GS Yuasa Corporation

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GS YUASA

Creating the Future of Energy

GS Yuasa Corporation

GS Yuasa Report 2021

For the fiscal year ended March 31, 2021

Scope of this report

Preparation of this report
This report has been issued to familiarize our stakeholders including shareholders and investors with the management policies and business strategies of the GS Yuasa Group. In this report, we explain the path toward value creation pursued by our Group with a focus on our business models and medium- to long-term policies and strategies in the hope that readers can deepen their understanding of these topics.

Period and content covered
Results for fiscal 2020 (April 1, 2020–March 31, 2021)

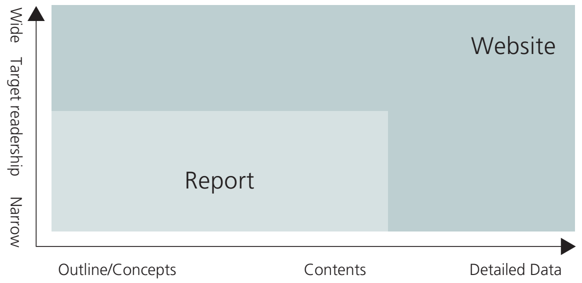
Companies covered
This report covers the GS Yuasa Group, comprised of GS Yuasa Corporation, the holding company; GS Yuasa International Ltd., the Group's core operating company; and consolidated subsidiaries. Notes are included for data that fall outside the scope of the companies covered.

Date of issue
October 2021

Referenced guidelines, etc.

- International Integrated Reporting Council (IIRC), International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry, Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation
- Global Reporting Initiative (GRI), GRI Sustainability Reporting Standards

About importance and comprehensiveness
This report focuses on particularly important information, presented in such a way as to be easy to read and understand. The website discloses comprehensive information in order to meet public demands.



Information disclosure system

Business and financial information | **Sustainability and ESG information**

Booklet | PDF | Website

GS Yuasa Report

This report is the Group's integrated reporting tool. It summarizes value creation pathways and annual financial, sustainability, and ESG information, primarily for investors.

▶https://www.gs-yuasa.com/en/ir/online-annualreport.php

Website

Investor Relations

On this website, we disseminate a variety of information, including financial results and the Individual Investors Report (Japanese only), in a timely manner.

▶https://www.gs-yuasa.com/en/ir/

PDF

Investors' Guide

The guide is a brief and easy-to-understand summary of basic information including an overview of the Company, financial results, and ESG information.

▶https://www.gs-yuasa.com/en/ir/investorsguide.php

Website

Sustainability

This website introduces our ESG (CSR) initiatives.

▶https://www.gs-yuasa.com/en/csr/

PDF

Sustainability activities

This material summarizes information relating to our ESG (CSR) initiatives, etc.

▶https://www.gs-yuasa.com/en/csr/archive.php

Disclaimer

This report contains earnings forecasts and other financial information pertaining to future business performance. These contents are based on information available at the time of issue and include an element of latent risk and uncertainty related to economic trends, demand, the forex rate, the tax system, and other factors. Please understand that actual earnings could diverge greatly from those presented here.

Contents

Contributing to Society Through Energy Devices

The GS Yuasa Group is a manufacturer of storage batteries that conducts business worldwide. In accordance with our corporate philosophy of "Innovation and Growth," we constantly develop products, technologies, and services required by the times and support energy supply in various environments, from automobiles to satellites.

Corporate Philosophy

Innovation and Growth

We are committed to people, society and the global environment through innovation and growth of our employees and business entities.

Management Vision

We are committed to delivering security and comfort to our customers around the globe through advanced technologies developed in the field of stored energy solutions.

Management Policy

1. **GS Yuasa**
   will become the "First call" company based on our "Customer first" policy.
2. **GS Yuasa**
   considers "Quality" and "Safety" as most important, and supplies environmentally conscious products all over the world.
3. **GS Yuasa**
   will comply with all laws and operate using clear and fair management.

Corporate Slogan

Creating the Future of Energy

The commitment instilled in this slogan:
We pledge to pioneer new modes of futuristic energy (storage batteries), engineered to address the constantly changing needs of the times.

Automobiles

Storage batteries start the engines of automobiles and run electric vehicles. They support the safety and comfort of the mobility society.

Electric power infrastructure

Lithium-ion batteries are the key to electric power energy management. They are essential for controlling wind and solar power generation, which have highly variable output.

Motorcycles

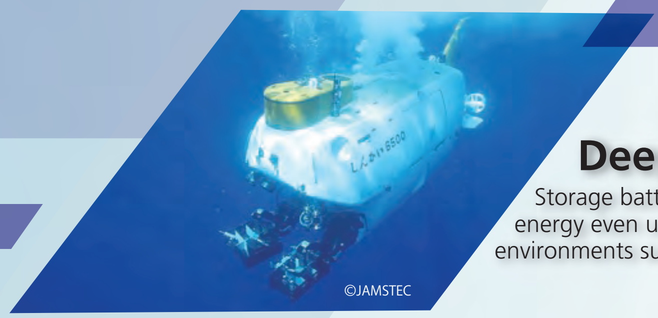
Motorcycles, a common means of transportation, particularly in Asia, also use storage batteries to start the motor.

Social infrastructure

Storage batteries support social activities as backup power supplies for various social infrastructure including data centers, mobile phone base stations, and power plants. Our products are also used in forklifts and railways.

Outer space

Storage batteries are essential for long-term operation of the International Space Station and artificial satellites.



Deep sea

Storage batteries can stably provide energy even under harsh environments such as the deep sea.

Supporting Mobility and Social Infrastructure Through Storage Battery Technology

We develop, manufacture, and globally supply the batteries that are essential for automobiles and motorcycles, as well as batteries for industrial vehicles, such as electric trains and forklifts, and batteries for power plants and other social infrastructure.

An overview of conditions by business sector and financial performance are shown on pp. 49-66.

Battery applications

For starting	For starting engines
For auxiliary equipment	For starting hybrid systems and backup for electrical devices
For drive force	For driving motors

Business sector

Automotive Batteries (Japan)

pp. 51-54

- Composition of net sales: 22%
- Net sales FY2020: ¥83,639 million
- Year-on-year change: Down 5.0%

Main products
- Lead-acid batteries
- Battery type: Lead-acid

Main applications

Application	Details	Main customers	
Automobiles (No.1 domestic share)	General/Vehicles with start-stop systems (ISS:idling stop systems)/Hybrid electric vehicles (HEVs)/Plug-in hybrid electric vehicles (PHEVs)/Electric vehicles (EVs); For starting; For auxiliary equipment	For new automobiles	Japanese automakers
		For replacement	Distributors (electrical device shops, etc.), automobile accessory mass retailers, automobile dealers, oil refiners and sellers, etc.
Motorcycles (No.1 domestic share)	For starting	For new automobiles	Japanese motorcycle makers
		For replacement	Distributors, etc.

Automotive Batteries (Overseas)

pp. 51-52, 55-56/Feature pp. 43-44

- Composition of net sales: 43%
- Net sales FY2020: ¥165,296 million
- Year-on-year change: Up 1.9%

Main products
- Lead-acid batteries
- Battery type: Lead-acid

Application	Details	Main customers	
Automobiles (No.2 global share)	General/ISS vehicles/HEVs/PHEVs; For starting; For auxiliary equipment	For new automobiles	Japanese automakers
		For replacement	Distributors, etc. * Varies by country
Motorcycles (No.1 global share)	For starting	For new automobiles	Japanese motorcycle makers
		For replacement	Distributors, etc.

Main product profit models (Automotive Batteries): In addition to batteries for new automobiles, we sell storage batteries for replacement during vehicle inspections and maintenance, enabling continuous generation of profit.

Industrial Batteries and Power Supplies

pp. 57-60/Feature pp. 45-46

- Composition of net sales: 22%
- Net sales FY2020: ¥84,037 million
- Year-on-year change: Down 0.6%

Main products
- Lead-acid batteries
- Lithium-ion batteries
- Various power supply devices
- Lighting equipment
- Battery type: Lead-acid, Lithium

Application	Details	Main customers	Main product profit models
Backup batteries (No.1 domestic share)	Social infrastructure including mobile phone base stations, office buildings, water and sewer systems, power plants and transformer stations, and railways	Railways, electric power, government agencies, communications carriers, private sector, etc. * Sales are also conducted via distributors, electrical construction companies, electrical machinery and communications device makers, and others.	Primarily made-to-order products. We perform contracting including design and manufacture of products tailored to the use conditions and installation site as well as product installation. Even after delivery, there is demand for periodic inspection and maintenance.
Renewable energy	Solar power and wind power generation systems		
Forklifts (No.1 domestic share)	Battery-powered forklifts, electric wheelchairs, and other electric-powered vehicles	Forklift makers, maker distributors, etc.	In addition to batteries for new automobiles, we sell storage batteries for replacement during vehicle inspections and maintenance, enabling continuous generation of profit. (Lead-acid batteries for forklifts)
Lighting	Street lighting, tunnel lighting, park and city street lighting	Government agencies	

Automotive Lithium-ion Batteries

pp. 61-64/Feature pp. 41-42

- Composition of net sales: 9%
- Net sales FY2020: ¥35,950 million
- Year-on-year change: Down 14.9%

Main products
- Lithium-ion batteries
- Battery type: Lithium

Application	Details	Main customers		Main product profit models
Automobiles	HEVs/PHEVs/EVs/General/ISS vehicles; For starting; For auxiliary equipment; For drive force	For new automobiles	Japanese automakers, European automakers	Product life spans are long, so in principle, there is no replacement demand.

Specialized Batteries and Others

pp. 65-66

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- Composition of net sales: 4%
- Net sales FY2020: ¥17,587 million
- Year-on-year change: Down 5.1%

Main products
- Lead-acid batteries
- Lithium-ion batteries
- Specialized batteries
- Battery type: Lead-acid, Lithium

Main applications: Submarines; Manned research submersibles; Aircraft; Rockets; Satellites; Other special applications

Main customers: Japanese government, electrical machinery makers, aircraft makers, special corporations, etc.

Main product profit models: These batteries are used under demanding environmental conditions, and as a result, maximum levels of performance and quality are needed. We seek to distinguish our products through high technology levels and sell high value-added products.

Responding Precisely to Needs Around the World

The GS Yuasa Group, which boasts top-class shares of global markets, especially in Japan and Asia, develops and manufactures products that meet the needs of specific regions around the world, including our lead-acid batteries for automobiles and motorcycles.

Number of overseas sites
(As of July 2021)

38 sites in 19 countries

Number of Group employees
(As of March 31, 2021)

13,305

Region

Japan

Composition of net sales: 53%

Net sales
FY2020
¥205,430 million
Year-on-year change
Down **3.5**%

Lead-acid battery market shares
- For automobiles: No.1 market share
- For motorcycle: No.1 market share
- For backup applications: No.1 market share
- For forklifts: No.1 market share

Asia

Composition of net sales: 25%

Net sales
FY2020
¥95,893 million
Year-on-year change
Down **7.1**%

Lead-acid battery market shares
- For automobiles: No.1 market share
- For motorcycle: No.1 market share

Europe and United States

Composition of net sales: 15%

Net sales
FY2020
¥57,394 million
Year-on-year change
Up **4.6**%

Others

Composition of net sales: 7%

Net sales
FY2020
¥27,792 million
Year-on-year change
Up **12.8**%

Value Creation

GS YUASA Report 2021

History of Innovation and Growth over 100 Years

Beginning with lead-acid batteries, the GS Yuasa Group has launched innovative products one after the other. We are continuing to grow as an energy device company that forever contributes to society.

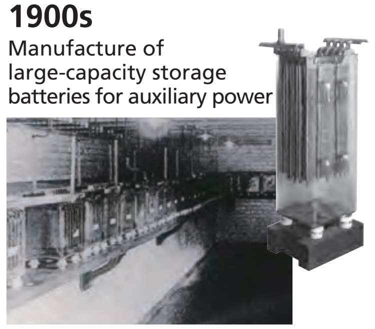
Founder of Japan Storage Battery Co., Ltd.
Genzo Shimadzu
(1869–1951)

Genzo Shimadzu, the founder of Japan Storage Battery, was an extraordinary inventor; he acquired 178 patents during his lifetime and was selected as one of Japan's 10 greatest inventors. In 1895 he manufactured Japan's first lead-acid battery, quickly spotting its potential and contributing to its diffusion and development.

Founder of Yuasa Storage Battery Co., Ltd.
Shichizaemon Yuasa
(1877–1943)

Shichizaemon Yuasa, who founded the predecessor of Yuasa Corporation, was the twelfth-generation owner of a charcoal dealer that had continued since the Edo period (1603–1868). A man of vision and a natural entrepreneur, he was forever launching new projects. In 1915 he embarked on the manufacture of storage batteries. With his foresight, pragmatism, and speed, Shichizaemon Yuasa steered the business to success.

1900s
Manufacture of large-capacity storage batteries for auxiliary power



Contributing to the steady supply of electric power

1930s
Supply of lead-acid batteries for the first electric bus produced in Japan

Supplying the new means of mobility

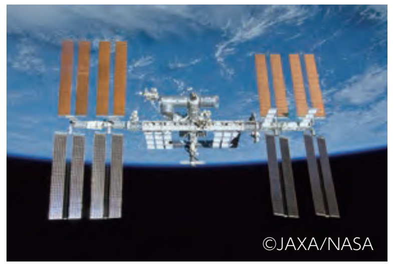
1970s
Development of a high-performance and long-life lead-acid batteries

Assisting the electric vehicles (EVs) boom

2000s
Successive marketing of renewable energy storage battery systems

Contributing to the promotion of clean energy

2010s
Installation of lithium-ion batteries on the International Space Station



Supporting the progress of space development projects

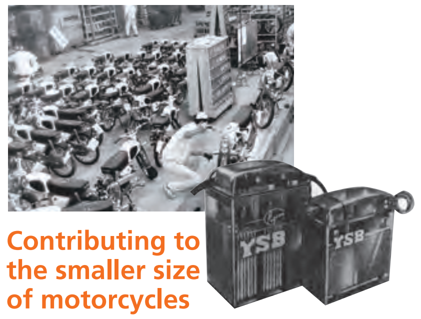
2020s
Delivery of a world-class storage battery facility for wind power generation

Contributing to the realization of decarbonized society

1920s
Supply of storage batteries for radios

Contributing to the diffusion of radios in ordinary households

1950s
Marketing of small and light storage batteries for motorcycles



Contributing to the smaller size of motorcycles

1990s
Development of a small prismatic lithium-ion batteries

Supporting the evolution of mobile phones

2000s
Supply of lithium-ion batteries for the i-MiEV, the world's first mass-produced EV

Ushering in a new EV era

2010s
Installation of lithium-ion batteries in port automatic guided vehicles (AGVs)

Contributing to an energy-saving society

1910 | 1950 | 1990 | 2000 | 2010 | 2020

History of GS (Japan Storage Battery)

1917
Establishment of Japan Storage Battery Co., Ltd.

1920
Invention of reactive lead oxide production method by Genzo Shimadzu

1938
Start of alkaline batteries production

1966
Establishment of first overseas site in Thailand (Siam GS Battery Co., Ltd.)

1993
Development of prismatic lithium-ion batteries

History of YUASA (Yuasa Corporation)

1918
Establishment of Yuasa Storage Battery Co., Ltd.

1920
Start of automotive lead-acid batteries production

1941
Start of alkaline batteries production

1963
Establishment of first overseas site (Yuasa Battery (Thailand) Pub. Co., Ltd.)

1998
Marketing of ultra-thin lithium-ion polymer secondary batteries

2004
Corporate merger

Establishment of GS Yuasa Corporation

History of GS Yuasa Corporation

2007
Establishment of joint venture (Lithium Energy Japan) with Mitsubishi Corporation and Mitsubishi Motors Corporation

2016
Transfer of lead-acid batteries business from Panasonic Corporation

2020
Decision made to construct second plant for Blue Energy Co., Ltd.

2009
Establishment of joint venture (Blue Energy Co., Ltd.) with Honda Motor Co., Ltd.

2019
Start of operation of new plant for automotive 12V lithium-ion batteries in Hungary

2021
Transfer of infrastructure business from Sanken Electric Co., Ltd.

Adopting Six Strengths as Management Resources

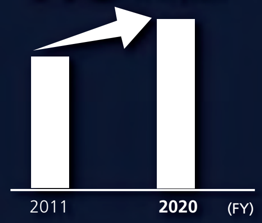
The GS Yuasa Group has continued to polish our development capabilities and production technologies and meet people's expectations through sincere business activities that create original value in the market. Taking full advantage of the strengths we have cultivated, we will put our philosophy of "Innovation and Growth" into practice for our employees and business entities and contribute to people, society, and the global environment.

1 A stable financial foundation bolstered by the Group's mainstay lead-acid batteries business

Our wide range of lead-acid batteries for starting automobiles support the Group's financial foundation. In addition to those for new automobiles, **profit is obtained continuously through demand for replacement** with vehicle maintenance and inspections as the focus. In addition, stable earnings can also be expected for lead-acid batteries for industrial use and for forklifts, which support social infrastructure.

Sales of lead-acid batteries

Increased about **1.3** times in 10 years



2 Solid strengths for developing technologies and cultivating markets built on an outstanding track record and customer trust

Number of global sites

19 countries **38** locations (As of July 2021)

Established a global network of sites for Japanese automobile manufacturing. We continue to **develop and produce in areas of demand** as partners of our customers. We develop products and markets according to local needs including GS Yuasa Asia Technical Center Ltd. in Thailand.

3 Advanced technological capabilities bolstering the lithium-ion batteries business

Patents registered in Japan: 1,250 (As of July 20, 2021)

Continued supply to Japanese automakers

World's first mass-produced lithium-ion batteries for EVs (2009)

Supplying lithium-ion batteries for the world's first mass-produced EV [i-MiEV]. We continue to supply lithium-ion batteries for hybrid electric vehicles (HEVs) that are the focus of Japanese automakers. **As a pioneering manufacturer of lithium-ion batteries for automobiles, we continue to focus on developing our own technologies** and have retained a competitive edge in the global market through the acquisition of patents and their utilization.

4 Strong competitiveness and brand power supported by business partnerships

Market share of lead-acid batteries (FY2020)

Ranked **2**nd in the global market for automobiles

8%

Ranked **1**st in the global market for motorcycles

17%

*Based on company research

The Group's lead-acid batteries maintain **a high market share in both the automobile and motorcycle markets.**

5 A workforce that upholds and passes down technologies rooted in sound understanding of the Company's corporate philosophy

Number of consolidated employees (As of March 31, 2021)

13,305

We promote integrated management as a Group and implement "Innovation and Growth" imbued with our founding spirit on a daily basis. The Group's manufacturing technologies are upheld and passed down through various activities including "*Monozukuri* (product creation) expert" education workshops and case presentations of team activities to drive *kaizen* (improvement).

6 CSR ingrained in the corporate culture

Ratio of implementation of workplace meetings on CSR (FY2020)

100%

Meetings in each workplace have been held every year since FY2012 with the aim of embedding an awareness of CSR in our business activities.

Target: All GS Yuasa workplaces (378)
Group companies in Japan (17)

Considering Opportunities and Risks

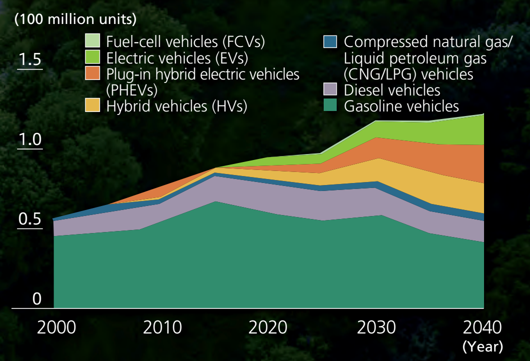
By accurately reading social and market trends and at the same time identifying the various risks associated with our business and their degree of importance, we will continue to conduct sound and positive management from a medium- to long-term perspective.

Opportunities

1 Diffusion of eco-friendly cars

The diffusion of HEVs and EVs and the standardization of start-stop functions in conventional gasoline vehicles are progressing in the automobile market. Our Group's products are playing an important role in the given situation.

Global market forecast for automobiles

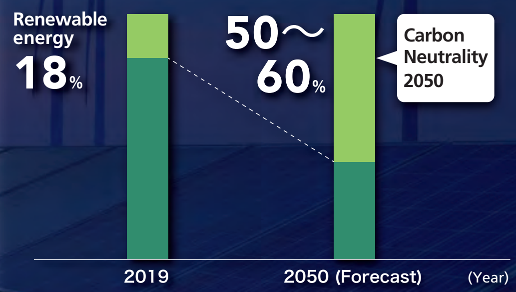


Source: International Energy Agency, *Energy Technology Perspectives 2017*

2 Expanding renewable energy

Since worldwide energy demand is increasing, it is necessary to **expand the use of renewable energy.** Our Group's products, which are essential for the use of energy from solar power or wind power generation, are attracting much attention.

Ratio of renewable energy in Japan's annual power generation

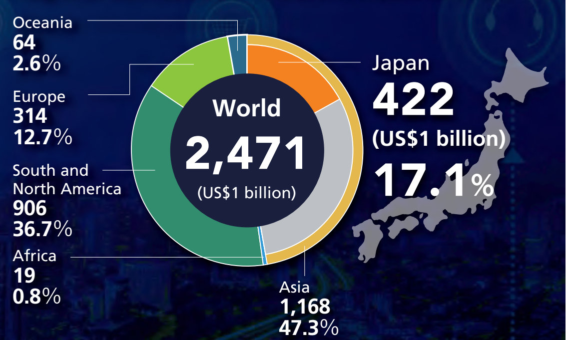


Source: Agency for Natural Resources and Energy, "Green Growth Strategy Through Achieving Carbon Neutrality in 2050"

3 Strengthening electric power and information infrastructure

If the supply of electricity were cut off, the activities of modern society would instantly come to a halt. Therefore, **batteries and power-source devices for backup power supplies in times of disaster** are becoming increasingly **important**. Our Group's products are safeguarding society's basic infrastructure from various disasters and contributing to business continuity in office buildings and plants.

Regional distribution of the world's disaster costs



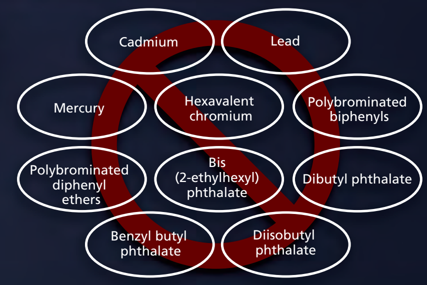
*Total for 1984–2013. Compiled by the Asian Disaster Reduction Center based on materials of the Centre for Research on the Epidemiology of Disasters (CRED).
Source: Cabinet Office, *White Paper on Disaster Management in Japan 2015*, Table 3

Risks

1 Raw material restriction

The global spread of **regulations on lead usage** in the EU, and **the rise in prices and supply shortages of rare metals** such as lithium could affect our Group's production activities.

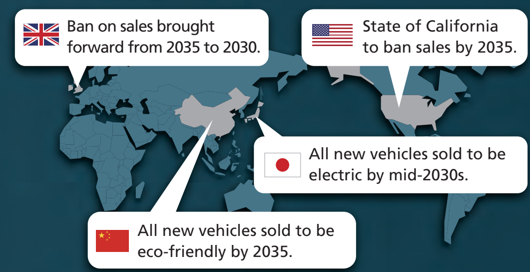
RoHS directive: 10 restricted substances



2 Changes in the market environment

It is necessary for us to implement strategies that accurately grasp **changes in the market**, such as the rapid rise of eco-friendly vehicles in the automobile industry, the emergence of alternative batteries, the drift of young people away from cars, and the diffusion of car-sharing services.

Examples of new gasoline-vehicle sales regulations in each country (See p. 37 for details.)



3 Supply-chain fluctuations

Ni Pb Co Mn Li

Products which are the mainstays of our Group are easily impacted by the market conditions of raw material and customers. **Cobalt** that is used in some of our products is also **a kind of conflict mineral**. Proper supply-chain management and the ensuring of stable supply and demand are essential.

4 Retention of human resources

In Japan, **the decline of the working-age population** is emerging as a common risk for companies. To strengthen our corporate competitiveness, it is important to provide employees with workplace environments in which our diverse workforce can display their abilities.

Trends in working-age population in Japan

*Created based on the Ministry of Health, Labour and Welfare, *Annual Health, Labour and Welfare Report 2018*

Pursuing Sustainable Growth

In accordance with its corporate philosophy, the Group continuously tackles the challenges of creating the cutting-edge technologies that will drive the future.
We will achieve sustainable growth by contributing to solutions to various social issues.

Social issues closely related to the Group

Achievement of Sustainable Development Goals (SDGs)

Collaboration among industry, government, and academia is necessary to achieve the 17 goals focusing on resources, climate change, health, etc.

Accelerating carbon neutrality

The CO_2 emitted by automobiles and other sources affects to global warming. Efforts on a global scale are needed to achieve a decarbonized society.

Increasing importance of social infrastructure

Expanding and enhancing backup power supplies as well as maintenance services that use IoT and DX are crucial for maintaining electric power supplies when natural disasters including floods and earthquakes occur.

Opportunities
➡p.13, pp.41-46

Risks
➡p.14, pp.47-48

Philosophy

Innovation and Growth

We are committed to people, society, and the global environment through innovation and growth of our employees and business entities.

Operational processes

Mid-Term Management Plan ➡p.38

We aim to achieve sustainable business growth and contribute to the sustainable development of society

Establish business processes that incorporate CSR issues into our business strategy

Lead-acid batteries business
Strengthen profitability, expand sales

Lithium-ion batteries business
Upfront investment for growth

Business Strategies by Segment ➡pp.51-66

- Automotive Batteries (Japan, Overseas)
- Industrial Batteries and Power Supplies
- Automotive Lithium-ion Batteries
- Specialized Batteries and Others

Key CSR Issues ➡pp.69-78,85-95

E Environment
Contribute to sustainability of the global environment
- Developing and popularizing environmentally considered products
- Promoting environmental protection

S Social
Respect for human rights and contribution to society
- Respect for individuality
- Human resources development/respect for diversity
- Enhancement of work environments and occupational health and safety
- Provision of high-quality products
- Responsible procurement promotion

G Governance
Promotion of fair, transparent, and swift group-wide governance
- Thoroughly fulfilling our CSR and ensuring compliance
- Respect and protection of intellectual property
- Strict management of confidential information

Underpinnings of Value Creation ➡pp.11-12

- A stable financial foundation bolstered by the Group's mainstay lead-acid batteries business
- Solid strengths for developing technologies and cultivating markets built on an outstanding track record and customer trust
- Advanced technological capabilities bolstering the lithium-ion batteries business
- Strong competitiveness and brand power supported by business partnerships
- A workforce that upholds and passes down technologies rooted in sound understanding of the Company's corporate philosophy
- CSR ingrained in the corporate culture

Growth driven by solving social issues

- Maximization of profits
- Maximization of returns to shareholders through efficient use of assets
- Innovation and new business creation supported by enhanced technological capabilities
- Growth for employees, maintaining and expansion of employment
- Building stable supply systems through strengthened bonds with suppliers

Long-term vision

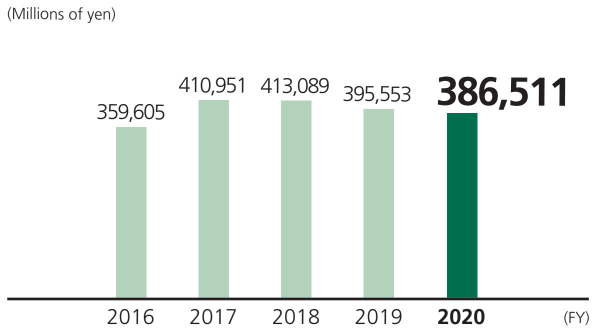
An energy device company committed to the constant creation of new value

Investment and return of management resources

Financial Highlights

Net sales

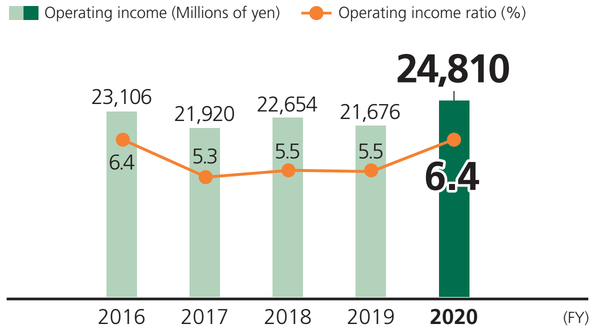
Net sales
Down 2.3% year-on-year



Sales were down year-on-year because of declines in sales of lead-acid batteries for new automobiles and lithium-ion batteries for PHEVs and other factors.

Operating income
Operating income ratio

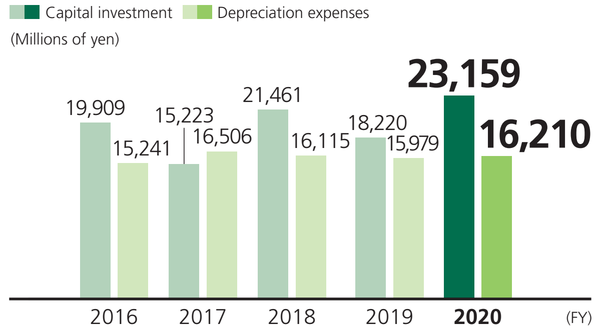
Operating income
Up 14.5% year-on-year



Operating income was up year-on-year, reaching a new record high, because solid sales of automotive lead-acid batteries for replacement and lithium-ion batteries for HEVs.

Capital investment
Depreciation expenses

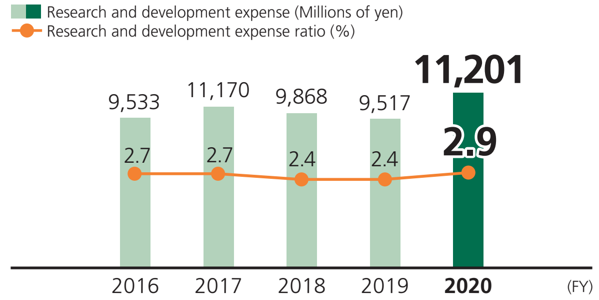
Capital investment
Up 27.1% year-on-year



Capital investment increased year-on-year as a result of investment for construction of a new plant for lithium-ion batteries for HEVs, investment in renovation of the Kyoto Head Office division, and etc.

Research and development expense
Research and development expense ratio

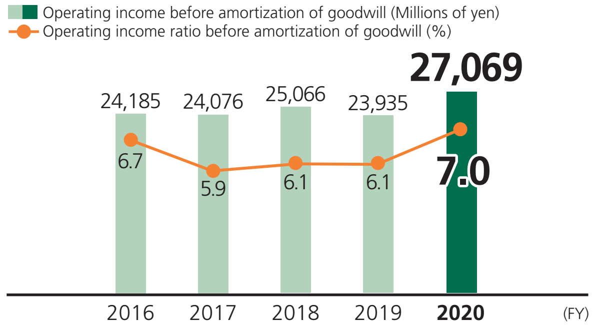
Research and development expense
Up 17.7% year-on-year



As a result of active research and development, particularly in the lithium-ion batteries business, research and development expense and the research and development expense ratio increased year-on-year.

Operating income before amortization of goodwill
Operating income ratio before amortization of goodwill

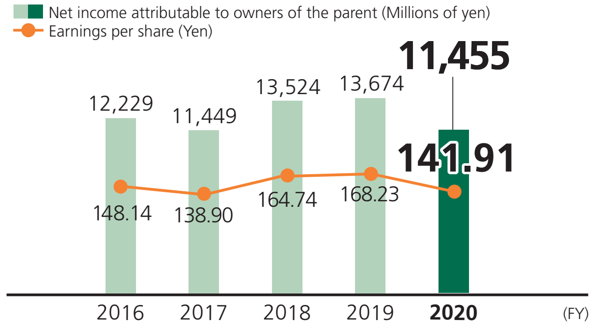
Operating income before amortization of goodwill
Up 13.1% year-on-year



Operating income before amortization of goodwill was up year-on-year because of the increase in operating income.

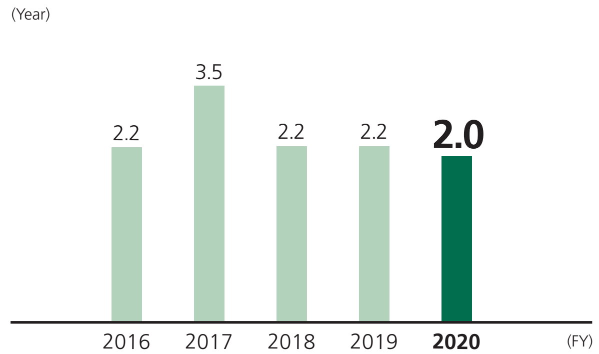
Net income attributable to owners of the parent
Earnings per share (EPS)

Net income attributable to owners of the parent
Down 16.2% year-on-year



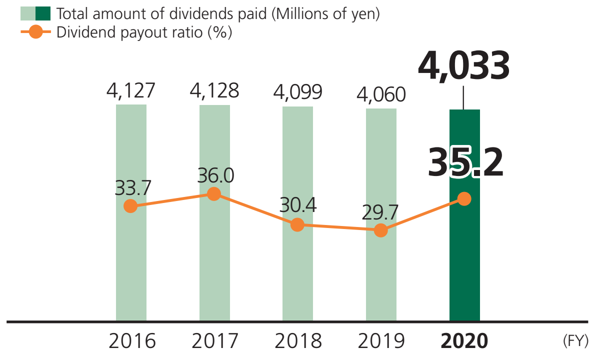
Net income attributable to owners of the parent was down year-on-year due to recording impairment losses and taking into account the recoverability of deferred tax assets in conjunction with a decline in the profitability of some subsidiaries.

Interest-bearing debt to cash flow ratio



As a result of achieving a profit before depreciation, cash flows from operating activities were 35.8 billion yen, up from 33.1 billion yen in the previous fiscal year, and this resulted in a year-on-year improvement in the interest-bearing debt to cash flow ratio.

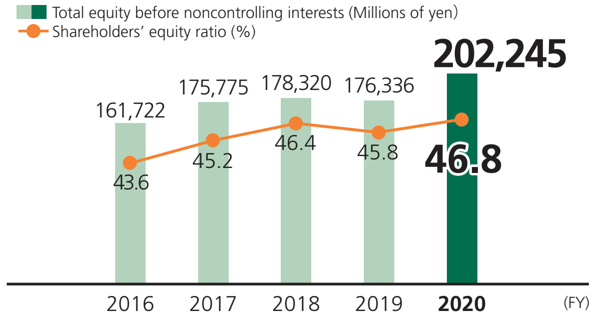
Total amount of dividends paid
Dividend payout ratio



In conjunction with achieving net income attributable to owners of the parent of 11.5 billion yen, which is over the target, a dividend of 50 yen per share was paid.

Total equity before noncontrolling interests
Shareholders' equity ratio

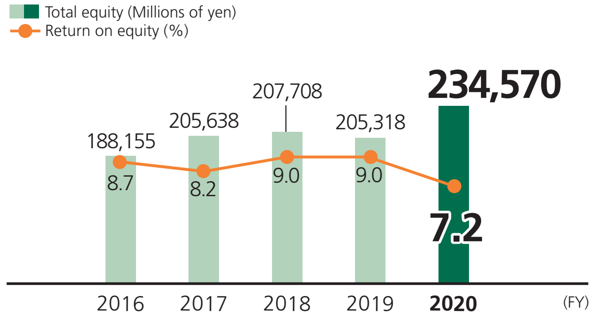
Total equity before noncontrolling interests
Up 14.7% year-on-year



Despite the payment of dividends and acquisition of treasury shares, total equity before noncontrolling interests increased and the shareholders' equity ratio was up year-on-year due to increases in net income, the market value of shareholdings, and foreign currency translation adjustments.

Total equity
Return on equity (ROE)*

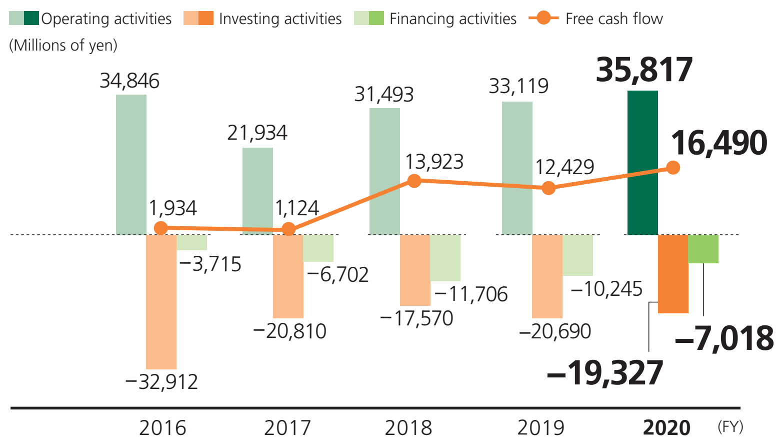
Total equity
Up 14.2% year-on-year



As a result of the increase in total equity before noncontrolling interests, total equity was also up year-on-year. ROE declined in conjunction with the decrease in net income.

* ROE has been calculated based on income before amortization of goodwill.

Cash flows from operating activities, investing activities, and financing activities



Cash Flows from Operating Activities

Although advances received decreased and income taxes and other taxes were paid, cash flows from operating activities were 2,698 million yen higher than in the previous fiscal year as a result of higher net income before income taxes and other adjustments, depreciation expenses, trade accounts payable, and other factors.

Cash Flows from Investing Activities

Cash flows from investing activities were up 1,363 million yen from the previous fiscal year as a result of acquisition of tangible fixed assets and other factors.

Cash Flows from Financing Activities

As a result of repayment of borrowings, acquisition of treasury shares, payment of dividends, and other factors, cash flows used in financing activities were up 3,227 million yen from the previous year.

Non-Financial Highlights

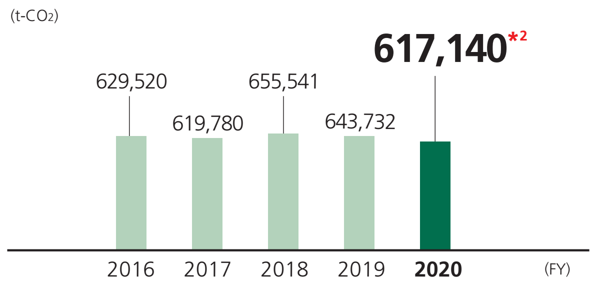
Notes. Scope of application Japan: Subsidiaries in Japan;
Overseas: Subsidiaries and affiliates subject to the equity method in countries other than Japan;
Global: Japan and overseas, however, not all subject companies are included in some instances.

Percentage of environmentally considered products in total sales of all products (global)

34.8%

Despite the impact of COVID-19 pandemic, sales of environmentally considered products increased steadily and the target for the fiscal year (34.0% or higher) was achieved.

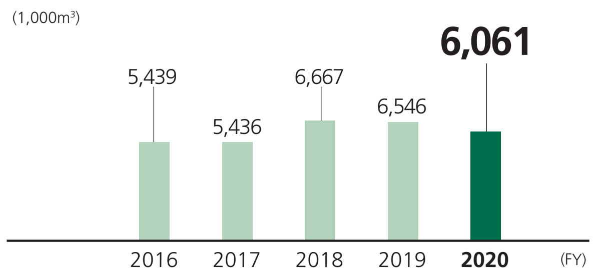
CO_2 emissions*1 of GS Yuasa Group (global)



The target for the fiscal year (reduction of at least 4.0% compared to fiscal 2018) was achieved, primarily due to a reduction in production volume in conjunction with the COVID-19 pandemic.

*1 We have been expanding the scope of application since fiscal 2018.
*2 The amount of CO_2 emissions for fiscal 2020 is provisional.

Water consumption in production* (global)



The target for the fiscal year (reduction of at least 6.0% compared to fiscal 2018) was achieved, primarily due to a reduction in production volume in conjunction with the COVID-19 pandemic.

* We have been expanding the scope of application since fiscal 2018.

Achievement ratio of human rights training plan (Japan)

100%

Based on the results of an analysis of training records at all business sites, we determined that employee awareness of human rights increased.

Achievement ratio of training plan to support employee growth (Japan)

100%

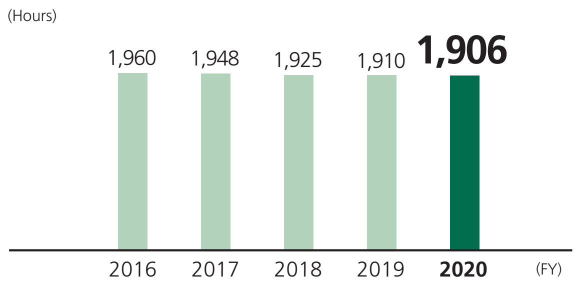
We continue rank-specific training and quality education in accordance with the annual plan. We also undertake development of global human resources at overseas sites as well.

Number of serious occupational accidents (global)

0 accidents

No serious occupational accidents occurred within the Group.

Annual working hours* (Japan)



There were no instances of excessive working hours in violation of labor agreements, and appropriate work time management is implemented.

* Employees do not include personnel on leave or those transferred to workplaces overseas.
Period: January to December
Annual working hours= Average number of fixed hours worked annually by employees in Japan+ Average number of overtime hours worked by employees in Japan

Number of serious occupational accidents (global)

0 accidents

There were no serious accidents involving products within the Group.

Achievement ratio of responsible mineral survey plan (global)

100%

All matters regarding customer-need based conflict mineral procurement surveys are conducted in cooperation with suppliers to ensure that we are not complicit in armed conflict or human rights abuses (the minerals covered are gold, tantalum, tungsten, tin, and cobalt).

Number of significant compliance violations (global)

0 incidents

The Group did not commit any significant compliance violations.

Cyberattack response ratio at time of detecting high security alerts (global)

100%

There were no leakage accidents of critical confidential information within the Group.

Achievement ratio of response plan for intellectual property infringement by imitation products (overseas)

100%

In order to build a patent network and exercise patent rights in the ASEAN region and China, we began creating a mechanism for monitoring the patents of other companies.

Information Disclosure in Consideration of SASB Standards

The sustainability accounting standards ("SASB Standards") developed by the U.S. Sustainability Accounting Standards Board are standards for financially material sustainability information disclosure that contribute to investor decision-making. In consideration of these SASB standards, the Group discloses selected information related to materiality (key CSR issues) as determined by the Group.

SASB Standard industries to which the Group's main business sectors apply

Business sector	SASB Standard industry	Industry code (first two letters)
Industrial batteries and power supplies, automotive batteries	Fuel cells and industrial batteries	RR
Industrial power supplies	Industrial machinery & goods	RT
Automotive batteries	Auto parts	TR

Developing and popularizing environmentally considered products
Design for fuel efficiency

Indices	Profits from products designed to improve fuel economy and/or reduce emissions		
Unit	Reporting currency	**Code**	TR-AP-410a.1
Fiscal 2020 results	The Group is working to stably supply and expand sales of high-value-added products, including batteries for eco-friendly vehicles such as cars equipped with start-stop systems (ISS: idling stop systems) that achieve low fuel consumption. Products that contribute to controlling global warming represent **35%** of net sales of all products. Note: These results include sales of products for applications such as power generation systems utilizing renewable energy.		

Contribution to realization of low-carbon society
Energy management

Indices	(1) Total energy consumption, (2) Ratio of grid power, (3) Ratio of renewable energy		
Unit	Gigajoules, **%**	**Code**	RR-FC-130a.1, RT-EE-130a.1, TR-AP-130a.1
Fiscal 2020 results	We calculate our energy consumption in crude oil equivalents. Energy consumption in production: **93,993 kL**; energy consumption in distribution: **3,409 kL** Note: These results apply to domestic Group companies.		

Enhancement of work environments and occupational health and safety
Health and safety of workers

Indices	(1) Total recordable incident rate (TRIR), (2) Fatality rate		
Unit	Ratio	**Code**	RR-FC-320a.1
Fiscal 2020 results	The Group is rigorous in conducting health and safety activities under the President's declared commitment to doing everything possible to protect all employees from injury and illness. Missed work frequency ratio Japan: **1.0**, Overseas: **1.9** / Number of serious occupational accidents: **0 accidents**		

Provision of high-quality products
Product safety

Indices	Number of recalls issued, total number of units recalled		
Unit	Number	**Code**	RT-EE-250a.1,TR-AP-250a.1
Fiscal 2020 results	As a result of emphasizing product safety education, with, among others, a product safety risk assessment course for engineers and an introductory product safety course for all employees, we had **0** major safety accidents.		

Responsible procurement promotion
Raw material procurement

Indices	Description of the management of risks associated with the use of critical materials		
Unit	—	**Code**	RR-FC-440a.1, RT-EE-440a.1, TR-AP-440a.1
Fiscal 2020 results	In order to avoid complicity in armed conflicts or human rights abuses that may occur in the mining, transport and trade of minerals used in our products, we have established policies addressing responsible procurement of minerals, and promote mineral supply chain management based on those policies.		

Message from Management

GS YUASA Report 2021

Continuing to provide the energy devices society will need as it enters a new phase

Osamu Murao, President, GS Yuasa Corporation

Looking ahead to the decarbonization trend

For over 100 years, the GS Yuasa Group has continued to answer the demands of the times and society by providing a diverse range of products built around storage batteries. Our new corporate slogan established in 2019, "Creating the Future of Energy," clarifies our own mission to continue to create new value by proposing a new vision for energy and ways to use energy storage technology, while keeping in touch with the constantly changing needs of the times.

As climate change, depletion of fossil fuel resources and other environmental and energy problems become important issues for the entire world, the role played by the Group's mainstay storage battery products is increasing to unprecedented levels. The Group is particularly focused on the global trend of decarbonization. As seen in the Japanese government's 2020 declaration of achieving carbon neutrality by 2050, countries around the world are actively advancing policies to bring CO_2 emissions to zero. This trend represents risks for the Group, but at the same time a major opportunity, and overall we see this as a favorable development.

In terms of risks, as decarbonization progresses around the world, the market for gasoline vehicles will gradually shrink over the long term, and with it demand for the automotive lead-acid batteries that are currently our mainstay products. Achieving carbon neutrality will also require a shift to energy savings and the aggressive use of renewable energy, increasing capital investments and the burden of costs on sales.

At the same time, we also believe that decarbonization will lead to greater growth opportunities. As the energy shift away from fossil fuels progresses, we can expect to see a significant increase in demand in the industrial batteries and power supplies business the Group is developing in the social infrastructure and renewable energy fields. The advance of electrification in the automotive sector is also expected to bring excellent opportunities for the automotive lithium-ion batteries business, which the Group has been cultivating as a next-generation pillar of growth.

We are thus looking at both risks and opportunities, striving for corporate growth by contributing to the realization of a sustainable society while constantly considering what products and services are most suitable for each customer and region, and what value they require.

Understanding changing demand

In fiscal 2020, the global economy worsened considerably due to the impact of the COVID-19 pandemic, and the future remained uncertain. The automotive industry and other fields in which the Group conducts its business were also greatly affected. Predicting that these difficult business conditions would continue over the long term, the Group decided to exclude fiscal 2020 from its Fifth Mid-Term Management Plan that began in fiscal 2019, and instead implemented strategies and measures for each business under a stand-alone fiscal year plan.

As a result, the GS Yuasa Group's consolidated net sales for fiscal 2020 totaled 386.5 billion yen, down 2.3% from the previous fiscal year. This decline reflects a major drop in new automobile production volume in and outside Japan, primarily in the first quarter, resulting in a drop in sales of the Company's lead-acid batteries for new automobiles.

Meanwhile, profits reached a record high, with operating income up 14.5% year on year to 24.8 billion yen (or 27.1 billion yen before amortization of goodwill). This increase was driven mainly by strong sales of lead-acid replacement batteries for automobiles in and outside Japan and lithium-ion batteries for hybrid electric vehicles (HEVs). That said, current-term net income attributable to owners of the parent fell 16.2% year on year to 11.5 billion yen due to the impact of an impairment loss of 2.76 billion yen recorded by Lithium Energy Japan.

Looking at trends in each business, while sales of lead-acid batteries for new vehicles struggled due to reduced automobile production caused by the COVID-19 pandemic, demand for lead-acid batteries for the replacement sector was high throughout the year and sales continued to be strong. Sales of lithium-ion batteries for HEVs were also strong throughout the year, and in addition to deliveries to Honda Motor Co., Ltd., sales to Toyota Motor Corporation, which we began supplying in fiscal 2020, exceeded plan.

In the initial plan for fiscal 2020, the Group predicted a 6% drop in net sales and a 35% decrease in operating income compared to the previous year. Still, in the end we succeeded in posting results that exceeded expectations, achieving record high operating income. This was due, we realize, to our ability to capture demand for a variety of products and services needed even in the midst of the challenging circumstances of the COVID-19 pandemic.

Insights and opportunities in the midst of a global crisis

Since the impact of the COVID-19 pandemic first became apparent at the end of fiscal 2019, under the leadership of its crisis management headquarters the Group promoted telecommuting and implemented measures to prevent the spread of infection, putting the safety of its employees first. Today, economic activity has gradually resumed around the world, and expectations that vaccinations will bring this pandemic under control are growing. Still, from a variety of perspectives, it is predicted that society will never go back to being the way it was.

I believe that to change how we do business and the way we work to meet the demands of this so-called “new normal,” we must reconsider our system of work shifts and human resource systems. While we will start working on those areas we can, we are still struggling with some of the more difficult issues, such as how to train and guide new employees in a remote environment.

On the other hand, I believe the COVID-19 pandemic gave us the opportunity to make significant progress in reforming operations and work styles through digital transformation (DX). We were already aware of DX as an issue and had gradually begun working to address it, but as introducing digital technology became an urgent issue in coping with COVID-19, reforms in each department moved forward at a rapid pace. I think these efforts also received a boost once employees had a clear understanding, from their own actual experience, of the advantages of this shift to digital.

My own overseas business trips fell to zero in fiscal 2020, and all communications with overseas partners was conducted in a remote environment. While face-to-face interaction is ideal, I realized that most requirements could be met even remotely and that this is an efficient way to interact. For internal meetings, conference room capacity used to limit the number and scope of participants, but introducing remote working has eliminated most of those restrictions, and, for example, allows me to send out messages to large numbers of employees at the same time.

Naturally, it is not necessary to replace everything with digital technology, and we will continue with operations and activities where face-to-face interaction is important. In a sense, however, we see this experience as an opportunity, not only in terms of operational streamlining, work style reforms and other internal improvements, but hopefully as a chance to create new products, services and business models compatible with people’s lifestyles and changes in society.

Completing the Fifth Mid-Term Management Plan

While the outlook in Japan remains uncertain, the world as a whole is expected to see a gradual economic recovery as measures to address the economy progress in each country, particularly in the U.S. and China. Under these circumstances, fiscal 2021 will be positioned as the second year of the Fifth Mid-term Management Plan, which was suspended due to the COVID-19 pandemic and which we will resume. Our business divisions are now moving forward with growth strategies aimed at completion of the plan in fiscal 2022, its final year.

Based on our forecast for business conditions 10 years forward, in 2019 we announced a long-term vision for becoming “an energy device company that continually creates new value.” Also based on that long-term forecast, we established a mid-term management policy of achieving sustainable growth through the creation of new value centered on the key phrase “*Mono-Koto Zukuri* (product and service creation).” We have formulated the Fifth Mid-Term Management Plan based on this vision and these long-term goals and management policies. In promoting the plan, we hold regular monitoring meetings to verify progress in each division and at every level of the Company, from management to the front lines, as a means of sharing our long-term vision and approach to long-term goals with the entire Company.

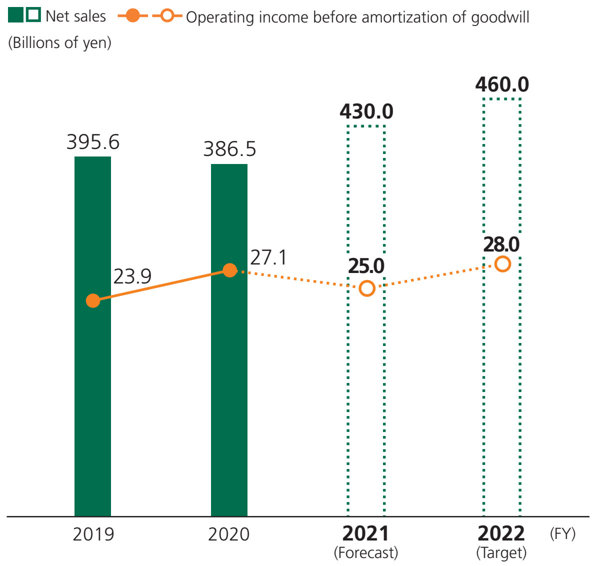
“Strengthening profitability” is a major issue for the automotive batteries business. We will improve profitability by increasing our market share for European Norm (EN) compliant batteries, both for new automobiles and replacement applications, and by expanding sales of high value-added products such as batteries for vehicles with start-stop systems (ISS: idling stop systems). At the same time, in expanding globally we will build production and sales systems aligned with conditions in each region; the ASEAN region is particularly important. It has already been 17 years since the corporate merger of Japan Storage Battery (GS) and Yuasa Corporation, but there still remains a duplication of production and sales sites for both brands in the region. We continue working to build an optimal production framework, while considering the electrification of automobiles based on the perspectives of local production for local consumption and diversification of risk.

In the industrial batteries and power supplies business, we will take advantage of the opportunity presented by Japan’s carbon-neutral policy move to expand proposals integrating “*Mono-Koto Zukuri* (product and service creation)” centered primarily on the renewable energy field, with the goal of creating a new profit base. We will embody a high value-added, ongoing business model nationwide utilizing AI and IoT technology, as exemplified by our maintenance service for the planned large-scale wind power generation facility in Hokkaido. Further, together with the infrastructure business (now GS Yuasa Infrastructure Systems Co., Ltd.) acquired from Sanken Electric Co., Ltd. in May 2021, we expect to dramatically strengthen our competitiveness by combining the technological and development strengths both companies have cultivated over the years, and by steadily generating synergies. Since our corporate merger in 2004, the Group has built a record of successfully integrating numerous companies, including the 2016 acquisition of Panasonic Corporation's lead-acid batteries business, and we are confident that this latest business integration will also go well.

In the automotive lithium-ion batteries business, the key issue is "to quickly reach profitability." In that sector, we are strategically prioritizing capital and development investments in both batteries for HEVs and 12V lithium-ion batteries, taking full advantage of the groundwork we have laid to date in the hopes of turning the entire business profitable as soon as possible. In addition, the Group has the world's first platform for mass production of electric vehicles (EVs), and we will further advance research and development while increasing resources for the future. We also recently announced our intention to make all-solid-state batteries practical by the latter half of the 2020s, but we will start by accelerating development aimed at practical use in special applications.

We expect consolidated net sales for fiscal 2021 to reach a record high of 430.0 billion yen. However, taking into account future investments in development and trends in the price of primary raw materials, we forecast operating income of 24.0 billion yen (or 25.0 billion yen before amortization of goodwill), a decrease from the previous year. Current-term net income attributable to owners of the parent is forecast to be 12.0 billion yen (or 13.0 billion yen before amortization of goodwill).

Actual and planned net sales and operating income before amortization of goodwill



Incorporating ESG management in business processes

In corporate management today, we recognize that fulfilling our corporate social responsibilities (CSR) and contributing to the sustainability of society are missions that belong at the core of management.

Through "Innovation and Growth," the GS Yuasa Group has put forth a corporate philosophy of contributing to people, society and the global environment. I believe that our business activities are aligned with United Nations Sustainable Development Goals (SDGs), which aim to solve the world's diverse social issues. Under the Fifth Mid-Term Management Plan, we have also set forth "establishing business processes that incorporate CSR issues into our business strategy" as a strategic initiative. Our intent is to pursue business growth guided by how the Group's business can contribute to solving the issues indicated in the SDGs.

In attempting to achieve sustainable growth, we are also strongly cognizant of the importance of non-financial initiatives typified by environmental, social and governance (ESG) issues. With regards to the environment, we are working to develop and sell environmentally considered products and to build product creation systems, while also engaged in efforts to reduce CO_2 emissions and water use associated with our business activities. In May 2021, we announced the "GY 2030 Long-Term Greenhouse Gas Target," setting out a new goal of reducing greenhouse gas emissions from business activities by at least 30% by fiscal 2030 compared to fiscal 2018. This is an ambitious target considering the increase in energy consumption that will accompany future business expansion, but by leveraging the storage battery technology and expertise that are our specialty, we will bring the wisdom of the entire Group to accelerating these efforts.

From the social perspective, we emphasize the importance of respect for human rights and diversity, and continuously conduct educational activities for our employees and the supply chain. At the same time, we are focused on developing our human resources, a company's greatest asset, and support employees in increasing their skills by expanding rank-specific training and promoting self-improvement. We also hold semi-annual improvement case study presentations, and have expanded improvement activities with full employee participation not only in the business divisions, but to the administrative divisions as well. These efforts are aimed at developing autonomous-minded human resources who can think and act for themselves.

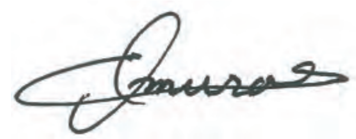
In terms of corporate governance, we are working to build a sound and highly transparent governance system, while ensuring global compliance by engaging in business operations that earn the trust of our stakeholders around the world. In fiscal 2020, we appointed our first female outside director as part of our efforts to ensure diversity on the Board of Directors, allowing us to gain a variety of advice from a new perspective. We also recognize the importance to governance of developing next-generation managers, and have begun working on new initiatives such as study sessions for corporate officers and officers where outside instructors are invited to lecture on topics such as ROIC management and sustainability management.

Pursuing what brings joy customers and society

Genzo Shimadzu, our second president and one of the founders of the Group, said this: "Science is the study of the practical. It makes no sense to learn theory alone if it is not beneficial to people." Shimadzu was both an entrepreneur and a technologist, selected as one of Japan's 10 greatest inventors. No matter how many groundbreaking theories one discovers, unless one can put them into practice science and technology are never truly useful to society. I believe this is exactly right.

Lately when discussing things internally, I often use the word "joy." How much joy does a particular product or service bring the customer? What kind of joy can we offer society? I believe that realizing a sustainable society is the act of creating a society in which everyone can feel joy. As I noted in the beginning, the role played by energy and devices in solving a whole range of social issues will only grow in importance. Going forward, we will continue to listen carefully to the opinions of a variety of stakeholders and take on the challenge of creating value to achieve a sustainable, abundant society, one in which all people can feel joy. We hope you will look forward to the future of the GS Yuasa Group.

August 2021



President
GS Yuasa Corporation

Targeting sustainable growth through investments for the future

Toshiyuki Nakagawa, Chief Financial Officer/Vice President, GS Yuasa Corporation

Fulfilling my duties as CFO while taking charge of quality, health and safety and the environment

Since fiscal 2021, in addition to serving as chief financial officer (CFO) of the GS Yuasa Group, I have also been put in charge of quality, health and safety and the environment at GS Yuasa International Ltd., the Group's core operating company. To ensure the future growth of the Group, I will personally take the lead in quality, which is the lifeline of any manufacturer; in the health and safety of the Group's important stakeholders including our employees, suppliers, and the customers who use our products; and in the environment, where we will need to consider the impact of reducing CO_2 emissions from manufacturing, TCFD and other financial issues.

Until now, as CFO of GS Yuasa Corporation, our holding company, I was in the position of tightening the purse strings. Going forward, I expect to also often be in the position of the operating companies who use those funds. I understand that I will be required to make decisions from the viewpoint of overall optimization while keeping an eye on the balance between these two positions.

Rigorously assessing risks and opportunities

One thing I constantly try to be aware of in my position as CFO is the need to look at reality calmly. I believe the mission of the CFO is to implement precise financial measures to minimize risk in every conceivable situation, taking into account the growth strategy of the Group as a whole. Unforeseen events always occur, as has been the case with the spread of the COVID-19. What matters is that, even in such situations, the company maintains its financial foundation in order to move forward.

In corporate management, the CFO is often likened to the brakes. Still, constantly hitting the brakes only slows forward progress, and can cause a company to miss out on growth opportunities. One of my most important missions is to rigorously assess the risks and opportunities in each case, and accelerate growth in each business by knowing just when to let up on the brakes and enact a bold investment strategy. The need to invest in the environment means we will also have to step on the gas at times. I will advance well-balanced investment and financial strategies as I share with our management and business divisions our larger objective of sustainable growth through increased corporate value.

Ensuring cash flow even in the COVID-19

Due to the impact of a global stagnation in new automobile production, particularly in the first quarter, fiscal 2020 net sales declined year on year, although we recorded record-high operating income. Further, even in the midst of the severe economic conditions caused by the COVID-19 pandemic, we were able to solidly respond to society's needs, which I believe also enabled us to minimize the financial impact of the pandemic. As a result, operating cash flow at the end of fiscal 2020 exceeded the previous year at 35.8 billion yen, with free cash flow of 16.5 billion yen and an equity ratio of 46.8%, a year-on-year improvement of one point.

In fiscal 2021, we will resume our Fifth Mid-Term Management Plan, after completing the stand-alone fiscal year plan for fiscal 2020 created in response to the COVID-19 pandemic. For fiscal 2021, we are forecasting record-high consolidated net sales of 430.0 billion yen, but a 3% decrease in operating income (or 8% before amortization of goodwill). This is because, as we focus on fiscal 2022, the final year of the plan, we have positioned fiscal 2021 as a year for laying groundwork by executing solid upfront investments. Capital investments will primarily go to boosting production capacity in lithium-ion batteries for HEVs, a focus area, increasing 11.8 billion yen from fiscal 2020 to a planned 35.0 billion yen.

Maintaining financial soundness while investing in growth

The Group entered the field of automotive lithium-ion batteries by establishing two joint ventures: Lithium Energy Japan in 2007 and Blue Energy Co., Ltd. in 2009. The lithium-ion batteries business, an equipment industry, requires significant capital investment, and since we needed more funds than our financial capacity at the time, we raised approximately 33.0 billion yen through a public offering around the time we established the two joint ventures.

At that time, management determined two stances to capital investment in the lithium-ion batteries field. The first was "to hold off on making investments until it was clear who the customer was." The second was "to fund investments basically from operating cash flow"—in other words, investments would be made within the scope of operating cash flow.

The first stance may change depending on the specific product field and our relationship with the customer. The second, however, is basic to how we approach financial discipline even now. Our capital investments in fiscal 2021 have been about on par with operating cash flow in the previous fiscal year. While there could be some reversal on a stand-alone fiscal year basis going forward, we expect to continue observing this basic policy, covering any funding shortages through corporate bonds and other borrowing.

Other indicators of financial soundness I always aim for include "an equity ratio of 40%–50%;" "a debt redemption period of within about two years;" and "Group borrowing of less than 100 billion yen on a consolidated basis." While the debt redemption period has gone up temporarily at times, we have maintained these figures for about the past 10 years, and we will continue to steadily invest in growth areas while maintaining a sound financial base.

Steady progress in spreading the concept of ROIC management

Focusing on improving capital efficiency to prepare for medium- to long-term growth is one financial policy set out under the Fifth Mid-Term Management Plan. Our goal is to increase earning power by introducing return on invested capital (ROIC) as a key performance indicator (KPI), and by strengthening "management of revenue" at the individual business level across the Group as a whole.

Our rough guide for ROIC is "a number around double our operating income ratio." In terms of the Group as a whole, if we hit our targets for net sales and operating income in fiscal 2022, the final year of the Fifth Mid-Term Management Plan, this would mean an operating income margin of about 6% before amortization of goodwill, with a target for ROIC of about 12%.

Through the repeated training we have held for executives, we have made progress in changing the understanding of senior management regarding this shift toward ROIC management. Awareness of capital efficiency has also begun to increase in the consideration of business plans, with, for example, assessments of the performance and growth potential of overseas subsidiaries being reported to the Board of Directors. Going forward, I would like to inculcate this understanding among mid-level and frontline employees through internal education and training. I would also like to link TQM and other everyday improvement activities with ROIC-related elements, leading to a change in awareness of profitability and thus establishing ROIC management throughout the organization as a whole.

Focusing on quality and safety as the lifelines of manufacturer

As I noted at the outset, one of my other roles is to take charge of quality, health and safety and the environment at GS Yuasa. Let me explain my approaches to and policies for these areas from the standpoint of this newly appointed position.

First, it goes without saying that quality is the manufacturer's lifeline, and over time the entire Group has promoted ongoing activities aimed at improving quality. We will continue these activities going forward, with the goal of reducing defects in the manufacturing process and eliminating complaints once products have been delivered to the customer. Product safety is also critically important for storage batteries, which are essentially packages of concentrated energy. This of course means ensuring safety on the manufacturing front lines, including suppliers, but as a manufacturer, it is also essential that we consider the safety of our customers and the end user. We will also incorporate the concept of "forecasting"—cultivated in our management of the finance division—in managing quality, health and safety, responding flexibly to change while consciously developing a system for preventing accidents and defects. This will further enhance our levels of quality, health and safety.

Emphasizing CO_2 reduction from two vantage points

I believe the environment is something we must tackle, in part from its relationship with finance. The important issue of CO_2 reduction, in particular, needs to be seen from two vantage points.

First is the viewpoint of corporate social responsibility (CSR). In 2020, the Japanese government announced its commitment to achieving carbon neutrality, and this policy of zero CO_2 emissions is gradually becoming a global trend. In the midst of this trend, the Group is strongly expected to reduce the amount of gas and electricity it consumes in the lead-acid batteries manufacturing and charging processes. We are advancing a variety of initiatives to accomplish this, including upgrading our existing lead-acid batteries manufacturing facilities to more energy-efficient equipment. In addition, with that understanding, in fiscal 2019 the Group expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD), and—with input from experts—conducted surveys of climate change risks targeting our sites both in and outside Japan.

Further, in the "GY 2030 Long-Term Greenhouse Gas Target" announced in May 2021, we set forth a goal of reducing greenhouse gas emissions from the Group's business activities by at least 30% or more by fiscal 2030 compared to fiscal 2018. Achieving this lofty goal will of course require considerable cost, but as a company that bases its management on CSR we take this effort seriously. Even in the event we fail to progress as planned, we still intend to communicate honestly with society about "what we can and cannot do."

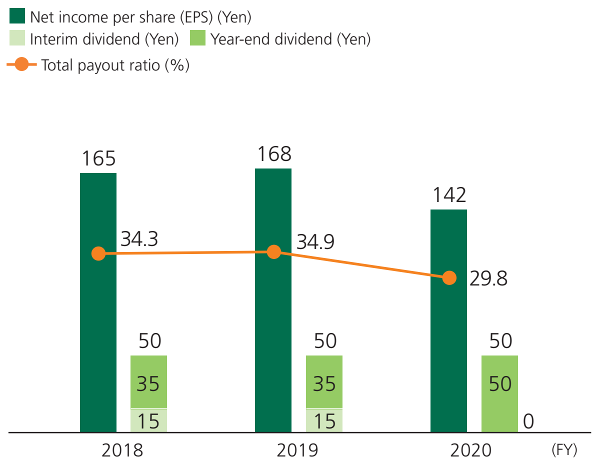
The other viewpoint is that reducing CO_2, or carbon neutrality, represents an opportunity for business expansion. Lead-acid batteries, the Group's mainstay products, are one of the core products in the effort to achieve carbon neutrality, including the electrification of automobiles. While market competition is expected to intensify, there is no doubt this represents a major growth opportunity for the Group. As we work to make proactive use of renewable energy, we will also deploy our own products—including energy storage systems (ESS), which contribute to electricity load leveling—in our own production processes. Demonstrating and widely communicating the effects of CO_2 reduction will in turn lead to business growth.

Continuing shareholder returns through stable dividends and share buybacks

We have positioned the return of profits to shareholders as an important management issue. As a general policy, we determine the level of returns based on comprehensive consideration of consolidated earnings results, internal reserves used for future growth, our financial standing and other factors, and aim for "a total shareholder payout ratio of 30% or more." Note that in the interests of our shareholders, the total shareholder payout ratio is calculated based on "net profit before amortization of goodwill."

In fiscal 2020, while we passed on an interim dividend given the dramatic drop in profits in the first half caused by the COVID-19 pandemic, as noted earlier we did ultimately record a certain level of profit for the fiscal year, and thus instituted a year-end dividend of 50 yen per share. This was based on our fundamental policy of continuing to provide the most stable dividend possible; as a result, the amount of the full-year dividend was the same as in the previous fiscal year.

Indicators per share



We also continued to conduct share buybacks as part of our shareholder return policy. In fiscal 2020, we acquired treasury stock equivalent to a total of 1.5 billion yen against our fiscal 2019 results. We intend to continue taking a dynamic approach to share buybacks going forward based on comprehensive consideration of performance, growth investment, and market conditions including share price, as we strive to return profits to our shareholders.

August 2021

Chief Financial Officer/Vice President
GS Yuasa Corporation

Initiatives for the Task Force on Climate-Related Financial Disclosures (TCFD)*1

Since the Group recognizes that climate-related issues are one of the important management issues, in December 2019, we announced its support for the TCFD recommendations and is working on climate-related information disclosure based on the TCFD framework.

In fiscal 2020, we analyzed climate change risks and opportunities based on the below 2°C*2 and 4°C*3 scenarios. The following table lists the climate-related risks and opportunities that we are currently considering. In particular, trends in the automotive market affecting the automotive batteries business, that is our principal business, are considered important in terms of both risks and opportunities. In addition, the spread of renewable energy on a global scale is being seen as a major opportunity to expand sales of storage battery systems.

In fiscal 2021, we launched a project to integrate climate-related risks and opportunities into our future business plans. In this project, risks and opportunities based on climate change scenarios are analyzed for each business field, and activities aimed at reflecting our business and financial strategies and achieving timely information disclosure are conducted. The climate change scenarios utilized for analysis of fiscal 2021 adopt the 1.5°C scenario*4 and the stated policies scenario*5 (equivalent to the 3°C scenario) taking into account the latest international conditions. In addition, when considering such strategies, we plan to take into account the short-term (fiscal 2025), medium-term (fiscal 2030) and long-term (fiscal 2040 and fiscal 2050) timeline.

Going forward, the Group will continue to promote initiatives to address climate-related issues using TCFD and strive for appropriate information disclosure.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

*1 An organization established by the Financial Stability Board at the request of G20 for examining climate-related information disclosure and ways in which financial institutions can respond
*2 A climate change scenario in case of a successful transition to a low-carbon society (assuming a temperature increase limited to less than 2°C)
*3 A climate change scenario in case transition to a low-carbon society is unsuccessful (assuming a temperature increase of 4°C)
*4 A climate change scenario when carbon neutrality is achieved in 2050 (assuming temperature rise is reduced to 1.5°C)
*5 A climate change scenario when all policies to achieve the currently announced global greenhouse gases mitigation targets are implemented (assuming a 3°C temperature rise)

Climate-related risks and opportunities examined as potential candidates (FY2020)

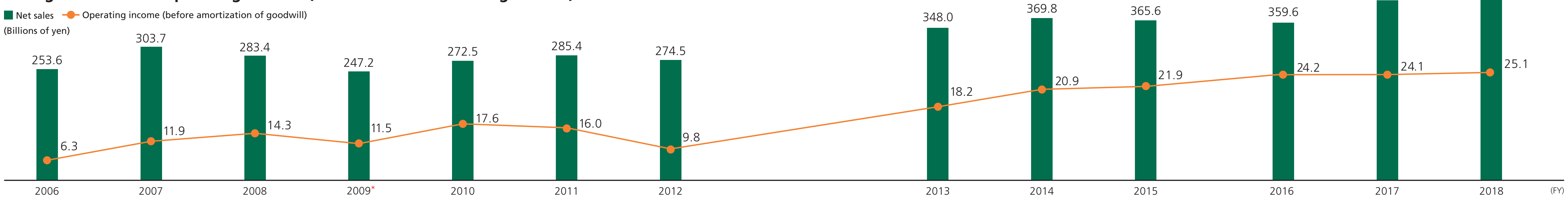
Classification	Area	Value Chain Stage	Content
Opportunities	Products and Services	Sales	With the spread of renewable energy, it is expected that there will be an increase in the demand for large-scale storage batteries for power storage facilities necessary for power supply stabilization. Sales are expected to increase through the development of storage battery systems and product development that meet market needs.
	Products and Services	Sales	The below 2°C and the 2°C scenarios suggest that the market for gasoline cars will expand in the medium term and HEVs and EVs will become popular in the long term. By launching products that meet the market needs at the right time, we expect to see an increase in market share.
Transition Risks	Regulations	Procurement	The 2°C scenario suggests that carbon taxes will be increased to meet each country's CO_2 emission reduction targets and costs of procurement of energy from fossil fuels will increase. Additional initiatives for energy conservation and use of renewable energy will become important.
	Markets	Sales	Considering the implications of below 2°C and 2°C scenarios, as well as regulatory planning conditions including for gasoline vehicles in Europe, it is expected that the gasoline vehicle market will shrink significantly in the long term. It is necessary to transform business models to respond to market changes.
Physical Risks	Acute Risks	Direct Operations, Procurement	There are concerns about suspension of operations at our company plants and disruption of the supply chain due to flood damage caused by abnormal weather. A survey to analyze and evaluate losses caused by flood damage at our company plants has been conducted from fiscal 2019.
	Chronic Risks	Direct Operations	Some overseas affiliated companies have concerns about the future risk of drought in a 4°C scenario. It is necessary to adopt measures including reduction in the amount of water used and promoting water reuse to ensure sufficient water for business activities.

Medium- to Long-Term Strategies and Performance

GS YUASA Report 2021

Previous Mid-Term Management Plans

Change in net sales/operating income (before amortization of goodwill)



	First Mid-Term Management Plan	Second Mid-Term Management Plan	Third Mid-Term Management Plan	Fourth Mid-Term Management Plan
Cumulative three-year capital investment amount	27.0 billion yen	92.0 billion yen	42.5 billion yen	56.6 billion yen
Description of main capital investments	● Lithium Energy Japan: Plant facility	● Lithium Energy Japan: Plant facility ● Blue Energy: Plant facility	● Overseas site: Lead-acid batteries production facility	● Lithium-ion batteries for submarines production facility ● Overseas site: Lead-acid batteries production facility

First Mid-Term Management Plan
(FY2006 to FY2008)

Increase productivity to create strong group management

Second Mid-Term Management Plan
(FY2010 to FY2012)

Form a high-profit global company that contributes to society and the environment

Third Mid-Term Management Plan
(FY2013 to FY2015)

Become an energy device company that offers comfort and security

Fourth Mid-Term Management Plan
(FY2016 to FY2018)

Build a foundation for sustainable growth over the long term with the aim of becoming an energy device company, the "Renewed GS Yuasa"

Strategic pillars

First Mid-Term Management Plan

Automotive batteries business
- Improve profits in the domestic automotive batteries business
- Expand business in China and Asia
- Full-scale entry into the hybrid electric vehicles (HEVs) and electric vehicles (EVs) markets

Industrial batteries and power supplies business
- Strengthen earnings foundation of the industrial batteries and power supplies business
- Strengthen service business
- Expand large lithium-ion batteries business

Peripheral business
- Strengthen promising peripheral business

Second Mid-Term Management Plan

Lithium-ion batteries business
- Develop the lithium-ion batteries business for EVs, HEVs and industrial uses

Overseas business
- Expand automotive batteries business, primarily in China and Asia

Automotive batteries business and industrial batteries and power supplies business
- Strengthen earning power of existing domestic business

Third Mid-Term Management Plan

Lithium-ion batteries business
- Stabilize foundations of business by building a competitive advantage for new businesses (lithium-ion batteries and new energy sectors)

Overseas business
- Improve position through global expansion based around overseas growth markets

Automotive batteries business and industrial batteries and power supplies business
- Improve earning power by leveraging technological strengths and cost responsiveness of existing domestic business

Fourth Mid-Term Management Plan

New business
- Ensure profit in the lithium-ion batteries business and firmly put the business on a stable growth track

Growth business
- Further expand the business domain of overseas operations and improve its profitability

Existing business
- Expand and stabilize cash flow from the automotive batteries business and industrial batteries and power supplies business, and invest for future growth

Main achievements/issues

First Mid-Term Management Plan

Achievements
- Improved earnings in domestic business
- Expanded overseas business
- Launched joint venture companies for, respectively, lithium-ion batteries for EVs and HEVs

Issues
- Measures to address worsening business conditions
- Addressing shrinking domestic demand

Second Mid-Term Management Plan

Achievements
- Improved earnings in existing domestic business
- Launched Lithium Energy Japan and Blue Energy

Issues
- Addressing delays in the spread of EVs in the lithium-ion batteries business

Third Mid-Term Management Plan

Achievements
- Strengthened business structure overseas through corporate acquisitions, etc.
- Improved profitability through increased sales of automotive batteries for vehicles with start-stop systems (ISS: idling stop systems).

Issues
- Responding flexibly to intensifying competition and other changing market conditions

Fourth Mid-Term Management Plan

Achievements
- Expanded applications for industrial lithium-ion batteries
- New plant in Turkey began operations, boosting sales to Europe, the Middle and Near East and North Africa
- New company launched in Myanmar, strengthening sales in the Mekong economic zone
- Expanded earnings with the acquisition of Panasonic Corporation's lead-acid batteries business, solidifying the structure of the domestic automotive batteries business

Issues
- Ensuring early returns on investments in a severe competitive environment
- Strategy for conquering undeveloped regions
- Responding to rising raw material and other costs
- Ensuring earnings in the industrial batteries and power supplies business in response to changes in market conditions

Note: Fiscal 2009 was set aside as a stand-alone fiscal plan based on the impact of a serious recession in the global economy.

Long-Term Vision

Long-Term Vision

Become an energy device company that continually creates new value

Recognition of issues and future vision

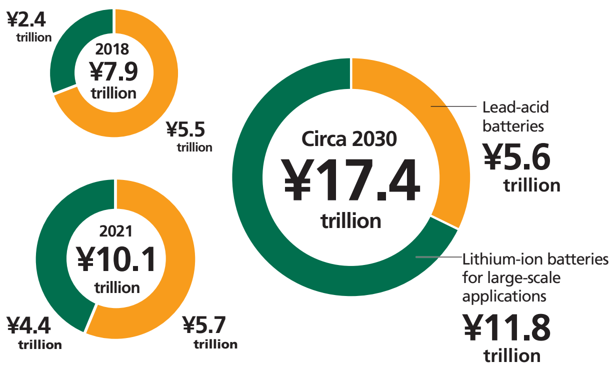
	Recognition of issues in 2018	Vision for 2022 / Mid-term goal*	Vision for 2030 / Long-term goal
Automotive batteries business ➡pp.51-56	There are growing overseas markets in which the market share is low	Expanded global share through applying technologies developed for eco-friendly vehicles in Japan	Build optimal global production framework
Industrial batteries and power supplies business ➡pp.57-60	For existing business in Japan within the social infrastructure field, the core of demand is for replacement	Focus on the utilization of IoT and DX and renewable energy fields	Overseas expansion of business with local production for local consumption-type business
Automotive lithium-ion batteries business ➡pp.61-64	Excessive capital investment competition	Promoting lithium-ion batteries for HEVs and 12V lithium-ion batteries	Full-scale entry into the market for batteries for EVs and expansion of the industrial storage batteries field

* Formulated in 2018. With the impact of the COVID-19 pandemic, fiscal 2020 was set aside as a stand-alone fiscal year plan, and the final year of the plan changed from fiscal 2021 to fiscal 2022.

Business environment circa 2030

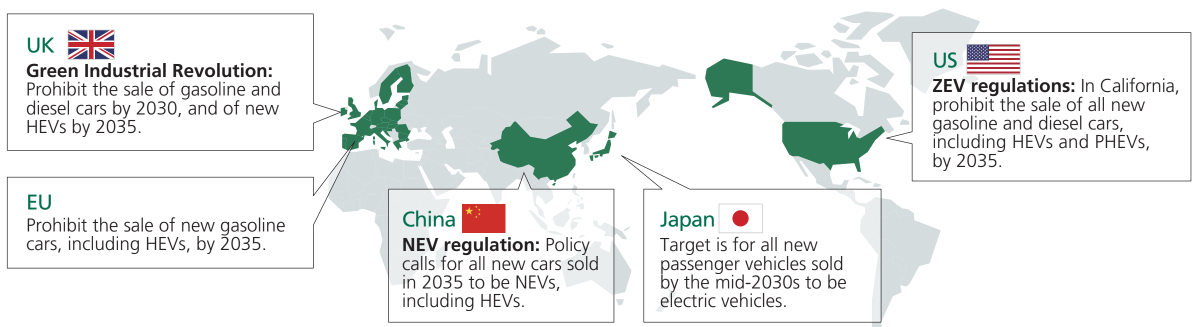
Forecast for demand as of fiscal 2018, when the Mid-term Management Plan was formulated, is shown in the figure at right. Subsequently, in October 2020 the Japanese government issued a declaration calling for carbon neutrality by 2050, and the move toward decarbonization accelerated on a global scale. In the automotive sector, each country has come up with its own regulations and targets, including zero-emission vehicles (ZEVs) regulations in the U.S. and China's new energy vehicles (NEVs) regulations. Manufacturers are strengthening efforts to develop and sell eco-friendly cars as a means of curbing CO_2 emissions, and demand for lithium-ion batteries is expected to further increase significantly.

Forecast for storage battery demand



Source: Fuji Keizai, *Future Outlook for Energy, Large Secondary Batteries, and Materials 2018—Energy Device Edition* (partly estimates)

Response to the global spread of electric vehicles



Fifth Mid-Term Management Plan

Mid-Term Management Policy

Based on the *Mono-Koto Zukuri* (product and service creation) concept, GS Yuasa will engage in strategic activities that lead to sustainable growth of both the lead-acid battery and lithium-ion battery businesses through creation of new value.

Key points

Lead-acid batteries
Global demand for lead-acid batteries is stable

➡ **Strengthen profitability, expand sales**

Lithium-ion batteries
Demand for lithium-ion batteries for both automotive and industrial applications is expected to increase significantly

➡ **Upfront investment for growth**
Leverage our strengths relating to HEVs, 12V lithium-ion batteries, and batteries for industrial applications

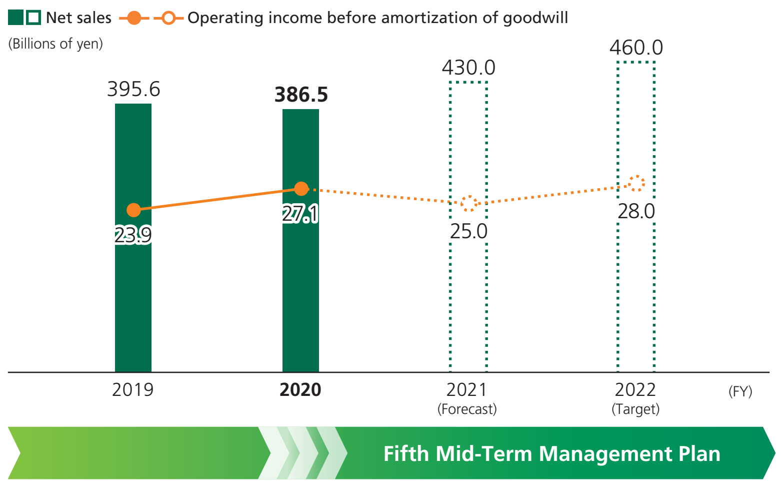
Establish business processes that incorporate CSR issues into our business strategy

➡ **We aim to achieve sustainable business growth and contribute to the sustainable development of society**

Important mid-term strategic tasks

- Step-up our initiatives pertaining to priority CSR tasks identified in our business processes
- Strengthen the management platform through enhanced profitability of the lead-acid battery business and overseas business expansion
- Lay the foundations for expanding the scale and profits of the lithium-ion battery business from the period covered by the Sixth Mid-Term Management Plan onward

Mid-term management targets



*The Fifth Mid-Term Management Plan originally covered the period from fiscal 2019 to fiscal 2021. Due to the impact of the COVID-19 pandemic, however, we have excluded fiscal 2020 as a single-fiscal-year plan and changed the fifth plan to a four-year plan ending in fiscal 2022 (the term ending in March 2023).

ROE (return on equity)	8 % or more
Total payout ratio*1	30 % or more
Interest-bearing debt to cash flow ratio*2	Less than 3 years
Equity ratio	Maintain at 45 % or more
Domestic lead price quote	300,000 yen/t
LME	2,100 US$/t
Exchange rate	110 yen/US$

Note: The above indices are based on income before amortization of goodwill (operating income and net income).
*1 The total payout ratio is before amortization of goodwill
*2 Interest-bearing debts (including lease obligations) / Operating cash flow

GY 2030 Long-Term Greenhouse Gas Target

Overview

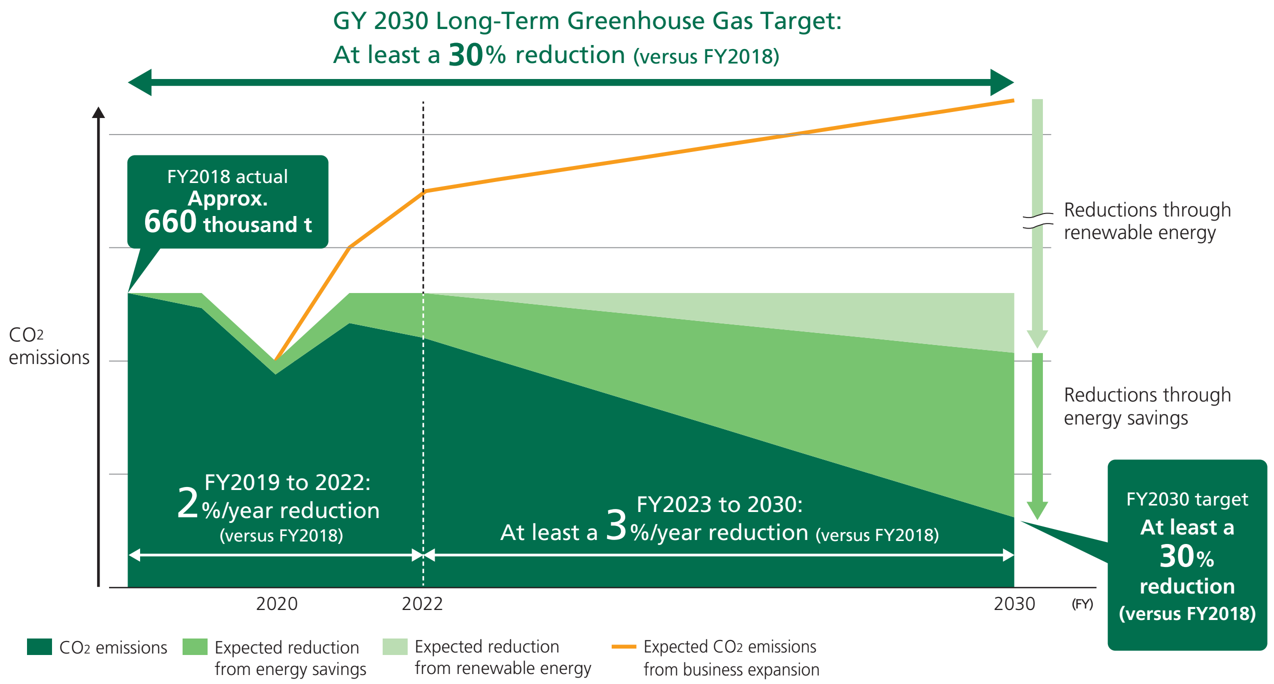
Target	Reduce FY2030 CO_2 emissions by at least 30%
Base year	FY2018
Period	12 years (FY2019 to 2030)
Rate of reduction	FY2019 to 2022: 6% (2%/year) FY2023 to 2030: At least 24% (at least 3%/year)

In May 2021, we established the "GY 2030 Long-Term Greenhouse Gas Target," our goal for reducing CO_2 emissions through fiscal 2030. We recognize climate change associated with global warming to be an important issue for society, and are thus promoting the reduction of CO_2 emissions from our business activities.

In our Fifth Mid-Term Management Plan announced in fiscal 2019, we presented a target for reducing CO_2 by fiscal 2022 (a 6% reduction compared to fiscal 2018), and are now working to achieve that goal. In addition, to fulfill our responsibilities as a company in preparing for the transition to a decarbonized society, we are engaged in a variety of measures aimed at reducing CO_2 emissions from our business activities by at least 30% versus fiscal 2018 by fiscal 2030.

Going forward, we will continue to advance these reductions in CO_2 emissions based on the international situation and the Japanese government's policies, and work to further accelerate efforts to achieve carbon neutrality.

Road map for reducing CO_2 emissions

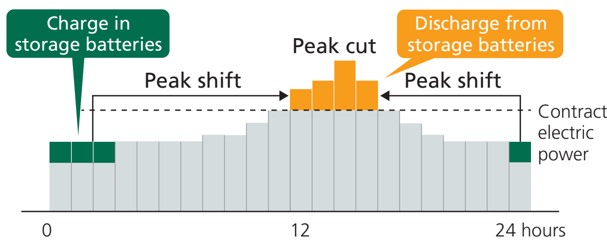


Note: Emissions fell in fiscal 2020 due to the impact of the COVID-19 pandemic

Three measures for achieving target

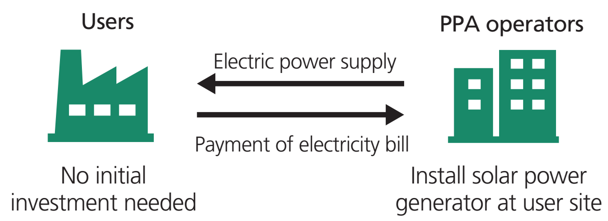
Measures	Basic initiatives
(1) Promote energy-saving measures	(1) Upgrade to energy-saving equipment (2) Develop prescriptions for efficient charging methods and develop new ones (3) Implement peak cut/peak shift practices Graphic 1
(2) Procure renewable energy	(1) Purchase electric power that uses renewable energy (2) Utilize emissions trading
(3) Captive consumption of renewable energy (solar power generation, etc.)	(1) Estimate amount of power generated onsite, and consider initial investment and use of the PPA model Graphic 2 (2) Deploy and conduct validation tests on own products (lithium-ion batteries, storage battery systems, etc.)

Graphic 1 Peak cut/Peak shift



■ Peak cut: Reducing electric power usage during peak hours at factories, etc.
■ Peak shift: Shifting the hours of electric power usage at factories, etc. from peak hours of electric power demand

Graphic 2 PPA Model



■ PPA: Acronym for Power Purchase Agreement, an agreement between the power generator and the consumer for the sale of electric power

Examples of initiatives to date

Deploying solar power generation

We have installed a 1MW mega solar power plant on the premises of our subsidiary GS Yuasa Iwaki, which has been in operation since June 2013.

We also installed a mega solar power plant with the same output at GS Yuasa's Gunma Plant, and that has been in operation since February 2015.

Cumulatively, the two power plants have generated power in excess of 17 million kWh as of the end of May, 2021. The Gunma Plant's mega solar system is also equipped with storage batteries, contributing to our business continuity plan (BCP) by supplying electricity to critical loads in the event of a disaster or other emergency.

Full view of the mega solar installation

Deployment of an energy storage system compatible with a virtual power plant (VPP*)

An energy storage system (ESS) has been installed at GS Yuasa's Kyoto Plant to reduce peak demand during power shortages.

Since fiscal 2016, GS Yuasa has been participating in the VPP demonstration project utilizing the subsidy program of the Agency for Natural Resources and Energy under the Ministry of Economy, Trade and Industry, and has been verifying the deployment and control of large storage batteries. In addition to the ESS deployed in fiscal 2017, an additional ESS was deployed in February 2021. This will help to further reduce the cost of power for business sites and will help them supply their own power during power outages, and will also contribute to improving business continuity planning functions in the event of a large-scale disaster.

Exterior of an ESS container

*A system by which dispersed energy sources, such as small-scale solar power generation and storage batteries, are remotely controlled by IoT devices to function like a single power plant.

Feature 1

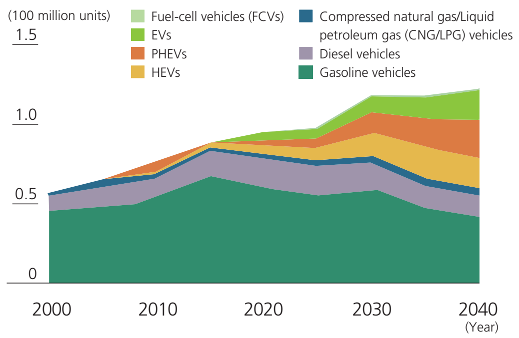
Strategies for Automobile Electrification

Focus on expanding sales of HEVs lithium-ion batteries, and on R&D in next-generation batteries for the growing EVs market

Market environment

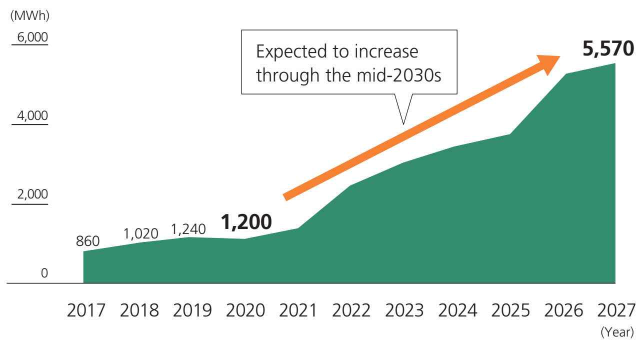
In the shift toward decarbonization, regulations on automobile CO_2 emissions and fuel economy have grown stricter, particularly in developed countries. In the market, electrification is progressing, with HEVs that use both an engine and a motor; plug-in hybrid vehicles (PHEVs) that can be charged directly from an external power source; and EVs that are driven solely by electric power. In this environment, storage batteries—which can determine driving range and the performance of onboard systems—are becoming increasingly important. The Group expects HEVs to dominate the automobile market through about the mid-2030s, after which we predict EVs will gradually increase.

▼ Global market forecast for automobiles



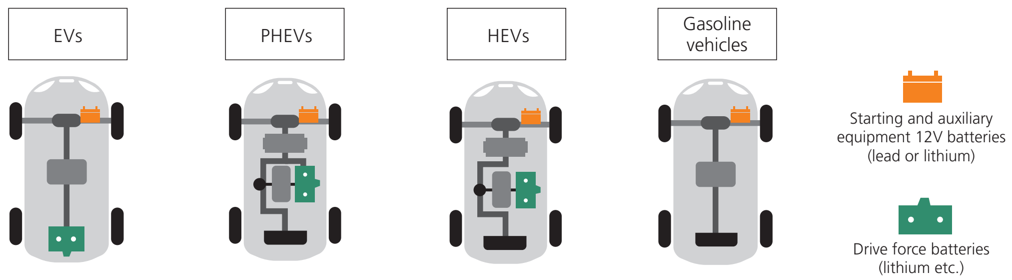
Source: International Energy Agency, *Energy Technology Perspectives 2017*

▼ Trend in volume of lithium-ion batteries for HEVs



Source: Fuji Keizai, *2020 Edition In-depth Analysis Survey of HEV- and EV-related Markets*
*Outlook for 2020, forecast for 2021 and beyond.

▼ Use of storage batteries by type of vehicle



EVs, PHEVs and HEVs are equipped with lithium-ion batteries to drive the vehicle. In addition, EVs, PHEVs and HEVs, whether fuel- or electric-powered, are equipped with a 12V batteries for auxiliary equipment that is necessary to start the system and power electrical components such as car navigation systems. Lead-acid batteries are the mainstream, along with the 12V starting batteries installed in gasoline vehicles today, and demand for these batteries will continue even as vehicle electrification advances.

Analysis of status quo

Competitive situation

Competition is intensifying in the automotive lithium-ion battery market due to the trend toward the electrification of automobiles, and Chinese and South Korean manufacturers in particular are becoming more competitive through large-scale capital investments.

Understanding of the issues

To date, the Group has developed its automotive lithium-ion batteries business under an omni-directional strategy encompassing batteries for EVs, PHEVs and HEVs. To survive the global competition going forward, we need to engage in selection and concentration, clearly identifying our targets and concentrating our management resources.

Group resources

Production capacity
across three global sites
(two in Japan, one in Hungary)

Technological and development capabilities
in lithium-ion and lead-acid batteries

The Group has strengthened its production capacity at three sites: Blue Energy, Lithium Energy Japan, and GS Yuasa Hungary Ltd.

We are also moving ahead in R&D with an eye to 2030 and beyond, leveraging our expertise in batteries for EVs—which we were the first in the world to successfully mass produce—and the technological and development capabilities which have generated innovative products.

Strategy and outlook

Future strategy

While focusing on lithium-ion batteries for HEVs, where we can best leverage our strongest technology and existing supply chain, we will accelerate R&D for the future in anticipation of market changes to come. We will also continue to tackle R&D in next-generation batteries as alternatives to the current lithium-ion batteries.

Lithium-ion batteries for HEVs

- Since demand is expected to grow until the mid-2030s, primarily among Japanese automakers, Blue Energy will construct a second plant to increase production capacity from 20 million cells per year in fiscal 2020 to 50 million cells per year in fiscal 2023.

Lithium-ion batteries for EVs

- Increase resources and accelerate R&D as we prepare for our full-scale entry into the market for EV batteries, where demand is expected to grow in 2030 and beyond.

Next-generation batteries

- Conduct basic research into next-generation batteries through participation in the Consortium for Lithium Ion Battery Technology and Evaluation Center (LIBTEC) and in collaboration with the New Energy and Industrial Technology Development Organization (NEDO).
- Aim to commercialize all-solid-state batteries from specialized applications in the latter half of the 2020s.

Related ESG themes

E Developing and popularizing environmentally considered products →p.71

E Contribution to realization of low-carbon society (promoting environmental protection) →p.72

Feature 2

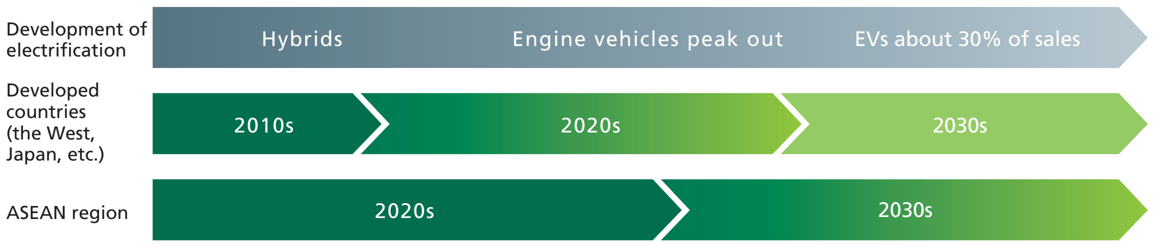
Strategies for Automobile Markets in the ASEAN Region

Secure profits in markets with intense price competition by expanding sales of high-value-added products

Market environment

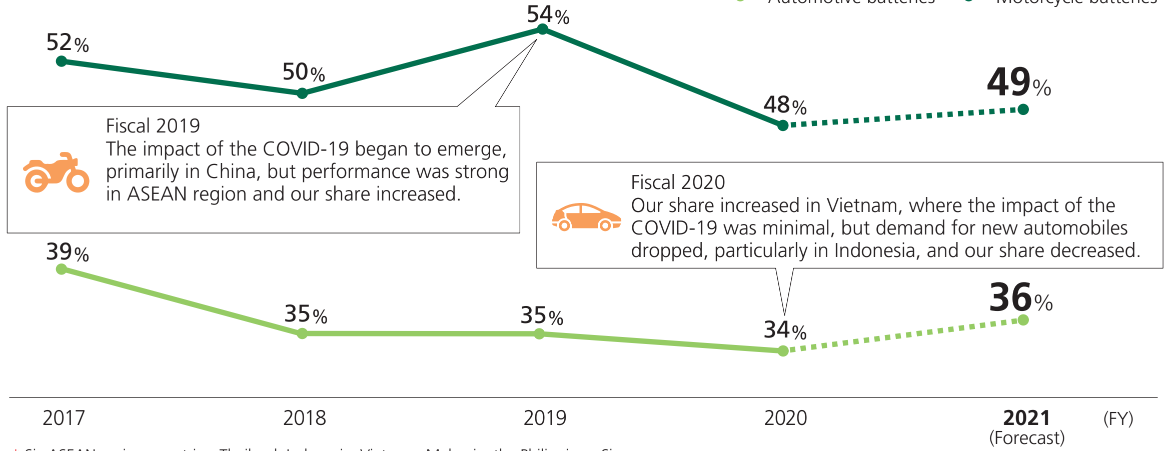
As countries around the world are aligning their efforts to combat climate change, the electrification of automobiles is a major trend. That said, the rate of progress varies from region to region. In emerging markets such as the ASEAN region, conventional gasoline vehicles are expected to remain the mainstream for the time being, in part due to progress in motorization and an increase in the number of vehicles owned. While the market is expected to expand over the medium to long term in line with economic growth, competition with local manufacturers is also expected to intensify, so it is important for the Group to maintain and improve its competitive advantage.

▼ Forecast for penetration of vehicle electrification by region (illustration)



Note: Prepared by the Company based on publicly available materials from Mizuho Bank Industry Research Division

▼ Change in the Group's market share in six ASEAN region countries*



* Six ASEAN region countries: Thailand, Indonesia, Vietnam, Malaysia, the Philippines, Singapore

The Group has a high market share in both automotive and motorcycle batteries in Asia—especially the ASEAN region—which accounts for approximately 60% of our overseas sales.

Most recently, our market share in Indonesia fell as volume of new vehicle sales declined due to the impact of the COVID-19 pandemic, and in Thailand, where selection and concentration led us to focus on high-value-added batteries. Growth in Vietnam, however, has been strong, and overall we have maintained our advantage.

Analysis of status quo

Competitive situation

Lead-acid batteries, a mainstay in the ASEAN region, are heavy products that incur higher transport costs, and are thus highly likely to be produced locally for local consumption.

In addition to Japanese storage battery manufacturers, competition with local manufacturers in Indonesia and Vietnam is intensifying. There is also a gradual shift toward ISS for use in both automobiles and motorcycles.

Understanding of the issues

Within the ASEAN region, we have a high market share in Thailand, Indonesia and Vietnam. That said, there is an increasing influx of inexpensive batteries, so expanding our product lineup and building a service structure are issues.

Group resources

15 development, production and sales sites in the ASEAN region

Product development leveraging our **Technical Center** in **Thailand**

The Group was quick to develop its business in Asia in step with overseas expansion by Japanese automakers. We strategically increased our sites, and now have 15 in the ASEAN region. We established a Technical Center in Thailand, and are proceeding with development so that we can quickly grasp the needs of the region and reflect them in our products.

Strategy and outlook

Future strategy

We will focus on introducing differentiated products and strengthening our sales capabilities to further expand earnings and improve market share. In addition, we will strive to improve profit margins through high-value-added products, leveraging the relationships we have cultivated to date with Japanese automakers.

Thailand

- Expand sales by introducing new replacement battery products
- Establish a mutual supply system across multiple sites

Indonesia

- Expand sales of batteries for ISS vehicles to Japanese automakers

Undeveloped regions

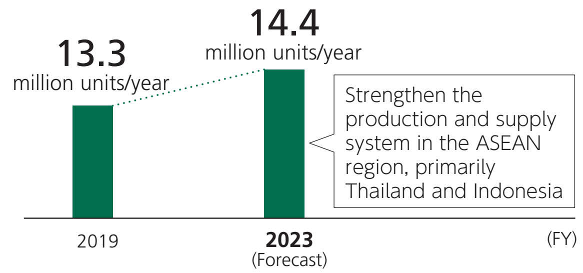
- Utilize our sites in Thailand and Indonesia in an effort to expand into the Mekong region and elsewhere

Recent accomplishments

We are strengthening our supply chain management leveraging our network of sites.

- We moved ahead to increase production, primarily in Thailand and Indonesia, and responded to an increase demand in fiscal 2020 without creating any supply shortages.

▼ Strengthening the production and supply system



Related ESG themes

E Developing and popularizing environmentally considered products →p.71

G Protection of Intellectual property →p.94

Feature 3

Strategies for Expanding Industrial Markets

Focus on the renewable energy sector and energy management at business sites in anticipation of carbon neutrality-related demand

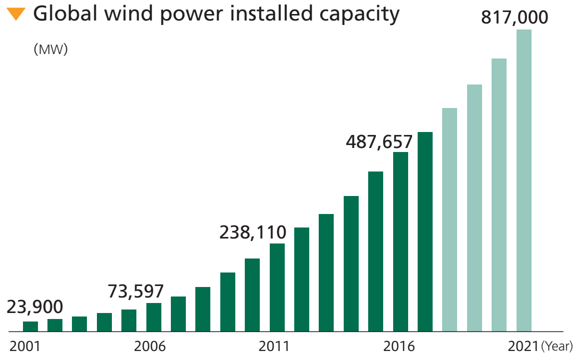
Market environment

In October 2020, the Japanese government declared it would aim to achieve a carbon-neutral, decarbonized society by 2050. Subsequently, the Ministry of Economy, Trade and Industry announced the "Green Growth Strategy through Achieving Carbon Neutrality in 2050," and set out industrial policies to lead to a virtuous cycle between the economy and the environment.

▼ Japan's Carbon Neutrality Declaration

Six policies for achieving carbon neutrality by 2050
Promote groundbreaking innovation
Promote energy policy
Green Growth Strategy implementation plan
Green Growth Strategy information disclosure
Shift to a decarbonized lifestyle
New regional creation

▼ Global wind power installed capacity

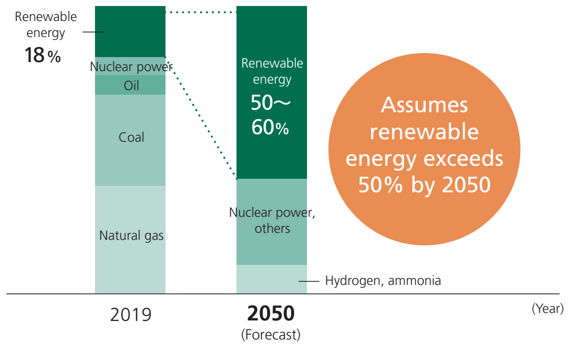


Note: Prepared based on data from the Global Wind Energy Council (GWEC)

Among renewable energies, wind power generation is the largest-scale generator of power, and since 2001 has continued to grow at an annual rate of about 20%. Following China, North America and the countries of the EU, emerging countries are also focusing on wind power, and the scale of related markets is expanding.

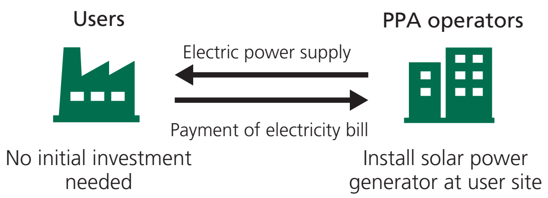
As part of that effort, attention has focused on renewable energy, which is expected to account for a majority of Japan's annual power generation by 2050. With the spread of wind and solar power generation, the market for storage batteries, which are essential to controlling supply and demand, is also expected to expand.

▼ Ratio of renewable energy in Japan's annual power generation



Source: Agency for Natural Resources and Energy, "Considerations for Achieving Carbon Neutrality in 2050"

▼ PPA* model for expanding solar power generation



*PPA: Acronym for Power Purchase Agreement, an agreement between the power generator and the consumer for the sale of electric power

A system of subsidies to encourage the deployment of solar power generation was launched in fiscal 2020. PPA companies that own and manage power generation facilities install power generation equipment on land owned by companies and other users and supply them with electricity. This allows users to install solar power without any initial investment.

Analysis of status quo

Competitive situation

The world's renewable energy power generating capacity is expected to continue to grow, increasing rapidly from approximately 2,000 GW in 2015 to about 2,500 GW in 2018. The demand for renewable energy is rising in Japan as well toward the realization of carbon neutrality by 2050, and competition among battery manufacturers, including those from Japan, China, and South Korea, is intensifying.

Understanding of the issues

In addition to backup batteries and power supplies, among our core products, we must capture the demand for power storage for renewable energy, a growth market, in order to further expand our business.

For storage battery systems incorporated in the electric power infrastructure, maintenance to ensure stable operation and optimal control is important, as are of course proper selection and installation. In addition to *Monozukuri* (product creation), it is essential that we strengthen *Kotozukuri* (service creation) to ensure the sustainable use of products. We also face the issue of developing even more competitively priced products in order to capture more deals in the market for renewable energy.

Group resources

Over 100 service sites in Japan

Track record and expertise in delivering storage batteries for **the world's largest-scale** wind power generation

Technology cultivated through **automotive batteries**

We develop products to meet market needs, and offer one-stop service from design, to installation, maintenance and upgrade proposals, utilizing our nationwide network of service sites.

Strategy and outlook

Future strategy

We will utilize our production facilities and expertise in automotive lithium-ion batteries for industrial battery power supply applications. We also aim to create a business model that can generate ongoing revenue through post-delivery proposals for preventive maintenance and appropriate upgrades, using AI, IoT and DX.

For wind power generation

- Strengthen operation, maintenance and inspection services through cooperation with other companies
- Develop new, more price competitive batteries

For solar power generation

- Capture demand for household consumption associated with ending the FIT system
- Introduce products and services aligned with customer needs

For business sites

- Capture demand for peak cut, peak shift and other energy management services

Recent accomplishments

- In 2020, began delivery on orders for storage battery equipment for the world's largest-scale wind power generation (equivalent to approximately 45 thousand EVs)
- In 2020, co-developed with NTT Communications Corporation an AI-based predictive failure detection technology for storage battery systems
- Currently developing lithium-ion batteries that offer even greater price competitiveness, capacity and safety, in anticipation of addressing carbon neutrality-related demand

Related ESG themes

E Developing and popularizing environmentally considered products →p.71

E Contribution to realization of low-carbon society (promoting environmental protection) →p.72

S Responsible procurement promotion →p.78

Feature 4

Initiatives to Reduce Environmental Burdens Specific to Products

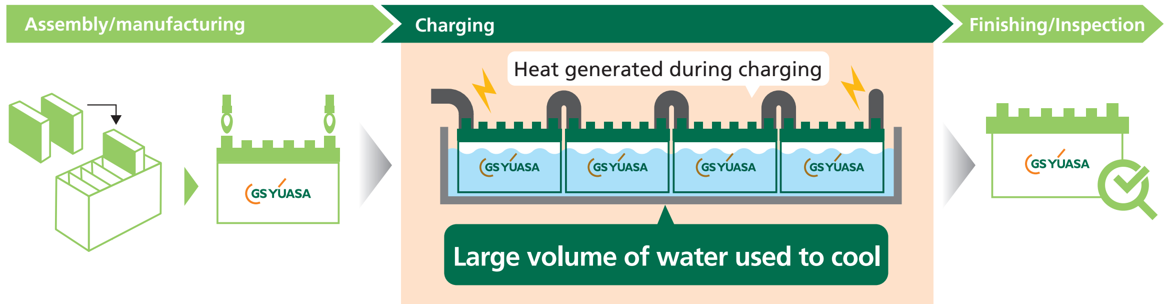
Contribute to a circular society by promoting resource conservation and recycling

Understanding of the issues

Reducing water use

The charging process for lead-acid batteries, our mainstay product, requires the use of a large amount of water to cool the batteries. Meanwhile, there are concerns about water resource shortages on a global scale, and the Group's own climate-related scenario analysis has identified a risk of future drought in some regions where the Group operates; it is thus important that we reduce water use.

▼ Water use in battery manufacturing at Group plants



Initiatives to reduce environmental impact

The cooling water used in the lead-acid battery charging process must meet certain minimum standards for water quality. In our efforts to conserve precious water resources and reduce business risk, we believe it is important to encourage water recycling and to reduce water use.

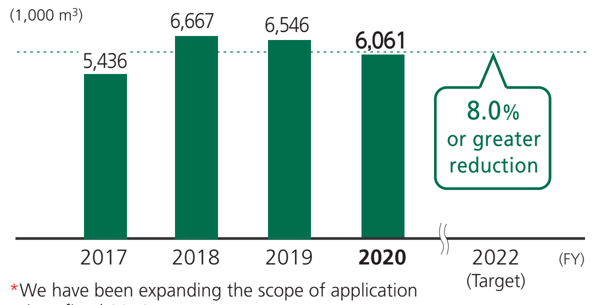
Since fiscal 2019, our mid-term management plans have incorporated global targets for reducing water use, and are working to reduce water use in our production activities in countries around the world.


Water recycling equipment

We have also installed water recycling equipment at our production sites, and are encouraging water recycling.

KPI: Water consumption
FY2022 target: **8.0**% or greater reduction (versus FY2018)
FY2020 actual: **9.1**% reduction (versus FY2018)

▼ Changes in the water consumption for the Group*



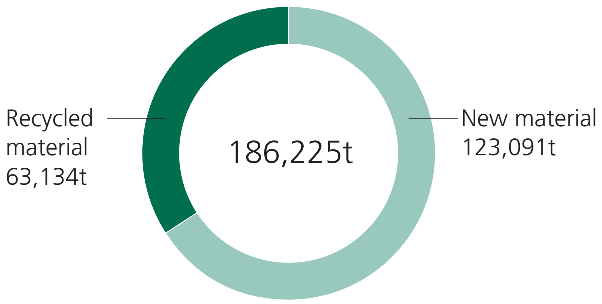
*We have been expanding the scope of application since fiscal 2018.

Lead Lithium Raw material depletion

Lead, the primary raw material for lead-acid batteries, is ideally suited to recycling, and there are established methods for doing so. In order to achieve a recycling-oriented society, it is thus important to curb consumption of natural resources and to promote recycling of used lead-acid batteries.

Cobalt, nickel, and lithium—the primary raw materials for lithium-ion batteries—not only have no established methods for recycling, but are rare resources for which tight supply and demand are concerns. Recycling is important to the sustainable use of these resources.

▼ Primary raw materials* in the Group's lead-acid batteries (FY2020)



*Lead, sulfuric acid, plastic

Lead-acid batteries

We are implementing the following efforts to improve lead recycling and reuse.

- Collect lead through the battery collection and recycling system based on the Act on Recycling, etc. of End-of-Life Vehicles
- Continue recycling of our products no longer in use by the customer
- From fiscal 2019, incorporate targets in mid-term management plans to focus on expanding use of recycled lead

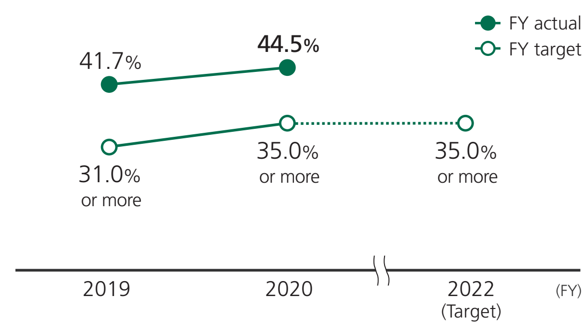
Lithium-ion batteries

We have joined and participate in the following industry organizations to build a system for collecting and recycling lithium-ion batteries.

- Battery Association for Supply Chain (BASC): A new organization working toward international standardization of the battery supply chain and development of a battery ecosystem
- Japan Portable Rechargeable Battery Recycling Center (JBRC): Membership consists of manufacturers and others who work together in the recycling of compact rechargeable batteries

KPI: Ratio of recycled lead used as lead raw materials in lead-acid batteries
FY2022 target: **35.0**% or more
FY2020 actual: **44.5**%

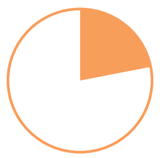
▼ Ratio of recycled lead used as lead raw material in the Group's lead-acid batteries



At a Glance

Business operation | Net sales | Operating income/Operating income ratio | Segment assets/ROA | Capital investment/Depreciation expenses | Research and development expenses

Automotive Batteries (Japan)



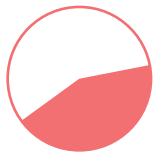
Composition of net sales

22%

Net sales

¥83,639 million

Automotive Batteries (Overseas)

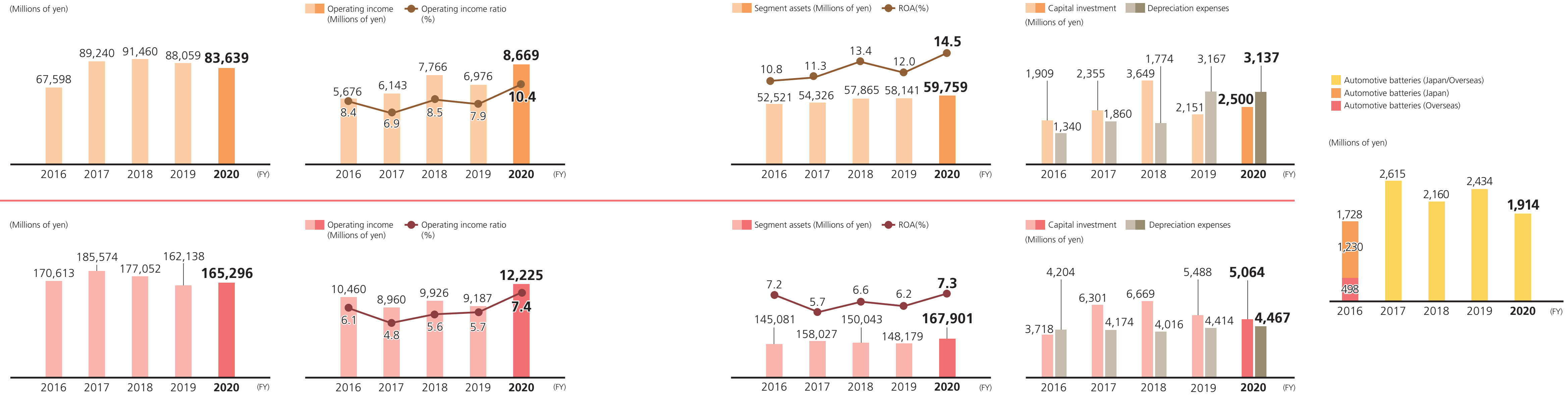


Composition of net sales

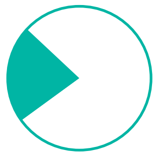
43%

Net sales

¥165,296 million



Industrial Batteries and Power Supplies

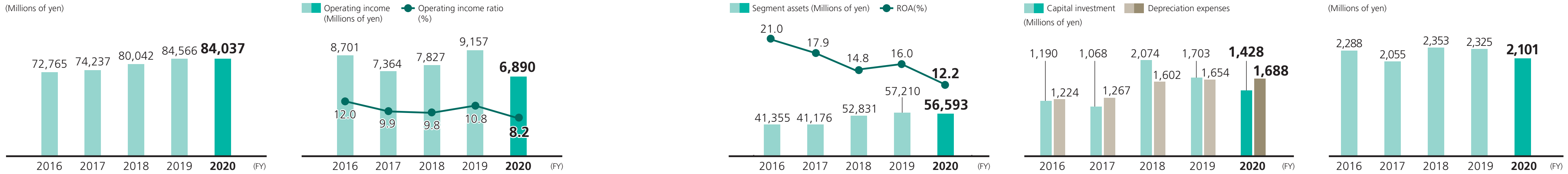


Composition of net sales

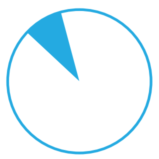
22%

Net sales

¥84,037 million



Automotive Lithium-ion Batteries

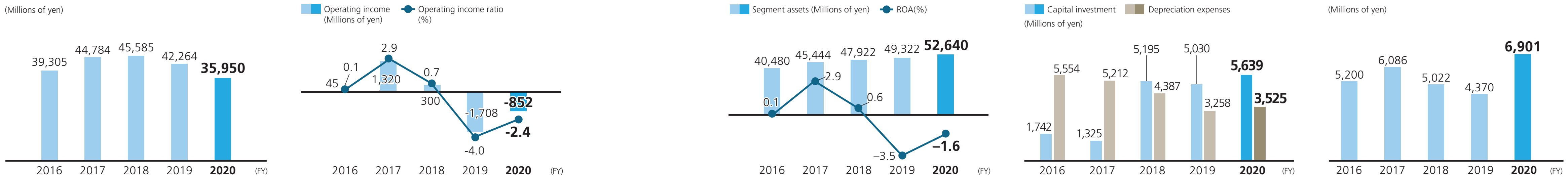


Composition of net sales

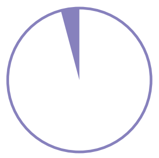
9%

Net sales

¥35,950 million



Specialized Batteries and Others

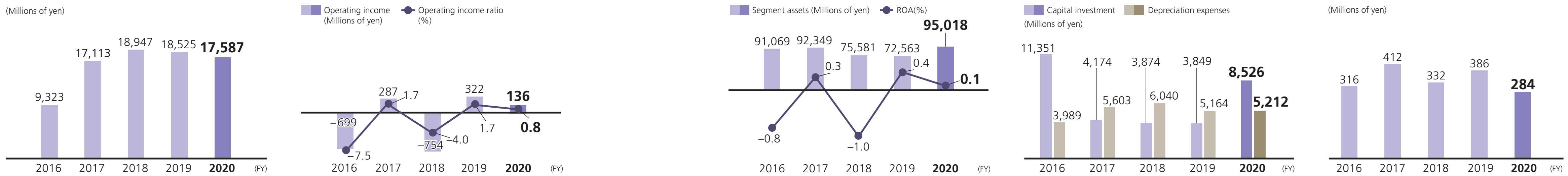


Composition of net sales

4%

Net sales

¥17,587 million



Notes: 1. Operating income has been operating income before amortization of goodwill and the operating income ratio has been the operating income ratio before amortization of goodwill.
2. The "automotive batteries (overseas)" segment previously included a portion of transaction amounts for industrial batteries handled overseas, but as of fiscal 2018, the category was changed to "industrial batteries and power supplies." Net sales and operating income for fiscal 2017 are indicated for the reporting segments after the change.

Notes: 3. In fiscal 2019, some consolidated subsidiaries in the "automotive batteries (overseas)" segment were shifted to the "industrial batteries and power supplies" segment. Accordingly, the figures for fiscal 2018 have been reclassified to reflect the revised segment categories.
4. ROA has been calculated based on operating income before amortization of goodwill.
5. Depreciation expenses include depreciation of intangible assets.
6. Research and development expenses in the "automotive batteries (Japan)" and "automotive batteries (overseas)" segments have been totaled since fiscal 2017.

Automotive Batteries

Further enhancing competitiveness and earning power through selection and concentration

Masahiro Shibutani
Managing Director, GS Yuasa Corporation
Managing Director, Business Unit Manager of Automotive Batteries
GS Yuasa International Ltd.

Assessment of fiscal 2020 performance

Our own assessment is that we put up a good fight fiscal 2020. We succeeded in delivering product without causing any supply shortages despite major fluctuations, including a drastic drop in demand beginning in the first quarter, both in Japan and overseas, primarily for batteries for new automobiles, and a sharp increase in demand for replacement batteries starting in the third quarter. This is the result of our having established a dedicated department to focus on supply chain management, and our new sales forecasting system used in combination with AI. Both in Japan and overseas, our employees did a good job of responding to the sudden production slowdowns and accelerations.

While the impact of the COVID-19 pandemic in fiscal 2020 caused new automobiles sales volume to drop, primarily in Japan, a change in lifestyles also had an effect. An increase in the use of automobiles and commercial vehicles to avoid public transportation was one reason behind increased demand for replacement batteries. Additionally, motorcycle sales, which had been trending downward, also exceeded those of the previous fiscal year. In some countries, there were some cases in which the Group's products made up for stagnant supplies caused by the COVID-19 pandemic, and I think this enhanced the Group's presence. Our strategy for fiscal 2021 is to maintain and further increase that competitive advantage.

Fiscal 2021 strategy

In Japan, our quality, safety, delivery and service are highly regarded by automakers, and our market share of new automotive batteries is improving. This also leads to demand in the replacement sector. We will work to optimize the balance between supply of new automotive and replacement batteries based on our production capacity.

Overseas, we are attempting to build a global strategy by identifying differences in market trends by region. We are moving forward with selection and concentration after clarifying roles such as sites focused on local production for local consumption and key sites for large-scale exports. Utilizing production sites in the ASEAN region, primarily Indonesia and Thailand where growth can be expected, we will place an emphasis Myanmar and the rest of the Mekong economic zone. We will address undeveloped regions including Eastern Europe and the Middle and Near East, by utilizing our production site in Turkey.

Further, in the long term we are considering how to respond to electrification in the automotive batteries business as a whole. We intend to put in place a better labor environment, including plans to invest in production facilities and human resources, and take steps to achieve sustainable growth.

Long-term strategy (Vision for 2030)

Long-term vision

- Gain market share in the global market, where demand is expected to expand, by leveraging the technology used in eco-friendly vehicles cultivated in Japan
- Rebuild optimal global production system

Recognition of issues and future vision

Recognition of issues in 2018	Vision for 2022 / Mid-term goal	Vision for 2030 / Long-term goal
There are growing overseas markets in which the market share is low	Expanded global market share through applying technologies developed for eco-friendly vehicles in Japan	Build optimal global production framework

SWOT

Strengths (S) - Technological capabilities cultivated through R&D for Japanese automakers - Overwhelming brand power in Asia	**Opportunities (O)** - Stable lead-acid batteries demand in ASEAN and expanding demand in emerging markets - Increase in demand for eco-friendly vehicles using lead-acid batteries
Weaknesses (W) - Price competitiveness against Asian rival manufacturers (South Korea, China) - Low market share in Europe, U.S., and China, where the demand is high	**Threats (T)** - Growth restricted by tightening of environmental regulations in each country - Demand levelling off due to slowing global economy and expansion of sharing businesses

Business operation based on ROIC management

We are working to develop an ROIC tree to establish and advance work on issues specific to each department, including sales and production, in preparation for encouraging the spread of ROIC management within the automotive batteries business. We will also implement education for employees in finance and accounting using the human resource development programs we are working on within the business. While utilizing ROIC as a performance management indicator, in terms of business strategy it is also extremely important that we balance that with the necessary investment. I believe this means not only investing in upgrading and fortifying plants and manufacturing equipment, but in safety and the environment as well. Rather than simply chasing after ROIC figures, I would like to work on determining what each department can do while actively investing in sustainable growth for the medium to long term.

Automotive Batteries

Japan

Mid-Term Business Policy (Fifth Mid-Term Management Plan)

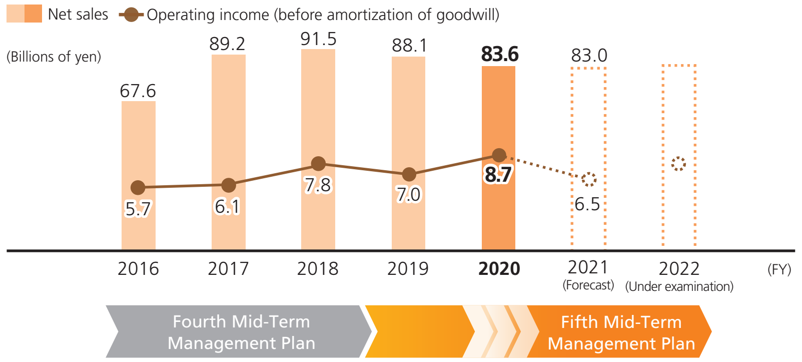
Business policy

Aim to shift to a more robust and streamlined business structure through optimal earnings mix

Strategy and important tasks

- Work to optimize market share and earnings by advancing selection and concentration with emphasis on profits
- Fully demonstrate the strengths of the GS Yuasa brand and increase the weighting of high value-added products
- Promote CO_2 reductions and improve productivity as a global mother plant
- Develop high performance, high quality products
- Create synergies from transfer of Panasonic Corporation's lead-acid batteries business
- Consider a strategy that takes carbon neutrality into account

Performance and plans



The Fifth Mid-Term Management Plan originally covered the period from fiscal 2019 to fiscal 2021. Due to the impact of the COVID-19 pandemic, however, we have excluded fiscal 2020 as a single-fiscal-year plan and changed the fifth plan to a four-year plan ending in fiscal 2022 (the term ending in March 2023). Performance by business sector in fiscal 2022 is currently being examined.

Fiscal 2020 performance and fiscal 2021 plans

Fiscal 2020 performance

Net sales generated by the domestic automotive batteries business in fiscal 2020 totaled 83,639 million yen (down 4,419 million yen year on year), and operating income was 8,669 million yen (up 1,692 million yen year on year).

Sales volume in batteries for new automobiles was greatly affected by the significant drop in new vehicle production in the first half of the fiscal year due to the COVID-19 pandemic, and while a recovery trend was seen in the second half, volume decreased for the full year (Data 2). In replacement batteries, meanwhile, positive factors in the first half—including increased use of private cars to avoid public transportation, and an increase in home delivery service operations etc. —as well as an increase in sales volume due to a year-end cold wave (Data 2), contributed to higher profits. Note that the Group expanded its market share (Data 1) in both new automobiles and replacement batteries.

Also, while revenue fell in fiscal 2020 due to lower sales prices associated with a drop in lead prices (Data 4), this contributed to an increase in operating income.

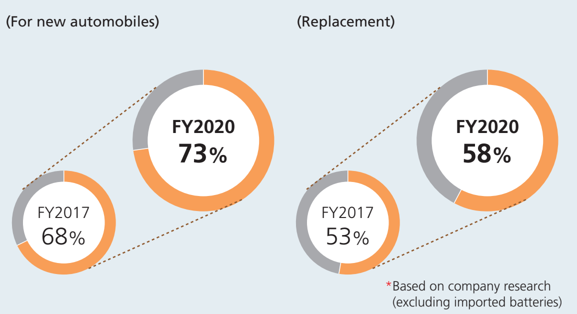
Fiscal 2021 plans

Sales volume for new automotive batteries, which had fallen due to the COVID-19 pandemic, is expected to recover in fiscal 2021, but we expect sales volume for replacement batteries to decline in reaction to the previous fiscal year. Expenses will increase—including rising lead prices and greater distribution costs associated with an increase in volume—and our performance outlook calls for lower sales and profit, with net sales of 83,000 million yen (down 0.8% year on year) and operating income of 6,500 million yen (down 25% year on year).

New automobile production volume in Japan gradually began recovering in the second half of 2020 (Data 3), and while there remains the possibility of some impact from the semiconductor shortage, we expect that recovery trend to continue in fiscal 2021. In addition, our assumption for the price of lead in fiscal 2021 is an estimated 280,000 yen/ton, which may affect us. The Group will pursue an optimum balance in its product mix by sales of the European Norm (EN) batteries for new automobiles, and will work to strengthen the profitability of the lead-acid batteries business. In replacement batteries, we will strive to expand sales of batteries for vehicles with start-stop systems (ISS: idling stop systems) and to solidly capture demand for EN replacement batteries, which are increasingly being installed in new automobiles.

Related data

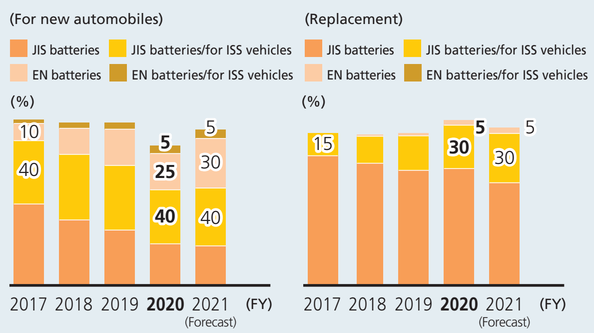
1 Market share of batteries for new automobiles and replacement (total for the Group)



(For new automobiles)
Despite the impact of the COVID-19 pandemic in fiscal 2020, demand for EN batteries is expanding, primarily among Japanese automakers, and our market share is also growing.

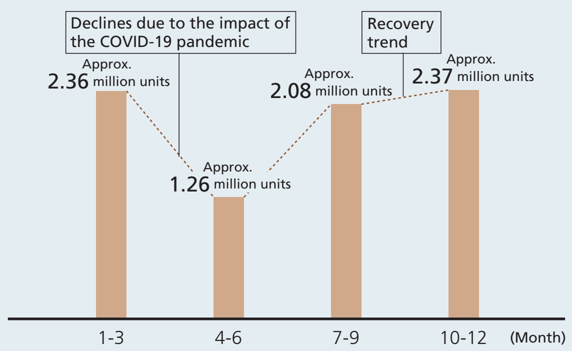
(Replacement)
Our market share has expanded with growing sales of batteries for ISS vehicles, and we are maintaining our advantage in the market.

2 Batteries for ISS vehicles and EN batteries shipped as a percentage of total shipments



Demand for lead-acid batteries for ISS vehicles has been high for both new automobiles and replacement applications. EN batteries, which we developed ahead of other companies, are also increasingly being installed in new automobiles, and are seeing a gradual increase in demand for replacement use. We aim to expand our share of the replacement market by ensuring we capture this demand going forward.

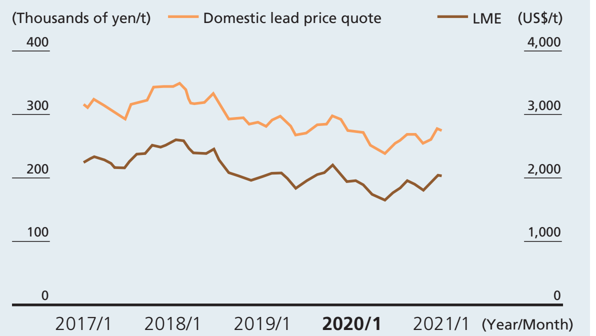
3 Domestic automobile production (2020)



Source: Japan Automobile Manufacturers Association, Inc.

Domestic new automobile production dropped significantly, particularly in April-June 2020, due to the impact of the COVID-19 pandemic. However, production has gradually recovered since the latter half of 2020, and is expected to continue doing so in 2021.

4 Raw material prices (lead price)



Ninety percent of the demand for lead in Japan is for use in storage batteries. Lead is an international market commodity, with two key indices being the London Metal Exchange (LME) price, an international price, and the domestic lead price released by Mitsubishi Materials Corporation. Price fluctuations affect our storage battery selling prices and profit.

Automotive Batteries

Overseas

Mid-Term Business Policy (Fifth Mid-Term Management Plan)

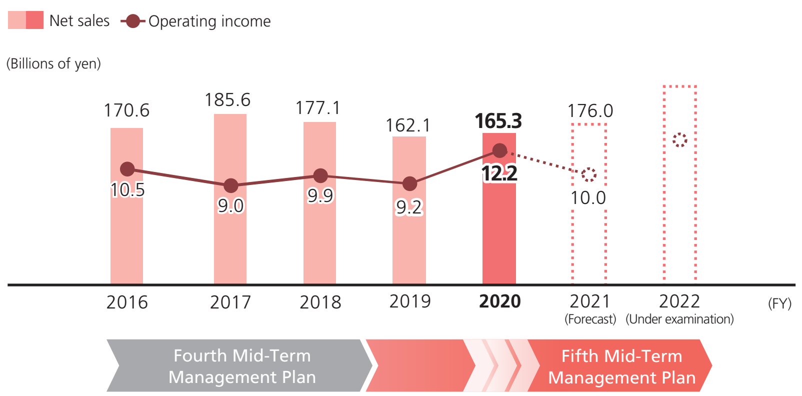
Business policy

Aim to secure profits through selection and concentration of production and sales

Strategy and important tasks

- Work to enhance profit ratio by introducing new products and building an optimal production structure, while maintaining our share in regions with high market shares
- In regions with low market share, ensure sales expansion through enhancement of product line-up by building a sales and service framework
- Expand into each untapped region strategically, leveraging existing production sites

Performance and plans



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Note: In fiscal 2019, some consolidated subsidiaries in the “automotive batteries (overseas)” segment were shifted to the “industrial batteries and power supplies” segment. Accordingly, the figures for fiscal 2018 have been reclassified to reflect the revised segment categories.

Fiscal 2020 performance and fiscal 2021 plans

Fiscal 2020 performance

Fiscal 2020 net sales totaled 165,296 million yen (up 3,157 million yen year on year), and operating income was 12,225 million yen (up 3,038 million yen year on year).

While a decline in sales volume in batteries for new automobiles due to the impact of the COVID-19 pandemic in each country—primarily in the first quarter—had an effect (Data 1), as in Japan, sales of replacement batteries increased, mainly in Europe and Australia. This increase in sales of replacement batteries and the decline in lead prices were the main factors behind the increase in profit.

In sales by region, the ASEAN region saw sales of batteries for new automobiles and motorcycles decline in Indonesia and Thailand, primarily in the first half, but showed an exceptional increase in Vietnam. China was quick to recover from the COVID-19 pandemic, and sales of both new automobiles and replacement batteries increased. In Europe and Australia, the impact of the COVID-19 pandemic on our business was minimal and sales volumes increased, mainly for automotive replacement batteries (Data 3).

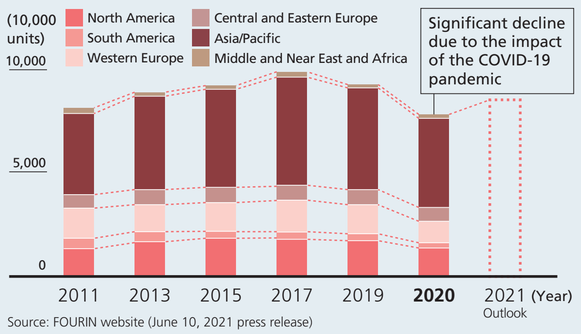
Fiscal 2021 plans

In fiscal 2021, we expect demand for new automotive batteries to recover in the ASEAN region, and sales to increase for replacement batteries in China and Europe. Due to increased expenses, including higher lead prices and increased distribution costs due to container shortages, we are forecasting an increase in net sales, to 176,000 million yen (up 6.5% year on year) and a decrease in operating income, to 10,000 million yen (down 18.2% year on year).

Despite the shift to electric vehicles due to regulations on gasoline vehicles, mainly in Europe, demand for lead-acid batteries, especially in the ASEAN region, has been strong. As in Japan, production of new automobiles has also begun to recover following the slump caused by the COVID-19 pandemic. The Group will work to develop products that meet regional needs, and to maintain an optimal production and sales structure in an effort to increase profits (Data 4). In addition, we continue our efforts to expand sales in undeveloped areas such as the Mekong region, the Middle and Near East and North Africa.

Related data

1 Global and regional automobile production

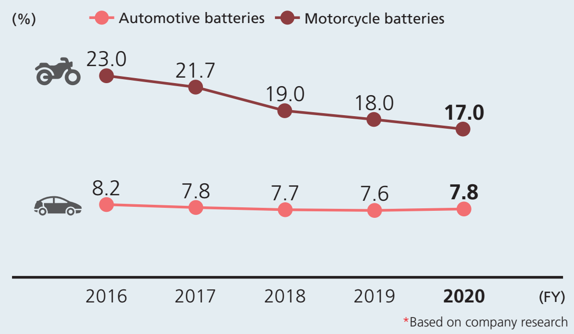


Source: FOURIN website (June 10, 2021 press release)

Global automobile production in 2020 was down approximately 16% year on year due to the impact of the COVID-19 pandemic, to approximately 78 million units. This was the first time that production fell below 80 million units since 2010, when the economy was still recovering from the global recession.

However, the latter half of 2020 saw a recovery trend, and while there are concerns about the impact of semiconductor supply shortages on automobile production in 2021, it is expected to continue to increase.

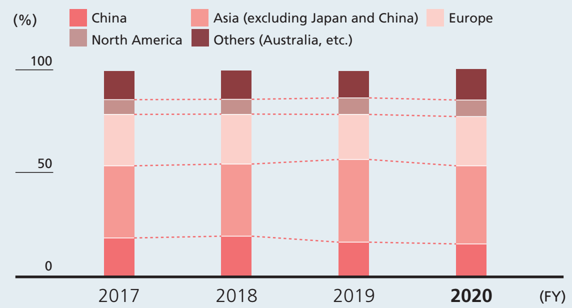
2 Change in the Group’s global market share



*Based on company research

We maintained our share of the automotive market in fiscal 2020 despite a decline in sales volume for new automobiles due to the impact of the COVID-19 pandemic and intensifying competition in the Asia region. Reduced operations caused by the COVID-19 pandemic saw our share of the motorcycle market decline.

3 Composition of net sales by region



Our net sales composition has remained stable, primarily in the Asia region where market growth can be expected. In fiscal 2020, the ratio of sales in Europe and Australia improved as sales volumes increased for automotive replacement batteries.

4 Plan to expand supply capacity by region

	FY2019		FY2023
Turkey and Europe	4 million units	▶	**6** million units/year
China	4 million units	▶	**6** million units/year
India	3.6 million units	▶	**8.4** million units/year
ASEAN region	13.3 million units	▶	**14.4** million units/year

We will continue making planned capital investments, increasing supply capacity in each region. We have positioned India, where market growth can be expected, as a particularly important strategic region, and will expand production capacity with the goal of capturing market share there.

Industrial Batteries and Power Supplies

Identifying targets in expanding markets to leverage our strengths

Masaru Sawada
Managing Director
Business Unit Manager of Industrial Batteries and Power Supplies
GS Yuasa International Ltd.

Assessment of fiscal 2020 performance

We believe the expansion trend in markets for the industrial batteries and power supplies business will continue. The first of these is the renewable energy market being backed by the push toward carbon neutrality; this is a large market where competition is intensifying. Next is the market for backup power supplies for power outage, where social infrastructure demand is growing in Japan, which suffers from many natural disasters, as well as in ASEAN. In fiscal 2020, the Group began delivering lithium-ion batteries as planned for a large-scale wind power generation project in Hokkaido. This project represents a new business model for us, one in which we will be able to generate a reasonable profit from the sum of the supply contract and a post-delivery contract for long-term maintenance. In addition, demand for backup power supplies was postponed in some cases due to the COVID-19 pandemic, but is expected to recover in fiscal 2021.

Fiscal 2021 strategy

Our business strategy for fiscal 2021 is to enter the stage of addressing our targets. We intend to begin identifying target areas among this broad market where we can leverage our strengths. Overseas, we intend to focus primarily on the ASEAN region, utilizing the automotive batteries business's network of sites to capture demand for social infrastructure. In Indonesia, where domestic demand is growing, we will establish a sales company for industrial storage batteries and work to further strengthen sales. In the backup batteries field, we expect GS Yuasa Infrastructure Systems Co., Ltd., which was acquired from Sanken Electric Co., Ltd. and joined the Group in May 2021, to be a major force. We will strengthen our system proposals for storage batteries and power supplies, focusing on 5G and other telecommunication fields in which GS Yuasa Infrastructure Systems excels. We view the green technology business, and particularly the renewable energy field, in 10-year spans, and will develop that business from a long-term perspective. We believe we can leverage our strengths in both products and sales in the medium-capacity range targeting companies in a wide range of markets, from stabilization of the electric power grid to promotion of peak cut/peak shift power utilization by companies and government agencies, to household power consumption after ending the FIT system. We will establish strategies and enact measures to ensure profits are generated.

Long-term strategy (Vision for 2030)

Long-term vision

- Improve profitability by expanding sales of high value-added products and services utilizing IoT and DX
- Expand sales of lithium-ion batteries in green technology and energy field such as renewable energy applications
- Expand overseas business by expanding local production for local consumption-type business

Recognition of issues and future vision

Recognition of issues in 2018	Vision for 2022 / Mid-term goal	Vision for 2030 / Long-term goal
For existing businesses in Japan within the social infrastructure field, the core of demand is for replacement	**Focus is on the utilization of IoT and DX and renewable energy fields**	**Overseas expansion of business with local production for local consumption-type business**

SWOT

■ High market share and brand power in Japan ■ Extensive product lineup ■ Enhanced sales and service structure	Strengths **S**	**O** Opportunities	■ Expansion of renewable energy ■ Advance of disaster mitigation and BCP measures ■ Strengthening of environmental and emission regulations ■ Expansion of utilization of IoT and DX technologies
■ Global expansion ■ Ability to respond to market changes	Weaknesses **W**	**T** Threats	■ Advances in replacement of lead-acid batteries with lithium-ion batteries ■ Intensifying market competition due to entry by companies in other industries and manufacturers from China and South Korea ■ Raw materials and distribution cost rises

Business operation based on ROIC management

As the industrial batteries and power supplies business is expected to generate revenue, ROIC has stayed high. In fiscal 2020 and 2021, however, ROIC will temporarily decline due to the delivery of lithium-ion batteries for a large-scale wind power generation project, a business model that generates reasonable profits from the sum of a supply contract and a post-delivery contract for long-term maintenance.

Meanwhile, we are reorganizing our product composition along application and regional lines and moving forward with a SWOT analysis. In doing so, we will clarify ROIC indices by product, linking them to policy management in an effort to spread ROIC management throughout the business unit as a whole.

While ROIC is a means of managing performance, we would also like to use it as a tool for inculcating awareness of capital efficiency. We will take care to ensure we are not simply chasing ROIC figures—which can lead to narrow thinking—while pursuing a well-balanced business operation that features both performance control and development of our growth strategy.

Industrial Batteries and Power Supplies

Mid-Term Business Policy (Fifth Mid-Term Management Plan)

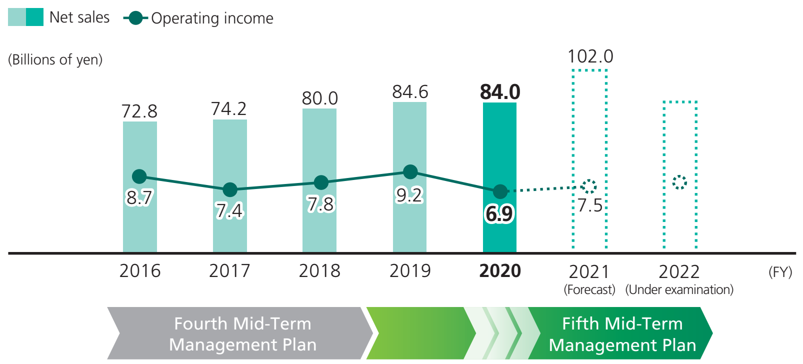
Business policy

Lay the groundwork for transition to a global energy solutions company that contributes to societal and environmental safety and security

Strategy and important tasks

- Introduce high value-added products and services to ensure survival in existing fields to be focused on
- Secure market position by making a strategic shift to new businesses in the environment and energy fields
- Leverage the ability, cultivated in the domestic market, to propose products, technologies, and services, in order to develop and nurture businesses in overseas markets that are optimized for each region

Performance and plans



The Fifth Mid-Term Management Plan originally covered the period from fiscal 2019 to fiscal 2021. Due to the impact of the COVID-19 pandemic, however, we have excluded fiscal 2020 as a single-fiscal-year plan and changed the fifth plan to a four-year plan ending in fiscal 2022 (the term ending in March 2023). Performance by business sector in fiscal 2022 is currently being examined.

Note: In fiscal 2019, some consolidated subsidiaries in the "automotive batteries (overseas)" segment were shifted to the "industrial batteries and power supplies" segment. Accordingly, the figures for fiscal 2018 have been reclassified to reflect the revised segment categories.

Fiscal 2020 performance and fiscal 2021 plans

Fiscal 2020 performance

Net sales in the industrial batteries and power supplies business in fiscal 2020 totaled 84,037 million yen (down 528 million year on year), and operating income was 6,890 million yen (down 2,267 million yen year on year). While net sales increased in fiscal 2020 with the start of lithium-ion batteries deliveries for a large-scale wind power generation project in Hokkaido, a decline in lead-acid batteries sales for forklifts (Data 1) and the impact of the COVID-19 pandemic resulted in lower earnings.

Fiscal 2021 plans

In fiscal 2021, net sales are expected to increase to 102,000 million yen (up 21.4% year on year), with operating income of 7,500 million yen (up 8.9% year on year), due to deliveries for the wind power generation project in Hokkaido and the acquisition of the social infrastructure systems business from Sanken Electric Co., Ltd. We will strengthen our activities aimed at capturing orders related to the growing demand for renewable energy (Data 2) by seizing on the movement toward carbon neutrality. Demand for emergency backup power supplies is also expected to gradually recover from the delays and postponements in construction work caused by the COVID-19 pandemic. We will also work to capture demand for batteries and power supplies in keeping with the Plan for National Resilience, and for batteries and power supplies that comply with new regulatory standards for nuclear power. Overseas, we will expand sales of industrial lithium-ion batteries, demand for which is growing in Europe, the U.S. and Australia, and will address the growing demand for social infrastructure by establishing sales sites in the Asia region. In addition, we will work to quickly generate synergies with the social infrastructure systems business acquired from Sanken Electric Co., Ltd. and strengthen profitability in existing fields.

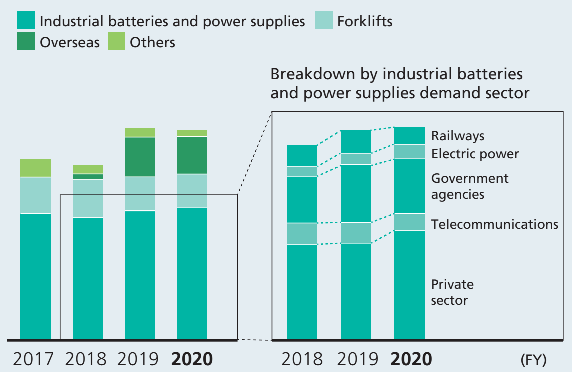
Industrial batteries and power supplies business measures by area and application

Field \ Region	Domestic	Overseas
Emergency field (for backup)	• Respond to demand based on the Plan for National Resilience • Integration with the Sanken Electric Co., Ltd. social infrastructure systems business ▶ **Strengthen telecommunications field**	• Respond to demand for UPS equipped with lithium-ion batteries • Respond to increasing demand in the Asia region ▶ **Establish sales company in Indonesia**
Regular field (renewable energy)	• Respond to demand associated with carbon neutrality ▶ **Fluctuation suppression in renewable energy** ▶ **Peak cut/peak shift for business sites**	• Respond to expanded entry into the traction batteries market (including market research) ▶ **Develop and propose lithium-ion batteries**

Utilization of IoT/DX

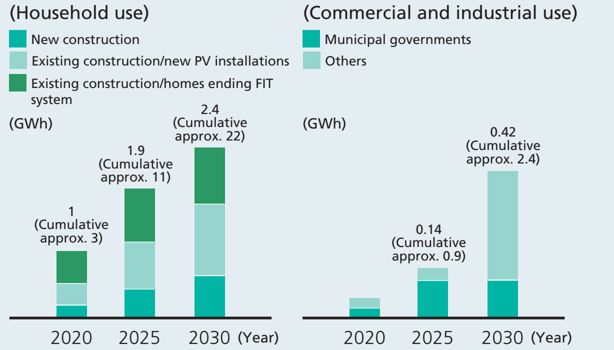
Related data

1 Composition of net sales by product type



Overseas in fiscal 2020, sales of lead-acid batteries for forklifts in Thailand decreased. In terms of the breakdown of industrial batteries and power supplies, private sector demand increased due to the start of deliveries of lithium-ion batteries for a large-scale wind power generation project in Hokkaido. However, sales volumes fell in backup batteries and power supplies for telecommunications and railroads sector due to the impact of the COVID-19 pandemic.

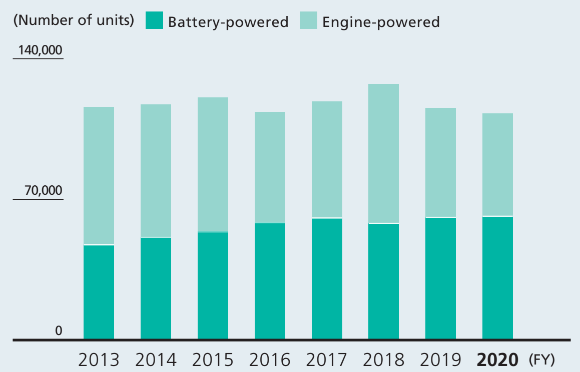
2 Estimate of installed capacity forecast for storage battery systems



Prepared by GS Yuasa based on the Ministry of Economy, Trade and Industry's "Summary of the Results of the Study Group on the Dissemination and Expansion of Fixed storage battery systems" (February 2, 2021). Data are estimates by Mitsubishi Research Institute, Inc.

With the need to utilize renewable energy, deployment of energy storage systems, essential for the stable supply of renewable energy, is expected to increase further. The market for storage batteries, a key component of these systems, is also predicted to grow significantly, expanding business opportunities for the Group.

3 Change in forklifts production in Japan



Source: Japan Industrial Vehicles Association, Production, Domestic Sales, and Export of Forklifts

Battery-powered forklifts emit less CO_2 than forklifts powered with engines that use gasoline or diesel as fuel. The ratio of battery-powered forklifts to total forklifts production is trending upward year by year.

In Focus

Start of delivery of the world's largest storage battery system for wind power generation

In fiscal 2020, we began delivery of storage battery system for a large-scale wind power generation project in Hokkaido, based on an order received in fiscal 2018. These are the largest-scale lithium-ion batteries in the world. Plans call for successive deliveries until fiscal 2021, and further, we will be responsible for maintaining the storage batteries for the next 20 years.

While the project will deliver negative profits at the time of delivery, the business will generate reasonable profits from the sum of the supply contract and 20-year maintenance contract. In addition to contributing to the spread of renewable energy, we will leverage the knowledge we gain to develop advanced technologies and products.

Automotive Lithium-ion Batteries

Securing first-mover advantage in the HEVs market while systematically investing for the future

Kenji Kohno
Executive Officer
Business Unit Manager of Lithium-ion Batteries
GS Yuasa International Ltd.

Assessment of fiscal 2020 performance

New automobile sales declined in fiscal 2020, significantly affecting the automotive lithium-ion batteries business, with its long product life and lack of replacement demand. We regard Lithium Energy Japan, which manufactures lithium-ion batteries for EVs and PHEVs, as having taken all feasible measures in the face of the COVID-19 pandemic, including efforts to secure revenue through bold action to reduce costs and structural reforms through impairment of fixed assets. In addition, the transfer of the second plant to GS Yuasa has made it easier for the company to secure profits.

Blue Energy, a manufacturer of lithium-ion batteries for HEVs, responded to higher-than-planned supply by increasing production. The fact that Blue Energy has customers both Honda Motor Co., Ltd. and Toyota Motor Corporation, two of the leading Japanese manufacturers of HEVs, gives them a significant track record and credibility. In order to meet increased future demand, production capacity at their first plant will be increased by speeding up the production line. We have also begun construction of a second plant to further expand production capacity, with the goal of starting mass production in fiscal 2022. The Hungary plant, which manufactures 12V lithium-ion batteries, began deliveries to automakers in Europe in fiscal 2020.

Fiscal 2021 strategy

Going forward, demand for lithium-ion batteries for HEVs is expected to grow until around 2030. Blue Energy is thus working to put in place a system to meet demand beyond 2023, answering the expectations of its customers while securing steady profits as a pillar of the lithium-ion batteries business.

We are also preparing for the future. We expect that market conditions will change significantly in the move toward carbon neutrality, and the time will come when automakers switch their policies to favor EVs. We are also increasing our resources for investment in R&D in products for EVs and preparing for the coming changes in the market environment. In batteries for PHEVs, we will work to maintain our supplies to existing customers while expanding into new sales channels. Our lithium-ion batteries for HEVs have performed flawlessly to date, without a single incident of smoke emission or other defects. We are proud to say we are number one in the industry for our balance of performance, service life and safety with price, and we will leverage that fact in our response to the EV market going forward. With regards to 12V lithium-ion batteries, we will work to win new customers in Europe in preparation for regulations on lead, and to Japanese automakers who often inquire about our products for auxiliary equipment and redundancy, giving our customers joy in the process.

In addition to maintaining earnings as they gradually turn profitable, we will continue to invest systematically in development for the future.

Long-term strategy (Vision for 2030)

Long-term vision

- Establish our position and improve profits through enhancement and evolution of alliances with reliable partners
- Promotion of lithium-ion batteries for HEVs and 12V lithium-ion batteries
- Full-scale entry into the market for batteries for electric vehicles (EVs)
- Expansion of the industrial storage batteries sector

Recognition of issues and future vision

Recognition of issues in 2018	Vision for 2022 / Mid-term goal	Vision for 2030 / Long-term goal
Excessive capital investment competition	**Promoting lithium-ion batteries for HEVs and 12V lithium-ion batteries**	**Full-scale entry into the market for batteries for electric vehicles (EVs) and expansion of the industrial storage batteries sector**

SWOT

Strengths (S)
- Stable supply of lithium-ion batteries for HEVs
- Advance expansion into 12V lithium-ion battery market
- Extensive track record of supplying to Japanese and European automakers

Opportunities (O)
- Environmental regulations such as ELV Directive in Europe and NEV in China
- Accelerated offering of full-line of electric vehicles (EVs, PHEVs, HEVs)

Weaknesses (W)
- Stable material procurement capability
- Ensuring management resources that reflect the growth of lithium-ion battery market
- Competitiveness in high capacity lithium-ion batteries

Threats (T)
- Progress in replacement of lead-acid batteries with lithium-ion batteries
- Intensifying market competition with the entry of manufacturers from other industries as well as China and South Korea
- Rising costs for raw materials and distribution

Business operation based on ROIC management

Because the automotive lithium-ion batteries business requires larger capital investments than other businesses, it is characterized by significant fluctuations in profits and finances. Because the business also plays a role in upfront investments in growth sectors, the amount of investment can vary widely from one fiscal year to the next. This is why ROIC must be evaluated and managed in terms of medium- to long-term changes, and not on a stand-alone fiscal year comparison.

ROIC is used at the management level as one indicator of performance management. To incorporate that approach in measures that are then executed in each workplace, we first analyze the ROIC tree, which is then further developed into individual priorities. Through these kinds of activities, we are working to spread ROIC management throughout the business unit.

Automotive Lithium-ion Batteries

Mid-Term Business Policy (Fifth Mid-Term Management Plan)

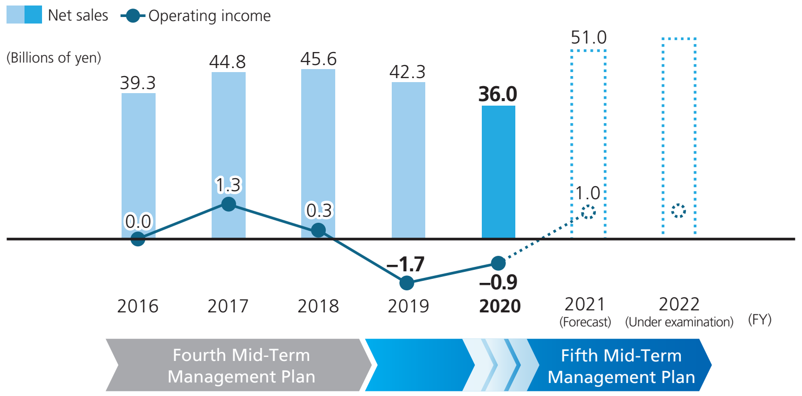
Business policy

Build the foundation for a differentiation strategy with a view to future business expansion by grasping changes in the business environment in advance

Strategy and important tasks

- Focus on lithium-ion batteries for HEVs primarily for Japanese manufacturers, 12V lithium-ion batteries for European manufacturers, and industrial-use lithium-ion batteries
- Strengthen coordination with existing customers for long-term dealings involving lithium-ion batteries for PHEVs and other EVs
- Promote development of future technologies that will differentiate us from competitors

Performance and plans



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Fiscal 2020 performance and fiscal 2021 plans

Fiscal 2020 performance

Net sales in the automotive lithium-ion batteries business in fiscal 2020 totaled 35,950 million yen (down 6,313 million yen year on year), and operating loss was 852 million yen (improved 856 million yen year on year). While sales decreased due to the impact of lower sales of lithium-ion batteries for PHEVs, operating losses were reduced thanks to an increase in sales of lithium-ion batteries for HEVs (Data 2).

By production site, Lithium Energy Japan (Data 3) saw strong sales of lithium-ion batteries for PHEVs in the fourth quarter, despite a decline in sales volume to Mitsubishi Motors Corporation due to the impact of the COVID-19 pandemic over the full year. At Blue Energy (Data 4), sales increased due to supply to Honda Motor Co., Ltd. for new automobile models from the end of the previous fiscal year, and on strong sales to Toyota Motor Corporation, which we began supplying in fiscal 2020. In November 2020, we also began mass production and shipment of 12V lithium-ion batteries to European luxury car manufacturers from our new plant in Hungary.

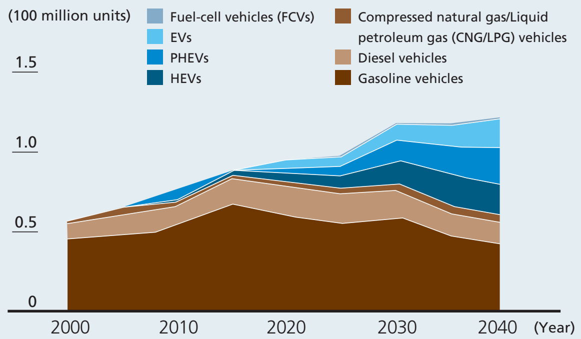
Fiscal 2021 plans

In fiscal 2021, the Company expects to increase net sales to 51,000 million yen (up 41.9% year on year) and operating income to 1,000 million yen (a year-on-year improvement of 1,852 million yen) by increasing production capacity with the launch of a new line at Blue Energy first plant and by increasing production of lithium-ion batteries for industrial use at Lithium Energy Japan.

To capture further demand, we will steadily invest in increasing production of lithium-ion batteries for HEVs, and respond to growing demand from Japanese automakers. In lithium-ion batteries for PHEVs, we will maintain a stable supply to our existing customers while striving to expand sales channels. In 12V lithium-ion batteries, we will focus on providing a stable supply to European automakers while expanding sales. In addition, we will work to strengthen our competitiveness in lithium-ion batteries for industrial use by leveraging the expertise we have cultivated in the automotive sector. We will also accelerate R&D in lithium-ion batteries for EVs.

Related data

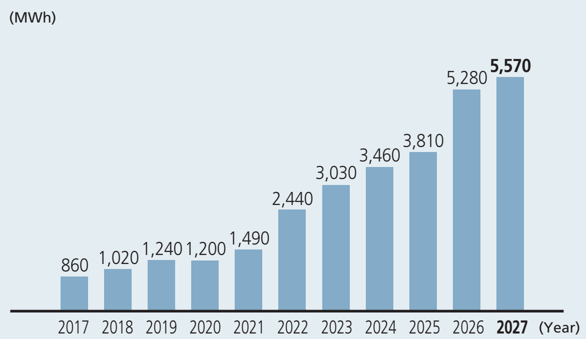
1 Global market forecast for automobiles



Source: International Energy Agency, *Energy Technology Perspectives 2017*

Policy moves toward carbon neutrality in countries around the world are expected to accelerate the shift to electrification of automobiles aimed at curbing CO_2 emissions. The market for HEVs, a particular focus for automakers—primarily in Japan—is expected to expand until about 2030. After that, we will advance R&D and strategically invest resources in preparation for full-scale entry into the EV market, which is expected to grow.

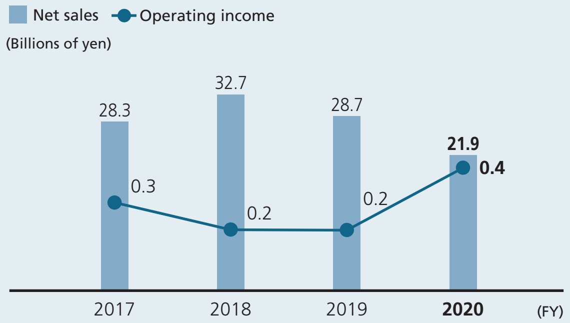
2 Production volume of lithium-ion batteries for HEVs



Source: Fuji Keizai, *2020 Edition In-depth Analysis Survey of HEV- and EV-related Markets*
*Outlook for 2020, forecast for 2021 and beyond.

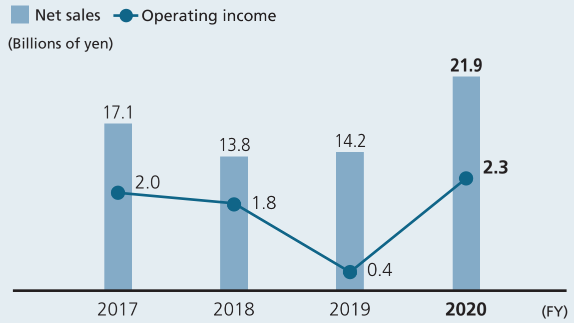
Production of lithium-ion batteries for HEVs has continued to increase year to year. In Japan in particular, demand for lithium-ion batteries for HEVs is expected to grow over the medium to long term, in part due to the strategy of Japanese automakers aimed at achieving the goal of electrification of all new automobiles by the mid-2030s.

3 Lithium Energy Japan net sales and operating income



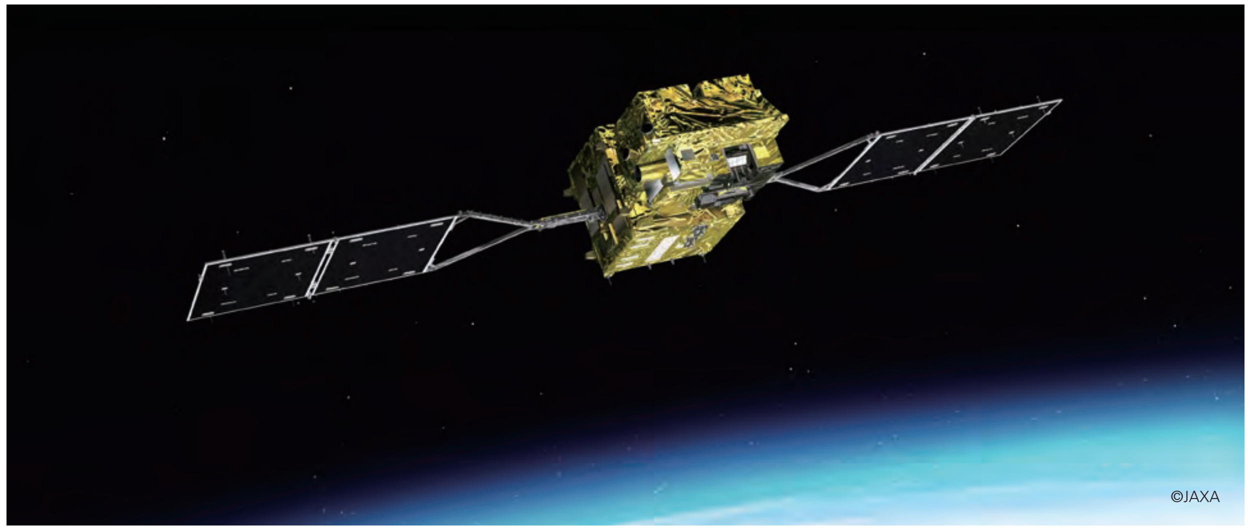
Sales decreased and profits increased year on year in fiscal 2020. Although earnings decreased due to the impact of the COVID-19 pandemic, which caused new car production to decline, profits increased with our implementation of impairment losses and strong sales of lithium-ion batteries for PHEVs in the fourth quarter.

4 Blue Energy net sales and operating income



Both sales and profits increased year on year in fiscal 2020. Sales to Honda Motor Co., Ltd. increased, and sales to Toyota Motor Corporation, which we began supplying, were strong, and operating income recovered significantly from the previous fiscal year as a result.

Specialized Batteries and Others



Mid-Term Business Policy (Fifth Mid-Term Management Plan)

Business policy

Contribute to the building of new societal infrastructure through batteries with the highest level of performance and quality

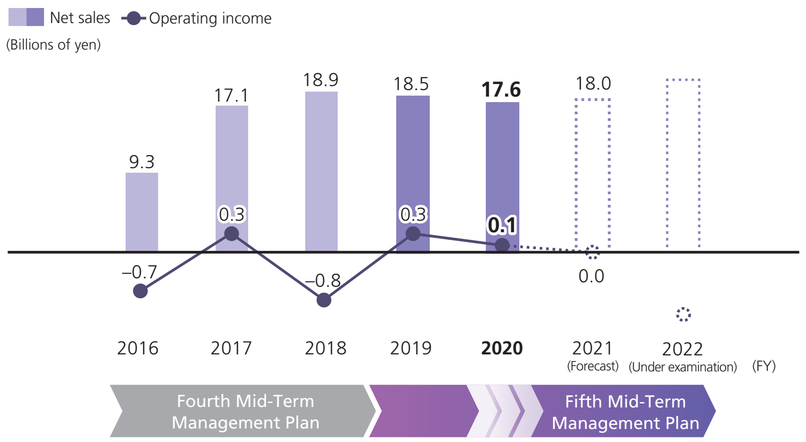
Strategy and important tasks

- Work to provide stable supply of lithium-ion batteries for submarines and enhance their quality
- Expand sales of lithium-ion batteries for aircraft and satellites by improving reliability and durability

Used in extreme environments, from deep sea to outer space

Work to further improve technological capabilities, providing storage batteries able to continue supplying power even under harsh conditions

Performance and plans



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Fiscal 2020 performance and fiscal 2021 plans

Fiscal 2020 performance

Net sales generated by specialized batteries and others in fiscal 2020 totaled 17,587 million yen (down 938 million yen year on year), and operating income was 136 million yen (down 185 million yen year on year).

Production of lithium-ion batteries for submarines was steady. On the other hand, sales of lithium-ion batteries for aircraft decreased due to the impact of the COVID-19 pandemic. In terms of profit and loss, operating income decreased year on year due to changes in company-wide expenses.

Fiscal 2021 plans

For fiscal 2021, we are forecasting an increase in net sales, to 18,000 million yen (up 2.3% year on year) and a decrease in operating income, to 0 yen (a year-on-year decline of 136 million yen).

We will continue to provide a stable supply of lithium-ion batteries for submarines, while working to expand the technology to other applications. We are also moving forward to build a production system to expand sales and increase production of lithium-ion batteries for satellites.

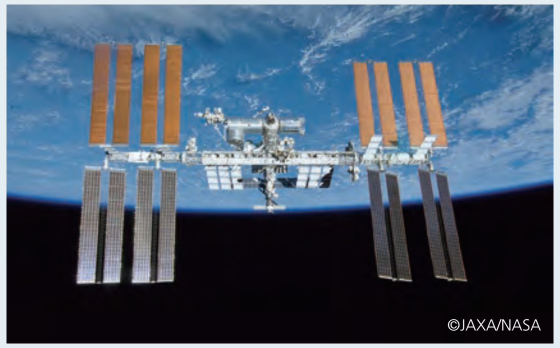
R&D Topic

GS Yuasa wins a 2021 MEXT Minister's Award for Science and Technology in the development category

GS Yuasa won a Science and Technology award (development category) at the 2021 Minister of Education, Culture, Sports, Science and Technology (MEXT) awards for the development of lithium-ion batteries for use in space and technologies to facilitate their operation.

Through its R&D work on the batteries, GS Yuasa invented battery encasement structures offering outstanding durability, while also establishing new cell lifespan prediction models based on cell degradation modeling, ultimately making it possible to use lithium-ion batteries in space environments. Due to their outstanding reliability, GS Yuasa's space-use lithium-ion batteries have been selected for use on the International Space Station and a large number of satellites.

GS Yuasa is working to create the future of energy, and will continue tackling challenges on the way to achieving further technological innovations.



International Space Station

Award overview

Award for Science and Technology (development category)

Development of lithium-ion batteries for use in space and technologies to facilitate operation of those batteries


Space-use lithium-ion batteries (cells)

- Award recipient
  Hiroaki Yoshida
  Executive officer, general manager of GS Yuasa's R&D Center
- Overview of the technologies

(1) Airtight battery structure
R&D work involved developing an airtight structure able to withstand the differential pressure that develops between battery interiors and exteriors when in space. The structure facilitates long-term airtightness by curbing the alloying reaction between the metallic wax and the lithium in the electrolyte solutions and preventing corrosion.

(2) Degradation modeling
A lithium-ion cell degradation model was constructed based on findings from long-term degradation experiments. The model is still being used as a basic technology for estimating lithium-ion battery degradation and lifespan, and also provides a basis for further investigation into cell degradation mechanisms.

About ROIC Management

To increase capital efficiency, we are using total quality management (TQM) activities to spread awareness of ROIC management and encourage its practice in each of our businesses

Hiroaki Matsushima
Head of the Corporate Office of the Company
Director and General Manager of Financial Division, GS Yuasa International Ltd.

Review of Fiscal 2020

Beginning in fiscal 2019, the Group set out improving capital efficiency as one financial policy under its Fifth Mid-Term Management Plan. As part of that policy, we are aiming to improve return on invested capital (ROIC), established as a key performance indicator (KPI).

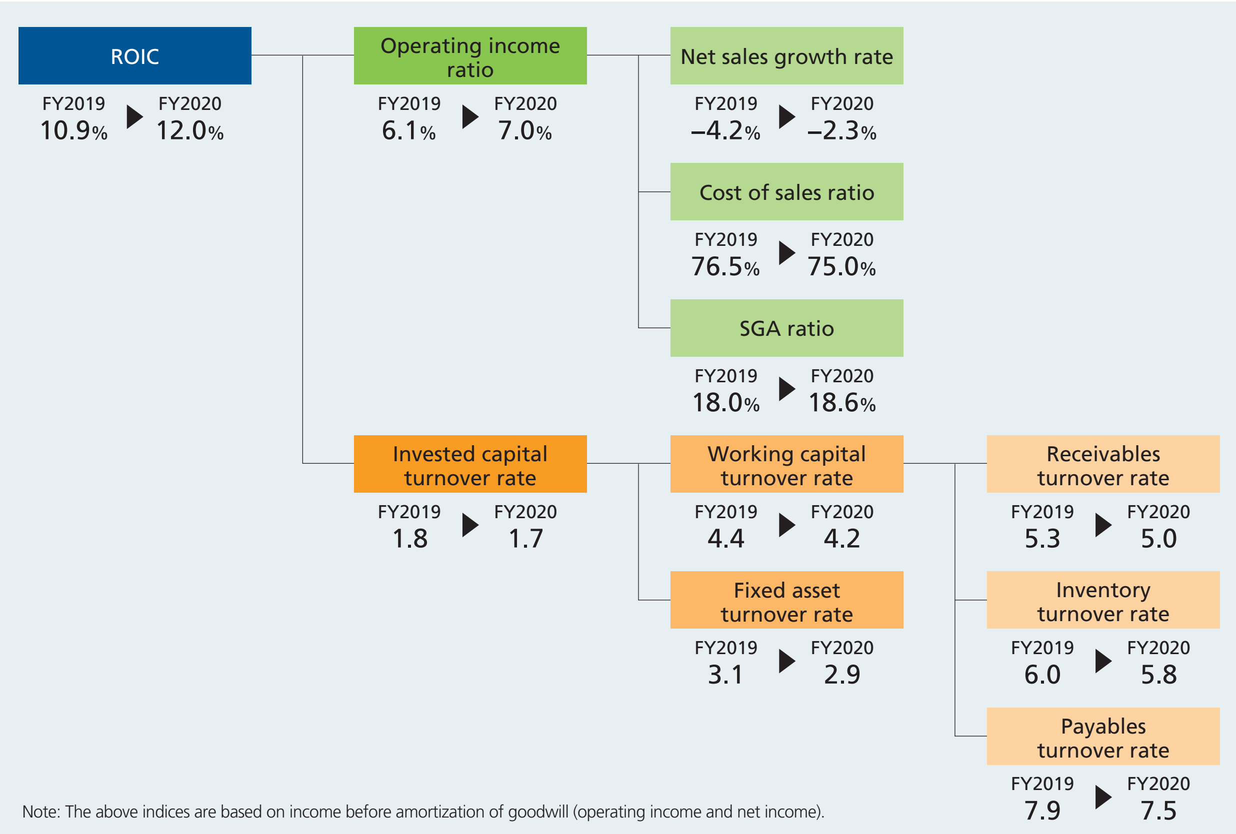
In fiscal 2020, ROIC remained roughly flat but our operating income ratio improved, primarily as a result of an increase in sales of automotive replacement batteries and a drop in raw material prices. As a result, Company-wide ROIC rose from 10.9% in the previous fiscal year to 12.0%.

Efforts to spread awareness of ROIC management

We have been holding executive study sessions on ROIC management, and we assess that a certain amount of progress has been made in educating management.

Today, we are working to transfer those concepts from management-class employees down to the front lines by requiring that themes be established in our TQM activities that keep ROIC targets in mind. Specifically, starting in fiscal 2021, we have asked managers in each department to set quantitative targets for efforts leading to improved ROIC when formulating annual plans and establishing issues for employees in their own departments. Our goal in doing so is to have each individual employee gain a sense of their contribution to improving ROIC through their efforts to improve operations.

ROIC Tree



Note: The above indices are based on income before amortization of goodwill (operating income and net income).

ESG

GS YUASA Report 2021

Materiality and ESG Targets

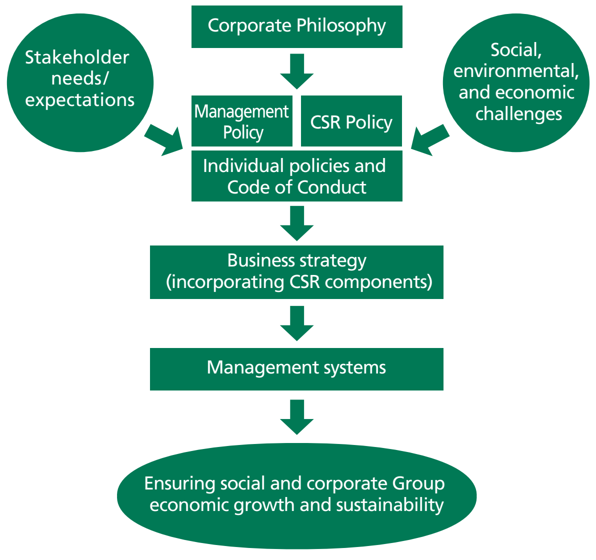
Incorporating materiality (key CSR issues) into Group business strategy

To reflect CSR issues in our business strategy, the GS Yuasa Group analyzes and assesses the impact on business and the impact of our business on society and then clarifies the Group's materiality for items that need to be addressed. Regarding the specified materiality, as necessary we have set targets relating to our business strategy and, to achieve those targets we have formulated concrete activity plans, "the materiality response plans," and key performance indicators (KPIs) to gauge progress in achieving the goals.

When incorporating materiality into business strategy, the CSR Committee formulates plans that will lead to enhanced stakeholder satisfaction through the strengthening of our corporate infrastructure and enhancement of corporate value.

The GS Yuasa Group aims for enhanced management of financial and non-financial operations, as well as for sustainable corporate and social growth through execution of business processes that incorporate materiality in the Mid-Term Management Plan.

Overview of CSR promotion process



About the ESG bulletin in this report

The GS Yuasa Group has incorporated the materiality response plans in its business strategy and set the following ESG targets in its Fifth Mid-Term Management Plan.

This report presents an overview of materiality items that are closely related to the mid-term management plan. Information about relevant details and other activities will be disclosed on the company's website.

ESG targets included in the Fifth Mid-Term Management Plan and progress

Category	CSR issues for sustainable growth	Main plan details and targets	Corresponding material issues	Page describing activity status
E	**Environment: Contribute to sustainability of the global environment**			
	● Development and global sales of environmentally considered products ● Reduction of environmental burden of business activities	● Group-wide CO_2 emission reduction target: **6% or more/3 years** ● Group-wide water use reduction target: **8% or more/3 years** ● Ratio of environmentally considered products to overall sales: **35% or more**	● Developing and popularizing environmentally considered products	P.71
			● Promoting environmental protection • Contribution to realization of low-carbon society	P.72
			• Promotion of effective use of water resources	P.73
S	**Social: Respect for human rights and contribution to society**			
	● Respect for human rights ● Enhancement of productivity and motivation through human resources development ● Enhancement of work environments and occupational health and safety ● Products and information sharing that is reassuring to consumers ● Contribution to the addressing of societal issues with CSR procurement and reduction of procurement risks	● Enhance human rights education and human rights risk management ● Nurture autonomous-minded human resources and establish groundwork for utilizing diverse human resources ● Promote measures to improve work-life balance ● Achieve group-wide quality improvement	● Respect for individuality	P.74
			● Human resources development ● Respect for diversity	P.75
			● Enhancement of work environments and occupational health and safety	P.76
			● Provision of high-quality products	P.77
			● Responsible procurement promotion	P.78
G	**Governance: Promotion of fair, transparent, and swift group-wide governance**			
	● Respect for international norms and compliance with laws of respective countries ● Protection of intellectual property ● Thorough management of confidential information ● Swift and appropriate management decision-making	● Promote compliance education, preparation of legal information ● Contribute to elimination of counterfeit goods and bolster patent infringement prevention activities ● Management that is mindful of the corporate governance code	● Thoroughly fulfilling our CSR and ensuring compliance	P.92
			● Respect and Protection for intellectual property	P.94
			● Strict management of confidential information	P.94

Materiality identification process

Step 1

Identify CSR risks and opportunities

For each of the key issues in the Mid-Term Management Plan, we identify CSR risks that may hinder the achievement of the relevant issues and CSR opportunities that may promote the achievement of those issues.

When identifying CSR risks and opportunities, we referred to international guidelines on CSR (ISO 26000, GRI, etc.).

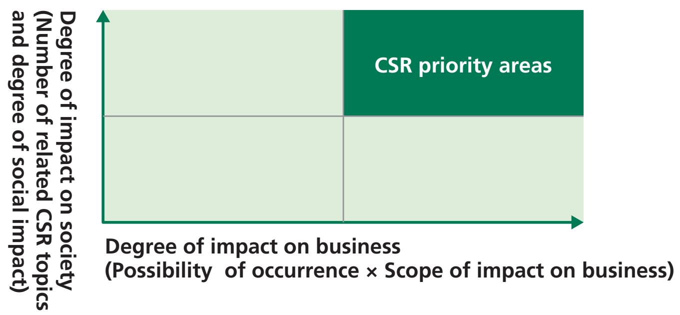
- ISO 26000
  Guidelines on organizational social responsibility established by the International Organization for Standardization
- GRI (Global Reporting Initiative)
  International guidelines on corporate sustainability reporting

Step 2

Define important CSR risks and opportunities

The CSR risks and opportunities identified in Step 1 were evaluated and scored taking into account their impact on business. We evaluated the impact of the Group's business activities on society with respect to risks and opportunities that are business priorities and identified risks and opportunities that are priority domains.

Matrix of key CSR domains



Step 3

Determine materiality

The important CSR risks and opportunities defined in Step 2 were organized and materiality was determined by taking into consideration the methods of response to each was approved at a Management Meeting held in October 2017. The Group CSR Committee periodically reviews materiality, taking into consideration stakeholder needs and expectations and social issues.

Operation of business processes that incorporate materiality into the Mid-Term Management Plan starting in fiscal 2019

GS Yuasa Material Issues

- Thoroughly fulfilling our CSR and ensuring compliance
- Respect and Protection for intellectual property
- Strict management of confidential information
- Respect for individuality
- Respect for diversity
- Human resources development
- Enhancement of work environments and occupational health and safety
- Provision of high-quality products
- Promoting environmental protection
- Developing and popularizing environmentally considered products
- Responsible procurement promotion

Developing and Popularizing Environmentally Considered Products

KPI (excerpts)	FY2020 target	Result	FY2020 status
Percentage of environmentally considered products in total sales of all products	34.0% or more	**34.8%**	● Sales of environmentally considered products grew steadily despite a drop in sales of all products in the first half of the fiscal year due to the impact of the COVID-19 pandemic.

Why this is important

The storage batteries that the Group supplies contribute to energy savings by end products such as automobiles as well as controlling CO_2 emissions. It is expected that gasoline vehicles will remain the mainstream in the automobile market over the medium term and that hybrid vehicles (HEVs) and electric vehicles (EVs) will proliferate over the long term. In conjunction with the expanded use of renewable energy, demand for high-capacity storage batteries that are necessary for stable electric supplies will likely increase. We project that earnings and market share will increase through the development of products that meet social needs.

The widespread use of our Group products will have beneficial impacts on customer as well as society and the environment, and we believe that this will enable to us achieve our corporate philosophy of contributing to people, society and the global environment.

FY2020 actions

The GS Yuasa Group defines environmentally considered products as those products that help mitigate global warming, and we are actively working to develop and popularize such products. In fiscal 2019 we started incorporating into the Group's Mid-Term Management Plan sales targets for environmentally considered products, making it part of our business strategy to work on climate change through the products we provide to customers.

The sales ratio environmentally considered products in fiscal 2020 was 34.8%, and thus, we achieved our annual target of 34.0% or more. Although there was some impact on the sales of all products from the COVID-19 pandemic, we have been able to steadily increase sales of environmentally considered products.

Designing environmentally considered products

The GS Yuasa Group's products have some impact on the environment during every stage of the product life cycle, from procurement and manufacturing to transportation, use and disposal. In order to reduce the environmental burden throughout the product life-cycle caused by the consumption of resources and the generation of greenhouse gases and waste, the Group is committed to improving the product performance through designing that considers selection of raw materials, ease of disassembly and segregation, energy conservation, and appropriate labelling.

Examples of environmentally considered products

Product	Description
Batteries for vehicles with start-stop systems (ISS: idling stop systems) 	Batteries for ISS vehicles for improving gas mileage by allowing the engine to stop instead of idling to reduce fuel consumption
Storage battery system  	A system to effectively utilize renewable energy (power conditioners, lithium-ion battery, etc.)
Automotive lithium-ion batteries 	HEV batteries and EV batteries that contribute significantly to reducing greenhouse gases

Contribution to Realization of Low-carbon Society

(Promoting Environmental Protection)

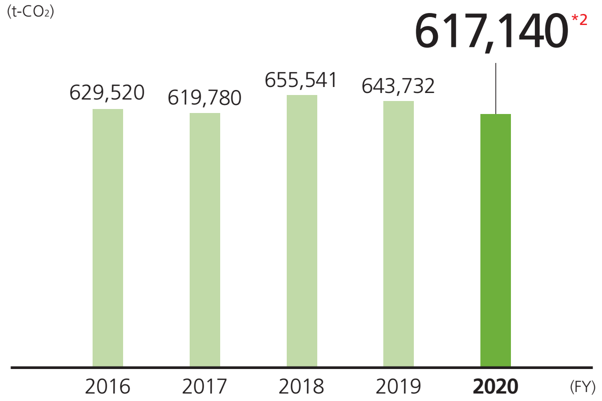
KPI	FY2020 target	Result	FY2020 status
Ratio of reduction of CO_2 emissions (Compared with FY2018)	4.0% or more	**5.9%**	● The annual target was achieved, primarily as a result of a reduction in production volume due to the COVID-19 pandemic. ● Going forward, we will continue promoting energy savings and procuring renewable energy.

Why this is important

The GS Yuasa Group is aware that climate change in conjunction with global warming is an important social issue and is working to reduce greenhouse gas emissions generated from its business activities.

The TCFD below 2°C and 2°C scenarios suggest that carbon taxes will be increased to meet each country's CO_2 emission reduction targets and that the cost of procurement of energy from fossil fuels will increase. We believe that in the future, even greater measures to save energy and use renewable energy will be important to maintain our competitiveness.

Changes in the CO_2 emissions for the Group[*1]



*1 We have been expanding the scope of application since fiscal 2018.
*2 The amount of CO_2 emissions in fiscal 2020 is provisional.

FY2020 actions

The GS Yuasa Group has incorporated global CO_2 emissions reduction targets in the Mid-Term Management Plan since fiscal 2019.

In fiscal 2020, we reduced CO_2 emissions by 5.9%, surpassing our target for the year of 4.0% or more. A major factor in achieving this target was a reduction in production volume due to effects of the COVID-19 pandemic.

The Group has set a CO_2 emissions reduction target for fiscal 2030 of 30% or more compared to fiscal 2018, and we are implementing a long-term greenhouse gas emissions reduction plan in order to achieve this target. In April 2021, we launched a project to draft and implement a group-wide energy strategy that looks ahead to the transition to a decarbonized society. Going forward, we will take measures to achieve carbon neutrality so that we can fulfill our corporate roles in the shift to a sustainable, decarbonized society.

Information disclosure in response to the CDP[*1]

The Group conducts information disclosure in response to the CDP. The CDP requires companies to disclose information of environmental strategies based on the needs of institutional investors and customers. When disclosing the volume of greenhouse gas emissions, we obtain third-party verification to ensure the reliability of the data.[*2] We are also promoting disclosure of information on performance and countermeasures with regards to water risks. In the future as well, we are committed to working on disclosure of appropriate environmental information in response to the needs of various stakeholders.

*1 CDP: Abbreviation for Carbon Disclosure Project.
*2 We have received third-party verification from SGS Japan Inc.

Scope of third-party verification

Scope of verification
Scope 1, 2 emissions and energy consumption
* Excluding vehicle fuel outside of business sites

Subjects of verification
4 production sites of GS Yuasa International Ltd. (composed of 5 individual sites), 3 production sites of the domestic group companies (composed of 3 individual sites), and 20 production sites of the overseas group companies (composed of 27 individual sites)

Promotion of Effective Use of Water Resources
(Promoting Environmental Protection)

KPI	FY2020 target	Result	FY2020 status
Ratio of reduction of water use (Compared with FY2018)	6.0% or more	**9.1%**	● The annual target was achieved, largely as a result of a decrease in production volumes due to the COVID-19 pandemic. ● We will continue to implement reuse of water to reduce water usage in the future.

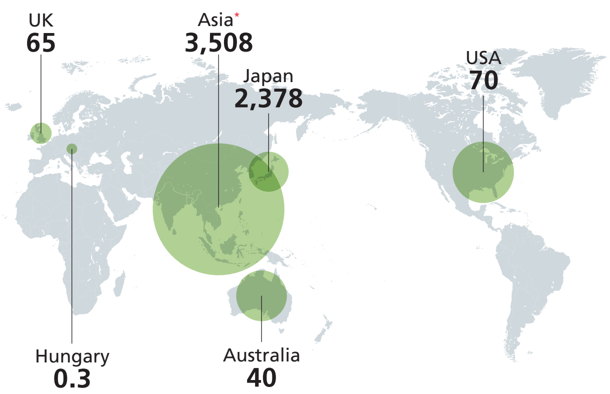
Why this is important

During the charging process of lead-acid batteries, the GS Yuasa Group's main products, water is used for battery cooling. Since the water comes in contact with the batteries during cooling, if the water contains a lot of contaminants, product quality may be adversely affected due to contaminants adhering to the battery. When charging large numbers of batteries, it is necessary to use large amounts of water that meets certain quality standards.

At the same time, there are concerns regarding a shortage of water resources on a global scale. Through Group analyses of climate related scenarios, we have become aware of the risk of future water shortages in some regions where the Group is located.

To preserve precious water resources and mitigate business risk, we believe that promoting the reuse of water and reducing water consumption are essential.

Group water consumption by region (FY2020)
(1,000 m³)



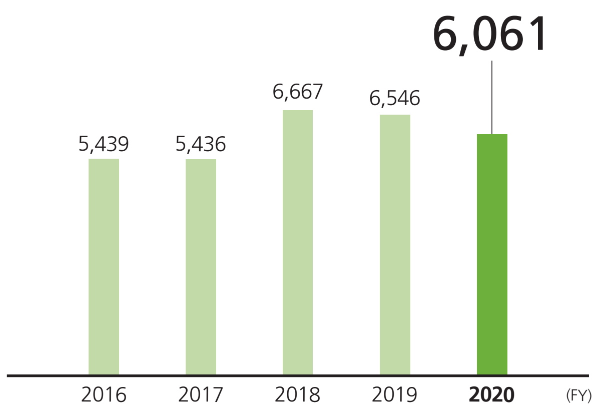
* Total of China, Taiwan, Vietnam, Malaysia, Indonesia, Thailand, India, Pakistan, and Turkey

FY2020 actions

The Group is working to reduce water consumption in production activities worldwide. From fiscal 2019, we have incorporated global water use reduction targets into our Mid-Term Management Plan.

With the water consumption reduction rate in fiscal 2020 being 9.1%, the annual target (6.0% or more) could be achieved. It is believed that the major factor in achieving the target was a reduction in production volumes due to effects of the COVID-19 pandemic. We will continue our measures to reduce water consumption (including reusing water) in the future.

Changes in the water consumption for the Group*
(Thousand cubic meters)



* We have been expanding the scope of application since fiscal 2018.

Respect for Individuality

KPI		FY2020 target	Result	FY2020 status
Japan	**Achievement ratio of human rights training plan**	100%	**100%**	● Based on the results of an analysis of records of training at all workplaces, employee awareness of human rights increased.
Japan	**Status of achievement of human rights risk response plan**	Establishment of a human rights risk countermeasures	**Implementation of human rights risk countermeasures**	● We analyzed and evaluated human rights risks, taking into account the value chain, and identified human rights risks that should be addressed with priority. ● With respect to those risks, we integrated them into existing business processes and took human rights risk countermeasures.
Overseas	**Achievement ratio of harassment training plan**	100%	**100%**	● We proposed training plan for employees transferred overseas taking into account the harassment regulations of each country (ongoing harassment training will be implemented starting next in the fiscal year).
Overseas	**Introduction rate of harassment report system**	100%	**70%**	● We planned to provide support for the introduction of internal whistleblower systems concerning harassment at those overseas Group companies that have not introduced such systems, but on-site visits were not possible due to effects of the COVID-19 pandemic and activities were suspended.

Why this is important

The GS Yuasa Group is aware that respect for human rights is at the foundation of business activities and that preventing the occurrence of human rights violations through Group decision-making and activities is a key element of management.

Furthermore, since the Group engages in business on a global scale, we believe that appropriate management of human rights issues not only within GS Yuasa and its Group companies, but also in our transactional relationships with business partners including domestic and overseas suppliers is essential.

FY2020 actions

Identification of human rights risks

The GS Yuasa Group collaborates with outside experts to identify human rights issues that pose human rights risk so that we can appropriately manage those risks. In fiscal 2020, we evaluated risks relating to human rights issues at GS Yuasa, a core business company, and identified issues to be addressed with priority.

In the future, we will deploy this process at domestic and overseas Group companies as well.

Organization of grievance mechanisms relating to human rights violations

The GS Yuasa Group operates an internal whistleblowing system to provide a remedy to the victims of negative impacts on human rights. We have created a system that enables employees (including supplier employees) who may have been affected by human rights violations resulting from business activities to directly consult about or report on negative impacts on their human rights. If information that raises concerns regarding human rights violations is received, we promptly analyze the validity of that information and take appropriate measures to prevent any expansion of human rights risk over the course of time.

Promoting human rights education

The GS Yuasa Group conducts employee education so that we can implement business activities with respect for human rights. We conduct on-site training, distribute email publications, hold human rights risk briefings, and take other measures to ensure that employees are aware of a variety of human rights issues and the importance of taking human rights into consideration in business activities.

Human rights issues to be addressed with priority (GS Yuasa International Ltd.)

Issue	Human rights risk	Persons subject to impact
Unsafe or unhealthy work environment	Risk that employees will not be able to work healthily due to inappropriate labor health and safety management	Employees
Harm to health from environmental pollution	Risk that the lives or health of local residents will be harmed due to atmospheric pollution or water contamination resulting from business activities	Local residents

Human Resource Development/ Respect for Diversity

KPI		FY2020 target	Result	FY2020 status
Japan	Achievement ratio of training plan to support employee growth	100%	100%	● We conducted rank-specific training and quality education based on the annual plan.
	Achievement ratio of worksite education plan using skill map	100%	100%	● Each division promoted improvement of employee skills needed for job performance in accordance with the skill development plan.
	Number of training sessions held to promote the empowerment of women in our organization	1 time or more	2 times	● We conducted training for female employees to design their career visions and management training for managers to support the career development of their female subordinates.
	Ratio of women among new graduates recruited for career-track positions	30% or more	27%	● Of 73 new graduates hired for career-track positions, 20 were women.
Overseas	Achievement ratio of global human resources education plan	100%	100%	● Management training programs were conducted for 14 employees at overseas business sites. ● Eight employees participated in a global leader training program for young employees who are potential candidates for future managers.

Why this is important

At the GS Yuasa Group, we believe that front-line workplaces are the engines that generate corporate value, and the lead players in those workplaces are employees. Based on this, we encourage the development of autonomous-minded human resources who can think independently and work proactively at their day-to-day work sites, which are the best places for developing human resources.

In addition, we undertake diversity management so that we can fully utilize the diverse individuality of employees and strengthen organizational capabilities.

FY2020 actions

Human resources development

In addition to on-the-job training (OJT) for each human resource development, we use off-the-job training (off-JT) for career development and enhancement of management skills.

Average annual human resources development training hours per employee (FY2020, GS Yuasa International Ltd.)

Item	Classification	Average training hours
Gender	Male	3.9
	Female	6.1
Types of employees	Indefinite-term employment	4.4
	Fixed-term employment	0.5

Respect for diversity (Women's empowerment)

The GS Yuasa Group believes that providing the environment and opportunity for women's roles will enable every woman to shine, which in turn will help us achieve the "innovation and growth" stated in our philosophy. In an effort to do so, the Group is taking steps to promote women's roles with the aim of enabling them to maximize their potential in whatever they do.

Key management indicator concerning the action plan promoting women's roles

Classification	Target (FY2024)	Result (FY2020)
Ratio of women among new graduates recruited for career-track positions	30.0%	27.4%
Percentage of women among workers	15.0%	13.6%
Percentage of women in managerial positions	4.0%	2.8%
Percentage of women at the assistant managers rank	10.0%	9.9%
Men's rate of taking childcare leave	5.0%	9.1%

TOPIC

Conducting exchange meetings between women directors and women managers

In May 2021, we held the Group's first exchange meeting between women directors and women managers. On this occasion, the participants shared information about their current situation with each other while discussing specific issues faced by them. In addition, through various exchange of opinions, the meeting served as an opportunity to once again confirm the direction of the Group to nurture respect for diversity through the promotion of active participation of women and going beyond to foster respect for all diversity.

Enhancement of Work Environments and Occupational Health and Safety

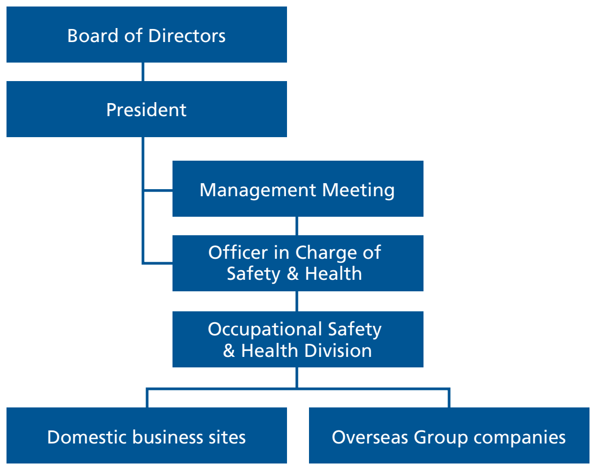
KPI (excerpts)		FY2020 target	Result	FY2020 status
Number of serious occupational accidents		0 incidents	0 incidents	● The target was achieved by implementing countermeasures that use risk assessment methods.
Missed work frequency ratio		Japan 0.8 or less Overseas 2.4 or less	Japan 1.0 Overseas 1.9	● Japan: The number of accidents involving mechanical devices was flat from the previous year. ● Overseas: The number of accidents is trending downward at many sites, but occupational accidents were conspicuous at relatively new plants.
Japan	Number of workers not meeting our blood lead concentration management standards	None	1	● One worker who works with lead did not meet the internal management standard, which was made stricter in fiscal 2019.
	Response ratio to prevent the recurrence of long working hours	100%	100%	● There were no instances of long working hours in violation of the labor-management agreement and proper working hour management is conducted.
	Annual frequency of labor-management consultations relating to working hours	12 times	12 times	
Overseas	Achievement ratio of plans for overseas deployment of worker blood lead management	100%	100%	● Blood lead management in accordance with internal management standards began at all overseas production sites.
	Status of achievement of plan to reduce long working hours	Set self-management criteria	Set self-management criteria	● We analyzed working our data from overseas Group companies and requested the implementation of measures to control long working hours at each company.

Why this is important

It is the individual employees who support our day-to-day production activities. The president issues a Health and Safety Declaration, which commits the GS Yuasa Group to protecting all employees from injury and illness, and we undertake health and safety measures in accordance with that commitment. We also believe that it is important to protect employee health by normalizing working hours through collaborative efforts by labor and management and to create workplaces where employees can work with reassurance.

* Our Health and Safety Policy is available on our website:
▶ https://www.gs-yuasa.com/en/csr/working_env.php

Health and safety organizational structure overview



FY2020 actions

Health and safety measures pursuant to a declaration by the president

In order to promote the activities throughout the company in accordance with the Health and Safety Declaration issued by the president, our Occupational Safety and Health Division oversees the strengthening of health and safety management for the entire Group. In addition, we established organizational structures and carry out safety and health measures centered on safety and health committees established in individual business divisions and companies.

Reducing occupational accident risk

At all worksites of plants at domestic business sites, we identify potential hazard sources by conducting general inspections and take mitigation measures according to the scale of the risk. Similar measures are also taken concerning indications made by periodic on-site safety patrol activities conducted under the leadership of the safety and health officer.

We continuously reassess occupational accident risks and indicate sources of risk at the production plants of overseas Group companies based on the results of safety and health audits conducted by CSR promotion members. When improvements concerning indications are made, information on domestic management criteria and operational processes is shared, leading to lower risk throughout the Group.

Provision of High-quality Products

KPI		FY2020 target	Result	FY2020 status
Japan	Status of achievement of product maintenance service system operational plan*	Start of operation	Same as to the left	● We completed construction of a system to provide timely appropriate product maintenance service and began operation of the system.
Achievement ratio of targets for claims and in-process defects		100%	95%	● The quality loss targets were generally met at overseas production plants, but the targets for claims and in-process defects were not achieved in Japan. ● The cause of the failure to achieve the targets was uncertain elements arising from impacts on production due to the COVID-19 pandemic and other factors.
Number of serious product incidents		0 incidents	0 incidents	● Product safety education was conducted with priority to prevent product accidents. ● Going forward, we will promote voluntary action plans relating to product safety in order to continuously reinforce product safety management.

* In the Business Unit of Industrial Batteries and Power Supplies

Why this is important

To enable customers to use our products with confidence, it is crucial that we supply safe and high-quality products. GS Yuasa products store, control, and convert electrical energy, and we are aware that because of this, product safety is of paramount importance. We strive to enhance product quality from the customer's perspective so that we can remain a manufacturer trusted by customers at all times.

FY2020 actions

Ensuring quality and safety through company-wide quality management

The GS Yuasa Group formulated, under the leadership of top management, the GS Yuasa Quality Management System based on the ISO 9001 standard and are promoting a quality management system that crosses business divisions. The quality of our products and services is discussed every month by the Quality Management Committee, which is chaired by the executive officer in charge of quality, to enable us to enhance quality.

We are also making utmost efforts to bolster the awareness of quality among employees and to boost their understanding and skills related to quality management through quality-related education courses to all employees and team activities for improvement company-wide, thereby enhancing the quality of our products and services.

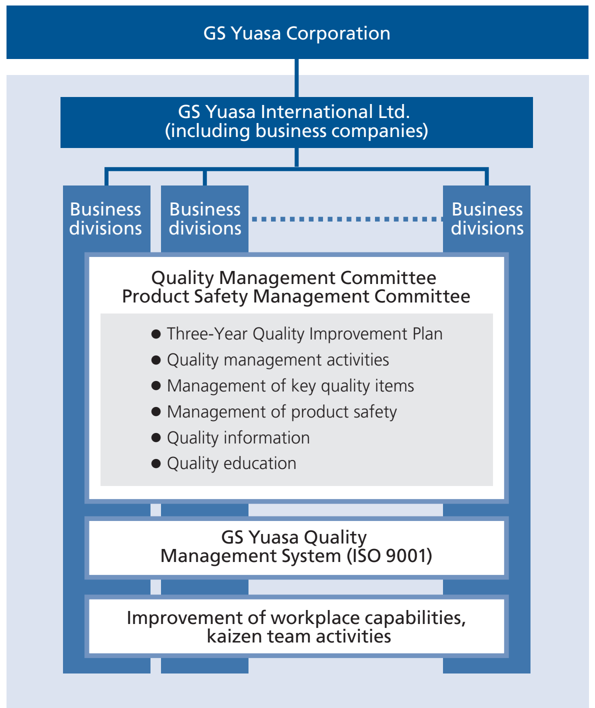
In fiscal 2020, the achievement rate for quality targets pertaining to the occurrence of complaints and in-process defects was 95%. We will continue to strive to achieve our goals regarding quality loss through quality improvement activities.

* Our Quality Policy is available on our website:
▶ https://www.gs-yuasa.com/en/csr/quality_index.php

Initiatives for product safety and swift dissemination of information

We created a companywide organization centered on the Product Safety Management Committee to undertake measures for ensuring product safety. We promote developments in business divisions after assessing conformity with product safety standards as well as the safety of products as they are used, age and deteriorate. For this reason, we use know-how gained from case studies of failures and so on. In addition, we gather information on issues with product safety and provide this to top management without delay as part of a system that we have established and are operating to ensure a swift response.

Quality management organization



Responsible Procurement Promotion

KPI	FY2020 target	Result	FY2020 status
Achievement ratio of responsible mineral survey plan	100%	100%	● All matters concerning surveys of conflict materials (including cobalt) based on customer needs were handled by cooperating with suppliers. ● The Responsible Minimal Procurement Policy, which can respond to changes in mineral subject to survey and changes in risk, was established.
Achievement ratio of supplier CSR issues improvement plan	100%	100%	● We conducted questionnaire surveys of 449 suppliers (298 in Japan and 151 overseas) on the status of their CSR responses and identified CSR issues in the supply chain.

Why this is important

The GS Yuasa Group advances materials procurement based on awareness of such international social issues as forced labor, child labor, and environmental destruction. Along with quality, performance, pricing, delivery deadlines and other conventional supply demands, it is also vital to base procurement in CSR championing human rights, working conditions, and the global environment. We also formulated a policy on responsible mineral procurement so that we can avoid being complicit in armed conflict and human rights violations that may occur during the extraction, transport, and trading of minerals used in our products, and we conduct rigorous operational management in accordance with that policy.

We will continue to implement CSR procurement (responsible procurement activities that take sustainability into consideration) that responds to social issues in cooperation with suppliers.

FY2020 actions

The GS Yuasa Group issued the CSR Procurement Guidelines, which explain matters that we want suppliers to undertake from a CSR procurement perspective, in fiscal 2018. To create a sustainable supply chain, we periodically survey suppliers concerning their compliance with the requirements in the CSR Procurement Guidelines.

We conducted questionnaire surveys of domestic and overseas suppliers in fiscal 2020 and identified CSR issues in the supply chain. We will take measures to improve those issues in fiscal 2021.

Overview of requirements for business partners

Classification	Summary of requirements
Labor	● Prohibition of forced labor and child labor, and of long working hours ● Payment of appropriate wages ● Elimination of discrimination and inhumane treatment ● Freedom of association ● Avoid complicity in human rights violations
Health and safety	● Appropriate safety management, management of industrial health, and response to occupational accidents and diseases ● Reduction of physically heavy work, safety measures for appropriate machinery, and provision of hygienic equipment, meals, and housing ● Mitigate impact in an emergency situation ● Promoting health and safety communication
Environment	● Appropriate response to environmental laws and regulations concerning permits, approvals, and notifications ● Appropriate management of hazardous substances, waste, atmospheric emissions, and water ● Efficient use of natural resources and energy ● Reduction of greenhouse gas emissions ● Restrictions on use of substances
Corporate ethics	● Elimination of improper benefit ● Fair business transactions ● Respect for intellectual property ● Appropriate management of confidential information ● Appropriate export controls ● Promoting responsible mineral procurement ● Establishment of internal whistleblower systems ● Transparent information disclosures
Product safety	● Ensuring product safety ● Providing safety information concerning products and services

List of Items on Sustainability Website

Details of the Group's sustainability initiatives are available on our website.

CSR Promotion
- CSR Policy and Code of Conduct
- CSR Promotion Framework
- Materiality

Developing Fair, Transparent, and Sound Business, and Anti-Corruption
- Compliance with Laws, etc.
- Information Security
- Intellectual Property
- Transparent Information Disclosure
- Risk Management

Respect for Human Rights
- Implementation of Management that Takes Human Rights into Consideration
- Prohibition of Discrimination and Respect for Diversity
- Respect for Labor Rights
- Prohibition of Forced Labor and Child Labor
- Respect for Individuality
- Management of Human Rights Risks at Overseas Group Companies

Conservation and Improvement of Adequate Working Environment
- Provision of Comfortable Working Environment
- Conservation and Improvement of Safety and Health in Working Environments
- Ensuring Appropriate Working Hours
- Ensuring that Wages Are at or Above Minimum Levels
- Mid-to Long-term Human Resources Development and Appropriate Ability Assessment
- Respect for Individual Work-Life Balance

Fulfillment of Our Responsibilities to Provide Safe and Secure Products and Services
- Focus on Safety and Quality

Global Environmental Conservation
- Fundamental Environmental Policy and Environmental Mid- to Long- term Plans
- Environmental Management Systems
- Environmental Performance and Environmental Accounting
- Activity to Decrease Environmental Burdens

Building Better Relationships with Local Communities
- Contributions to Society
- Contributions to the Environment
- Contributions to Human Resource Development

Ensuring Social Responsibility within Our Supply Chain
- Collaboration with Business Partners

Other
- Diversity and Inclusion
- External Evaluation
- GRI Content Index
- Editorial Policy
- CSR Report

Information on "Sustainability Activities" can be found here.
https://www.gs-yuasa.com/en/csr/

External Evaluation

Inclusion in ESG Investment Constituents

MSCI (Morgan Stanley Capital International) Japan ESG Select Leaders Index*1
The Company's rating: **A**
(seven ratings: AAA, AA, A, BBB, BB, B and C) (As of March 2021)

2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

FTSE4Good Index Series
FTSE Blossom Japan Index*2
(As of June 2020)

FTSE4Good　FTSE Blossom Japan

CSR Evaluations, etc.

Toyo Keizai CSR Ranking
The Company's rating:

Utilization of human resources	Environment	Corporate governance	Sociability
AAA	AAA	AA	AA

(Five ratings: AAA, AA, A, B and C)
(As of November 2020)

EcoVadis Business Sustainability Ratings
The Company's CSR certification levels: **silver rank**
(Four ranks: platinum, gold, silver, and bronze)
(As of September 2020)

DBJ (Development Bank of Japan) Employees' Health Management Rated: **the highest rank**
"particularly excellent in terms of initiatives for employees' health" (2018)

2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program
Certification of the Company and three Group companies: **Company that carries out particularly excellent health management based on initiatives for health improvement promoted by The Nippon Kenko Kaigi**

Kurumin Mark (Ministry of Health, Labour and Welfare)
The Company's certification: **Platinum Kurumin "high-level initiatives undertaken to support childcare"** (June 2020)

IR Evaluations

Nikkei Annual Report Awards 2019 and 2020
Award for Excellence
(2 consecutive years)
GS Yuasa Report 2019 and 2020

Government Pension Investment Fund (GPIF)
Excellent Integrated Reports
Selected by GPIF's Asset Managers

Gomez IR Site Ranking (Morningstar Japan K.K.)
Outstanding Company:
Silver Prize*(December 2020)

FY2020 All Japanese Listed Companies' Website Ranking (Nikko Investor Relations Co., Ltd.)
Overall ranking:
AA Website* (December 2020)
*An increase in rank from the previous year's evaluation

The 2020 Internet IR Award (Daiwa Investor Relations Co., Ltd.)
Commendation Award
first-ever received (December 2020)

Product Evaluations

Presented by Minister of Education, Culture, Sports, Science and Technology
The 2021 Commendation for Science and Technology presented by the Minister of Education, Culture, Sports, Science and Technology
Award for Science and Technology
(Development Category)
The development of lithium-ion batteries for use in space and technologies to facilitate operation of those batteries

National Research and Development Agency Japan Aerospace Exploration Agency (JAXA)
Meritorious Service Award for Safety and Mission Assurance in Aerospace*3

Toyota Motor Corporation
Technology & Development Award*4
Lithium-ion battery for hybrid vehicles "EHW4S"

*3 Received by GS Yuasa Technology Ltd.
*4 Received jointly by GS Yuasa International Ltd. and Blue Energy Co., Ltd.

*1 The inclusion of GS Yuasa Corporation in any MSCI Index, and the use of MSCI logos, trademarks, service marks, or index names herein, do not constitute support, endorsement, or promotion of GS Yuasa Corporation by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. The MSCI Index names and logos are trademarks or service marks of MSCI and/or its affiliates.
*2 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that GS Yuasa Corporation has been independently assessed according to the FTSE4Good and FTSE Blossom Japan criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE4Good Index Series and FTSE Blossom Japan Index are designed to measure the performance of companies and Japanese companies demonstrating strong Environmental, Social, and Governance (ESG) practices. The FTSE4Good and FTSE Blossom Japan indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Directors and Auditors (As of June 29, 2021)

Photo taken in front of the Model Detroit electric vehicle displayed in the GS Yuasa Head Office lobby. The Model Detroit is an electric vehicle that Genzo Shimadzu, one of the GS Yuasa founders, imported from the United States. Restoration work was completed in 2009.

Directors

1 Osamu Murao
President and Representative Director

Apr. 1982 Joined Japan Storage Battery Co., Ltd. (currently GS Yuasa International Ltd.)
Apr. 2010 General Manager, Industrial Battery Production Division, Industrial Batteries & Power Sources Business Unit, GS Yuasa International Ltd.
Jun. 2011 Officer, GS Yuasa International Ltd.
Jun. 2012 Director of the Company
Director, GS Yuasa International Ltd.
Jun. 2015 President of the Company (current position)
Chief Executive Officer (CEO) of the Company (current position)President, GS Yuasa International Ltd. (current position)

2 Toshiyuki Nakagawa
Vice President and Representative Director

Apr. 1981 Joined Japan Storage Battery Co., Ltd. (currently GS Yuasa International Ltd.)
Jan. 2006 General Manager, Finance and Accounting Division of the Company
Jul. 2007 Corporate Officer, GS Yuasa Power Supply, Ltd. (currently GS Yuasa International Ltd.)
Jun. 2009 Corporate Officer of the Company
Apr. 2010 General Manager, Corporate Office of the Company
Corporate Officer, GS Yuasa International Ltd.
Jun. 2010 Director of the Company
Head of the Corporate Office of the Company
Director, GS Yuasa International Ltd.
Jun. 2012 President, GS Yuasa Accounting Service Ltd. (currently GS Yuasa International Ltd.)
Jun. 2014 Managing Director of the Company
Managing Director, GS Yuasa International Ltd.
Jun. 2017 Chief Financial Officer (CFO) of the Company (current position)
Jun. 2018 Senior Managing Director of the Company
Senior Managing Director, GS Yuasa International Ltd.
Jun. 2021 Vice President and Representative Director of the Company (current position) Vice President, GS Yuasa International Ltd. (current position)

3 Masahiro Shibutani
Managing Director

Apr. 1984 Joined Yuasa Battery Co., Ltd. (currently GS Yuasa International Ltd.)
Jan. 2006 General Manager, Finance and Accounting Division of the Company
Apr. 2007 Director, GS Yuasa Accounting Service Ltd. (currently GS Yuasa International Ltd.)
Apr. 2010 President, Yuasa Business (Tianjin) Co. Ltd.
Apr. 2012 General Manager, Corporate Office of the Company
General Manager, Internal Control Office of the Company
Jun. 2014 Officer, GS Yuasa International Ltd.
Corporate Auditor, GS Yuasa Battery Ltd.
Apr. 2015 General Manager, Financial Division, GS Yuasa International Ltd.
Jun. 2016 Corporate Officer, GS Yuasa International Ltd.
Deputy Business Unit Manager of Automotive Battery Business Unit, GS Yuasa International Ltd.
President, GS Yuasa Battery Ltd.
Jun. 2019 Senior Officer, GS Yuasa International Ltd.
Division Manager of Planning Division, Automotive Battery Business Unit, GS Yuasa International Ltd.
Apr. 2020 Director, GS Yuasa International Ltd.
Business Unit Manager of Automotive Battery Business Unit, GS Yuasa International Ltd. (current position)
Apr. 2021 Managing Director, GS Yuasa International Ltd. (current position)
Jun. 2021 Managing Director of the Company (current position)

4 Kazuhiro Fukuoka
Director

Apr. 1982 Joined Japan Storage Battery Co., Ltd. (currently GS Yuasa International Ltd.)
Apr. 2004 General Manager, Corporate Strategic Planning Office (Information Systems) of the Company
Oct. 2005 Director, GS Yuasa Business Support, Ltd. (currently GS Yuasa International Ltd.)
Aug. 2008 Executive Vice President, Siam GS Battery Co., Ltd.
Jun. 2015 Officer, GS Yuasa International Ltd.
Jun. 2017 General Manager, Human Resources Division, GS Yuasa International Ltd. (current position)
Jun. 2019 Senior Officer, GS Yuasa International Ltd.
Apr. 2020 Director, GS Yuasa International Ltd. (current position)
Jun. 2020 Director of the Company (current position)

5 Ikuo Otani
Outside Director

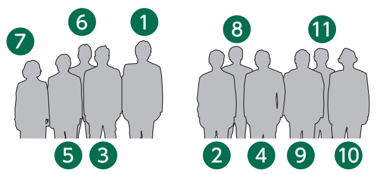
Mar. 1976 Joined Wacoal Corp. (currently Wacoal Holdings Corporation)
Jun. 2004 Corporate Officer and General Manager of Corporate Management Division, Wacoal Corp.
Jun. 2006 Director and Corporate Officer in charge of Corporate Management, Wacoal Corp.
Apr. 2008 Director, Corporate Officer and General Manager of General Planning Division, Wacoal Corp.
Apr. 2010 Director and Corporate Officer in charge of Accounting, Wacoal Corp.
General Manager of Corporate Planning Division, Wacoal Holdings Corporation
Jun. 2010 Director and General Manager of Corporate Planning Division, Wacoal Holdings Corporation
Jun. 2011 Managing Director, Wacoal Holdings Corporation
Jun. 2012 Senior Managing Director, Wacoal Holdings Corporation
Jun. 2017 Director of the Company (current position)

6 Takayoshi Matsunaga
Outside Director

Apr. 1975 Joined Sekisui Chemical Co., Ltd.
Jun. 2002 Director and Senior Vice President of High Performance Plastics Company, Sekisui Chemical Co., Ltd.
Apr. 2004 Director responsible for IT-Related Business Unit, High Performance Plastics Company, Sekisui Chemical Co., Ltd.
Jun. 2004 Managing Director responsible for IT Business Unit, High Performance Plastics Company, Sekisui Chemical Co., Ltd.
Apr. 2005 Senior Managing Director and President of High Performance Plastics Company, Sekisui Chemical Co., Ltd.
Apr. 2008 Senior Managing Director, Senior Managing Officer, and President of High Performance Plastics Company, Sekisui Chemical Co., Ltd.
Jun. 2008 Director, Senior Managing Officer and President of High Performance Plastics Company, Sekisui Chemical Co., Ltd.
Mar. 2014 Director responsible for matters designated by the president, Sekisui Chemical Co., Ltd.
Jun. 2014 Audit & Supervisory Board Member, Sekisui Chemical Co., Ltd.
Outside Audit & Supervisory Board Member, Sekisui Jushi Corporation
Jun. 2018 Director of the Company (current position)

7 Yoshiko Nonogaki
Outside Director

Apr. 1980 Joined Sony Corporation (currently Sony Group Corporation)
Sep. 1992 President and Representative Director, Sony Poland
Jul. 1994 General Manager of Sales and Marketing Department, Recording Media and Energy Company, Sony Corporation
Apr. 1999 General Manager of Planning and Marketing Department, Personal IT Network Company, Sony Corporation
Apr. 2006 General Manager of Business Planning Department, Business and Professional Solution Group, Sony Corporation
Apr. 2009 Senior General Manager of Planning and Marketing Division, Business and Professional Solution Group, Sony Corporation
Apr. 2013 Director of Global Diversity, Personnel HQ, Sony Corporation
Jun. 2015 Outside Director, Jolly-Pasta Co., Ltd.
Jun. 2019 Outside Director, Nifco Inc. (current position)
Jun. 2020 Outside Director of the Company (current position)
Jun. 2021 Outside Director, SATO Holdings Corporation (current position)



Auditors

8 Masayuki Murakami
Corporate Auditor (Full-time)

Apr. 1982 Joined Japan Storage Battery Co., Ltd. (currently GS Yuasa International Ltd.)
Apr. 2012 General Manager of Original Equipment Sales Department of Automotive Battery Business Unit, GS Yuasa International Ltd.
Oct. 2012 Division Manager of Production Division of Automotive Battery Business Unit, GS Yuasa International Ltd.
Jun. 2013 Corporate Officer, GS Yuasa International Ltd.
Deputy Business Unit Manager of Automotive Battery Business Unit, GS Yuasa International Ltd.
Jan. 2014 General Manager of Lithium-ion Battery Business Development Department of Automotive Battery Business Unit, GS Yuasa International Ltd.
Jun. 2015 Director of the Company
Director, GS Yuasa International Ltd.
Business Unit Manager of Automotive Battery Business Unit, GS Yuasa International Ltd.
Jul. 2015 Division Manager of Sales Division of Automotive Battery Business Unit, GS Yuasa International Ltd.
Apr. 2017 Deputy Business Unit Manager of Automotive Battery Business Unit, GS Yuasa International Ltd.
Jun. 2019 Full-time Corporate Auditor of the Company (current position)
Full-time Corporate Auditor, GS Yuasa International Ltd. (current position)
Corporate Auditor, GS Yuasa Technology Ltd. (current position)

9 Akio Furukawa
Corporate Auditor (Full-time)

Apr. 1981 Joined Yuasa Battery Co., Ltd. (currently GS Yuasa International Ltd.)
Aug. 2003 General Manager, International Sales Department, Company Sales Unit, Power Supply System Sales Division, Yuasa Corporation (currently GS Yuasa International Ltd.)
Apr. 2010 General Manager, Industrial Battery Business Promotion Division, International Business Unit, GS Yuasa International Ltd.
Jun. 2011 Officer, GS Yuasa International Ltd.
Apr. 2012 Deputy General Manager, International Business Unit, GS Yuasa International Ltd.
Jun. 2014 Corporate Officer, GS Yuasa International Ltd.
Jun. 2017 Executive Officer of the Company
Jun. 2018 Director of the Company
Director, GS Yuasa International Ltd.
Jun. 2021 Full-time Corporate Auditor of the Company (current position)
Full-time Corporate Auditor, GS Yuasa International Ltd. (current position)

10 Tsukasa Fujii
Outside Corporate Auditor (Part-time)

Apr. 1986 Registered as an attorney at law; Joined Keiichi Uehara Law Office
Apr. 1991 Established Tatsuno, Ozaki & Fujii Law Office, Partner Attorney of the office (current position)
Apr. 2007 Part-time lecturer of Kwansei Gakuin University Law School (current position)
Sep. 2014 Chairman of Hirakata City Building Examination Committee (current position)
Jan. 2017 Member of Committee of Experts of Osaka District Court (related to non-contentious landlord-tenant matters; current position)
Jun. 2017 Corporate Auditor of the Company (current position)
Apr. 2020 Director, Osaka Bar Association

11 Akira Tsujiuchi
Outside Corporate Auditor (Part-time)

Feb. 1978 Joined Tohmatsu Aoki & Co. (currently Deloitte Touche Tohmatsu LLC)
Mar. 1982 Registered as a certified public accountant
Jun. 1998 Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Jun. 2019 Outside Director (Audit & Supervisory Committee Member), Estic Corporation
Jul. 2019 Head of Tsujiuchi Accounting Office (current position)
Jan. 2020 Outside Director, Gakujo Co., Ltd. (current position)
Jun. 2020 Outside Director, Sekisui Jushi Corporation (current position)
Jun. 2021 Corporate Auditor of the Company (current position)

Messages from Outside Directors

Multilateral analysis and in-depth discussion in business risk management

Ikuo Otani, Outside Director

I have served as the chair of the Nomination and Compensation Committee for two years. Looking to the future, I began monthly meetings with the directors of GS Yuasa International Ltd., which is the GS Yuasa Group's main business company. My hope is that these meetings provide a good opportunity to get to know the personalities of the company directors and their thoughts.

Regarding control of subsidiaries on the business management side, which I proposed in fiscal 2020, it has become possible for outside directors to participate in briefings by overseas sites, which functions as an aid to monitoring. Regarding important subsidiaries in Japan as well, I would like to see an increase in opportunities for direct dialogue with the company presidents.

Regarding the Board of Directors, there are now three outside directors, and discussions have become lively. At the same time, however, I feel that business risk management remains an issue. There are times when, in the Board of Directors of the holding company, it is uncertain whether the strategies and investment plans approved by business companies have undergone adequate consideration and discussion. Market changes and competition are severe, and conditions are not uniform throughout the world. It is important for each company to thoroughly forecast demand by region and implement their own strength, weakness, opportunity, and threat (SWOT) analysis. Since management plans are compiled and practiced on the basis of hypotheses of a kind, in making these hypotheses, information and investigations should be meticulous, and checks should constantly be made to ascertain whether the actual state of progress is deviating from the hypotheses. Business companies must enumerate risks as much as possible and hold in-depth discussions objectively and from the perspective of shareholder gains. At times it will be necessary to stop and change track as well.

In that sense, I propose that more use should be made of the Corporate Strategic Planning Office. By analyzing business strategies and plans from a different perspective to that of the section in charge, and by looking ahead and proposing matters that should be deliberated in the Board of Directors, the Corporate Strategic Planning Office enables multilateral and in-depth consideration and discussion. Such an approach would also enhance the effectiveness of the Board of Directors. Following changes in the meeting setup for fiscal 2021, the Corporate Strategic Planning Office has strengthened its involvement in various meetings. I hope that it functions well going forward.

Accomplishment of plans with sense of speed based on clear roadmaps

Takayoshi Matsunaga, Outside Director

I would like to cite several major issues that need to be solved for the further development of GS Yuasa Corporation.

First is the "building of second and third pillars." GS Yuasa's lithium-ion batteries business needs to acquire a position of being able to match rival companies and grow into a pillar of our management. The "strengthening of business competitiveness" is important too. We need to further bolster our mainstay lead-acid batteries business as a pillar supporting management into the future. And then there is the "strengthening of governance." In particular, although market growth can be expected, we need to fortify our overseas business, which consists of many joint ventures and is difficult to control. We must also without fail realize the "speeding up of management," including the initiatives just mentioned. I look forward to the improvement and simplification of various in-house structures in order to accelerate decision making and implementation in response to market changes.

To solve these issues, I think it is important to formulate mid-term management plans identifying our visions, goals, and roadmaps for achieving them and to continue rotating the PDCA (plan-do-check-act) cycle so that they are reflected in action plans every year. By doing so, progress will become easier to understand for not only internal directors but outside directors too, and the oversight function will work well. Naturally, to gain the trust of stakeholders, raise evaluation, and enhance corporate value, the contents and results of mid-term management plans and fiscal year action plans will be questioned, so I look forward to further improvement.

I can welcome the fact that, as an output of evaluating the effectiveness of the Board of Directors, the delegation of authority to business sectors is making progress. From the perspectives of speeding up business operations and grooming top management leaders as well, I think it is extremely important to pass on decision-making authority and responsibility to the next generation of top management candidates.

The development of human resources is an eternal theme for companies. At GS Yuasa Corporation, which is a manufacturer with many related companies, it is necessary for strategic human resource development plans to be continued so as to foster not only technical and manufacturing professionals but also management professionals, especially managers capable of being active globally, and, from the perspective of diversity, to appoint local human resources to managerial positions. A female outside director has joined our Group, and the recruitment of female employees is making steady progress. I look forward to seeing greater diversity in the future.

Turning genuine diversity into corporate strength

Yoshiko Nonogaki, Outside Director

In the year since my appointment as an outside director of GS Yuasa Corporation, I have promoted in-depth discussions on such issues as whether the Board of Directors is falling into in-house logic and whether prospects are based on rational grounds. Outside directors speak in a lively manner and actively engage in discussions with the presenters of agenda items. GS Yuasa Corporation is a company with a board of corporate auditors, and the functions of execution, supervision, and monitoring are kept relatively well separated. In addition, I feel that the executive side has a stance of listening carefully to opinions outside the company. I also feel that the evaluation of the effectiveness of the Board of Directors is a special feature too. All directors and auditors at GS Yuasa Corporation submit questionnaire replies to the company president, and the president holds individual hearings with outside directors on the contents and reflects their opinions in the PDCA cycle. I think this system is a very meticulous way of guaranteeing effectiveness.

GS Yuasa Corporation is a company that has created value by protecting the global environment and solving social issues, such as its response to business continuity planning, through its business. As a more recent move, the GS Yuasa Group set itself the high target of cutting groupwide CO_2 emissions by more than 30% compared with fiscal 2018 by fiscal 2030. Achievement of this target will naturally be costly, but it is a chance for management to display savvy in steering business without damaging shareholder gains. I think this is a challenge for the Group.

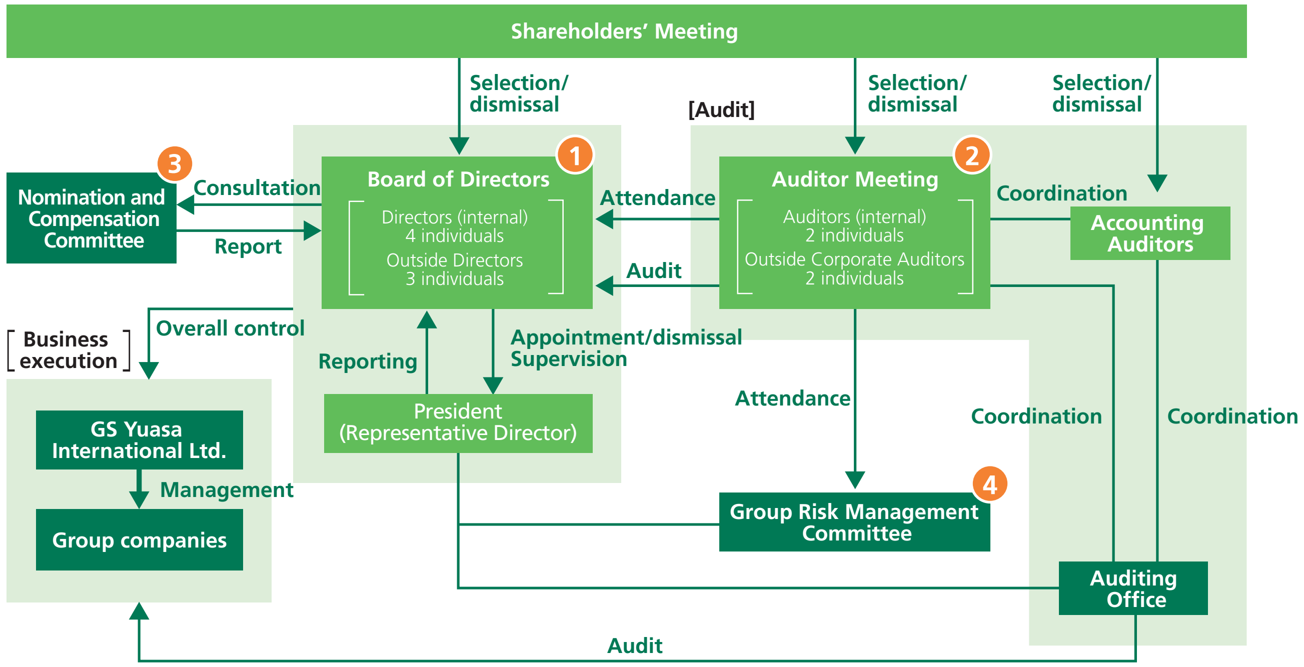
Other challenges include specification of management's succession plan, visualization of the risks in overseas operations, and visualization and optimization of the business portfolio. In the meetings on the progress of the mid-term plan, visualization of portfolio analysis for the industrial batteries and power supplies business, for example, has made progress, but I feel that deeper medium-term discussions are necessary for the automotive lithium-ion batteries business, automotive batteries business, and so on.

Since I am GS Yuasa Corporation's first female director, I have engaged in exchange with female managers in the company as a part of human resource development and the promotion of diversity. I saw that they all had much interest in career formation and were enthusiastic about autonomous value creation, and I look forward to their further growth. At the same time, I realize that the essence of diversity lies not only in gender but also in the variety of nationalities, ages, and so forth. I hope that we can turn this genuine diversity into a strength of the company, entrusting work to highly talented human resources regardless of their attributes and capitalizing on their differing experiences.
I recommend that GS Yuasa Corporation fosters the next generation by delegating responsibility and authority and providing opportunities to be active to human resources with sound experience and competence.

Corporate Governance

Chart of corporate governance structure

Governance structure (FY2021)



1 Board of Directors

FY2020: **17** meetings

The Board of Directors is chaired by the president, and independent directors comprise one-third or more of its membership. By uniformly deciding the medium- and long-term strategies of the Group, the Board of Directors ensures speedy decision making. In principle the Board of Directors meets once a month, but extraordinary meetings, as well as written resolutions or reports, are also held when necessary. In addition, secretarial divisions and others provide support so that outside directors can fully display their monitoring function.

2 Auditor Meeting

FY2020: **14** meetings

The Auditor Meeting is chaired by an outside corporate auditor and in principle meets once a month. Auditors conduct appropriate auditing and fulfill a management monitoring function by, among other activities, hearing reports on the business situation, risk management conditions, and other topics in meetings of the Board of Directors and other important conferences; offering their opinions and suggestions; interviewing directors, employees, and others about the execution of their duties; browsing important decisions, resolutions, and other documents; and investigating asset conditions.

3 Nomination and Compensation Committee

FY2020: **6** meetings

The Nomination and Compensation Committee is an advisory body aimed at strengthening the independence, objectivity, and accountability of the Board of Directors' functions, such as the nomination and remuneration of directors. The nomination committee discusses proposals for nominating new directors and selecting a new corporate president, as well as plans for successors (including human resource development plan) and other matters, and reports to the Board of Directors. The compensation committee discusses policy for determining director remuneration, the remuneration of individual directors, and other matters and reports to the Board of Directors.

4 Group Risk Management Committee

FY2020: **2** meetings

The Group Risk Management Committee in principle meets twice a year to promote the management of risks and countermeasures relating to Group management and to share necessary information. It is chaired by the president, and meetings are attended by directors and auditors, the presidents of major subsidiaries, general managers of business units, and others.

Main matters discussed in meetings of the Board of Directors in FY2020

Matters relating to the Shareholders' Meeting	● Decision on convocation and agenda of the Shareholders' Meeting ● Approval of business reports, financial documents, etc. ● Deciding of director nominations
Matters relating to directors	● Selection of president and executive directors ● Directors serving concurrently at other companies ● Remuneration and bonuses of directors
Matters relating to management in general	● Matters relating to business transfer ● Matters relating to business policy and governance structure ● Reports on state of progress of Mid-Term Management Plan and other business plans ● Matters relating to financial affairs and assets
Other	● Selection of members of the Nomination and Compensation Committee ● Matters relating to treasury stock acquisition ● Implementation of appraisal of the Board of Directors' effectiveness and report ● Verification of cross-shareholdings ● Setting of long-term environmental targets

Record of attendance by outside directors at Board of Directors and Auditor Meetings (FY2020)

Official position	Name	Board of Directors No. of attendances/ No. of meetings	Auditor Meeting No. of attendances/ No. of meetings
Outside Director	Ikuo Otani	17/17 times	—
Outside Director	Takayoshi Matsunaga	17/17 times	—
Outside Director	Yoshiko Nonogaki	13/13 times	—
Outside Corporate Auditor (Full-time)	Katsuya Ohara	17/17 times	14/14 times
Outside Corporate Auditor (Full-time)	Tsukasa Fujii	17/17 times	14/14 times

Note: At the Annual General Meeting of Shareholders held on June 29, 2021, auditor Katsuya Ohara retired upon the expiration of their terms.
Note: Director Yoshiko Nonogaki was appointed at the Annual General Meeting of Shareholders held on June 26, 2020, and 13 meetings of the Board of Directors have been held since her appointment.

Nomination and Compensation Committee structure

Chairperson	Outside Director	Ikuo Otani
Committee member	Outside Director	Takayoshi Matsunaga
	Outside Director	Yoshiko Nonogaki
	President	Osamu Murao
	Vice President	Toshiyuki Nakagawa

Skills matrix of directors and auditors (FY2020)

Name	Position or responsibility	Knowledge and experience expected by GS Yuasa: Corporate management	Financial accounting	Legal affairs/ Compliance	IT	International affairs	Sales	Manufacturing	Technology
Osamu Murao	President Chief executive officer (CEO)	●		●				●	●
Toshiyuki Nakagawa	Vice President Chief financial officer (CFO)	●	●	●	●				
Masahiro Shibutani	Managing Director	●	●			●	●		
Kazuhiro Fukuoka	Director	●		●	●	●	●		
Ikuo Otani	Director Outside Independent	●	●						
Takayoshi Matsunaga	Director Outside Independent	●			●	●		●	●
Yoshiko Nonogaki	Director Outside Independent	●			●	●	●		
Masayuki Murakami	Corporate Auditor (Full-time)	●	●	●			●	●	
Akio Furukawa	Corporate Auditor (Full-time)	●				●	●		
Tsukasa Fujii	Corporate Auditor Outside Independent		●	●					
Akira Tsujiuchi	Corporate Auditor Outside Independent		●	●					

Note: The above table does not show all the knowledge and experience possessed by directors.

Corporate Governance

Approach and governance system

To drive sustainable growth and enhance corporate value over the medium and long terms, the GS Yuasa Group is committed to establishing an organization and systems that enable fast, efficient responses to a changing business environment. At the same time, our basic policy on corporate governance is to make every effort to thoroughly implement and strengthen compliance and improve the soundness and transparency of management.

A new governance structure began in fiscal 2017 based on this philosophy. GS Yuasa Corporation, the holding company, is responsible for formulating management strategies for all of the Group's businesses, as well as management for the entire Group and oversight of the Group's business execution. GS Yuasa International Ltd., the Group's core operating company, is the key decision-making body for business execution, consolidating and strengthening business execution and making swift business-related decisions.

The Board of Directors makes quick and effective decisions related to the Group's management by prioritizing strategic decision making and supervisory functions for management policy. In addition, monitoring has been reinforced by appointing multiple independent outside directors.

Policy on the appointment of directors

To enable the Board of Directors to effectively fulfill its duties as the Board of Directors of the holding company, we select, in a well-balanced manner, persons with knowledge, experience, skills, and so on relating to the business of our Group as a whole and persons who can make statements and act from an objective standpoint and a long-term, wide-ranging perspective. In addition, we strive to achieve a size and composition that can reflect diverse opinions, including gender and international viewpoints. In the selection of candidate directors, the Board of Directors asks the Nomination and Compensation Committee for advice and makes a final decision in the light of its report.

* Reasons for the selection of individual internal directors and independent outside directors are available on our website:
▶ https://www.gs-yuasa.com/en/ir/pdf/GYC017ST_e.pdf

Policy on the independence of outside directors

We appoint several outside directors as persons with ample experience and knowledge who can make statements from an objective standpoint and contribute to the medium- to long-term enhancement of our corporate value without being restricted by corporate officers. When making such appointments, we also give consideration to their external independence, such as by ensuring that any company to which a candidate, or that candidate's close relative, belongs or belonged has no business ties, or just minor business ties, with our Group.

We report all outside directors as independent directors to the Tokyo Stock Exchange.

Efforts to strengthen corporate governance

2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021

Strengthening internal control

- 2004: Establishment of the Auditing Office
  Established as an internal auditing body to strengthen internal control functions.
- 2005: Establishment of the GS Yuasa Group Corporate Ethics Hotline
  Established to facilitate the quick detection and prompt response to risks following enforcement of the Whistleblower Protection Act.
- 2009: Start of employee compliance questionnaire by the president (once a year)
  Thorough compliance ensured through regular implementation of a questionnaire.
- Change of independent auditor
  After comparative investigations, a new independent auditor was appointed as the previous auditor had been in the post continuously for many years.

Enhancing the objectivity of managerial decisions

- Appointment of one outside director
  One individual appointed in 2015.
- Start of evaluating the effectiveness of the Board of Directors (once a year)
  Implemented based on the Corporate Governance Code to strengthen the effectiveness of the Board of Directors.
- Number of outside directors increased to two
  One more individual appointed in 2017 and one more in 2020 to strengthen the management monitoring function.
- Number of outside directors increased to three

Enhancing the diversity of the Board of Directors

- Appointment of female director
  Extra outside directors included one woman.

Clarification of management responsibility (nomination and remuneration of directors)

- 2013: Term of directors shortened to one year
  To respond swiftly to changes in the management environment and increase opportunities for trust in the Shareholders' Meeting.
- Introduction of performance-linked stock remuneration scheme
  To ensure that directors share the benefits and risks of stock price fluctuations with shareholders.
- Establishment of Nomination and Compensation Committee
  To strengthen the independence, objectivity, and accountability of the functions of the Board of Directors in the nomination and remuneration of directors, etc.

Corporate Governance

Evaluating the effectiveness of the Board of Directors

Led by outside directors and the president, evaluations of the effectiveness of the Board of Directors have been implemented once a year since fiscal 2016. In fiscal 2020 as well, all directors and corporate auditors completed a questionnaire on the structure, management, agenda, and duties of the board. As a result of analysis and evaluation of the questionnaire replies, it was deemed that the Board of Directors is operating effectively. However, opinions and suggestions were made calling for further improvements concerning such matters as internal control and the risk management setup and its involvement in successor plans of the Nomination and Compensation Committee. We will continue to address these issues.

Evaluation and improvement measures in the most recent two years are shown below.

Fostering of next-generation management

In the fiscal 2019 evaluation of the effectiveness of the Board of Directors, there was a suggestion regarding policy on the fostering of next-generation management. In the light of this proposal, training was implemented for executives of GS Yuasa Corporation and directors and auditors of GS Yuasa International Ltd., our core subsidiary, as well as officers and corporate officers, with the aim of deepening their understanding of the duties and responsibilities of directors.

In fiscal 2020, training was implemented on the theme of ROIC (return on invested capital) management and competition law with the aim of enhancing corporate value and compliance awareness. In fiscal 2021 we plan to hold training on the themes of sustainable management and management analysis.


Scene of training for executives

Evaluating the effectiveness of the Board of Directors

Evaluation items	FY2020 evaluation (Targeted period: January–December 2019)	FY2021 evaluation (Targeted period: January–December 2020)
Composition of the Board of Directors	There were opinions on the ratio of outside directors and appointment of female directors. ▼**Our response** In the light of the results of discussions in the Nomination and Compensation Committee, we appointed a female outside director and increased the number of independent directors to more than one-third of the board. As a result, composition of the board has come to further reflect our diversity.	Overall, the evaluation was affirmative. As issues to be addressed going forward, however, there were suggestions on such matters as the ratio of outside directors and international diversity, including the appointment of foreign directors.
Management of the Board of Directors	Improvements made in the previous fiscal year to review the time setting of meetings of the Board of Directors and other important conferences were positively appraised, and overall the evaluation was affirmative. Regarding important matters, however, there were suggestions that further improvements should be made to enable efficient reports. ▼**Our response** We conducted a review of the timing of reports and subject matter.	Overall, the evaluation was affirmative, recognizing that improvements had been made and that appropriate reports were being given on the progress of issues to be discussed in the Board of Directors, including important matters. However, there were also calls for further improvements to substantiate report content.
Agenda of the Board of Directors	There was a suggestion that discussions should be further deepened prior to referral to the Board of Directors. ▼**Our response** We considered a review of the Group's decision-making process, including the arrangement of meetings other than those of the Board of Directors.	The Group's decision-making process, which is being examined to address an issue raised in the previous fiscal year, commenced operation in April 2021, so they were not a subject of this effectiveness evaluation. The effectiveness of the decision-making process is scheduled to be considered in fiscal 2021.
Duties of the Board of Directors	Regarding the fostering of next-generation management, there was a suggestion that awareness of the duties and responsibilities of directors should be further raised through training and other activities for related persons, including executives of GS Yuasa International Ltd., our core business subsidiary. ▼**Our response** We held new training sessions and other activities for related persons, including executives of GS Yuasa International Ltd. ▶See the above section on "Fostering of next-generation management."	There were suggestions for further improvements to be made regarding internal control and the risk management setup and involvement in the successor plans of the Nomination and Compensation Committee. In response, it was decided to consider the improvement of monitoring arrangements, such as the regular supply of information relating to overseas sites, and the expansion of information sharing relating to senior employees in the Nomination and Compensation Committee.

Remuneration of directors

To continuously enhance our corporate value and strengthen our corporate competitiveness, the remuneration of directors is ranked and structured in consideration of such factors as securing and retaining talented human resources and increasing their motivation to achieve better business performance.

At a Board of Directors meeting held on February 25, 2021, a policy was approved for determining the content of remuneration, including the remuneration of individual directors. In deciding the policy, the Board of Directors referred the matter to the Nomination and Compensation Committee and received its report.

A director's remuneration consists of a fixed basic remuneration, a performance-linked annual bonus as a short-term incentive, and a performance-linked stock remuneration scheme as a medium- to long-term incentive. The basic remuneration (cash remuneration) is decided in consideration of such factors as the standard amount in accordance with the director's position and so on, consolidated business performance, assessment of the business performance of the relevant division and individual, and levels in listed companies with about the same business scale as the Company. The annual bonus, a short-term performance-linked remuneration, is calculated in consideration of business performance in the fiscal year and degree of improvement and target achievement since the previous year with the aim of increasing awareness of the need to contribute to sustained business growth and enhanced corporate value. It is paid to directors (excluding outside directors) after approval by the Shareholders' Meeting. The stock remuneration scheme is aimed at increasing the awareness of directors of the need to contribute to medium- to long-term business growth and enhanced corporate value. In principle, company shares are issued at the time of a director's retirement through a trust set up by the Company commensurate with the number of points granted according to position and degree of achievement of mid-term management plans.

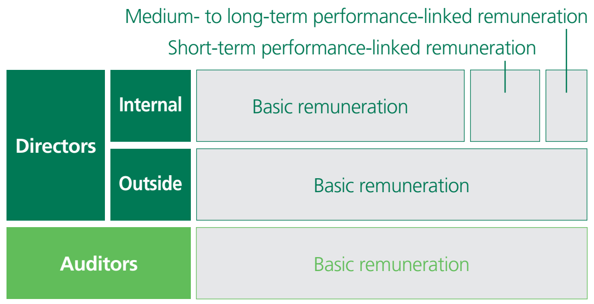
In view of their role and independence, auditors receive only the fixed basic remuneration.

Total amount of remuneration, etc. by category and number of applicable persons

Category	Total amount of remuneration, etc. (million yen)	Number of applicable persons
Directors (excluding outside directors)	202	6 (including 2 retirees)
Auditors (excluding outside auditors)	49	2 (2 incumbents)
Outside directors/auditors	58	5 (3 incumbent directors + 2 incumbent auditors)

Note: The above figures are the total amount of remuneration, etc. paid to directors by GS Yuasa and our subsidiaries.

Composition of GS Yuasa Corporation's director remuneration



Internal control system

To strengthen the management foundation, the GS Yuasa Group has improved the system and relevant rules to ensure the maintenance of ethical business practices based on the Companies Act. This system includes mechanisms to ensure effective auditing, information management, and risk management throughout the Group.

To comply with the internal control reporting system required under the Financial Instruments and Exchange Act, we are maintaining an internal control system and financial reporting mechanisms to meet all requirements. Our international subsidiaries and other consolidated Group companies evaluate the status of the improvement and implementation of internal controls. Following external audits, reports on these internal controls are publicly disclosed.

Corporate Governance

Cross-shareholding

Cross-shareholding is the possession of shares of other companies for purposes other than pure investment. Possession of the shares of business partners and others can be expected to help maintain medium- to long-term relations, expand business, and promote synergy. If it is deemed that the possession of such shares will enhance our corporate value and benefit our shareholders and investors, we go ahead and hold such shares. Accordingly, every year the Board of Directors examines the rationale behind the possession of specific shares. If it is decided that there is no rationale for possessing them, efforts are made to reduce them.

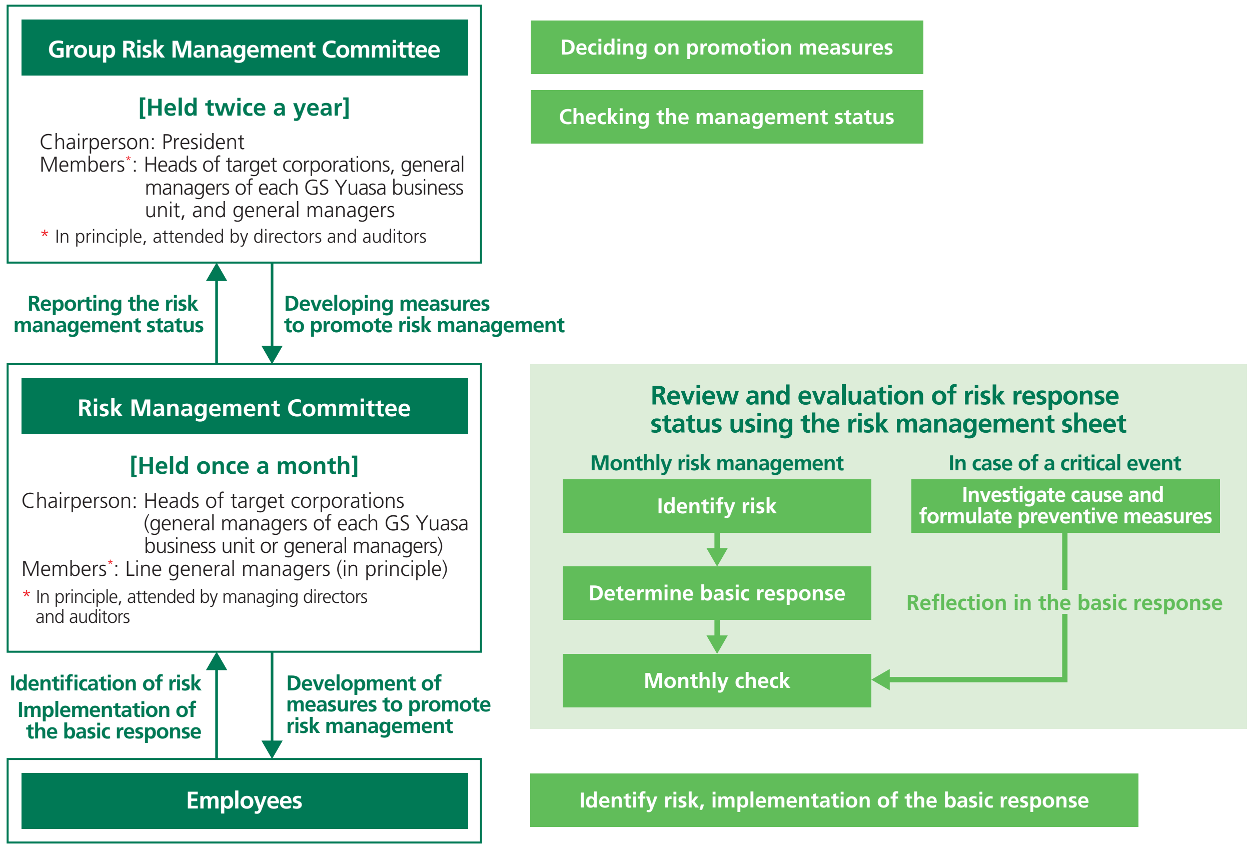
Risk management

Basic approach

Risk management is essential for the lasting growth of a company. The GS Yuasa Group believes that the following two points are important as risk management so that crises stemming from the escalation of risks do not occur and exert a serious impact on the Group or on society.

First, by predicting and understanding risks and adopting appropriate preliminary measures, the escalation of risks (outbreak of crises) can be prevented (risk avoidance). Second, effective measures can be taken beforehand so that even if a crisis does occur, losses and other damage are kept to a minimum (risk reduction). Based on this approach, our Group has formulated risk management rules that stipulate the responsibilities of employees and our risk management promotion setup.

Structure and functions of risk management



Note: Risk information are shown on pp. 102–104.

The Group Risk Management Committee

The Group Risk Management Committee, headed by the president and consisting of the chairs of departmental Risk Management Committees among others, holds semiannual meetings to promote group-wide risk management and to encourage the sharing of key information related to risk management. In addition to making decisions on measures to promote risk management, the Risk Management Committee confirms that the appropriate risk management measures have been implemented, and the committee chairs report on progress in this area. We also actively exchange opinions and share information on the different styles of risk management and so on.

Risk management activities

In accordance with our risk management rules, each department uses a risk management sheet and promotes risk management activities. The following is an outline of these activities:

Step 1: Identification of risks by departments and employees

Step 2: Decision on "basic response" to avoid and reduce risks

Step 3: Monthly confirmation by each department of the status of implementation of related measures

In the event of the outbreak of a critical incident, the department enters the details of the incident, as well as a summary of its response, investigation of the cause, and measures taken to prevent a reoccurrence, in "a risk management sheet." Risk management is strengthened by reflecting these preventive measures in the basic response and checking the status of their implementation each month.

The risk management sheets produced by the departments are compiled at the divisional level, and the directors in charge of the divisions and auditors verify and assess the status of response through the Risk Management Committee. The deliberations by the committees are summarized and then fed back to each department and employee as required to enhance the effectiveness of risk management.

System for dealing with crises

To prepare for the possibility that a risk materializes, we have established a system that includes an emergency contact network to swiftly implement crisis management. If a serious crisis occurs, members from the Group Risk Management Committee will be appointed to organize a crisis management headquarters, under the president, to minimize corporate losses, and an effective response will be implemented swiftly and with appropriate care.

Compliance

Basic approach

By training our personnel according to our philosophy of innovation and growth while manifesting our commitment to society and preserving the global environment, we are ensuring that all employees are guided in their behavior focusing on compliance with laws, company regulations and ethical standards.

The Compliance Declaration made by the president states that success must never be achieved through legal and moral infringements and that "establishing rules and structure" and "developing a strong sense of commitment to realize compliance" are essential to becoming a corporate leader in compliance. Based on these guidelines, multifaceted compliance promotion activities are developed at every employee level, and each employee is encouraged to incorporate self-directed and proactive actions to yield an effective improvement in compliance awareness.

Permeation of compliance awareness

The CSR Manual which delineates rules for adherence by every corporate Group member is distributed to all employees to facilitate permeation of compliance awareness.

This manual clarifies the Group's CSR policy. It outlines the behavioral standards that each employee must follow during business activities.

Furthermore, to enable employees to act as per the behavioral criteria, the manual delineates concrete examples of compliance and risk actualization and provides a diagnostic checklist to help employees assess their own adherence to corporate behavioral standards. In addition, the manual details how to use the internal whistleblower system and introduces an emergency contact system for use in a crisis to realize quick responses to compliance infringements.

Corporate Governance

Workplace meetings on CSR

Workplace meetings on compliance were initiated in fiscal 2012 as a means of allowing compliance awareness to permeate to each and every employee, and have been conducted for nine consecutive years through till fiscal 2020.

Transitioning into "workplace meetings on CSR" from fiscal 2018, these meetings introduced various topics aligned with CSR policy and are now being expanded to 17 Group companies within Japan in addition to the 378 GS Yuasa workplaces.

The educational materials used in the meetings have been made by the division in charge for each topic and include content related to the circumstances of the Group. Vigorous debates have been conducted and 97% of the workplaces rate these as meaningful. We intend to continue running these meetings while constantly upgrading the content.

Examples of themes of CSR workplace meetings

- Corporate philosophy
- CSR Policy and Code of Conduct
- Diversity
- Preventing intentional wrongdoing
- Handling confidential information
- Subcontracting laws
- Personal information protection
- Security trade controls
- Intellectual property
- Respect for human rights
- Sexual/power harassment
- Management of working hours
- Occupational health and safety
- Product safety
- Specific facility reports
- Global warming and corporate responsibility
- Promotion of supply-chain CSR activities

GS Yuasa Group corporate ethics hotline

The GS Yuasa Group has formulated "corporate ethics hotline regulations" and set up a "corporate ethics hotline." Accessible both internally and externally, the hotline enables employees of the Group and business partners and others to provide information anonymously if they become aware of any violation of the law or company regulations, unethical or inappropriate conduct, or danger of such conduct by a Group employee, etc.

In fiscal 2020, there were 4 reports relating to harassment and other matters (7 received in fiscal 2019). While remaining committed to protecting whistleblowers, we conduct inquiries and take appropriate action on these matters.

Elimination of antisocial forces

The GS Yuasa Group clearly disavows contact "with personnel or organizations of organized crime," in its CSR Policy while its CSR Code of Conduct similarly stipulates "separation from organized crime," stating a specific policy that, "we will not provide any form of benefit in excess of the normal shareholder's right to any person or company associated with organized crime" and "we will cut off business or any other relationships with individuals and organizations having an indication of support for organized crime." This policy and the Code of Conduct have been shared with all Group employees.

Information security

The GS Yuasa Group places importance on efforts to ensure information security. Through the regular monitoring of communications by an outside security service, the introduction of an illegal connection detection system and other measures, we endeavor to prevent illegal access to our in-house network and forestall damage.

We promote awareness-raising activities so that our employees follow our procedures for the management of information system usage. To prevent the outflow of confidential information, we conduct the encryption of personal computer data taken outside the company, the distribution of an information security handbook, the implementation of e-learning, and so on.

Furthermore, based on domestic security standards, we conduct surveys of security measures in overseas Group companies and give guidance to address vulnerabilities.

Intellectual property

The GS Yuasa Group sees intellectual property, the result of technological development, as one of our important assets. Every year we file about 300 patent applications in Japan and about 150 overseas. Our basic policy is to protect our Group's outstanding technology through aggressive patent applications and to maintain the trust of our customers by eliminating imitation products.

Since fiscal 2019, in addition to our ongoing slate of activities, we have been promoting efforts related to patent analysis and *Koto Zukuri* (service creation) patents and also focusing on intellectual property risk aversion in our overseas Group companies, thereby supporting the promotion of new businesses and worldwide business from the perspective of intellectual property. Furthermore, we are pursuing ongoing countermeasures, including exposing and litigating against injurious overseas counterfeit products, to ensure the reliability of available products for our customers.

Communication with stakeholders

GS Yuasa Corporation endeavors to communicate with shareholders, investors, and other stakeholders through various channels.

As investor relations activities, in addition to financial results briefing every quarter, we regularly hold specific interviews with institutional investors, briefings for individual investors, and other events. Furthermore, we make use of our website to actively transmit information.

We endeavor to share opinions obtained on these occasions among top management and reflect them in our management and business activities.

Record of IR activities (FY2020)

Target	Activity content	Frequency
Shareholders	Shareholders' Meeting	**Once**
Institutional investors and analysts	Financial results briefing	**4** times
	Specific interviews	Japan: **172** times Overseas: **21** times
	Conferences	**3** times
	Small meetings	**5** times
Individual investors	Briefing for individual investors	**Once**

*Due to the impact of COVID-19 pandemic, the briefing for individual investors was held only once and online in FY2020. (It was held seven times in FY2019.) For that reason, we have revamped our website pages for individual investors to expand the information available, including an explanatory video for individual investors and reference materials.

Corporate Governance

CSR management

Basic approach
"Innovation and Growth," our corporate philosophy, is the basis of the GS Yuasa Group's CSR. By developing new technologies and reforming our business processes without being bound by convention, we aim to generate innovation and, as a result, drive sustainable growth by expanding earnings and contributing to people, society and the global environment. This is the basis of our CSR. Furthermore, by responding swiftly through our business to global social issues and the needs and expectations of interested parties, we aim to become a company in which society places long-term trust and hopes for us to remain a presence into the future.

CSR Policy and Code of Conduct
The GS YUASA CSR Policy and Code of Conduct, formulated in May 2017 as the President's Policy, are the foundation of the Group's CSR activities. In the GS Yuasa Group, all employees understand that CSR activities are business activities, and all participate based on our CSR Policy and Code of Conduct in order to ensure the sustainable development of society and business.

CSR Policy

Besides legal compliance, we respect international norms, guidelines, and initiatives related to social responsibility, work on sustainable development of our business through developing energy storage technologies, and contribute to people, society, and the global environment.

* Our CSR Policy and Code of Conduct are available on our website:
▶ https://www.gs-yuasa.com/en/csr/policy.php

CSR promotion process
The GS Yuasa Group has established a process based on our CSR promotion plan and is committed to implementing CSR through business activities. The goal of this process is to enhance corporate value and stakeholder satisfaction by incorporating our corporate philosophy into the process.

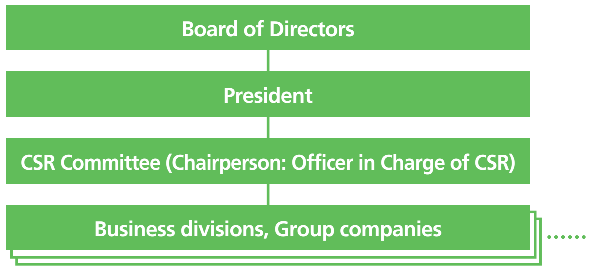
We have formulated management and CSR policies to serve as evaluation criteria for decision-making to facilitate realization of our corporate philosophy. Regarding the major areas of CSR policy, we have compiled the CSR Code of Conduct and individual policies that clarify specific directions and concrete behavioral standards.

Furthermore, in order to incorporate our CSR policy in our business strategy process and put it into practice, we have formulated a corporate plan that takes into account stakeholder needs and expectations while addressing social issues. We are committed to achieving our plan through the application of multiple management systems based on existing business processes. Performance of operational processes is evaluated by the CSR Committee, chaired by the officer in charge of CSR, ensuring continuous improvements.

CSR promotion initiatives

Phase	Period	Target
First stage	FY2016–17	Create processes to deal with the CSR issues in relation to our business strategy (Fourth Mid-Term Management Plan)
Second stage	FY2018	Analyze and evaluate our performance using these processes and then make improvements
Third stage	FY2019	Establish business processes that incorporate CSR issues into our business strategy (Fifth Mid-Term Management Plan)
Fourth stage	FY2019 onward	Implement CSR activities in all of our business processes to ensure sustainable social and corporate growth

CSR promotion framework



Financial/Corporate Data

GS YUASA Report 2021

11-Year Consolidated Financial Highlights

Years ended March 31

Notes: 1. Automotive lithium-ion batteries net sales and operating income were included in the "specialized batteries and others" category in the fiscal year ended March 31, 2011.
2. Operating income ratio, ROE and payout ratio refer to income before amortization of goodwill (operating income and net income) after fiscal 2016.
3. The Company implemented a five-to-one consolidation of ordinary shares on October 1, 2018, and consequently, per-share indicators from prior to the consolidation have been calculated as if the share consolidation were implemented.
4. The "automotive batteries (overseas)" segment previously included a portion of transaction amounts for industrial batteries handled overseas, but as of fiscal 2018, the category was changed to "industrial batteries and power supplies." Net sales and operating income for fiscal 2017 are indicated for the reporting segments after the change.
5. Some consolidated subsidiaries in the automotive batteries (overseas) business were transferred to the industrial batteries and power supplies business in fiscal 2019. In conjunction with this change, figures for fiscal 2018 were restated according to the modified segments.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
For the year (millions of yen)											
Net sales	¥ 272,514	¥ 285,434	¥ 274,509	¥ 347,995	¥ 369,760	¥ 365,610	¥ 359,605	¥ 410,951	¥ 413,089	¥ 395,553	**¥ 386,511**
Automotive batteries (Japan)	58,887	58,784	55,648	56,905	51,747	50,986	67,598	89,240	91,460	88,059	**83,639**
Automotive batteries (Overseas)	118,197	120,906	119,885	164,252	183,759	191,402	170,613	185,574	177,052	162,138	**165,296**
Industrial batteries and power supplies	65,944	68,464	72,427	79,242	79,822	74,804	72,765	74,237	80,042	84,566	**84,037**
Automotive lithium-ion batteries	–	20,974	10,597	32,501	45,181	38,312	39,305	44,784	45,585	42,264	**35,950**
Specialized batteries and others	29,485	16,303	15,951	15,094	9,248	10,104	9,323	17,113	18,947	18,525	**17,587**
Operating income	17,589	16,030	9,775	18,197	20,914	21,909	23,106	21,920	22,654	21,676	**24,810**
Operating income before amortization of goodwill	–	–	–	–	–	–	24,185	24,076	25,066	23,935	**27,069**
Automotive batteries (Japan)	4,837	4,266	3,931	3,310	2,397	3,291	5,676	6,143	7,766	6,976	**8,669**
Automotive batteries (Overseas)	8,593	6,006	6,380	8,996	10,786	11,358	10,460	8,960	9,926	9,187	**12,225**
Industrial batteries and power supplies	8,436	9,640	10,813	12,199	8,657	8,061	8,701	7,364	7,827	9,157	**6,890**
Automotive lithium-ion batteries	–	(3,265)	(11,249)	(7,243)	(2,626)	(565)	45	1,320	300	(1,708)	**(852)**
Specialized batteries and others	(4,278)	(617)	(100)	936	1,698	(235)	(699)	287	(754)	322	**136**
Net income attributable to owners of the parent	11,722	11,733	5,767	9,982	10,043	9,030	12,229	11,449	13,524	13,674	**11,455**
Income attributable to owners of the parent before amortization of goodwill	–	–	–	–	–	–	13,699	13,894	15,974	15,925	**13,538**
Capital investment	20,005	38,849	33,159	18,570	11,008	12,955	19,909	15,223	21,461	18,220	**23,159**
Depreciation expenses	10,167	11,228	13,264	12,939	15,715	15,309	15,241	16,506	16,115	15,979	**16,210**
Research and development expenses	5,854	6,250	6,227	6,495	6,725	6,996	9,533	11,170	9,868	9,517	**11,201**
Cash flows from operating activities	25,478	8,287	19,069	19,704	19,729	30,215	34,846	21,934	31,493	33,119	**35,817**
Cash flows from investing activities	(25,444)	(28,660)	(29,249)	(9,786)	(14,519)	(17,311)	(32,912)	(20,810)	(17,570)	(20,690)	**(19,327)**
Free cash flow	34	(20,373)	(10,180)	9,918	5,210	12,904	1,934	1,124	13,923	12,429	**16,490**
Cash flows from investing activities	8	13,152	3,839	589	(5,798)	(9,685)	(3,715)	(6,702)	(11,706)	(10,245)	**(7,018)**
At year-end (millions of yen)											
Total assets	¥ 247,446	¥ 278,426	¥ 290,368	¥ 340,462	¥ 359,522	¥ 346,523	¥ 370,508	¥ 389,216	¥ 384,243	¥ 385,416	**¥ 431,913**
Cash and cash equivalents	24,030	16,476	11,210	23,392	25,708	27,788	24,673	19,776	23,408	24,748	**35,807**
Total equity	122,310	136,221	141,189	154,702	182,187	177,790	188,155	205,638	207,708	205,318	**234,570**
Total debt	48,289	56,124	71,674	80,134	82,166	73,608	74,257	75,153	66,940	64,548	**65,420**
Total equity before noncontrolling interests	108,360	115,126	125,352	139,454	161,386	153,723	161,722	175,775	178,320	176,336	**202,245**
Number of employees	12,394	12,265	12,599	13,609	14,506	14,415	14,710	14,585	14,217	13,542	**13,305**
Per share data (yen)											
Basic net income	¥ 141.97	¥ 142.10	¥ 69.85	¥ 120.91	¥ 121.66	¥ 109.39	¥ 148.14	¥ 138.90	¥ 164.74	¥ 168.23	**¥ 141.91**
Net assets	1,312.38	1,394.36	1,518.25	1,689.12	1,954.89	1,862.16	1,959.14	2,138.45	2,179.03	2,173.37	**2,509.08**
Cash dividends applicable to the year	40	40	30	40	50	50	50	50	50	50	**50**
Financial indices (%)											
Operating income ratio	6.5	5.6	3.6	5.2	5.7	6.0	6.7	5.9	6.1	6.1	**7.0**
ROE (Return On Equity)	11.2	10.2	4.8	7.5	6.7	5.7	8.7	8.2	9.0	9.0	**7.2**
Shareholders' equity ratio	43.8	41.3	43.2	41.0	44.9	44.4	43.6	45.2	46.4	45.8	**46.8**
Ratio of interest-bearing debt to cash flow (years)	1.9	8.0	4.0	4.2	4.3	2.5	2.2	3.5	2.2	2.2	**2.0**
Treasury stock purchase amount (purchase amount for next fiscal year) (100 million yen)	–	–	–	–	–	–	10.0	9.2	13.8	15.0	**–**
Dividend payout ratio	28.2	28.1	42.9	33.1	41.1	45.7	37.4	36.3	34.3	34.9	**29.8**
Overseas sales ratio	44.0	43.4	44.4	48.5	52.4	55.5	51.1	49.9	49.4	46.2	**47.4**

Financial Review

Operating results

In the fiscal year ended 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 there is great expectation that vaccinations will gradually end the spread of infection, the recent resurgence in infections means that the economic outlook remains highly uncertain.

In this economic environment, the GS Yuasa Group's consolidated net sales for the fiscal year totaled ¥386,511 million, ¥9,042 million or 2.3% less than in the previous fiscal year. The main reasons for the decline in Group sales were a decrease in domestic and overseas sales of lead-acid batteries for new vehicles and lithium-ion batteries for plug-in hybrid vehicles. Operating profit was ¥24,810 million (¥27,069 million before goodwill amortization), a year-on-year increase of ¥3,134 million or 14.5%, due to solid domestic and overseas sales of replacement batteries for automobiles and lithium-ion batteries for hybrid vehicles. Ordinary profit rose to ¥27,279 million, a ¥4,169 million or 18.0% year-on-year increase on the back of the increase in operating profit and improvements in non-operating items, such as the recording of foreign exchange gains. Additionally, a new record high was set for operating profit and ordinary profit. Profit attributable to owners of parent, on the other hand, fell to ¥11,455 million, a year-on-year decrease of ¥2,219 million or 16.2%, that takes into account the recording of impairment losses as well as the recoverability of deferred tax assets in light of the decline in profitability of some consolidated subsidiaries.

Automotive Batteries

Net sales in Japan for the fiscal year ended March 31, 2021, totaled ¥83,639 million, a year-on-year decline of ¥4,419 million, or 5.0%. Demand for replacement batteries was solid, but shipments of batteries for new vehicles decreased owing to the large decline in production of new automobiles, particularly 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 profit (before goodwill amortization) came to ¥8,669 million, ¥1,692 million or 24.3% more than in the previous fiscal year, on the growth in sales of replacement batteries.

Overseas net sales totaled ¥165,296 million, ¥3,157 million or 1.9% more than in the previous fiscal year. Although there was an impact from 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), sales of replacement batteries increased primarily in Europe and Australia from the second quarter onward. Segment profit expanded to ¥12,225 million, a year-on-year increase of ¥3,038 million, or 33.1%. The profit growth mainly reflects the increased sales of replacement batteries and the positive impact on profit from the fall in the price of lead.

As a result of the above factors, the automotive batteries segment's combined net sales in Japan and overseas for the fiscal year totaled ¥248,936 million, ¥1,261 million or 0.5% less than in the previous fiscal year. Overall automotive batteries segment profit (before goodwill amortization) came to ¥20,895 million, ¥4,730 million or 29.3% more than in the previous fiscal year.

Industrial Batteries and Power Supplies

Net sales in the industrial batteries and power supplies segment totaled ¥84,037 million, a year-on-year decline of ¥528 million, or 0.6%. 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 profit came to ¥6,890 million, a year-on-year decrease of ¥2,267 million, or 24.8%, reflecting the abovementioned change in sales composition.

Automotive Lithium-ion Batteries

Net sales in the automotive lithium-ion batteries segment totaled ¥35,950 million, ¥6,313 million or 14.9% less than in the previous fiscal year. 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 an operating loss of ¥852 million, a year-on-year improvement of ¥856 million reflecting an increase in sales of batteries for hybrid vehicles.

Specialized Batteries and Others

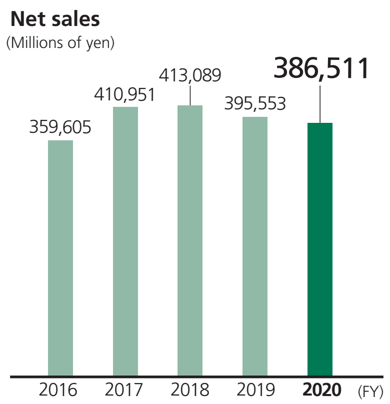
Net sales in the specialized batteries and others segment totaled ¥17,587 million, a year-on-year decline of ¥938 million, or 5.1%. The decline mainly reflects lower sales of lithium-ion batteries for aircrafts. Segment profit after adjustments for corporate expenses, etc., came to ¥136 million, a year-on-year decrease of ¥185 million or 57.6%.

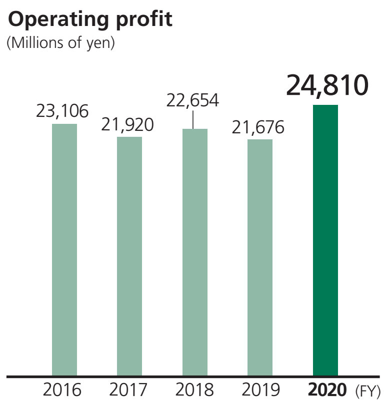
Financial condition

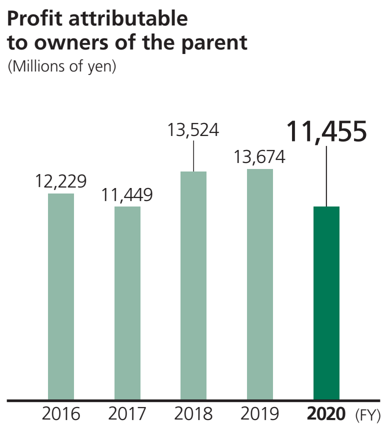
Total assets as of March 31, 2021, amounted to ¥431,913 million, ¥46,496 million more than at the end of the previous fiscal year. The increase mainly reflects increases in cash and deposits and the market value of owned shares.

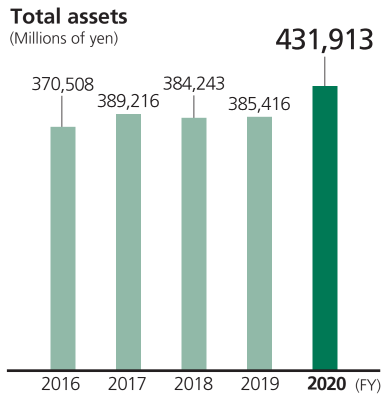
Liabilities increased to ¥197,342 million, ¥17,244 million more than at the end of the previous fiscal year, as increases in trade accounts payable and other liabilities, as well as deferred tax liabilities, outweighed a decrease in advances received for a large project order received by the Industrial Batteries and Power Supplies segment.

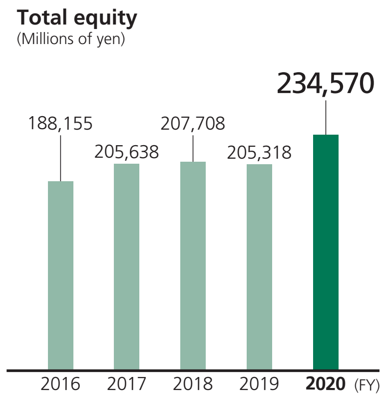
Net assets totaled ¥234,570 million, an increase of ¥29,252 million from the end of the previous fiscal year. The increase mainly reflects an increase in the market value of owned shares and foreign currency translation adjustment due to forex rate fluctuations, which outweighed outflows from dividends paid and the purchase of treasury shares.











Financial Review

Cash Flows

Cash and cash equivalents as of March 31, 2021, amounted to ¥35,807 million, an increase of ¥11,059 million, or 44.6%, from the end of the previous fiscal year.

The main factors affecting cash flows are described below.

Cash Flows from Operating Activities

Net cash provided by operating activities in the fiscal year ended March 31, 2021, amounted to ¥35,817 million, compared with net cash provided of ¥33,119 million in the previous fiscal year. There were contributions from profit before income taxes, depreciation, increase in trade payables, partially offset by a decrease in advance received and the payment of income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥19,327 million, compared with net cash used of ¥20,690 million a year earlier. The main cash outflow from investments was the purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥7,018 million, compared with net cash used of ¥10,245 million in the previous fiscal year. The main cash outflows were for the repayment of borrowings, the purchase of treasury shares, and dividends paid.

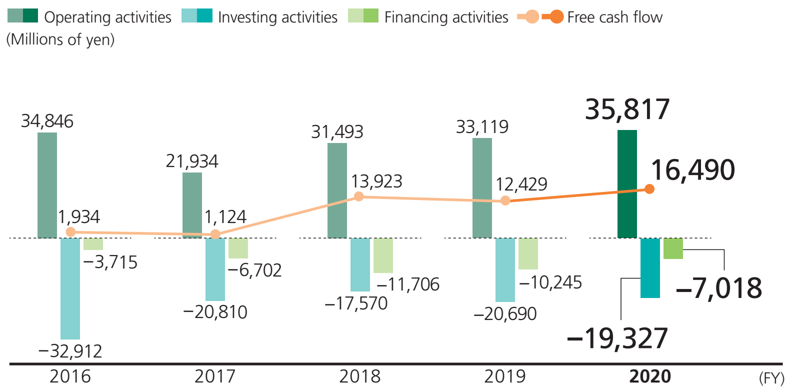
Basic policy on profit distribution and dividends

GS Yuasa considers the return of profits to shareholders to be a priority management issue. As a general policy, GS Yuasa decides the level of dividends based on a comprehensive analysis of consolidated earnings results, the financial condition, and the dividend payout ratio. Internal reserves are used to improve future earnings by maintaining and enhancing investments and competitiveness. Based on these initiatives, GS Yuasa aims to continue its growth into the future and secure long-term stable returns to shareholders.

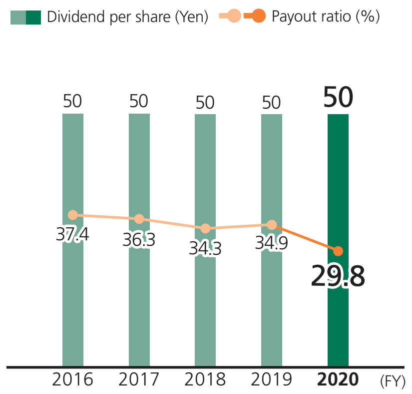
For the year ended March 31, 2021, profit attributable to owners of parent was ¥11,455 million, which was over the ¥9,000 million set as the profit target in the earnings forecast announced on February 4, 2021. Based on this result, the company plans to pay annual dividend per share for the year ended March 31, 2021 of ¥50, which is an increase of ¥10 from the ¥40 paid for the year ended March 31, 2020. The consolidated payout ratio will therefore be 35.2%.

For dividends for the year ending March 31, 2022, assuming that the forecast profits are achieved, the Company plans to pay an interim dividend per share of ¥15 and a year-end dividend per share of ¥35 to provide an annual dividend per share of ¥50.

Cash flows from operating activities, investing activities, and financing activities



Dividend per share/Payout ratio



Risk Information

Our Group, which supplies products to the growth industries of automobiles and social infrastructure, is constantly vying with competition in the global market and technological development. It is also important for us to keep a close eye on supply-demand balances and price fluctuations caused by the properties of raw materials. Identifying the various risks associated with our business and their degree of importance, we will continue to conduct sound and positive management from a medium- to long-term perspective.

The main risks faced in the Group's business, details of the impact on the Group's financial results and so on if those risks occur, and countermeasures are described below.

1. Risks related to raw material markets fluctuations

Lead is a key material used in lead-acid batteries, the GS Yuasa Group's main product. However, changes in the market price of lead cannot be reflected immediately in our product prices, so the Group's earnings and financial standing could be affected.

▶Degree of likelihood and timing of occurrence of risks

At any time in the next fiscal term

▶Countermeasures

Optimizing production systems and working to reduce costs while building an optimum supply structure.

2. Intensification of price competition

The GS Yuasa Group is exposed to intense price competition in each of the markets where it conducts business, and setting prices at advantageous levels has become difficult. We not only face the same competitors as in Japan, but also must deal with low-cost products supplied by overseas companies, which make competition more intense. It may not be easy to maintain and expand market share and secure profitability in the future. If business profitability declines as a result, there may be an impact on the Group's earnings and financial standing including the risk of impairment of fixed assets.

▶Degree of likelihood and timing of occurrence of risks

At any time in the next fiscal term

▶Countermeasures

Cutting costs and implementing measures to strengthen marketing power.

3. Foreign exchange rate fluctuations

The GS Yuasa Group conducts business in Japan, the rest of Asia, North America, Europe, and other regions. Financial statement items that are denominated in local currencies outside of Japan, such as sales, expenses, and assets, are converted into yen for consolidated financial statements. The yen value of these amounts can change depending on the exchange rate, even if the amounts have not changed in local currencies.

When local currencies appreciate in areas where the Group carries out overseas production, manufacturing and procurement costs can rise in these areas, and medium- to long-term currency fluctuations may impede the Group's ability to procure, manufacture, distribute, and sell goods according to plan. Therefore, it is possible for foreign exchange rate fluctuations to influence the Group's earnings and financial standing.

▶Degree of likelihood and timing of occurrence of risks

At any time in the next fiscal term

▶Countermeasures

Conducting forex-hedged transactions in an effort to hold the adverse effects of short-term foreign exchange rate fluctuations to a minimum.

4. Risks related to international activities and overseas expansion

The GS Yuasa Group manufactures and markets products in Japan, the rest of Asia, North America, Europe, and elsewhere. The following risks are intrinsic to these markets, and they could affect the Group's earnings and financial standing.

Risk Information

a) Unforeseen changes to laws or regulations
b) Difficulty in hiring and keeping human resources
c) The possibility that inadequate technology infrastructure will affect the Group's manufacturing and other activities, or lower the reputation of GS Yuasa products among customers
d) Social disturbances caused by terrorism or war

Degree of likelihood and timing of occurrence of risks

Some possibility of occurrence in the next fiscal term

Countermeasures

Strengthening communications between headquarters and our various sites to build a framework capable of rapidly supplying products and services that meet needs in each region of the world.

5. Environmental regulations

In China, the central government shows signs of strengthening environmental regulations on lead-acid battery manufacturers and lead smelters. Some manufacturing activities at GS Yuasa Group companies could be affected.

Degree of likelihood and timing of occurrence of risks

At any time in the next fiscal term

Countermeasures

Established this Fundamental Environmental Policy to outline our basic Group-wide approach to environmental efforts. The policy aims to clarify our social responsibility toward the environment and guide our contributions to the emergence of a sustainable society. Also, developing and using environmental management systems that will help to reduce environmental impacts and prevent any accidents that could cause environmental pollution.

6. Risks related to M&A

The GS Yuasa Group considers M&A to be a useful and effective tool for business expansion. When the Group carries out M&A, the transaction is considered from a range of viewpoints, including the target company's financial standing and potential synergy with the Group's businesses. Due to drastic changes in the business environment or other factors, however, an acquired business might not perform as planned. If invested funds cannot be recovered or a loss on goodwill is recorded, the GS Yuasa Group's earnings and financial standing could be affected.

Degree of likelihood and timing of occurrence of risks

Awareness of the likelihood of occurrence is necessary

Countermeasures

Monitoring results on a monthly basis.

7. Climate change

Climate change is a problem that can have major impacts on countries and regions, and is a social issue that needs to be addressed by the entire world. For example, cool summers and warm winters result in a narrower temperature range, which is favorable for maintaining battery performance, so replacement demand would decline under these conditions. As a result, the sales volume of automotive batteries (replacement), the GS Yuasa Group's main product, would fall below normal levels, and this could have an impact on the Group's earnings and financial standing.

Degree of likelihood and timing of occurrence of risks

Some possibility of occurrence in the next fiscal term

Countermeasures

Factors caused by climate change cannot be accurately forecast, making it difficult to take adequate countermeasures in advance, but the Group will fully demonstrate the strengths of its brand and increase the weighting of high value-added products. In addition, we will deliver highly satisfying products to customers by continuously developing high performance, high quality products.

8. Disasters and accidents

If a natural disaster such as an earthquake, storm or flood damage, or major snowstorm or if an accident such as a fire, explosion, or damage were to occur at a Group business site, there is a risk of unforeseen events occurring.

Degree of likelihood and timing of occurrence of risks

At any time in the next fiscal term

Countermeasures

Creating earthquake, flood, and snowstorm response manuals and working to enhance fire-prevention management and disaster preparedness.

9. Interest rate fluctuations

The GS Yuasa Group's interest-bearing debt burden includes some debt with variable interest rates. Therefore, if interest rates rise, the Group's cost for procuring funds could increase.

Degree of likelihood and timing of occurrence of risks

Some possibility of occurrence in the next fiscal term

Countermeasures

During the Fifth Mid-Term Management Plan, interest-bearing debts are expected to increase somewhat in order to activate growth investment, but we will strive to keep the debt redemption period within three years and to achieve both growth and financial discipline.

10. Lawsuits and other legal proceedings

In carrying out business, the GS Yuasa Group may be sued by suppliers or third parties, and there is a risk that regulatory authorities could take legal action against the Group.

Degree of likelihood and timing of occurrence of risks

Some possibility of occurrence in the next fiscal term

Countermeasures

Continuously surveying the rights, patents, and other intellectual property of other companies and working to minimize the risks by reinforcing internal information sharing.

11. Economic conditions

Demand for the GS Yuasa Group's products is influenced by economic conditions in the markets where products are sold. Therefore, in the Group's main markets, which include Japan, the rest of Asia, North America, and Europe, economic setbacks and accompanying demand contractions, could adversely affect the Group's earnings and financial standing.

Degree of likelihood and timing of occurrence of risks

Some possibility of occurrence in the next fiscal term

Countermeasures

Providing reassurance and confidence to customers through business operations based on a fundamental stance that emphasizes quality, and working to enhance corporate value and build corporate infrastructure for sustainable growth in the future in accordance with our corporate philosophy of innovation and growth.

12. COVID-19 pandemic

If the spread of the COVID-19 interferes with the Group's production or other business activities, there may be an impact on the Group's earnings and financial standing.

Degree of likelihood and timing of occurrence of risks

At any time in the next fiscal term

Countermeasures

Establishing a crisis management headquarters chaired by the president, gathering and analyzing crisis information, and implementing safety measures including encouraging employees to work from home.

Consolidated Balance Sheet

GS Yuasa Corporation and Consolidated Subsidiaries
March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	**2020**	**2021**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 7 and 13)	**¥ 35,807**	¥ 24,749	**$ 323,431**
Time deposits (Notes 13)	**473**	478	**4,272**
Receivables (Notes 7 and 13):			
Trade notes	**9,255**	11,700	**83,597**
Trade accounts	**70,054**	63,939	**632,770**
Other	**4,720**	5,183	**42,634**
Allowance for doubtful receivables	**(315)**	(349)	**(2,845)**
Inventories (Notes 3 and 7)	**67,868**	64,293	**613,025**
Other (Notes 7)	**6,471**	5,722	**58,450**
Total current assets	**194,333**	175,715	**1,755,334**
PROPERTY, PLANT AND EQUIPMENT (Notes 7):			
Land (Notes 2.j)	**22,738**	22,139	**205,383**
Buildings and structures	**111,701**	106,634	**1,008,951**
Machinery and equipment	**179,230**	165,059	**1,618,914**
Furniture and fixtures	**33,707**	31,914	**304,462**
Leased assets	**5,631**	6,030	**50,863**
Right-of-use assets	**6,919**	5,365	**62,497**
Construction in progress	**9,700**	11,408	**87,616**
Other	**1,292**	871	**11,671**
Total	**370,918**	349,420	**3,350,357**
Accumulated depreciation	**(236,387)**	(221,568)	**(2,135,191)**
Net property, plant and equipment	**134,531**	127,852	**1,215,166**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 13)	**30,181**	22,778	**272,613**
Investments in capital	**148**	148	**1,337**
Investments in unconsolidated subsidiaries and affiliated companies (Notes 5 and 13)	**35,678**	32,307	**322,265**
Goodwill	**660**	1,995	**5,962**
Asset for retirement benefits (Note 8)	**23,921**	12,945	**216,069**
Deferred tax assets (Notes 10)	**3,498**	2,977	**31,596**
Allowance for doubtful accounts	**(324)**	(331)	**(2,927)**
Other	**9,288**	9,031	**83,895**
Total investments and other assets	**103,050**	81,850	**930,810**
TOTAL	**¥ 431,914**	¥ 385,417	**$ 3,901,310**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	**2020**	**2021**
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	**¥ 6,112**	¥ 8,542	**$ 55,207**
Current portion of long-term debt (Notes 7 and 13)	**9,096**	7,774	**82,161**
Payables (Notes 13):			
Trade notes	**18,200**	17,041	**164,393**
Trade accounts	**32,910**	28,630	**297,263**
Other	**19,606**	12,354	**177,093**
Income taxes payable (Notes 13)	**4,762**	3,786	**43,013**
Accrued expenses	**10,904**	9,956	**98,492**
Other	**6,250**	13,933	**56,454**
Total current liabilities	**107,840**	102,016	**974,076**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 13)	**58,022**	55,219	**524,090**
Liability for retirement benefits (Notes 8)	**4,563**	4,094	**41,216**
Long-term deposits received	**5,638**	5,453	**50,926**
Deferred tax liabilities (Notes 10)	**18,045**	10,627	**162,993**
Deferred tax liabilities on land revaluation (Notes 2.j)	**928**	928	**8,382**
Other	**2,307**	1,761	**20,839**
Total long-term liabilities	**89,503**	78,082	**808,446**
Total liabilities	**197,343**	180,098	**1,782,522**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
NET ASSETS (Notes 9):			
Shareholders' equity			
Common stock			
Authorized-280,000 thousand shares in 2021 and 2020 Issued-82,715 thousand shares in 2021 and 2020	**33,021**	33,021	**298,266**
Capital surplus	**55,301**	55,302	**499,512**
Retained earnings	**95,869**	87,181	**865,947**
Treasury stock – at cost: 2,109 thousand shares in 2021 and 1,580 thousand shares in 2020	**(4,654)**	(3,681)	**(42,038)**
Total shareholders' equity	**179,537**	171,823	**1,621,687**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**17,171**	11,934	**155,099**
Deferred gains or losses on hedges	**(116)**	(245)	**(1,048)**
Revaluation reserve for land (Notes 2.j)	**2,137**	2,137	**19,303**
Foreign currency translation adjustments	**418**	(6,265)	**3,776**
Remeasurements of defined benefit plans (Note 8)	**3,099**	(3,047)	**27,992**
Total accumulated other comprehensive income	**22,709**	4,514	**205,122**
Non-controlling interests	**32,325**	28,982	**291,979**
Total net assets	**234,571**	205,319	**2,118,788**
TOTAL	**¥ 431,914**	¥ 385,417	**$ 3,901,310**

Consolidated Statement of Income

GS Yuasa Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of Yen 2021	2020	Thousands of U.S. Dollars (Note 1) 2021
NET SALES	**¥ 386,511**	¥ 395,554	**$ 3,491,202**
COST OF SALES (Note 11)	**289,945**	302,640	**2,618,959**
Gross profit	**96,566**	92,914	**872,243**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	**71,755**	71,238	**648,135**
Operating income	**24,811**	21,676	**224,108**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**627**	793	**5,663**
Interest expense	**(819)**	(816)	**(7,398)**
Loss on valuation of investment securities	**(15)**	–	**(135)**
Machinery and equipment relocation expenses	**(260)**	(9)	**(2,348)**
Gain on sales of property, plant and equipment	**1,336**	2,217	**12,068**
Loss on disposal of property, plant and equipment	**(570)**	(689)	**(5,149)**
Foreign exchange gain (loss)	**595**	(730)	**5,374**
Share of profit of entities accounted for using equity method	**2,471**	2,210	**22,320**
Gain on sales of investment securities	**300**	75	**2,710**
Impairment loss on long-lived assets (Note 6)	**(2,761)**	(125)	**(24,939)**
Loss on liquidation of subsidiaries	**–**	(900)	**–**
Plant transfer cost	**(714)**	(21)	**(6,449)**
Other – net	**(154)**	(369)	**(1,392)**
Other income – net	**36**	1,636	**325**
INCOME BEFORE INCOME TAXES	**24,847**	23,312	**224,433**
INCOME TAXES (Note 10):			
Current	**7,948**	6,933	**71,791**
Deferred	**2,108**	(328)	**19,041**
Total income taxes	**10,056**	6,605	**90,832**
NET INCOME	**14,791**	16,707	**133,601**
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**(3,336)**	(3,033)	**(30,132)**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 11,455**	¥ 13,674	**$ 103,469**

	Yen 2021	2020	U.S. Dollars 2021
PER SHARE OF COMMON STOCK (Note 17):			
Basic net income	**¥ 141.91**	¥ 168.23	**$ 1.28**
Diluted net income	**–**	–	**–**
Cash dividends applicable to the year	**50.00**	50.00	**0.45**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statement of Comprehensive Income

GS Yuasa Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of Yen 2021	2020	Thousands of U.S. Dollars (Note 1) 2021
NET INCOME	**¥ 14,791**	¥ 16,707	**$ 133,601**
OTHER COMPREHENSIVE INCOME (Note 16):			
Valuation difference on available-for-sale securities	**5,237**	(2,919)	**47,304**
Deferred gains or losses on hedges	**235**	(257)	**2,123**
Foreign currency translation adjustments	**7,891**	(5,444)	**71,276**
Remeasurements of defined benefit plans	**6,145**	(1,238)	**55,505**
Share of other comprehensive income of entities accounted for using equity method	**813**	(1,976)	**7,344**
Total other comprehensive income	**20,321**	(11,834)	**183,552**
COMPREHENSIVE INCOME	**¥ 35,112**	¥ 4,873	**$ 317,153**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	**¥ 29,650**	¥ 3,552	**$ 267,817**
Non-controlling interests	**5,462**	1,321	**49,336**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

GS Yuasa Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

	Number of Shares of Common Stock Outstanding (thousands)	Millions of Yen										
						Accumulated Other Comprehensive Income						
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Non-controlling Interests	Total Net Assets
BALANCE, APRIL 1, 2019	81,834	¥ 33,021	¥ 55,313	¥ 77,665	¥ (2,315)	¥ 14,879	¥ (82)	¥ 2,137	¥ (489)	¥ (1,810)	¥ 29,389	¥ 207,708
Net income attributable to owners of the parent				13,674								13,674
Cash dividends, ¥50.00 per share				(4,083)								(4,083)
Purchase of treasury stock	(701)				(1,381)							(1,381)
Disposal of treasury stock	2		(11)		15							4
Change in scope of equity method				(45)								(45)
Change in scope of consolidation				(30)								(30)
Net change in the year						(2,945)	(163)		(5,776)	(1,237)	(407)	(10,528)
BALANCE, MARCH 31, 2020	**81,135**	**33,021**	**55,302**	**87,181**	**(3,681)**	**11,934**	**(245)**	**2,137**	**(6,265)**	**(3,047)**	**28,982**	**205,319**
Net income attributable to owners of the parent				11,455								11,455
Cash dividends, ¥50.00 per share				(2,843)								(2,843)
Purchase of treasury stock	(543)				(1,004)							(1,004)
Disposal of treasury stock	13		(1)		31							30
Increase by merger				76								76
Net change in the year						5,237	129		6,683	6,146	3,343	21,538
BALANCE, MARCH 31, 2021	**80,605**	**¥ 33,021**	**¥ 55,301**	**¥ 95,869**	**¥ (4,654)**	**¥ 17,171**	**¥ (116)**	**¥ 2,137**	**¥ 418**	**¥ 3,099**	**¥ 32,325**	**¥ 234,571**

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Non-controlling Interests	Total Net Assets
BALANCE, MARCH 31, 2020	**$ 298,266**	**$ 499,521**	**$ 787,472**	**$ (33,249)**	**$ 107,795**	**$ (2,213)**	**$ 19,303**	**$ (56,589)**	**$ (27,522)**	**$ 261,782**	**$ 1,854,566**
Net income attributable to owners of the parent			103,469								103,469
Cash dividends, $0.45 per share			(25,680)								(25,680)
Purchase of treasury stock				(9,069)							(9,069)
Disposal of treasury stock		(9)		280							271
Increase by merger			686								686
Net change in the year					47,304	1,165		60,365	55,514	30,197	194,545
BALANCE, MARCH 31, 2021	**$ 298,266**	**$ 499,512**	**$ 865,947**	**$ (42,038)**	**$ 155,099**	**$ (1,048)**	**$ 19,303**	**$ 3,776**	**$ 27,992**	**$ 291,979**	**$ 2,118,788**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statement of Cash Flows

GS Yuasa Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Income before income taxes	¥ 24,847	¥ 23,312	$ 224,433
Adjustments for:			
Income taxes paid	(7,086)	(6,728)	(64,005)
Depreciation and amortization	18,031	17,659	162,867
Loss on valuation of investment securities	15	–	135
Gain on sales of investment securities	(300)	(66)	(2,710)
Gain on sales of property, plant and equipment	(1,336)	(2,217)	(12,068)
Loss on disposal of property, plant and equipment	570	689	5,149
Impairment loss on long-lived assets	2,761	125	24,939
Share of profit (loss) of entities accounted for using equity method	(2,471)	(2,210)	(22,320)
Loss on liquidation of subsidiaries	–	900	–
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	316	(3,899)	2,854
Increase (decrease) in advance receivables	(5,647)	5,675	(51,007)
Decrease (increase) in inventories	(163)	673	(1,472)
Decrease in interest and dividend receivables	624	289	5,636
Increase (decrease) in trade payables	3,389	(2,021)	30,612
Increase (decrease) in retirement benefit liability	(1,908)	(3,026)	(17,234)
Other – net	4,175	3,965	37,712
Net cash provided by operating activities	35,817	33,120	323,521
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(19,019)	(19,931)	(171,791)
Proceeds from sales of property, plant and equipment	1,287	2,538	11,625
Purchases of investment securities	(4)	(4)	(36)
Proceeds from sales of investment securities	376	128	3,396
Payments for investments in capital of subsidiaries and affiliated companies	(215)	(583)	(1,942)
Purchase of shares of affiliated companies	(600)	(2,500)	(5,420)
Other – net	(1,152)	(337)	(10,405)
Net cash used in investing activities	(19,327)	(20,689)	(174,573)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings and commercial papers	(2,720)	(2,218)	(24,569)
Proceeds from long-term bank loans	9,050	2,275	81,745
Repayments of long-term bank loans	(6,372)	(1,591)	(57,556)
Purchase of treasury stock	(1,004)	(1,381)	(9,069)
Proceeds from disposal of treasury stock	30	4	271
Dividends paid	(2,843)	(4,083)	(25,680)
Dividends paid to non-controlling interests	(2,086)	(1,743)	(18,842)
Other – net	(1,074)	(1,507)	(9,700)
Net cash used in financing activities	(7,019)	(10,244)	(63,400)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,586	(1,059)	14,326
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,057	1,128	99,874
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,749	23,409	223,548
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER WITH UNCONSOLIDATED SUBSIDIARIES	1	–	9
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM INCLUSION OF SUBSIDIARIES IN CONSOLIDATION	–	212	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 35,807	¥ 24,749	$ 323,431

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

GS Yuasa Corporation and Consolidated Subsidiaries
Year Ended March 31, 2021

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of GS Yuasa Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen and, solely for the convenience of readers outside Japan, have been translated into U.S. dollars at the rate of ¥110.71 to U.S. $1.00, the approximate exchange rate at March 31, 2021. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2021 include the accounts of the Company and its 54 (54 in 2020) significant subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies over whose operations the Company, directly or indirectly, is able to exercise control are fully consolidated, and those affiliated companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 19 (19 in 2020) affiliated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. Consolidating or accounting for those companies by the equity method would not have a significant effect on the consolidated financial statements.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is amortized principally over a period of five years.

All significant intercompany balances and transactions are eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

GS Engineering CO., LTD., which was a nonconsolidated subsidiary, was merged into Yuasa Engineering CO., LTD., a consolidated subsidiary. Yuasa Engineering CO., LTD. has changed its name to GS Yuasa Engineering Ltd.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards ("IFRS") or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument when a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Business Combinations – Business combinations are accounted for using the purchase method. Acquisition related costs, such as advisory fees and professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

d. Cash and Cash Equivalents – Cash and cash equivalents consist of cash on hand, demand deposits withdrawable at any time and short-term investments with a maturity of three months or less from the acquisition date that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value.

Cash equivalents include time deposits and government bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

e. Allowance for doubtful receivables – The allowance for doubtful receivables is provided to cover possible losses on collection. The Company and its consolidated domestic subsidiaries provide the allowance for doubtful receivables by adding individually estimated uncollectible amounts of specific receivables to an amount based on the actual rate of past uncollected receivables. The consolidated overseas subsidiaries provide the allowance for doubtful receivables based mainly on the estimated uncollectible amounts of specific receivables.

f. Inventories – Inventories are principally stated at the lower of cost, determined by the average method, or net realizable value.

g. Investment Securities – Marketable securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of net assets. The cost of securities sold is determined based on the moving average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant and Equipment – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is computed mainly by the straight-line method based on the estimated useful life of the asset. The range of useful lives is from 7 to 50 years for buildings and structures and from 4 to 17 years for machinery and equipment.

Leased assets related to financial leases that do not transfer ownership rights and right-of-use assets are depreciated using the straight-line method with the lease term as the useful life and assuming no residual value.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired. Certain subsidiaries acquired property, plant and equipment, including buildings and structures, machinery and equipment and funded construction in progress through government grants. As of March 31, 2021 and 2020, the accumulated deducted cost of the assets acquired were ¥11,217 million ($101,319 thousand) and ¥11,270 million, respectively.

Notes to Consolidated Financial Statements

i. Impairment of Long-Lived Assets – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Land Revaluation – Under the "Law of Land Revaluation," certain domestic subsidiaries elected a one-time revaluation of own-use land to a value based on a price which was published by the national tax office as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. As of March 31, 2021 and 2020, the carrying amount of the land after the one-time revaluation exceeded the market value by ¥1,329 million ($12,004 thousand) and ¥1,331 million.

k. Retirement Benefits – Certain consolidated subsidiaries have contributory and non-contributory funded defined benefit pension plans, defined contribution pension plans and unfunded retirement benefit plans for employees.

The Group accounted for the liability for retirement benefits based on projected benefit obligations and fair value of plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on the benefit formula basis. Actual gains and losses are amortized on a straight-line basis over 10 to 14 years, within the average remaining service period. Past service costs are amortized on a straight-line basis over 14 years, within the average remaining service period.

Retirement benefits to directors, Audit & Supervisory Board members, and executive officers of certain domestic subsidiaries are provided at the amount which would be required if all such persons retired at the balance sheet date.

l. Asset Retirement Obligations – An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Directors' Stockownership Plan – In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees Etc., Through Trusts," upon transfer of treasury stock to the directors' stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company records (1) the Company stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the directors, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses related to the Trust.

The Company introduced the directors' stockownership plan in order to increase corporate value and the business performance of directors in the medium and long term.

(1) Overview of transaction

The Trust, established by the Company, acquires Company shares using the cash contributed by the Company. The Company shares are transferred through the Trust to the directors, corresponding to points granted in conformity with the stock transfer policy established by the Board of Directors.

The Company shares are to be transferred upon the directors' retirement.

(2) Treasury stock remaining in the Trust

Shares of the Company remaining in the Trust are recorded as treasury stock under equity based on the book value (excluding incidental costs) in the Trust.

n. Research and Development Expenses – Research and development expenses are charged to income as incurred.

o. Leases – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

p. Construction Contracts – Construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

q. Income Taxes – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company and some domestic consolidated subsidiaries have applied for approval of the consolidated taxation system during the consolidated fiscal year ended March 31, 2021, and the consolidated taxation system will be applied from the next consolidated fiscal year. Therefore, from the consolidated fiscal year ended March 31, 2021, accounting treatment is based on the application of the consolidated taxation system in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) " (ASBJ PITF No. 5, January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2) " (ASBJ PITF No. 7, January 16, 2015).

Pursuant to the treatment in Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020), the Company does not apply the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) with respect to items that transitioned to the group tax sharing system established in the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 8 announced on March 31, 2020) as well as items for which the nonconsolidated taxation system was revised in line with the transition to the group tax sharing system. Accordingly, the amounts of deferred tax assets and deferred tax liabilities are presented pursuant to the provisions in tax laws before the amendment.

r. Foreign Currency Transactions – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

s. Translation of Foreign Currency Financial Statements – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the exchange rate as of the balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average rates.

Notes to Consolidated Financial Statements

t. Derivatives and Hedging Activities – The Group uses foreign exchange forward contracts, foreign currency option contracts, foreign currency swaps, interest rate swaps and commodity price swaps to manage its exposures to fluctuations in foreign exchange rates, interest rates and material prices. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gain or loss on derivative transactions are recognized in the consolidated statement of income. If derivatives used for hedging purposes qualify for hedge accounting because of the high correlation and effectiveness between the hedging instruments and the hedged items, gain or loss on those derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

u. Per Share Information – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights incorporated in convertible bonds were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights.

Cash dividends per share presented in the accompanying consolidated statement of income are the amounts applicable to the respective fiscal years, including dividends to be paid after the end of the fiscal year.

v. Bond Issue Costs – Bond issue costs are amortized by the straight-line method over the bond term in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ in August 2006.

w. Goodwill – Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over a period of five years.

x. Significant accounting estimates

Valuation of fixed assets

(1) Carrying amounts in the consolidated financial statements

	Millions of Yen	Thousands of U.S. Dollars
	2021	2021
Property, plant and equipment	¥ 134,531	$ 1,215,166
Intangible assets	4,419	39,915
Impairment loss	2,761	24,939

(2) Information on the nature of significant accounting estimates for identified items

a. Method in making the accounting estimates

For the impairment tests, the Group groups business assets by business unit used in management accounting, which is the smallest group of assets that generates independent cash flow. Real estate for rent and idle assets are grouped by individual property. If there is any indication of impairment, the Group determines whether or not an impairment loss should be recognized by comparing the sum of the undiscounted future cash flows from the asset group to the carrying amount of its asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. In measuring the value in use, certain assumptions are made for the estimates of future cash flows, discount rates, etc.

b. Key assumptions used in making the accounting estimates

Future cash flows used to determine the recognition of impairment loss and calculate the value in use are estimated based on the business plan, including a sales volume plan based on external sources such as automakers' sales forecasts, prepared by management, while giving consideration to salability of each product type based on past sales performance.
The discount rate used to calculate the value in use is estimated based on the weighted average cost of capital.

c. The effect on the next year's consolidated financial statements

No significant impairment loss was recognized for the consolidated fiscal year ended March 31, 2021, except for the impairment loss described in Note 6. However, business plan, including planned sales volume, involves a high degree of uncertainty, and estimation of discount rate involves a high degree of expertise in selecting calculation methods and input data. Therefore, if the assumptions differ significantly due to future changes in the situation, it may have a significant impact on the valuation of fixed assets in the next consolidated fiscal year.

y. New Accounting Pronouncements

Accounting standard for revenue recognition –
On March 31, 2020, ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

(1) Overview

The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") have jointly developed and issued a new comprehensive revenue standard, "Revenue from Contracts with Customers" (IFRS 15 issued by IASB and Topic 606 issued by FASB), in May 2014.

As the basic policy, the ASBJ has developed comprehensive accounting standards for revenue recognition in response to the requirement to apply IFRS 15 for annual periods beginning on or after January 1, 2018 and Topic 606 for annual periods beginning on or after December 15, 2017.

ASBJ has established the new accounting standard for revenue recognition based on the basic principles of IFRS 15, focusing on ensuring financial statement comparability. Also, the accounting convention for revenue recognition can take priority over the new accounting standard developed by ASBJ, within an acceptable range, to ensure financial statement comparability.

(2) Schedule

The Company expects to adopt the accounting standards from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of the accounting standards

The Company is currently in the process of determining the impact of adopting these new accounting standards on the consolidated financial statements.

Accounting standard for fair value measurement –
On July 4, 2019, ASBJ issued ASBJ Statement No. 30, "Accounting Standard for fair value measurement," ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement" and on March 31, 2020, ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

(1) Overview

The IASB and the FASB have established almost the detailed guidance on fair value measurement. The IASB has established IFRS 13, "Fair Value Measurement," and the FASB has established Topic 820, "Fair Value Measurement."

As a basic policy, the ASBJ has developed comprehensive accounting standards for fair value measurement. From the viewpoint of improving comparability of financial statements between domestic and overseas companies by adopting a unified calculation method, all the provisions of IFRS 13 are to be adopted. Also, the accounting convention for fair value measurement can take priority over the new accounting standard developed by ASBJ to ensure financial statement comparability.

(2) Schedule

The Company expects to adopt the accounting standards and guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of the accounting standards

The impact of the adoption of the accounting standards on the consolidated financial statements has not yet been determined.

(Additional)

Accounting estimate for COVID-19 – The Group conducts impairment accounting for fixed assets based on the information available at the time the financial statements are prepared. It is difficult to reasonably predict the future impact of COVID-19 on our business at this time. However, with the progress made in vaccinations, it is expected that the spread of the infectious diseases is gradually settled, and the economy will recover due to the economic measures taken in each country. Therefore, we are considering accounting estimates etc., on the assumption that sales of new cars including electric vehicles in Japan and overseas will gradually recover.

Since there are many uncertainties regarding the impact of COVID-19 future changes in the situation may affect the financial position and operating results of the Group.

Notes to Consolidated Financial Statements

3. INVENTORIES

Inventories at March 31, 2021 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Merchandise and finished goods	**¥ 37,236**	¥ 35,918	**$ 336,338**
Work in process	**14,973**	14,719	**135,245**
Raw materials and supplies	**15,659**	13,656	**141,442**
Total	**¥ 67,868**	¥ 64,293	**$ 613,025**

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2021 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Noncurrent:			
Equity securities	**¥ 30,152**	¥ 22,749	**$ 272,351**
Debt securities	**29**	29	**262**
Total	**¥ 30,181**	¥ 22,778	**$ 272,613**

The acquisition costs and aggregate fair values of investment securities as of March 31, 2021 and 2020 were as follows:

Millions of Yen — 2021	Acquisition cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: Available-for-sale: Equity securities	**¥ 5,031**	**¥ 24,625**	**¥ (96)**	**¥ 29,560**

Millions of Yen — 2020	Acquisition cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: Available-for-sale: Equity securities	¥ 5,116	¥ 17,165	¥ (124)	¥ 22,157

Thousands of U.S. Dollars — 2021	Acquisition cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as: Available-for-sale: Equity securities	$ 45,443	$ 222,428	$ (858)	$ 267,013

Available-for-sale securities whose fair value cannot be reliably determined as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Noncurrent:			
Equity securities	**¥ 592**	¥ 592	**$ 5,338**
Debt securities	**29**	29	**262**
Total	**¥ 621**	¥ 621	**$ 5,600**

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2021 and 2020 were as follows:

Millions of Yen	Proceeds	Realized Gains	Realized Losses
March 31, 2021			
Available-for-sale: Equity securities	**¥ 375**	**¥ 300**	**¥ 0**
Total	**¥ 375**	**¥ 300**	**¥ 0**
March 31, 2020			
Available-for-sale: Equity securities	¥ 132	¥ 75	–
Total	¥ 132	¥ 75	–

Thousands of U.S. Dollars	Proceeds	Realized Gains	Realized Losses
March 31, 2021			
Available-for-sale: Equity securities	**$ 3,387**	**$ 2,710**	**$ 0**
Total	**$ 3,387**	**$ 2,710**	**$ 0**

5. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies as of March 31, 2021 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Investment securities	**¥ 34,168**	¥ 30,906	**$ 308,626**
Investments in capital	**1,510**	1,401	**13,639**
Total	**¥ 35,678**	¥ 32,307	**$ 322,265**

6. IMPAIRMENT LOSS ON LONG-LIVED ASSETS

The Group recognized impairment loss on the following asset group in the fiscal year ended March 2021.

Location	Use	Type of asset
Ritto City, Shiga Prefecture, Japan	Production facilities, etc.	Buildings and structures, Machinery and equipment, Construction in progress, etc.

(1) Grouping method

Business assets are grouped by units such as the business categories used in management accounting, which are the smallest units that generate independent cash flow. Real estate for rent and idle assets are grouped by individual property.

Notes to Consolidated Financial Statements

(2) Background to the recognition of impairment loss

For the second quarter of the fiscal year ended March 2021, the Company recognized an impairment loss of ¥2,761 million ($24,939 thousand) on the production facilities (with a carrying amount of ¥6,216 million ($56,147 thousand) before recognition of an impairment loss) held by its consolidated subsidiary, Lithium Energy Japan (hereinafter, the "Subsidiary"), under the Automotive Lithium-ion Battery segment. This is because the Subsidiary is expected to face a significant deterioration in the business environment including a significant decrease in sales volume because its major customers adopted new business strategies, and such conditions would constitute an impairment indicator on the production facilities. Accordingly, since its carrying amount exceeded the undiscounted future cash flows and the recognition of an impairment loss was deemed necessary, the Subsidiary recognized an impairment loss.

(3) Amount and breakdown of impairment loss

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥ 1,684	$ 15,211
Machinery and equipment	864	7,804
Construction in progress	85	768
Others	128	1,156
Total	¥ 2,761	$ 24,939

(4) Calculation method of recoverable amount, etc.

The recoverable amount used in the calculation of impairment loss is measured by the value in use. It is calculated by discounting the estimated future cash flows after tax based on the business plan, including the planned sales volume prepared by management to determine present value at a discount rate of 5% estimated based on the weighted average cost of capital after tax.

Future cash flows are estimated with business plan based on the prospective new orders to be received for the automotive and industrial lithium-ion batteries, while giving consideration to salability of each product type based on past sales performance.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

As is customary in Japan, the Group obtains financing by discounting trade notes receivable with banks. Such discounted notes and the related contingent liabilities are not included in the consolidated balance sheet, but are disclosed as contingent liabilities (see Note 15).

At March 31, 2021, short-term bank loans of ¥334 million ($3,017 thousand) were collateralized.

The weighted-average interest rates for the Group's short-term bank loans were 1.14% and 1.68% at March 31, 2021 and 2020, respectively.

Long-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unsecured corporate bond due in September 2027	¥ 10,000	¥ 10,000	$ 90,326
Unsecured corporate bond due in December 2023	10,000	10,000	90,326
Bank loans, maturing serially through 2028 with interest rates ranging from 0.2% to 5.2% (2021) and from 0.1% to 0.7% (2020)	39,309	36,008	355,063
Obligations under finance leases	7,809	6,985	70,536
Total	67,118	62,993	606,251
Less current portion	9,096	7,774	82,161
Long-term debt	¥ 58,022	¥ 55,219	$ 524,090

Annual maturities of long-term debt at March 31, 2021 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 9,096	$ 82,161
2023	3,570	32,246
2024	21,652	195,574
2025	9,192	83,028
2026	8,743	78,972
2027 and thereafter	14,865	134,270
Total	¥ 67,118	$ 606,251

The carrying amounts of assets pledged as collateral for short-term bank loans and long-term debt at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and cash equivalents	¥ 136	¥ 260	$ 1,228
Trade accounts receivable	494	371	4,462
Inventories	550	518	4,968
Buildings	58	360	524
Machinery and equipment	82	12	741
Land	16	1,275	145
Other	4	107	36
Total	¥ 1,340	¥ 2,903	$ 12,104

8. RETIREMENT BENEFITS

Certain consolidated subsidiaries have retirement benefit plans for employees. Under most circumstances, employees terminating their employment are entitled to benefit payments determined by reference to their rate of pay at the time of termination, years of service and certain other factors. If the termination is involuntary or caused by death, the employee is usually entitled to greater payments than in the case of voluntary termination.

Such retirement benefits are made in the form of a lump-sum severance payment from the Group and annuity payments from a trustee. Certain consolidated subsidiaries also have a defined contribution system.

The portions of the liability for retirement benefits attributable to directors, Audit & Supervisory Board members, and executive officers at March 31, 2021 and 2020 were ¥64 million ($580 thousand) and ¥60 million, respectively.

(1) Changes in defined benefit obligation for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 47,499	¥ 48,408	$ 429,040
Service cost	2,058	1,423	18,589
Interest cost	94	88	849
Actuarial gains/losses	1,106	(73)	9,990
Benefits paid	(2,127)	(2,396)	(19,212)
Others	17	49	154
Balance at end of year	¥ 48,647	¥ 47,499	$ 439,410

Notes to Consolidated Financial Statements

(2) Changes in plan assets for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 56,350	¥ 55,802	$ 508,987
Expected return on plan assets	855	877	7,723
Actuarial gains/losses	8,641	(2,117)	78,051
Contributions from the employer	3,855	3,899	34,821
Benefits paid	(1,765)	(2,145)	(15,943)
Others	68	34	614
Balance at end of year	¥ 68,004	¥ 56,350	$ 614,253

(3) A reconciliation between the assets and liability for retirement benefits recorded in the consolidated balance sheet and the balance of defined benefit obligation and plan assets for the year ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Defined benefit obligation	¥ 44,847	¥ 44,139	$ 405,085
Plan assets	(68,004)	(56,350)	(614,253)
Total	(23,157)	(12,211)	(209,168)
Unfunded defined benefit obligation	3,799	3,360	34,315
Net assets for retirement benefits	¥ (19,358)	¥ (8,851)	$ (174,853)

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for retirement benefits	¥ 4,563	¥ 4,094	$ 41,216
Assets for retirement benefits	(23,921)	(12,945)	(216,069)
Net assets for retirement benefits	¥ (19,358)	¥ (8,851)	$ (174,853)

(4) The components of retirement benefit expense for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 2,058	¥ 1,423	$ 18,589
Interest cost	94	88	849
Expected return on plan assets	(855)	(877)	(7,723)
Amortization of past service cost	(162)	(114)	(1,463)
Recognized actuarial losses	1,448	357	13,079
Retirement benefit expense	¥ 2,583	¥ 877	$ 23,331

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of remeasurements of defined benefit plans for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Past service cost	¥ (162)	¥ (114)	$ (1,463)
Actuarial gains/losses	8,983	(1,688)	81,140
Total	¥ 8,821	¥ (1,802)	$ 79,677

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of remeasurements of defined benefit plans as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized past service cost	¥ 419	¥ 582	$ 3,785
Unrecognized actuarial gains/losses	4,032	(4,952)	36,419
Total	¥ 4,451	¥ (4,370)	$ 40,204

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2021 and 2020 consisted of the following:

	2021	2020
Equity investments	41%	37%
General accounts	26	29
Debt investments	14	14
Investment trusts	8	9
Short-term assets	2	1
Cash and cash equivalents	7	8
Others	2	2
Total	100%	100%

b. Method used to determine long-term expected rate of return on plan assets

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Assumptions used for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Discount rate	(0.0)~0.1%	(0.0)~0.1%
Long-term expected rate of return on plan assets	0.7~2.0%	0.7~2.0%

The Group uses mainly a salary increase index determined in accordance with human resources and the wage policy as of the balance sheet date for expected future salary increase.

(9) Defined contribution plan

Benefits expense for the defined contribution plan for the years ended March 31, 2021 and 2020 were ¥539 million ($4,869 thousand) and ¥537 million, respectively.

Notes to Consolidated Financial Statements

9. NET ASSETS

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

At the annual shareholders' meeting held on June 29, 2021, the shareholders approved cash dividends of ¥50.00 ($0.45) per share, totaling ¥4,034 million ($36,438 thousand). The dividend payment was not accrued in the consolidated financial statements as of March 31, 2021 as it is recognized when it has been approved by shareholders.

Note: The total amount of dividends includes ¥3 million ($27 thousand) of dividends for the shares of the Company held by a trust.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for each of the years ended March 31, 2021 and 2020.

Significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Accrued bonuses	¥ 1,423	¥ 1,408	$ 12,853
Liability for retirement benefits	4,118	3,901	37,196
Loss on valuation of investment securities	262	277	2,367
Unrealized profit	107	318	966
Tax loss carryforwards	12,722	12,518	114,913
Other	6,154	5,072	55,587
Subtotal	24,786	23,494	223,882
Valuation allowance for tax loss carryforwards	(11,736)	(11,462)	(106,007)
Valuation allowance for deductible temporary differences	(4,453)	(2,764)	(40,222)
Total valuation allowance	(16,189)	(14,226)	(146,229)
Total deferred tax assets	8,597	9,268	77,653
Deferred tax liabilities:			
Valuation excess of property	1,271	1,487	11,480
Valuation difference on available-for-sale securities	7,369	5,115	66,561
Undistributed earnings of foreign subsidiaries	6,535	5,762	59,028
Other	7,970	4,554	71,990
Total deferred tax liabilities	23,145	16,918	209,059
Net deferred tax liabilities	¥ (14,548)	¥ (7,650)	$ (131,397)

Reconciliation between the statutory tax rates and the effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Statutory tax rate	30.5%	30.5%
Expenses not deductible for income tax purposes	0.3	0.5
Per capita levy	0.3	0.3
Net change in valuation allowance	9.0	(3.5)
Lower income tax rates applicable to income in certain foreign countries	(4.0)	(0.5)
Increase / decrease in retained earnings at foreign affiliated companies	3.1	(0.4)
Share of profit (loss) of entities accounted for using equity method	(3.0)	(2.9)
Unrecognized tax effects on eliminated intercompany unrealized profit	1.2	(0.2)
Foreign withholding taxes	2.7	2.2
Amortization of goodwill	1.6	1.8
Other – net	(1.2)	0.5
Actual effective tax rate	40.5%	28.3%

Notes to Consolidated Financial Statements

At March 31, 2021 and 2020, certain subsidiaries had tax loss carryforwards which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards and deferred tax assets by expiration periods as of March 31, 2021 and 2020, if not utilized, were as follows:

	Millions of Yen						
March 31, 2021	1 Year or Less	After 1 Year Through 2 Years	After 2 Years Through 3 Years	After 3 Years Through 4 Years	After 4 Years Through 5 Years	After 5 Years	Total
Deferred tax assets related to tax loss carryforwards	**¥ 3,624**	**¥ 3,819**	**¥ 2,285**	**¥ 736**	**¥ 115**	**¥ 2,143**	**¥ 12,722**
Less valuation allowances for tax loss carryforwards	**(3,475)**	**(3,754)**	**(2,285)**	**(736)**	**(87)**	**(1,399)**	**(11,736)**
Net deferred tax assets related to tax loss carryforwards	**149**	**65**	**–**	**–**	**28**	**744**	**986**

	Millions of Yen						
March 31, 2020	1 Year or Less	After 1 Year Through 2 Years	After 2 Years Through 3 Years	After 3 Years Through 4 Years	After 4 Years Through 5 Years	After 5 Years	Total
Deferred tax assets related to tax loss carryforwards	¥ 850	¥ 3,548	¥ 4,066	¥ 2,285	¥ 844	¥ 925	¥ 12,518
Less valuation allowances for tax loss carryforwards	(850)	(3,476)	(3,754)	(2,285)	(736)	(361)	(11,462)
Net deferred tax assets related to tax loss carryforwards	–	72	312	–	108	564	1,056

	Thousands of U.S. Dollars						
March 31, 2021	1 Year or Less	After 1 Year Through 2 Years	After 2 Years Through 3 Years	After 3 Years Through 4 Years	After 4 Years Through 5 Years	After 5 Years	Total
Deferred tax assets related to tax loss carryforwards	**$ 32,734**	**$ 34,496**	**$ 20,640**	**$ 6,648**	**$ 1,039**	**$ 19,356**	**$ 114,913**
Less valuation allowances for tax loss carryforwards	**(31,388)**	**(33,908)**	**(20,640)**	**(6,648)**	**(786)**	**(12,637)**	**(106,007)**
Net deferred tax assets related to tax loss carryforwards	**1,346**	**587**	**–**	**–**	**253**	**6,720**	**8,906**

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income were ¥11,202 million ($101,183 thousand) and ¥10,131 million for the years ended March 31, 2021 and 2020, respectively.

12. LEASES

(1) Finance leases

Information related to finance leases, excluding leases in which the ownership of the leased assets is considered transferred to the lessee, for the Company and right of use assets for subsidiaries which apply IFRS, as of and for the years ended March 31, 2021 and 2020 were as follows:

(a) Description of leased assets as lessee
1. Property, plant and equipment: Mainly production equipment (Machinery and equipment)
2. Intangible assets: Software

(b) Depreciation method for leased assets
As described in Note 2(h), "Property, Plant and Equipment."

(2) Operating leases

The minimum lease payments under noncancelable operating lease as lessee at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Due within one year	**¥ 63**	¥ 33	**$ 569**
Due after one year	**206**	152	**1,861**
Total	**¥ 269**	¥ 185	**$ 2,430**

(Note) Lease transactions recorded on the consolidated balance sheet under IFRS 16 are not included in above information.

13. FINANCIAL INSTRUMENTS

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans, based on its capital financing plan. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk.

Marketable and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than five months.

Maturities of bank loans, principally used for the purpose of funding investments and short-term working capital, are less than eight years from the balance sheet date. Some bank loans are exposed to market risk from changes in variable interest rates.

The purchase price of lead, which is a raw material used in production, is exposed to the risk of market price fluctuations. This risk is mitigated by using commodity price swaps.

Derivatives include mainly forward foreign currency contracts, foreign currency swaps, interest rate swaps, and commodity price swaps used to manage exposure to market risks from changes in foreign currency exchange rates, interest rates and material prices.

See Note 14 for more details on derivatives.

(3) Risk Management for Financial Instruments

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to investment securities, the Group manages its exposure to market risk by monitoring market values and financial positions of issuers on a regular basis.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by the monthly management of cash positions by the corporate finance division.

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign currency exchange rate risk is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Commodity price swaps are used to manage exposure to market risk from changes in prices of materials.

Derivative transactions are entered into and managed by the finance division based on internal guidelines, and the Business Auditing Office monitors the observance of the internal guidelines. The Company monitors the derivative transactions entered into by subsidiaries on a regular basis.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other valuation techniques are used.

See Note 14 for the details of fair value for derivatives.

Notes to Consolidated Financial Statements

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**¥ 35,807**	**¥ 35,807**	**–**
Time deposits	**473**	**473**	**–**
Receivables:			
Trade notes	**9,255**	**9,255**	**–**
Trade accounts	**70,054**	**70,054**	**–**
Investment securities	**29,561**	**29,561**	**–**
Investments in unconsolidated subsidiaries and affiliated companies	**17,092**	**17,724**	**¥ 632**
Total	**¥ 162,242**	**¥ 162,874**	**¥ 632**
Short-term bank loans	**¥ 6,112**	**¥ 6,112**	**–**
Current portion of long-term debt	**9,096**	**9,096**	**–**
Payables:			
Trade notes	**18,200**	**18,200**	**–**
Trade accounts	**32,910**	**32,910**	**–**
Other	**19,606**	**19,606**	**–**
Income taxes payable	**4,762**	**4,762**	**–**
Long-term debt:			
Corporate bonds	**20,000**	**20,034**	**¥ 34**
Bank loans	**31,981**	**31,353**	**(628)**
Lease obligations	**6,041**	**5,758**	**(283)**
Total	**¥ 148,708**	**¥ 147,831**	**¥ (877)**
Derivative transactions	**¥ (1)**	**¥ (1)**	**–**

	Millions of Yen		
March 31, 2020	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 24,749	¥ 24,749	–
Time deposits	478	478	–
Receivables:			
Trade notes	11,700	11,700	–
Trade accounts	63,939	63,939	–
Investment securities	22,157	22,157	–
Investments in unconsolidated subsidiaries and affiliated companies	15,767	5,440	¥ (10,327)
Total	¥ 138,790	¥ 128,463	¥ (10,327)
Short-term bank loans	¥ 8,542	¥ 8,542	–
Current portion of long-term debt	7,774	7,774	–
Payables:			
Trade notes	17,041	17,041	–
Trade accounts	28,630	28,630	–
Other	12,354	12,354	–
Income taxes payable	3,786	3,786	–
Long-term debt:			
Corporate bonds	20,000	20,095	¥ 95
Bank loans	29,761	29,526	(235)
Lease obligations	5,458	5,481	23
Total	¥ 133,346	¥ 133,229	¥ (117)
Derivative transactions	¥ (381)	¥ (381)	–

	Thousands of U.S. Dollars		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$ 323,431**	**$ 323,431**	**–**
Time deposits	**4,272**	**4,272**	**–**
Receivables:			
Trade notes	**83,597**	**83,597**	**–**
Trade accounts	**632,770**	**632,770**	**–**
Investment securities	**267,013**	**267,013**	**–**
Investments in unconsolidated subsidiaries and affiliated companies	**154,385**	**160,094**	**$ 5,709**
Total	**$ 1,465,468**	**$ 1,471,177**	**$ 5,709**
Short-term bank loans	**$ 55,207**	**$ 55,207**	**–**
Current portion of long-term debt	**82,161**	**82,161**	**–**
Payables:			
Trade notes	**164,393**	**164,393**	**–**
Trade accounts	**297,263**	**297,263**	**–**
Other	**177,093**	**177,093**	**–**
Income taxes payable	**43,013**	**43,013**	**–**
Long-term debt:			
Corporate bonds	**180,652**	**180,959**	**$ 307**
Bank loans	**288,863**	**283,199**	**(5,672)**
Lease obligations	**54,566**	**52,010**	**(2,556)**
Total	**$ 1,343,211**	**$ 1,335,299**	**$ (7,921)**
Derivative transactions	**$ (9)**	**$ (9)**	**–**

Cash and cash equivalents, Time deposits, and Receivables
The carrying values of cash and cash equivalents, time deposits and receivables approximate fair value because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price on the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 4.

Short-term bank loans, Current portion of long-term debt, Payables, Income tax payable
The carrying values of short-term bank loans, current portion of long-term debt, payables, and income taxes payable approximate fair value because of their short maturities.

Corporate bonds and Long-term debt
The fair value of corporate bonds is based on the present value of the total principal and interest discounted by the interest rate which would be applicable for issuance of a similar new bond.

The fair value of bank loans is based on the present value of the total principal and interest discounted by the interest rate which would be applicable for a similar new borrowing. For bank loans which are hedged items for the interest rate swaps which qualify for hedge accounting and meet specific matching criteria, the fair value is based on the present value of the total principal and interest including the differential paid or received under those swap agreement discounted by the interest rate which would be reasonably estimated for a similar borrowing.

Notes to Consolidated Financial Statements

Lease obligations
The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate to be applied if a new lease contract under the same conditions for the same residual period was entered into.

Derivatives
Fair value information for derivatives is included in Note 14.

(b) Financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	**2021**
Financial instruments that do not have a quoted market price in an active market	**¥ 19,354**	¥ 17,309	**$ 174,817**

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
	2021		2020	
	Due in 1 Year or Less	Due after 1 Year Through 5 Years	Due in 1 Year or Less	Due after 1 Year Through 5 Years
Cash and cash equivalents	**¥ 35,807**	**–**	¥ 24,749	–
Time deposits	**473**	**–**	478	–
Receivables				
Trade notes	**9,255**	**–**	11,700	–
Trade accounts	**70,054**	**–**	63,939	–
Investment securities:				
Available-for-sale securities with contractual maturities	**–**	**¥ 29**	–	¥ 29
Total	**¥ 115,589**	**¥ 29**	¥ 100,866	¥ 29

	Thousands of U.S. Dollars	
	2021	
	Due in 1 Year or Less	Due after 1 Year Through 5 Years
Cash and cash equivalents	**$ 323,431**	**–**
Time deposits	**4,272**	**–**
Receivables		
Trade notes	**83,597**	**–**
Trade accounts	**632,770**	**–**
Investment securities:		
Available-for-sale securities with contractual maturities	**–**	**$ 262**
Total	**$ 1,044,070**	**$ 262**

See Note 7 for annual maturities of long-term debt.

14. DERIVATIVES

The Group have entered into foreign exchange forward contracts and foreign currency swaps to hedge foreign currency exchange rate risk associated with certain assets and liabilities denominated in foreign currencies. The Group also have entered into interest rate swap contracts to manage interest rate exposures on certain liabilities and have entered into commodity price swap contracts to reduce the impact of price fluctuations of inventories.

All derivative transactions are entered into to hedge interest, foreign currency and commodity price exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is generally offset by opposite movements in the value of the hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign currency exchange rates.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization of such transactions.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling GBP	**¥ 2,325**	**–**	**¥ 31**	**¥ 31**
AUD	**200**	**–**	**(3)**	**(3)**
NZD	**18**	**–**	**(1)**	**(1)**
USD	**127**	**–**	**(6)**	**(6)**
Total	**¥ 2,670**	**–**	**¥ 21**	**¥ 21**

	Millions of Yen			
March 31, 2020	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling GBP	¥ 1,905	–	¥ 14	¥ 14
AUD	383	–	(131)	(131)
NZD	59	–	(4)	(4)
Total	¥ 2,347	–	¥ (121)	¥ (121)

	Thousands of U.S. Dollars			
March 31, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling GBP	**$ 21,001**	**–**	**$ 280**	**$ 280**
AUD	**1,806**	**–**	**(27)**	**(27)**
NZD	**163**	**–**	**(9)**	**(9)**
USD	**1,147**	**–**	**(54)**	**(54)**
Total	**$ 24,117**	**–**	**$ 190**	**$ 190**

Notes to Consolidated Financial Statements

Derivative Transactions for Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest Rate and Currency Swap Contracts: (Fixed rate payments and floating rate receipts, Japanese yen payment and US dollar receipts)	**Long-term debt**	**¥ 1,852**	**¥ 1,852**	*
Foreign currency forward contracts: (Buying USD)	**Trade accounts payable**	**325**	**–**	**¥ (2)**
Currency options trading: (Selling USD)	**Trade accounts payable**	**100**	**–**	**(1)**
(Buying USD)	**Trade accounts payable**	**100**	**–**	**0**
Currency swap transaction (US dollar payment and Japanese yen receipt)	**Long-term loan receivables**	**739**	**683**	**(50)**
Commodity swaps: (Fixed material price payments and floating material price receipts)	**Nickel purchase transaction**	**87**	**–**	**(20)**
Total		**¥ 3,203**	**¥ 2,535**	**¥ (73)**

		Millions of Yen		
March 31, 2020	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest Rate and Currency Swap Contracts: (Fixed rate payments and floating rate receipts, Japanese yen payment and US dollar receipts)	Long-term debt	¥ 1,852	¥ 1,852	*
Foreign currency forward contracts: (Buying USD)	Trade accounts receivable	64	–	¥ (1)
Commodity swaps: (Fixed material price payments and floating material price receipts)	Nickel purchase transaction	577	87	(259)
Total		¥ 2,493	¥ 1,939	¥ (260)

		Thousands of U.S. Dollars		
March 31, 2021	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest Rate and Currency Swap Contracts: (Fixed rate payments and floating rate receipts, Japanese yen payment and US dollar receipts)	**Long-term debt**	**$ 16,728**	**$ 16,728**	*
Foreign currency forward contracts: (Buying USD)	**Trade accounts payable**	**2,936**	**–**	**$ (18)**
Currency options trading: (Selling USD)	**Trade accounts payable**	**903**	**–**	**(9)**
(Buying USD)	**Trade accounts payable**	**903**	**–**	**0**
Currency swap transaction (US dollar payment and Japanese yen receipt)	**Long-term loan receivables**	**6,675**	**6,170**	**(452)**
Commodity swaps: (Fixed material price payments and floating material price receipts)	**Nickel purchase transaction**	**786**	**–**	**(181)**
Total		**$ 28,931**	**$ 22,898**	**$ (659)**

* The above interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense. In addition, the fair value of such interest rate and currency swaps in Note 14 is included in that of the hedged items (i.e., long-term debt).
The fair value of derivatives is measured at the quoted prices obtained from financial institutions.
The contract or notional amounts of derivatives shown in the preceding table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

15. CONTINGENT LIABILITIES

As of March 31, 2021 and 2020, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Endorsed notes	**¥ 872**	**¥ 912**	**$ 7,876**
Guarantees of bank loans of certain affiliated companies	**903**	**714**	**8,156**

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	**¥ 7,776**	¥ (3,964)	**$ 70,238**
Reclassification adjustments to profit or loss	**(284)**	(75)	**(2,565)**
Subtotal, before tax	**7,492**	(4,039)	**67,673**
Tax effects	**(2,255)**	1,120	**(20,369)**
Subtotal, net of tax	**¥ 5,237**	¥ (2,919)	**$ 47,304**
Deferred gain (loss) on derivatives under hedge accounting:			
Increase (decrease) during the year	**¥ 119**	¥ (257)	**$ 1,075**
Reclassification adjustments to profit or loss	**116**	0	**1,048**
Subtotal, before tax	**235**	(257)	**2,123**
Tax effects	**(0)**	0	**(0)**
Subtotal, net of tax	**¥ 235**	¥ (257)	**$ 2,123**
Foreign currency translation adjustments:			
Increase (decrease) during the year	**¥ 7,891**	¥ (5,444)	**$ 71,276**
Reclassification adjustments to profit or loss	**–**	–	**–**
Subtotal, before tax	**7,891**	(5,444)	**71,276**
Subtotal, net of tax	**¥ 7,891**	¥ (5,444)	**$ 71,276**
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	**¥ 7,535**	¥ (2,044)	**$ 68,061**
Reclassification adjustments to profit or loss	**1,286**	242	**11,616**
Subtotal, before tax	**8,821**	(1,802)	**79,677**
Tax effects	**(2,676)**	564	**(24,172)**
Subtotal, net of tax	**¥ 6,145**	¥ (1,238)	**$ 55,505**
Share of other comprehensive income of entities accounted for using equity method: Increase (decrease) during the year	**¥ 813**	¥ (1,976)	**$ 7,344**
Total other comprehensive income	**¥ 20,321**	¥ (11,834)	**$ 183,552**

Notes to Consolidated Financial Statements

17. NET INCOME PER SHARE

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2021				
Basic EPS – Net income attributable to common shareholders	**¥ 11,455**	**80,720**	**¥ 141.91**	**$ 1.28**
Year Ended March 31, 2020				
Basic EPS – Net income attributable to common shareholders	¥ 13,674	81,282	¥ 168.23	

Diluted net income per share is not provided here as there were no potentially dilutive common shares. As noted in Note 2(m) the Company applied PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees Etc., Through Trusts." In calculating the number of weighted-average shares above, the number of shares that are held by the Trust (73,948 shares in 2021) is reflected.

18. SUBSEQUENT EVENTS

Business combinations

At the Board of Directors meeting held on August 4, 2020, the Company resolved that GS Yuasa International Ltd. acquire all of the shares of Sanken Densetsu Co., Ltd., which will succeed the social system business of Sanken Electric Co., Ltd. And on the same day, a share transfer agreement was entered into. As a result, on May 1, 2021, GS Yuasa International Ltd. acquired 100% of the issued shares of Sanken Densetsu Co., Ltd.

1. Overview of business combination

(1) Name of the acquired company and the description of its business

Name of the acquired company: Sanken Densetsu Co., Ltd.

Business description: Development, manufacturing, sales of power supply equipment products, construction planning, delivery, installation, wiring work and on-site adjustment tests, maintenance, inspection, battery replacement, etc., and repairs of power supply equipment products

(2) Main reasons for business combination

In the market environment surrounding our industrial battery power supply business, it is expected that demand for emergency power supplies will increase due to the spread of IoT and the construction and expansion of data centers and the national resilience policy. On the other hand, competition is intensifying due to the aggressive entry of competitors into the market, and it is expected that the competitive environment will continue to increase in the future. Under such circumstances, the Company has determined that the Group will be able to strengthen competitiveness and achieve sustainable growth by combining the technological and development capabilities that Sanken Electric and the GS Yuasa Group have cultivated.

(3) Business combination date

May 1, 2021

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name of the company after the business combination

GS Yuasa Infrastructure Systems Co., Ltd.

(6) Acquired voting right ratio

100%

(7) Main grounds for determining the acquisition company

The determination was due to the acquisition of shares by GS Yuasa International Ltd., a consolidated subsidiary of the Company, in consideration of cash.

2. Acquisition cost and consideration by type

4,767 million yen ($43,058 thousand)

The acquisition cost has not been finalized at this time, and the above is a provisional amount. All payments are made in cash.

3. Details on major acquisition related costs

They have not been finalized at this time.

4. Amount of goodwill generated, cause of occurrence, amortization method and amortization period

They have not been finalized at this time.

5. Amount of assets to be accepted and liabilities to be underwritten on the business combination date and their main breakdown

They have not been finalized at this time.

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. As such, the Group's reportable segments are as follows:

"Automotive Batteries (Japan)," consisting of manufacturing and marketing of lead-acid batteries for automobiles.

"Automotive Batteries (Overseas)," consisting of manufacturing and marketing of batteries overseas.

"Industrial Batteries and Power Supplies," consisting of manufacturing and marketing of industrial batteries and power supplies.

"Automotive Lithium-ion Batteries," consisting of manufacturing and marketing of lithium-ion batteries for vehicles.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The profit (loss) of each reportable segment is an operating profit (loss) before amortization of goodwill. The prices of the goods traded among the segments are determined mainly by market prices or manufacturing costs.

Notes to Consolidated Financial Statements

(3) Information about Sales, Profit (Loss), Assets, and Other by reportable segment

Millions of Yen

	2021								
	Reportable Segments								
	Automotive Batteries								
	Japan	Overseas	Total	Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Total	Other	Consolidated
Sales:								
Sales to external customers	**¥ 83,640**	**¥ 165,297**	**¥ 248,937**	**¥ 84,037**	**¥ 35,950**	**¥ 368,924**	**¥ 17,587**	**¥ 386,511**
Intersegment sales of transfers	**1,253**	**2,879**	**4,132**	**11,921**	**7,051**	**23,104**	**(23,104)**	**–**
Total	**¥ 84,893**	**¥ 168,176**	**¥ 253,069**	**¥ 95,958**	**¥ 43,001**	**¥ 392,028**	**¥ (5,517)**	**¥ 386,511**
Segment profit (loss)	**¥ 8,669**	**¥ 12,226**	**¥ 20,895**	**¥ 6,890**	**¥ (852)**	**¥ 26,933**	**¥ 137**	**¥ 27,070**
Segment assets	**59,759**	**167,901**	**227,660**	**56,594**	**52,641**	**336,895**	**95,019**	**431,914**
Other:								
Depreciation and amortization	**3,137**	**4,467**	**7,604**	**1,689**	**3,525**	**12,818**	**5,213**	**18,031**
Investment in equity method	**1,257**	**31,856**	**33,113**	**289**	**–**	**33,402**	**3,146**	**36,548**
Increase in property, plant and equipment and intangible assets	**2,660**	**4,327**	**6,987**	**1,398**	**4,246**	**12,631**	**6,474**	**19,105**
Amortization of goodwill	**1,319**	**17**	**1,336**	**–**	**–**	**1,336**	**–**	**1,336**
Goodwill – net	**660**	**–**	**660**	**–**	**–**	**660**	**–**	**660**
Impairment loss on long-lived assets	**–**	**–**	**–**	**–**	**2,761**	**2,761**	**–**	**2,761**

Millions of Yen

	2020							
	Reportable Segments							
	Automotive Batteries							
	Japan	Overseas	Total	Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Total	Other	Consolidated
Sales:								
Sales to external customers	¥ 88,059	¥ 162,139	¥ 250,198	¥ 84,566	¥ 42,264	¥ 377,028	¥ 18,526	¥ 395,554
Intersegment sales of transfers	1,381	3,937	5,318	12,033	720	18,071	(18,071)	–
Total	¥ 89,440	¥ 166,076	¥ 255,516	¥ 96,599	¥ 42,984	¥ 395,099	¥ 455	¥ 395,554
Segment profit (loss)	¥ 6,977	¥ 9,187	¥ 16,164	¥ 9,158	¥ (1,709)	¥ 23,613	¥ 322	¥ 23,935
Segment assets	58,141	148,180	206,321	57,211	49,322	312,854	72,563	385,417
Other:								
Depreciation and amortization	3,168	4,414	7,582	1,655	3,258	12,495	5,164	17,659
Investment in equity method	1,141	29,017	30,158	276	–	30,434	2,405	32,839
Increase in property, plant and equipment and intangible assets	2,335	5,518	7,853	1,883	4,709	14,445	5,525	19,970
Amortization of goodwill	1,319	33	1,352	–	–	1,352	–	1,352
Goodwill – net	1,979	16	1,995	–	–	1,995	–	1,995
Impairment loss on long-lived assets	–	124	124	1	–	125	–	125

Notes to Consolidated Financial Statements

Thousands of U.S. Dollars

	2021								
	Reportable Segments							Other	Consolidated
	Automotive Batteries			Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Total			
	Japan	Overseas	Total						
Sales:									
Sales to external customers	$ 755,487	$ 1,493,063	$ 2,248,550	$ 759,073	$ 324,722	$ 3,332,345		$ 158,857	$ 3,491,202
Intersegment sales of transfers	11,318	26,005	37,323	107,678	63,689	208,690		(208,690)	–
Total	$ 766,805	$ 1,519,068	$ 2,285,873	$ 866,751	$ 388,411	$ 3,541,035		$ (49,833)	$ 3,491,202
Segment profit (loss)	$ 78,304	$ 110,432	$ 188,736	$ 62,235	$ (7,696)	$ 243,275		$ 1,238	$ 244,513
Segment assets	539,779	1,516,584	2,056,363	511,191	475,486	3,043,040		858,270	3,901,310
Other:									
Depreciation and amortization	28,335	40,349	68,684	15,256	31,840	115,780		47,087	162,867
Investment in equity method	11,354	287,743	299,097	2,610	–	301,707		28,417	330,124
Increase in property, plant and equipment and intangible assets	24,027	39,084	63,111	12,628	38,352	114,091		58,477	172,568
Amortization of goodwill	11,914	154	12,068	–	–	12,068		–	12,068
Goodwill – net	5,962	–	5,962	–	–	5,962		–	5,962
Impairment loss on long-lived assets	–	–	–	–	24,939	24,939		–	24,939

Notes:

1. "Other" consists of business activities, such as those related to special batteries, that are not included as a reportable segment or adjustments of segment profit (loss).

2. The main details of adjustments were as follows:

(1) Adjustments of segment profit (loss) for the years ended March 31, 2021 and 2020 were ¥(2,264) million ($(20,450) thousand) and ¥(2,152) million, respectively. The details of the adjustments were as follows:

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
Elimination of intersegment transactions	¥ (1,365)	¥ (1,198)	$ (12,330)
Company-wide expenses	(899)	(954)	(8,120)
Total	¥ (2,264)	¥ (2,152)	$ (20,450)

Company-wide expenses consist mainly of general administrative expenses not attributable to any reportable segments.

(2) Adjustments of segment assets for the years ended March 31, 2021 and 2020 were ¥81,408 million ($735,327 thousand) and ¥58,245 million, respectively. The details of the adjustments were as follows:

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars 2021
Elimination of intersegment transactions	¥ (100,470)	¥ (94,930)	$ (907,506)
Company-wide assets	181,878	153,175	1,642,833
Total	¥ 81,408	¥ 58,245	$ 735,327

Company-wide assets consist mainly of managing cash surplus, long-term investment funds, assets of administrative departments and certain equipment of the research institute.

(3) Adjustments of depreciation and amortization for the years ended March 31, 2021 and 2020 were ¥3,826 million ($34,559 thousand) and ¥3,783 million, respectively. The adjustments consisted of depreciation of Company-wide assets.

(4) Adjustments to "Increase in property, plant and equipment and intangible assets" for the years ended March 31, 2021 and 2020 were ¥5,878 million ($53,094 thousand) and ¥5,102 million, respectively. The adjustments consisted of the purchase amount of property, plant and equipment and intangible assets classified as Company-wide assets.

3. The difference between the segment profit (loss) listed above and operating income in the consolidated statement of income, ¥24,811 million ($224,108 thousand) and ¥21,676 million for the years ended March 31, 2021 and 2020, respectively, resulted from the amortization of goodwill and other intangible assets of ¥2,259 million ($20,405 thousand) and ¥2,259 million. The goodwill and other intangible assets include identifiable assets acquired on the effective date of the business combination.

Notes to Consolidated Financial Statements

(4) Information about Geographical Areas

(a) Sales

Millions of Yen

2021				
Japan	Asia	Europe and North America	Other	Total
¥ 205,431	**¥ 95,893**	**¥ 57,395**	**¥ 27,792**	**¥ 386,511**

Millions of Yen

2020				
Japan	Asia	Europe and North America	Other	Total
¥ 212,864	¥ 103,210	¥ 54,846	¥ 24,634	¥ 395,554

Thousands of U.S. Dollars

2021				
Japan	Asia	Europe and North America	Other	Total
$ 1,855,578	**$ 866,164**	**$ 518,427**	**$ 251,033**	**$ 3,491,202**

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

Millions of Yen

2021					
Japan	China	Asia	Europe and North America	Other	Total
¥ 88,791	**¥ 14,703**	**¥ 20,758**	**¥ 6,554**	**¥ 3,725**	**¥ 134,531**

Millions of Yen

2020					
Japan	China	Asia	Europe and North America	Other	Total
¥ 86,024	¥ 13,578	¥ 18,678	¥ 6,424	¥ 3,148	¥ 127,852

Thousands of U.S. Dollars

2021					
Japan	China	Asia	Europe and North America	Other	Total
$ 802,014	**$ 132,806**	**$ 187,499**	**$ 59,200**	**$ 33,647**	**$ 1,215,166**

KPMG

Independent auditor's report

To the Board of Directors of GS Yuasa Corporation:

Opinion

We have audited the accompanying consolidated financial statements of GS Yuasa Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the amount of impairment loss recognized on long-lived assets of Lithium Energy Japan	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 6, "IMPAIRMENT LOSS ON LONG-LIVED ASSETS" to the consolidated financial statements, the Company recognized an impairment loss of ¥2,761 million on the production facilities (with a carrying amount of ¥6,216 million before recognition of the impairment loss) held by its consolidated subsidiary, Lithium Energy Japan (hereinafter, the "Subsidiary"), under the Automotive Lithium-ion Batteries segment. While these long-lived assets, including the production facilities held by the Subsidiary, are depreciated/amortized in a systematic manner,	The primary procedures we performed to assess the reasonableness of the amount of impairment loss recognized on long-lived assets of the Subsidiary included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the impairment test. **(2) Assessment of the reasonableness of the estimated future cash flows**

they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The Subsidiary is expected to face a significant deterioration in the business environment, including a significant decrease in sales volume because its major customers adopted new business strategies, and such conditions would constitute an impairment indicator on the production facilities. Accordingly, since the carrying amount exceeded the undiscounted future cash flows and the recognition of an impairment loss was deemed necessary, the Subsidiary recognized an impairment loss that was measured using the value in use as the recoverable amount. Future cash flows used in the aforementioned impairment test were estimated based on the business plan prepared by management of the Subsidiary, while giving consideration to uncertainty. The planned sales volume calculated based on prospective new orders for automotive and industrial lithium-ion batteries, which were considered for the aforementioned estimate, involved a high degree of uncertainty, and management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the recoverable amount requires a high degree of expertise in valuation. We, therefore, determined that our assessment of the reasonableness of the amount of impairment loss recognized on long-lived assets of the Subsidiary was of most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess the reasonableness of the planned sales volume as a key assumption adopted for estimating future cash flows included the following: ● inspected whether the business plan as a whole, including the planned sales volume, was approved by management of the Company and inquired of President of the Subsidiary to understand the basis for formulating the business plan; ● assessed the consistency of the planned sales volume for the automotive lithium-ion batteries with automakers' sales forecasts. In addition, for the industrial lithium-ion batteries, we assessed the consistency of the market size, which was used as a premise for the planned sales volume, with available external sources and agreed the orders confirmed with purchase orders; and ● in order to assess the reasonableness of the degree of uncertainty of the planned sales volume considered by management of the Subsidiary in estimating the future cash flows, analyzed the actual sales results against the past planned sales volume and inquired of President of the Subsidiary about the possibility of new orders being received. **(3) Assessment of the reasonableness of the estimated discount rate** We performed the following procedures by engaging a valuation specialist within our domestic network firms to assist our evaluation of the discount rate used to measure the value in use: ● assessment of the appropriateness of the model used to estimate the discount rate based on subject matter relevant to valuation and the requirements of applicable accounting standards; and ● assessment of the reasonableness of adopting input parameters (risk free rate, beta value and market risk premium) by comparing them with the standards of external data.

Other Matter

The consolidated financial statements of the Company as at and for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on June 26, 2020.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain

solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Motohiro Tanaka
Designated Engagement Partner
Certified Public Accountant

Hiroshi Miura
Designated Engagement Partner
Certified Public Accountant

Tetsuo Yamada
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Kyoto Office, Japan
June 29, 2021

Corporate Information As of March 31, 2021

Corporate Information

Corporate Name	**GS Yuasa Corporation** Head Office 1, Inobanba-cho, Nishinosho, Kisshoin, Minami-ku, Kyoto 601-8520, Japan Tel: +81-75-312-1211 Tokyo Office 1-7-13, Shiba-koen, Minato-ku, Tokyo 105-0011, Japan Tel: +81-3-5402-5800
Business	GS Yuasa Corporation devises and coordinates management strategy for all companies in its Group to maximize their corporate value.
Establishment	April 1, 2004
Capital Stock	¥33.0 billion
Number of Employees	Consolidated: 13,305

Group Companies

Japan

GS Yuasa International Ltd.
GS Yuasa Battery Ltd.
GS Yuasa Technology Ltd.
GS Yuasa Energy Co., Ltd.
Lithium Energy Japan Ltd.
Blue Energy Co., Ltd.
GS Yuasa Infrastructure Systems Co., Ltd.
GS Yuasa Fieldings Ltd.
Hokkaido GS Yuasa Service Co., Ltd.
GS Yuasa Innovation Co., Ltd.
GS Yuasa Lighting Service Co., Ltd.
GS Yuasa Socie Ltd.
GS Yuasa Chemical Co., Ltd.
GS Yuasa Ibaraki Co., Ltd.
GS Yuasa Environmental Science Laboratory Co., Ltd.
Yuasa Membrane Systems Co., Ltd.
GS Yuasa Iwaki Co., Ltd
GS Yuasa Moldings Co.,Ltd.
GS Yuasa Azumino Co., Ltd.

Overseas

USA
GS Yuasa Energy Solutions, Inc.
GS Yuasa Lithium Power, Inc.
Yuasa Battery, Inc.

UK
GS Yuasa Battery Europe Ltd.

HUNGARY
GS Yuasa Hungary Ltd.

TURKEY
Inci GS Yuasa Aku Sanayi ve Ticaret Anonim Sirketi

CHINA
Yuasa Battery (Guangdong) Co., Ltd.
Yuasa Battery (Shunde) Co., Ltd.
Tianjin Yuasa Batteries Co., Ltd.
Tianjin GS Battery Co., Ltd.
Tianjin Toho Lead Recycling Co., Ltd.
GS Battery (China) Co., Ltd.
Shanghai GS Toptiger Motive Power Co., Ltd.

TAIWAN
Taiwan Yuasa Battery Co., Ltd.
GS Battery Taiwan Co., Ltd.

THAILAND
GS Yuasa Asia Technical Center Ltd.
Yuasa Battery (Thailand) Pub. Co., Ltd.
Siam GS Battery Co., Ltd.
GS Yuasa Siam Industry Ltd.
GS Yuasa Siam Sales Ltd.

MALAYSIA
GS Yuasa Battery Malaysia Sdn. Bhd.

VIETNAM
GS Battery Vietnam Co., Ltd.

INDONESIA
PT. Yuasa Battery Indonesia
PT. GS Battery
PT. Trimitra Baterai Prakasa
PT. Yuasa Industrial Battery Indonesia

PAKISTAN
Atlas Battery Ltd.

INDIA
Tata AutoComp GY Batteries Private Limited

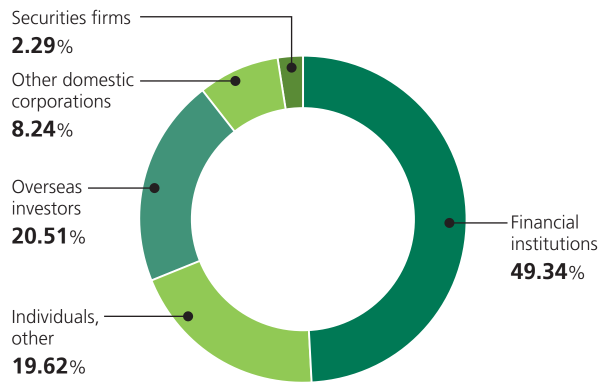
AUSTRALIA
Century Yuasa Batteries Pty Ltd.

Stock Information As of March 31, 2021

Stock Information

Fiscal Year-End	March 31
Number of Shares Authorized	280,000,000
Number of Shares Issued	82,714,942
Shares per Trading Unit	100
Number of Shareholders	33,584
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited
Listed Securities Exchange	First Section of the Tokyo Stock Exchange
Method of Public Notice	Notification is given electronically on the Company's website. However, if a public announcement cannot be made electronically, it will be placed in the Nihon Keizai Shimbun newspaper.

Shareholdings by Type of Shareholder



Principal Shareholders

Name	Number of Shares Held (thousands)	As a Proportion of Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,610	11.91
Custody Bank of Japan, Ltd. (Trust Account)	5,490	6.81
Meiji Yasuda Life Insurance Company	2,800	3.47
Toyota Motor Corporation	2,236	2.77
MUFG Bank, Ltd.	1,865	2.31
Nippon Life Insurance Company	1,789	2.22
BBH FOR GLOBAL X LITHIUM AND BATTERY TECH ETF (Standing proxy: MUFG Bank, Ltd.)	1,604	1.99
The Bank of Kyoto, Ltd.	1,548	1.92
Sumitomo Mitsui Trust Bank, Limited	1,470	1.82
Sumitomo Mitsui Banking Corporation	1,421	1.76

Stock Price and Trading Volume