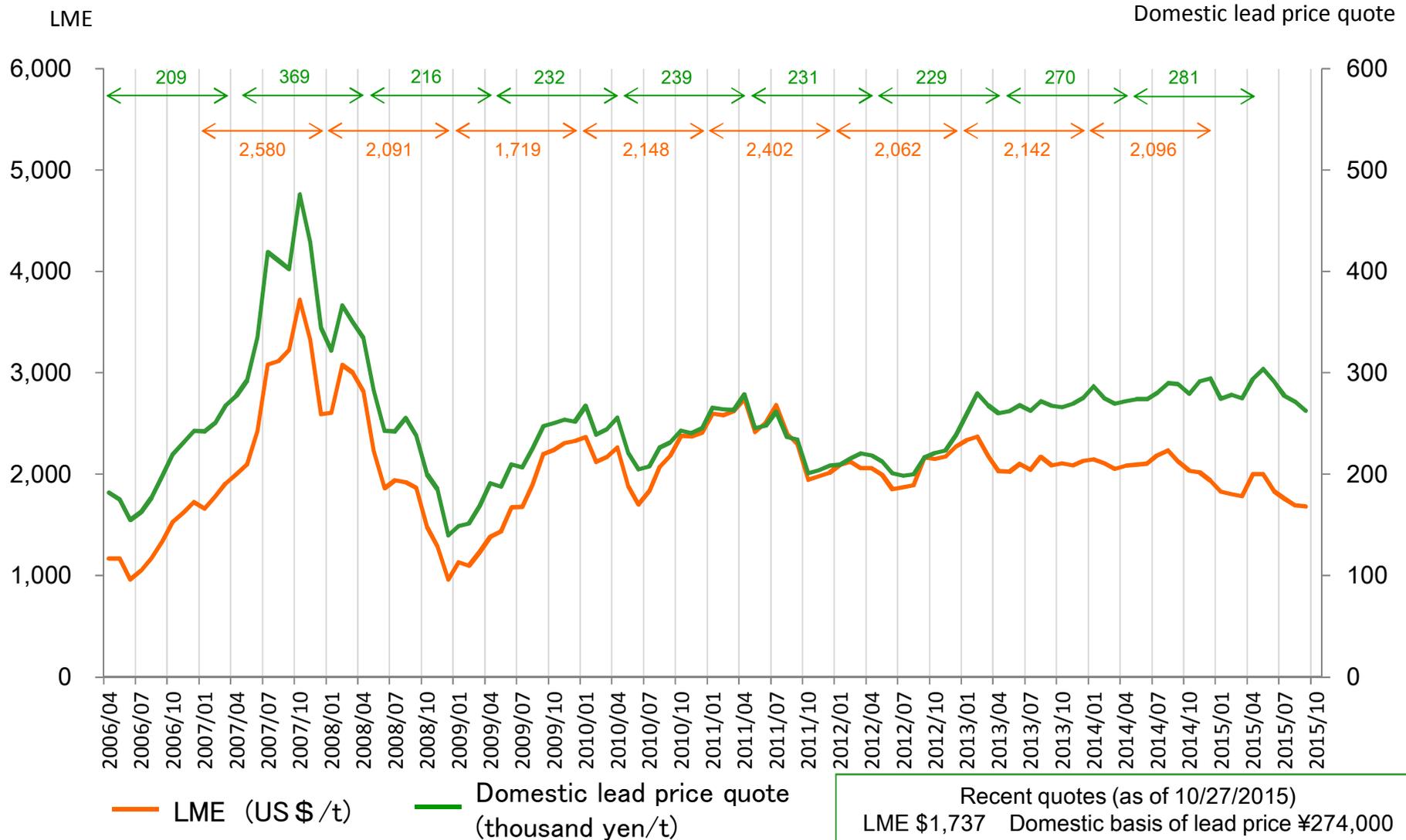


Source: GS Yuasa estimate

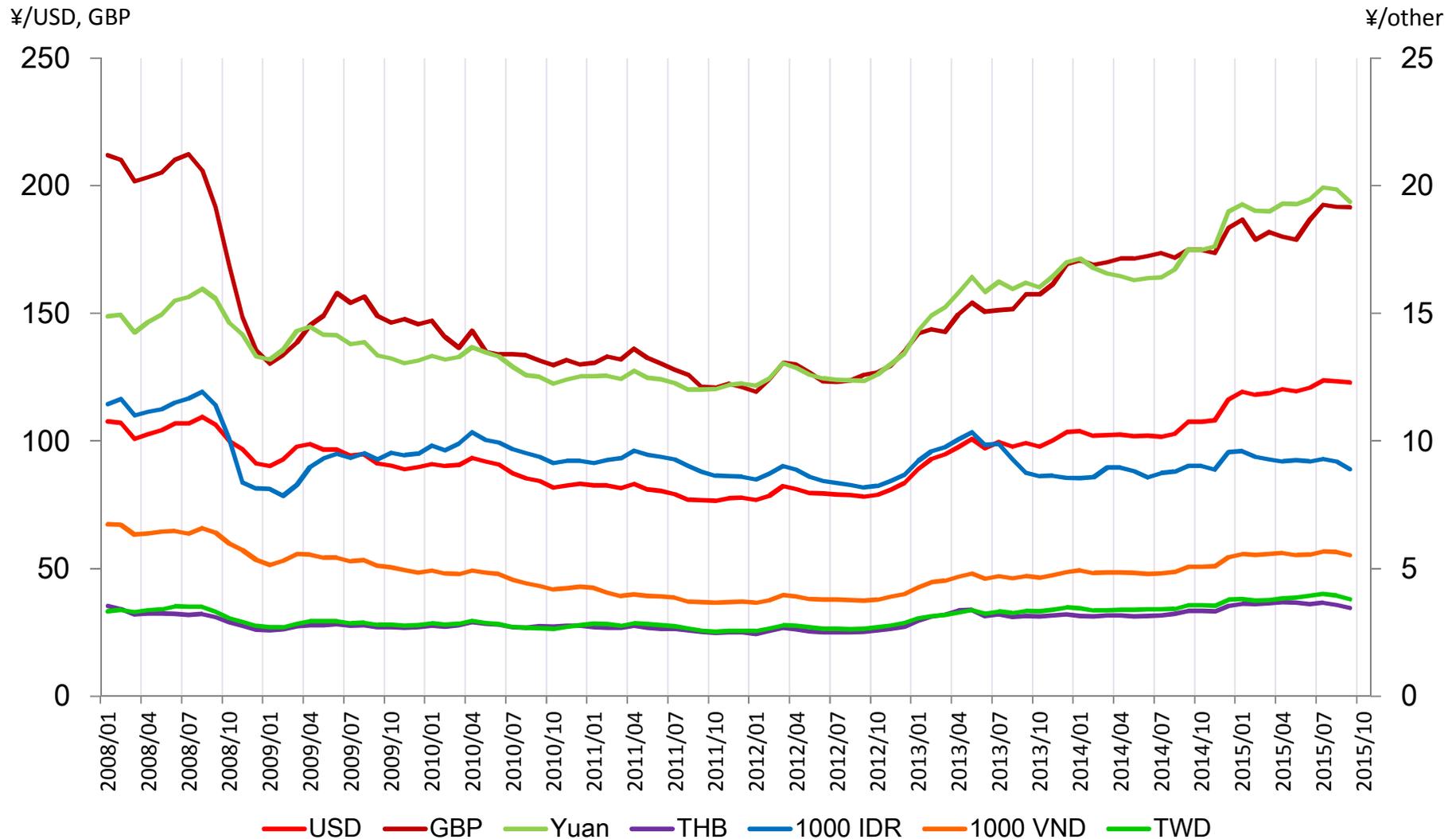
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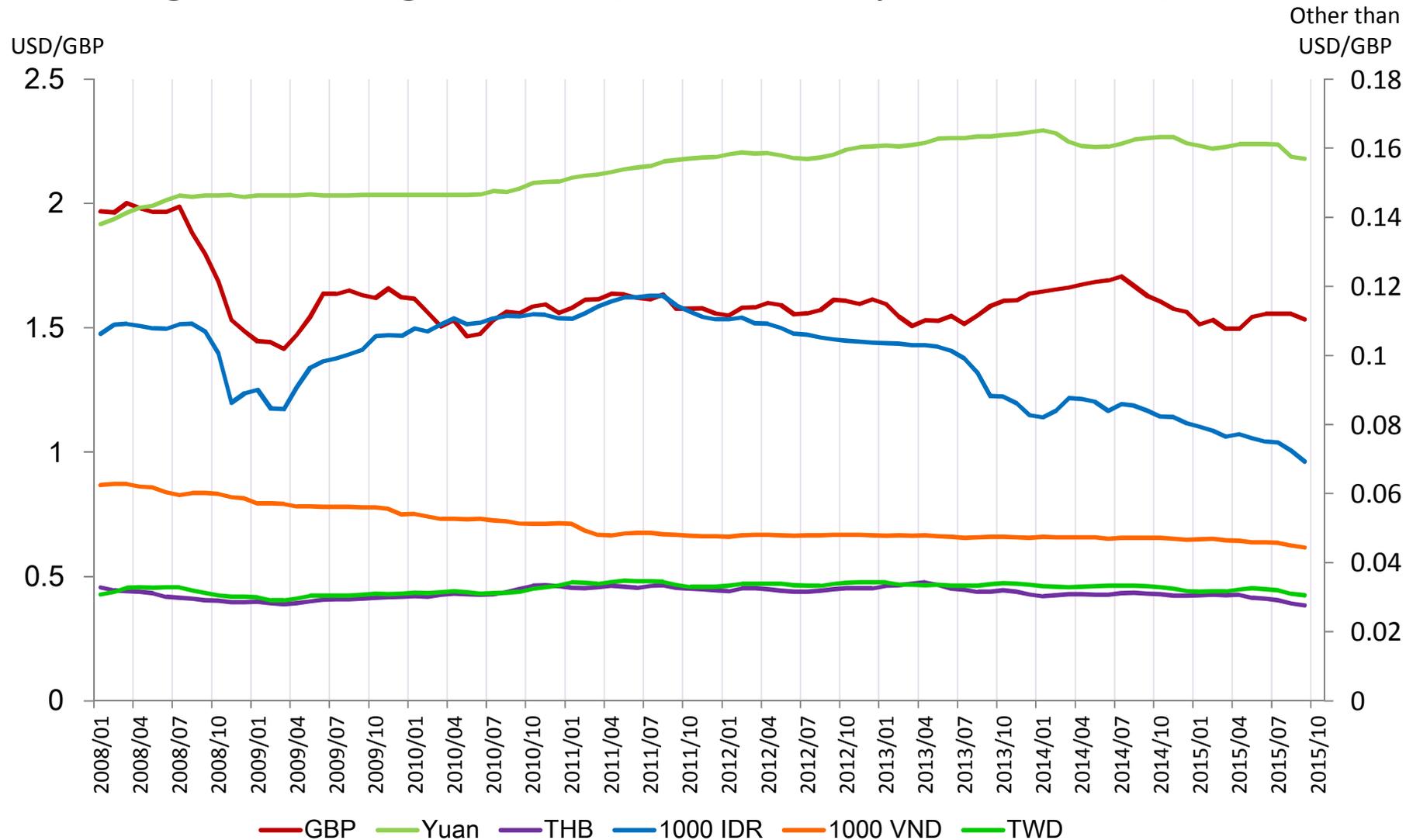
Raw Materials Prices



Foreign Exchange Rates (JPY vs. Key Currencies)



Foreign Exchange Rates (USD vs. Key Currencies)



Interest-Bearing Debt, D/E Ratio

