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## GS Yuasa Announces Fifth Mid-Term Management Plan (FY2019~FY2021)

GS Yuasa Corporation (hereinafter “GS Yuasa”) announced today that it has formulated its Fifth Mid-Term Management Plan.

There has been an overall expansion of the global economy over the last few years and we have also seen a certain amount of growth in our business operations. However, a number of risks negatively impacting the global economy are emerging, such as the rise of protectionism mainly in the US; the growing likelihood of a no-deal, or hard, Brexit for the UK; and changes in economic conditions in regions and countries that have thus far demonstrated strong growth chiefly because of the economic slowdown in China. Owing to this increasingly uncertain future, we decided that we must adopt a cautious outlook for FY2019 as we expect the economic environment in Japan and overseas to deteriorate.

That said, we see stable growth over the next 10 years or so in our mainstay lead-acid batteries and power supplies business, which is why we will maintain our current mid-term policy of strengthening earnings capacity in these businesses and venturing into untapped regions.

We also expect the lithium-ion batteries market to continue expanding significantly. In this business, we will determine in which markets and applications we can best leverage our Company’s strengths and thus allocate managerial resources and make upfront investments in order to ensure future business growth.

With our Fifth Mid-Term Management Plan as a foundation, we will earnestly address the above issues in order to achieve long-term sustainable growth as an energy device company.

### I. Overview of Fourth Mid-Term Management Plan (FY2016~FY2018)

#### 1. Management Targets

GS Yuasa failed to achieve the targets for FY2018 in the Fourth Mid-Term Management Plan. This owed to some uncompleted initiatives and our inability to streamline and absorb higher overheads, including raw material prices, distribution costs, and energy costs. Our efforts to lower costs were also insufficient.

	Targets	Fiscal 2018 Results
Net sales	¥480.0 billion	¥413.1 billion
Operating income ratio	8% or more	6.1%
ROE (return on equity)	10% or more	9.0%
Total return ratio	30% or more	35.1%

\*The above benchmarks are based on profit before goodwill amortization (operating income and net income).

## 2. Results of Key Initiatives

### (1) New business (Automotive Lithium-ion Batteries)

The pace of change in the automotive market is fast and the competitive environment remains fierce. As such, business conditions were not conducive to rapid investment recovery, but we managed to keep earnings in the black by implementing various initiatives including streamlining our operations.

### (2) Growth business (Overseas Operations)

Results fell short of plan owing to the soaring price of lead, a key raw material, and inadequate strategies for untapped regions, but we expanded our operations by boosting earnings at existing bases, improving business structures, and engaging in M&A activities.

### (3) Existing business (Domestic Automotive Batteries and Domestic Industrial Batteries and Power Supplies)

Although the domestic automotive batteries business was affected by the soaring price of lead, a key raw material, cash flow increased and earnings stabilized thanks to higher sales of high-performance, high-quality products and the transfer of Panasonic Corporation's lead-acid batteries business.

Results in the domestic industrial batteries and power supplies business fell short of plan despite our efforts to revise prices and curb costs in response to declining profitability stemming from changes in the market environment.

### (4) Financial measures

The balance of interest-bearing debt came to ¥66.9 billion, reflecting our ongoing efforts to secure better returns on invested capital.

### (5) Corporate governance

In April 2017 we established our CSR Promotion Office as part of efforts to develop a framework to sustainably generate corporate value and promote corporate social responsibility. We also endeavored to strengthen the safety systems at all of our locations by establishing the Occupational Safety & Health Division in December 2017.

## II. Long-Term Outlook for Business Environment (around 2030)

The automotive industry is currently on the cusp of a major period of transformation with the introduction of CASE (Connected, Autonomous, Shared, and Electric) technologies. Social initiatives for tackling the Sustainable Development Goals (SDGs) are also gaining momentum and we anticipate that the role of energy devices in reducing impacts on the global environment will become increasingly important.

In this business environment, demand for lithium-ion batteries for automotive and industrial applications is expected to grow considerably mainly in developed countries. We also anticipate globally stable demand for GS Yuasa's mainstay lead-acid batteries and we expect to see increased opportunities through which we can play a role in contributing to a sustainable society.

In leveraging these business opportunities, during our Fifth Mid-Term Management Plan we will bolster our earnings capacity in the lead-acid batteries business's major markets and implement measures for expanding sales in key regions and at key bases. Furthermore, in the lithium-ion batteries business we will execute policies that play to our Company's strengths in an effort to maintain our earnings power, and make preparations for further growth during and after the Sixth Mid-Term Management Plan with upfront, strategic capital investments and R&D spending.

### III. Overview of Fifth Mid-Term Management Plan

#### 1. Mid-Term Management Policy

We will implement the following policy for our Fifth Mid-Term Management Plan in order to achieve the long-term goals that we have set based on our long-term outlook for the business environment.

Long-term vision:

To become an energy device company that constantly generates new value.

Management policy:

To engage in strategic corporate activities that lead to sustainable growth in both the lead-acid batteries business and lithium-ion batteries business through the creation of new value based on the concept of “*Mono-Koto Zukuri* (product and service creation).”

CSR policy:

At GS Yuasa, we believe that putting into practice our corporate philosophy of being “committed to people, society, and the global environment through innovation and growth” will lead to sustainable growth in our business operations.

Over the period covered by our Fifth Mid-Term Management Plan, we aim to establish business processes that incorporate CSR issues into our business strategies, enhance the quality of management from both financial and non-financial perspectives, and realize sustainable growth for our business and society.

(1) Management plan period: Three years from April 2019 through March 2022

(2) Management targets

	Targets
Net sales	¥460.0 billion or more
Operating income	¥28.0 billion or more
ROE (return on equity)	8% or more
Total return ratio	30% or more

\*The above benchmarks are based on profit before goodwill amortization (operating income and net income).

#### 2. Major Strategic Initiatives

During the period of our Fifth Mid-Term Management Plan, we will implement the following three major strategic initiatives: (1) step up efforts to address key CSR issues identified in our business processes; (2) work to strengthen our operational foundations by boosting earnings in the lead-acid batteries business and expanding our overseas business; and (3) lay the groundwork for ramping up the scale and earnings of the lithium-ion batteries business during our Sixth Mid-Term Management Plan and thereafter.

#### 3. Issues to Address for Achieving Management Targets

(1) CSR

We will focus on addressing the following issues from an ESG (Environment, Social, Governance) perspective. First, we will develop and expand sales of products that are friendly to the environment, people, and society and create a manufacturing system to facilitate this, and contribute to the mitigation of climate change and societal risks by endeavoring to reduce CO<sub>2</sub> emissions and water usage associated with our business activities. Next, we will place top priority on respecting human rights and continuously educate people in our supply chain about such issues. We will also ensure thorough corporate governance and execute business management in a manner that meets the demands of our global stakeholders.

## (2) Automotive Batteries

We will work on further bolstering our earnings capacity, mainly in Japan and Asia where this business already has a strong presence, by providing high-quality, high added-value products and enhancing productivity. In regions where we have low market share or regions we are yet to penetrate, we will implement measures to expand sales. We will also step up efforts to develop and open up the 12V lithium-ion batteries market for environment-friendly applications and in response to the rise of electric vehicles.

## (3) Industrial Batteries and Power Supplies

In existing markets, we will bolster our earnings capacity with “Mono-Koto Zukuri (product and service creation)” that utilizes AI and IoT and scale up our operations through greater overseas expansion. Moreover, we will further advance the development and sales of lithium-ion batteries for industrial applications on the back of demand for replacement of lead-acid batteries and new market growth in the green technology and energy fields.

## (4) Lithium-ion Batteries

We will leverage our strengths to engage in unique market positioning and implement measures that ensure stable growth and reinforce our earnings power. In particular, we position HEV-related business and the development and mass production of 12V lithium-ion batteries as drivers of growth in this business and we will work on advancing these. Furthermore, will aim to expand our industrial-use business by applying the know-how we have gained from EV/PHEV-related products.

## (5) Financial measures

We will seek to improve returns on invested capital and aim to achieve the following by procuring the necessary capital from, in principle, equity capital.

Debt repayment period (FY2021): Less than 3 years

Equity ratio: Maintained at 45% or higher

## 4. Capital Investments

	Total cumulative		Total cumulative
Automotive Batteries	¥24.0 billion	Automotive Lithium-ion Batteries	¥48.0 billion
Industrial Batteries and Power	¥8.0 billion	Other	¥15.0 billion
		Total	¥95.0 billion

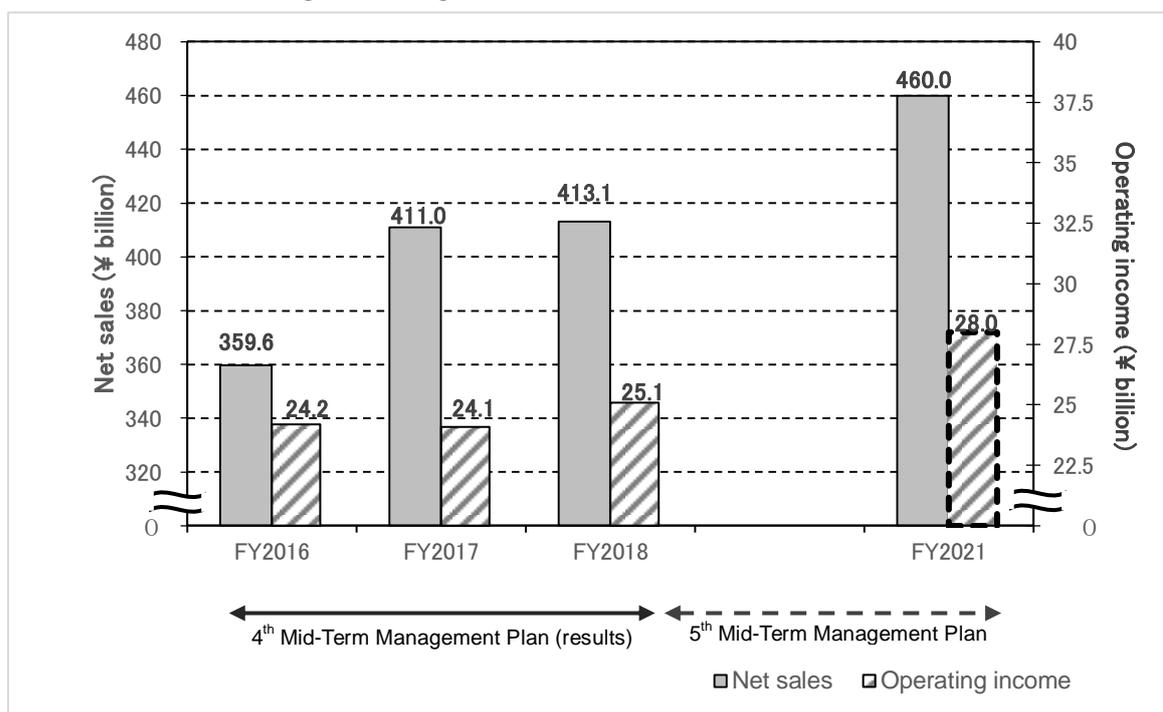
## 5. R&D Costs

Strategically invest in research and development to achieve growth in the lithium-ion batteries business from the period covered by the Sixth Mid-Term Management Plan onwards.

Cumulative R&D costs: ¥35.0 billion

<Reference>

1. Business results and management targets



2. Management targets (by segment)

(Billions of yen)

		Automotive Batteries			Industrial Batteries & Power Supplies	Automotive Lithium-ion Batteries	Other	Total
		Domestic	Overseas	Subtotal				
FY2021	Net sales	85.0	200.0	285.0	100.0	55.0	20.0	460.0
	Operating income*	7.0	13.0	20.0	8.0	1.0	-1.0	28.0

\*Operating income is before goodwill amortization.