

August 4, 2020

GS Yuasa Corporation
Consolidated Earnings Report for the
Three Months ended June 30, 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*): August 4, 2020
 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 Three Months ended June 30, 2020 (April 1, 2020 to June 30, 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	%
Three Months ended June 30, 2020	76,376	(15.2)	1,002	(50.9)	1,699	(40.9)	(27)	-
Three Months ended June 30, 2019	90,082	(6.4)	2,040	(30.1)	2,873	(9.2)	1,473	3.0

Note: Comprehensive income: Three Months ended June 30, 2020: ¥2,335 million, -%
 Three Months ended June 30, 2019: -¥1,939 million, -%

	Profit per share		Diluted profit per share	
	yen		yen	
Three Months ended June 30, 2020	(0.34)		-	
Three Months ended June 30, 2019	18.03		-	

Note: Operating income before amortization of good will: Three Months ended June 30, 2020: ¥1,567 million, (-39.8%)
 Three Months ended June 30, 2019: ¥2,604 million, (-24.6%)

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		%	
June 30, 2020	382,825		202,717		45.4	
March 31, 2020	385,416		205,318		45.8	

Reference: Total equity: As of June 30, 2020: ¥173,734 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	-				
Year ending March 31, 2021 (forecast)		0.00	-	35.00	35.00

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
Six months ending Sep. 30, 2020	170,000	(10.7)	2,000	(73.5)	2,500	(70.3)	0	(100.0)	0.00
Year ending March 31, 2021	370,000	(6.5)	14,000	(35.4)	15,000	(35.1)	6,000	(56.1)	74.01

Note: The latest earnings forecast has been revised.

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)

	June 30, 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	2,116,734	1,579,708
	Three Months ended June 30, 2020	Three Months ended June 30, 2019
3) Average number of shares outstanding during the period	81,067,360	81,724,007

*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 three 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 pandemic. While economic activity has begun to resume in stages, novel coronavirus infections continue to increase in many countries around the world. The economic outlook therefore remains highly uncertain.

In this economic environment, the GS Yuasa Group's consolidated net sales for the first three months of the fiscal year totaled ¥76,376 million, down ¥13,706 million or 15.2% from the same period of the previous fiscal year. The decline in sales mainly reflects lower sales of lithium-ion batteries for plug-in hybrid vehicles and declines in domestic and overseas sales of lead-acid batteries for new vehicles. Consequently, operating income was ¥1,002 million (¥1,567 million before goodwill amortization); a year-on-year decrease of ¥1,037 million or 50.9%, and ordinary income was ¥1,699 million, down ¥1,174 million or 40.9% year on year. Loss attributable to owners of parent was ¥27 million (profit of ¥521 million before goodwill amortization), a ¥1,501 million deterioration from a profit of ¥1,473 million a year earlier. The loss takes into account the recoverability of deferred tax assets in light of the decline in ordinary income and the decline in profitability.

2) Business Segment Results

(Automotive Batteries)

Net sales in Japan totaled ¥15,933 million in the first three months of the fiscal year, ¥3,195 million or 16.7% 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 automobile production. Net sales were also 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 ¥884 million, up ¥284 million or 47.3% from a year earlier thanks to increased sales of replacement batteries.

Overseas net sales totaled ¥36,763 million, a year-on-year decline of ¥4,092 million, or 10.0%. The decline reflects the decrease in automobile sales in countries around the world due to the impact of the novel coronavirus pandemic. Overseas segment income came to ¥2,171 million, ¥534 million or 19.8% less than in the first three quarters of the previous fiscal year, as lower sales offset the drop in lead prices 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 three months of the fiscal year totaled ¥52,696 million, a year-on-year decrease of ¥7,288 million, or 12.2%. Overall automotive batteries segment income (before goodwill amortization) came to ¥3,056 million, ¥250 million or 7.6% less than a year earlier.

(Industrial Batteries and Power Supplies)

Net sales in the industrial batteries and power supplies segment for the first three months of the fiscal year totaled ¥14,732 million, a year-on-year decline of ¥884 million, or 5.7%. The main reasons for lower sales were the wind down in the sales cycle for power supplies to telecom companies and a decline in sales of forklift batteries. The segment posted a loss of ¥322 million, a deterioration of ¥166 million from the loss posted in the first quarter of the previous fiscal year.

(Automotive Lithium-ion Batteries)

Net sales in the automotive lithium-ion batteries segment for the first three months of the fiscal year totaled ¥4,695 million, a year-on-year decrease of ¥5,586 million, or 54.3%. The decline primarily reflects lower sales of lithium-ion batteries for plug-in hybrid vehicles. The segment posted a loss of ¥1,181 million, a year-on-year deterioration of ¥382 million, owing to the decline in net sales.

(Other)

Net sales in the other segment for the first three months of the fiscal year totaled ¥4,251 million, a year-on-year increase of ¥53 million or 1.3%. Segment income after adjustments for corporate expenses, etc., came to ¥15 million, a decrease of ¥237 million or 94.0% from the previous year's result.

(2) Financial Condition

Total assets as of June 30, 2020, amounted to ¥382,825 million, ¥2,591 million less than at the end of the previous fiscal year. The decline reflects progress in the collection of trade accounts receivable and the depreciation of fixed assets, which combined outweighed increases attributed to currency rate fluctuations and capital investment in fixed assets.

Liabilities increased to ¥180,107 million, up ¥9 million from the end of the previous fiscal year, as an increase in long-term debt outweighed decreases in trade accounts payable and income taxes payable.

Net assets totaled ¥202,717 million, a decrease of ¥2,601 million from the end of the previous fiscal year. The positive effect from increases in the market valuation of owned shares was offset by dividends paid and the purchase of treasury shares.

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

Considering the difficulty in gauging the impact of the novel coronavirus pandemic on the Group's business, the consolidated earnings forecast for the fiscal year ending March 31, 2021, was left undetermined. Since then, the restrictions on economic activities imposed in countries around the world have been relaxed. Accordingly, based on presently available information and forecasts, the Company has set its forecast for the full fiscal year ending March 31, 2021, as indicated below.

While impact from the novel coronavirus pandemic is unavoidable, the Group will continue its efforts to secure sales and profits based on the business foundation it has cultivated over the years.

Regarding automotive batteries, we will strive to expand sales of high-value-added products in Japan and establish a flexible production system capable of responding to demand fluctuations. Overseas, where conditions vary greatly from market to market, the Group will strive to secure sales by meeting demand for replacement batteries for automobiles and motorcycles. The Industrial Batteries and Power Supplies segment will promote initiatives to expand its business domain while also establishing a flexible production system capable of better responding to fluctuations in demand. The Automotive Lithium-Ion Batteries segment is responding to difficult conditions impacting sales volume by shifting to a production system more appropriate for coping with volume fluctuations. At the same time, it will establish the infrastructure required to mass produce and expand sales of 12V lithium-ion batteries while also stepping up efforts to expand its industrial-use batteries business.

Based on the current environment and the plans outlined above, the Company expects to post declines in sales and profits in the year ending March 31, 2021, with sales forecast to reach ¥370,000 million, operating income ¥14,000 million (¥16,000 million before goodwill amortization), and profit attributable to owners of parent ¥6,000 million (¥8,000 million before goodwill amortization).

(Segment forecasts)

(Millions of yen)

	Automotive Batteries: Domestic	Automotive Batteries: Overseas	Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Other	Total
Net sales	82,000	153,000	84,000	33,000	18,000	370,000
Operating income	6,000	7,000	6,000	(2,000)	(1,000)	16,000

※Operating income is before goodwill amortization

The above forecast assumes that production and sales activities at the Group's operations around the world will normalize as economic recoveries emerge before the end of the current consolidated fiscal year. Actual results may differ as a result of changes in the status of the novel coronavirus pandemic.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of June 30, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	25,226	26,759
Notes and accounts receivable	68,704	55,001
Electronically recorded monetary claims	6,933	4,473
Merchandise and finished goods	35,918	40,562
Work in process	14,718	16,105
Raw materials and supplies	13,655	15,654
Other	10,906	12,866
Allowance for doubtful receivables	(349)	(319)
Total current assets	175,714	171,105
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	51,720	52,971
Machinery and equipment, net	32,904	35,287
Land	22,138	22,417
Lease assets, net	453	412
Right-of-use assets	4,555	4,683
Construction in progress	11,408	7,929
Other, net	4,671	4,779
Total property, plant, and equipment	127,852	128,481
Intangible assets		
Goodwill	1,995	1,657
Lease assets	982	997
Other	3,448	3,366
Total intangible assets	6,426	6,020
Investments and other assets		
Investment securities	53,684	54,434
Net defined benefit asset	12,945	13,797
Deferred tax assets	2,976	3,144
Lease receivables	2,266	2,453
Other	3,816	3,657
Allowance for doubtful receivables	(330)	(330)
Total investments and other assets	75,358	77,156
Total fixed assets	209,636	211,657
Deferred assets	65	62
Total assets	385,416	382,825

	As of March 31, 2020 Amount	(Millions of yen) As of June 30, 2020 Amount
Liabilities		
Current liabilities		
Notes and accounts payable	30,778	27,311
Electronically recorded obligation	14,893	14,088
Short-term borrowings	14,786	16,376
Payables	9,984	9,424
Income taxes payable	3,786	1,918
Notes payable-facilities	370	384
Electronically recorded obligations-facilities	1,998	3,363
Other	25,417	25,099
Total current liabilities	102,015	97,966
Long-term liabilities		
Bonds	20,000	20,000
Long-term debt	29,761	32,838
Lease obligations	5,457	5,686
Deferred tax liabilities	10,627	10,968
Deferred tax liabilities for land revaluation	928	928
Net defined benefit liability	4,094	4,241
Other	7,214	7,478
Total long-term liabilities	78,082	82,141
Total liabilities	180,098	180,107
Net assets		
Shareholders' equity		
Common stock	33,021	33,021
Capital surplus	55,301	55,301
Retained earnings	87,180	84,386
Less treasury stock, at cost	(3,680)	(4,671)
Total shareholders' equity	171,823	168,038
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	11,933	12,620
Deferred gain (loss) on derivatives under hedge accounting	(244)	(154)
Land revaluation surplus	2,137	2,137
Foreign currency translation adjustments	(6,265)	(6,090)
Remeasurements of defined benefit plans	(3,047)	(2,816)
Total accumulated other comprehensive income	4,513	5,696
Non-controlling interests	28,982	28,983
Total net assets	205,318	202,717
Total liabilities and net assets	385,416	382,825

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

	(Millions of yen)	
	Three Months ended June 30, 2019	Three Months ended June 30, 2020
	Amount	Amount
Net sales	90,082	76,376
Cost of sales	70,528	58,557
Gross profit	19,554	17,818
Selling, general and administrative expenses	17,514	16,816
Operating income	2,040	1,002
Non-operating income		
Interest and dividend income	392	319
Equity in earnings of equity method affiliates	854	326
Foreign exchange gain	-	287
Other	108	192
Total non-operating income	1,355	1,125
Non-operating expenses		
Interest expenses	172	186
Foreign exchange loss	112	-
Other	237	242
Total non-operating expenses	522	429
Ordinary income	2,873	1,699
Extraordinary income		
Gain on sales of fixed assets	24	17
Gain on sales of investment securities	14	-
Other	1	-
Total extraordinary income	40	17
Extraordinary loss		
Loss on disposal of fixed assets	47	131
Loss on sales of fixed assets	40	3
Loss on valuation of investment securities	-	15
Other	13	-
Total extraordinary loss	101	149
Profit before income taxes	2,812	1,567
Income taxes	758	1,187
Profit	2,053	379
Profit attributable to non-controlling interests	580	407
Profit (loss) attributable to owners of parent	1,473	(27)

Consolidated Statements of Comprehensive Income

	Three Months ended June 30, 2019	(Millions of yen) Three Months ended June 30, 2020
	Amount	Amount
Profit	2,053	379
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(1,406)	730
Deferred gain (loss) on derivatives under hedge accounting	0	67
Foreign currency translation adjustments	(2,143)	1,695
Remeasurements of defined benefit plans	43	230
Share of other comprehensive income of equity method affiliates	(488)	(767)
Total other comprehensive income	(3,993)	1,956
Comprehensive income	(1,939)	2,335
Components:		
Comprehensive income attributable to owners of parent	(2,222)	1,155
Comprehensive income attributable to non-controlling interests	282	1,180

(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 990 million yen during the first three months of the fiscal year ending March 31, 2021, and totaled 4,671 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 three months ended June 30, 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 novel coronavirus outbreak on the GS Yuasa Group's business in the financial statements for the first three 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. Three months ended June 30, 2019 (April 1 to June 30, 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	19,129	40,856	59,985	15,616	10,282	85,884	4,198	90,082
Inter-segment sales and transfers	335	941	1,277	2,979	102	4,359	(4,359)	-
Total	19,465	41,797	61,262	18,596	10,385	90,244	(161)	90,082
Segment income (loss)	600	2,706	3,306	(155)	(798)	2,352	252	2,604

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 528 million yen, which includes minus 270 million yen elimination of inter-segment transactions and minus 258 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 in the table above and operating income of 2,040 million yen on the consolidated statements of income represents amortization of goodwill and other intangible assets of 564 million yen. These goodwill and other intangible assets include identifiable assets acquired on the effective date of business combination.

II. Three months ended June 30, 2020 (April 1 to June 30, 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	15,933	36,763	52,696	14,732	4,695	72,124	4,251	76,376
Inter-segment sales and transfers	276	772	1,048	3,187	708	4,944	(4,944)	-
Total	16,209	37,535	53,745	17,919	5,403	77,069	(693)	76,376
Segment income (loss)	884	2,171	3,056	(322)	(1,181)	1,552	15	1,567

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 509 million yen, which includes minus 268 million yen elimination of inter-segment transactions and minus 241 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 in the table above and operating income of 1,002 million yen on the consolidated income statements represents amortization of goodwill and other intangible assets of 564 million yen. These goodwill and other intangible assets include identifiable assets acquired on the effective date of business combination.

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	-	-	-	-	-	-
Operating income	1,002	-	-	-	-	-	-
Ordinary income	1,699	-	-	-	-	-	-
Profit attributable to owners of parent	(27)	-	-	-	-	-	-

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