

August 6, 2019

GS Yuasa Corporation
Consolidated Earnings Report for the
Three Months ended June 30, 2019
(Japanese GAAP)

Stock listing: Tokyo Stock Exchange Securities code: 6674
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Scheduled dates
 Filing of statutory quarterly financial report (*Shihanki hokokusho*): August 6, 2019
 Dividend payout: -

Supplementary materials to quarterly earnings report available: Yes
 Quarterly earnings presentation held: Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three Months ended June 30, 2019	90,082	(6.4)	2,040	(30.1)	2,873	(9.2)	1,473	3.0
Three Months ended June 30, 2018	96,256	9.6	2,917	1.4	3,165	(3.3)	1,430	14.0

Note: Comprehensive income: Three Months ended June 30, 2019: ¥(1,939) million, -%
 Three Months ended June 30, 2018: ¥1,397 million, (51.1)%

	Profit per share		Diluted profit per share	
	yen		yen	
Three Months ended June 30, 2019	18.03		-	
Three Months ended June 30, 2018	17.40		16.19	

Note: Operating income before amortization of good will: Three Months ended June 30, 2019: ¥2,604 million, (24.6)%
 Three Months ended June 30, 2018: ¥3,456 million, 1.2%

The Company uses "operating income before amortization of goodwill" as an important indicator for management. On October 1, 2018, the Company carried out a 1-for-5 reverse stock split. "Profit per share" and "diluted profit per share" were calculated assuming that the reverse stock split was effected at the beginning of the fiscal year ended March 31, 2018 (April 1, 2017).

Diluted profit per share for the three months ended June 30, 2019 is not provided here, as there are no residual securities.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	million yen		million yen		%	
June 30, 2019	379,312		200,606		45.3	
March 31, 2018	384,243		207,708		46.4	

Reference: Total equity: As of June 30, 2019: ¥171,852 million
 As of March 31, 2019: ¥178,320 million

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2019	-	3.00	-	35.00	-
Year ending March 31, 2020	-				
Year ending March 31, 2020 (forecast)		15.00	-	35.00	50.00

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

For the year ended March 31, 2019, the effect of the reverse stock split is reflected in the year-end dividend per share, and the total annual dividend is presented as“-.”

3. Earnings Forecast for the Year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Six months ending Sep. 30, 2019	200,000	2.3	5,000	(28.1)	6,000	(19.9)	3,000	(13.1)	36.54
Year ending March 31, 2020	430,000	4.1	20,000	(11.7)	22,000	(11.0)	12,000	(11.3)	146.17

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

*Notes

- (1) Changes affecting the status of material subsidiaries (scope of consolidation): None
- (2) Use of accounting procedures specific to preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accordance with revisions to accounting and other standards: Yes
 - 2) Changes other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued (common stock)

	June 30, 2019	March 31, 2018
1) Number of shares issued (including treasury stock)	82,714,942	82,714,942
2) Number of shares held in treasury	1,580,447	880,229
	Three Months ended June 30, 2019	Three Months ended June 30, 2018
3) Average number of shares outstanding during the period	81,724,007	82,197,353

On October 1, 2018, the Company carried out a 1-for-5 reverse stock split. The “average number of shares outstanding during the period” was calculated assuming that the reverse stock split was effected at the beginning of the fiscal year ended March 31, 2018 (April 1, 2017).

*Quarterly financial reports are not subject to audit procedures to be conducted by certified public accountants or an audit firm.

*Appropriate Use of Earnings Forecast and Other Important Information

The above forecasts are based on the assumptions of management in light of information available as of the release date of this report. GS Yuasa Corporation makes no assurances as to the actual results, which may differ from forecasts due to various factors such as changes in the business environment.

4. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

1) Overview

Looking at the global economy in the first three months of the fiscal year ending March 31, 2020, favorable employment and income environments in the United States supported firm consumer spending, but the Chinese economy slowed, in part due to the impact of US-China trade issues. Consumer spending was also firm in Europe, buoyed by an improving employment environment. The outlook, however, remains clouded by the uncertainty surrounding Brexit. The Japanese economy meanwhile stayed on a moderate recovery trend, supported by improved employment and income environments. The outlook, however, lacks clarity amid concerns about a slowdown in the global economy.

In this economic environment, the GS Yuasa Group's consolidated net sales for the first three months of the fiscal year totaled ¥90,082 million, down ¥6,173 million or 6.4% from the same period of the previous fiscal year. The decline in Group sales mainly reflects lower overseas sales by the company's automotive batteries business. Consequently, operating income came to ¥2,040 million (¥2,604 million before goodwill amortization); ¥877 million or 30.1% less than in the same period of the previous year, and ordinary income was ¥2,873 million, down ¥291 million or 9.2% year on year. Profit attributable to owners of parent, however, was boosted by lower tax expenses and increased to ¥1,473 million (¥2,037 million before goodwill amortization), up ¥42 million or 3.0% year on year.

2) Business Segment Results

Business reportable segments for some consolidated subsidiaries, etc. have changed from the first quarter of the fiscal year under review. Accordingly, year-on-year comparisons are made by restating the previous year's results according to the new segments.

(Automotive Batteries)

Net sales in Japan totaled ¥19,129 million in the first three months of the fiscal year, a year-on-year decline of ¥533 million, or 2.7%. Although the sales volume of batteries used in new vehicles was solid, sales value fell as product prices were lowered to reflect the fall in the price of lead. Domestic segment income (before goodwill amortization) totaled ¥600 million, ¥292 million or 32.8% less than a year earlier, owing to an increase in expenses, including depreciation expense.

Overseas net sales totaled ¥40,856 million, a year-on-year decline of ¥3,398 million, or 7.7%. The decline primarily reflects lower sales in China owing to deterioration in market conditions. Yen appreciation also had a negative effect on sales in the first quarter. Overseas segment income totaled ¥2,706 million, ¥6 million or 0.2% less than a year earlier, as the decline in net sales noted above offset the positive impact of the lower price of lead and reduced expenses.

Combined net sales from Japan and overseas totaled ¥59,985 million in the first three months of the fiscal year, a year-on-year decrease of ¥3,931 million, or 6.2%. Overall automotive batteries segment income (before goodwill amortization) in the first three months of the fiscal year came to ¥3,306 million, ¥298 million or 8.3% less than in the first quarter of the previous fiscal year.

(Industrial Batteries and Power Supplies)

Net sales in the industrial batteries and power supplies segment for the first three months of the fiscal year totaled ¥15,616 million, a year-on-year decline of ¥542 million, or 3.4%. Sales of industrial-use lithium-ion batteries were strong, but the overall sales decline primarily reflects lower sales of lighting equipment and the transfer of certain business to other companies. The segment posted a loss of ¥155 million, an improvement of ¥134 million from the loss posted in the first quarter of the previous fiscal year.

(Automotive Lithium-ion Batteries)

Net sales in the automotive lithium-ion batteries segment for the first three months of the fiscal year totaled ¥10,282 million, a year-on-year decrease of ¥1,205 million, or 10.5%. The decline primarily reflects lower sales of lithium-ion batteries used in plug-in hybrid vehicles. The segment posted a loss of ¥798 million, a year-on-year deterioration of ¥912 million, primarily owing to the decline in net sales and an increase in costs accompanying the startup of the 12V lithium-ion battery business.

(Other)

Net sales in the other segment for the first three months of the fiscal year totaled ¥4,198 million, a year-on-year decline of ¥493 million or 10.5%, primarily reflecting a temporary decline in production of certain special-purpose batteries. Segment income after adjustments for corporate expenses, etc., came to ¥252 million, an increase of ¥225 million or 831.0% over the previous year's result, primarily owing to reduced expenses in administrative departments.

(2) Financial Condition

Total assets as of June 30, 2019, amounted to ¥379,312 million, ¥4,930 million less than at the end of the previous fiscal year. The decline reflects progress in the collection of notes and accounts receivable, the depreciation of fixed assets, and a drop in the market valuation of owned shares, which outweighed an increase in right-of-use assets on the balance sheet resulting from overseas subsidiaries' application of the IFRS accounting standard for leases, IFRS 16 "Leases".

Liabilities increased to ¥178,706 million, up ¥2,171 million from the end of the previous fiscal year. A decrease in trade accounts payable and other operating liabilities was offset by increases in lease obligations owing to the application of IFRS 16 "Leases" by overseas subsidiaries and advance payments received by the industrial batteries and power supplies segment.

Net assets totaled ¥200,606 million, a decrease of ¥712 million from the end of the previous fiscal year. The positive effect on net assets from the posting of profit attributable to owners of parent was offset by dividends paid, the purchase of treasury stock, a decrease in foreign currency translation adjustments due to forex rate fluctuations, and the decrease in net unrealized gain on available-for-sale securities caused by the fall in equity share prices.

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

There is no change to the consolidated forecast announced on May 13, 2019.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2019	As of June 30, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	23,618	24,057
Notes and accounts receivable	70,225	60,743
Electronically recorded monetary claims	4,168	3,811
Merchandise and finished goods	37,069	37,154
Work in process	16,869	16,803
Raw materials and supplies	13,888	13,413
Other	10,467	11,974
Allowance for doubtful receivables	(316)	(284)
Total current assets	175,990	167,673
Fixed assets		
Property, plant, and equipment		
Buildings and structures, net	54,759	53,597
Machinery and equipment, net	33,383	31,859
Land	22,406	22,319
Lease assets, net	646	608
Right-of-use assets	-	4,765
Construction in progress	8,450	10,185
Other, net	4,555	4,305
Total property, plant, and equipment	124,202	127,641
Intangible assets		
Goodwill	3,347	3,009
Lease assets	1,098	1,176
Other	5,911	3,869
Total intangible assets	10,357	8,055
Investments and other assets		
Investment securities	56,062	54,278
Net defined benefit asset	11,668	12,517
Deferred tax assets	2,502	2,649
Lease receivables	-	2,646
Other	3,714	4,113
Allowance for doubtful receivables	(332)	(337)
Total investments and other assets	73,614	75,867
Total fixed assets	208,174	211,564
Deferred assets	78	75
Total assets	384,243	379,312

	As of March 31, 2019 Amount	(Millions of yen) As of June 30, 2019 Amount
Liabilities		
Current liabilities		
Notes and accounts payable	35,160	32,154
Electronically recorded obligation	17,115	15,694
Short-term borrowings	9,905	7,818
Commercial paper	3,000	4,000
Payables	10,823	8,489
Income taxes payable	3,247	1,446
Notes payable-facilities	1,036	1,153
Other	16,450	18,940
Total current liabilities	96,739	89,698
Long-term liabilities		
Bonds	20,000	20,000
Long-term debt	34,034	33,222
Lease obligations	1,239	6,320
Deferred tax liabilities	12,067	11,445
Deferred tax liabilities for land revaluation	928	928
Net defined benefit liability	4,274	4,285
Other	7,252	12,806
Total long-term liabilities	79,796	89,008
Total liabilities	176,535	178,706
Net assets		
Shareholders' equity		
Common stock	33,021	33,021
Capital surplus	55,313	55,313
Retained earnings	77,664	76,272
Less treasury stock, at cost	(2,315)	(3,694)
Total shareholders' equity	163,684	160,912
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	14,879	13,466
Deferred gain (loss) on derivatives under hedge accounting	(81)	(19)
Land revaluation surplus	2,137	2,137
Foreign currency translation adjustments	(488)	(2,878)
Remeasurements of defined benefit plans	(1,809)	(1,765)
Total accumulated other comprehensive income	14,635	10,940
Non-controlling interests	29,388	28,753
Total net assets	207,708	200,606
Total liabilities and net assets	384,243	379,312

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

	(Millions of yen)	
	Three Months ended June 30, 2018	Three Months ended June 30, 2019
	Amount	Amount
Net sales	96,256	90,082
Cost of sales	75,747	70,528
Gross profit	20,509	19,554
Selling, general and administrative expenses	17,592	17,514
Operating income	2,917	2,040
Non-operating income		
Interest and dividend income	342	392
Equity in earnings of equity method affiliates	407	854
Other	166	108
Total non-operating income	917	1,355
Non-operating expenses		
Interest expenses	140	172
Foreign exchange loss	223	112
Other	305	237
Total non-operating expenses	668	522
Ordinary income	3,165	2,873
Extraordinary income		
Gain on sales of fixed assets	205	24
Gain on sales of investment securities	0	14
Other	2	1
Total extraordinary income	209	40
Extraordinary loss		
Loss on disposal of fixed assets	144	47
Loss on sales of fixed assets	3	40
Other	8	13
Total extraordinary loss	157	101
Profit before income taxes	3,216	2,812
Income taxes	977	758
Profit	2,239	2,053
Profit attributable to non-controlling interests	809	580
Profit attributable to owners of parent	1,430	1,473

Consolidated Statements of Comprehensive Income

	Three Months ended June 30, 2018	(Millions of yen) Three Months ended June 30, 2019
	Amount	Amount
Profit	2,239	2,053
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	1,358	(1,406)
Deferred gain (loss) on derivatives under hedge accounting	0	0
Foreign currency translation adjustments	(656)	(2,143)
Remeasurements of defined benefit plans	45	43
Share of other comprehensive income of equity method affiliates	(1,591)	(488)
Total other comprehensive income	(842)	(3,993)
Comprehensive income	1,397	(1,939)
Components:		
Comprehensive income attributable to owners of parent	815	(2,222)
Comprehensive income attributable to non-controlling interests	581	282

(3) Notes on the Consolidated Financial Statements

(Note on the going-concern assumption)

Not applicable

(Note on significant change in shareholders' equity)

(Share buyback)

The Company purchased 700,000 of its own shares based on a resolution made by the Board of Directors on May 13, 2019. As a result, treasury shares increased by 1,378 million yen during the first three months of the fiscal year ending March 31, 2020 and totaled 3,694 million yen as of the end of the period under review.

(Use of accounting procedures specific to preparation of quarterly consolidated financial statements)

The Company calculates tax expense by rationally estimating its effective tax rate after application of tax-effect accounting to profit before income taxes for the current fiscal year, which includes the first three months of the fiscal year under review, and multiplying profit before income taxes by said estimated effective tax rate.

(Changes in accounting policy)

From the first three months of the fiscal year ending March 31, 2020, overseas consolidated subsidiaries that apply IFRSs have adopted IFRS 16, "Leases."

In conjunction with this, for lessee lease transactions, right-of-use assets and lease obligations were recognized in principle. For lessor lease transactions (sublease), if a lease transfers nearly all of the risks and rewards incidental to ownership of an underlying asset, the lease is classified as a finance lease, then the underlying asset is derecognized and the net investment in the lease is recorded as lease receivables. As a result, in the Consolidated Balance Sheets for the three months ended June 30, 2019, "right-of-use assets" under fixed assets increased 4,765 million yen, "other" under current assets increased 950 million yen, "lease obligations" under long-term liabilities increased 5,061 million yen, while "other" under current assets that includes net investment in leases increased 255 million yen and "lease receivables" under fixed assets increased 2,646 million yen. In addition, land use rights of 1,668 million yen was transferred to "right-of-use assets." For reference, this change has little impact on profit/loss for the three months ended June 30, 2019.

With the adoption of IFRS 16, these companies applied transitional measures that recognize the cumulative effects of adoption of IFRS 16 as of the date of adoption, as is permitted for first-time adopters. Right-of-use assets are measured using measurement of the cost of the lease liability adjusted with prepaid or accrued lease payments. This measurement has no impact on retained earnings at the beginning of the period.

(Segment and other information)
Segment Information

I. Three months ended June 30, 2018 (April 1 to June 30, 2018)

1. Net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment							
	Automotive Batteries			Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Total	Other (note)	Total
	Japan	Overseas	Subtotal					
Net sales								
Sales to outside customers	19,662	44,254	63,916	16,159	11,488	91,565	4,691	96,256
Inter-segment sales and transfers	358	1,123	1,482	2,948	104	4,535	(4,535)	-
Total	20,020	45,378	65,399	19,108	11,592	96,100	155	96,256
Segment income (loss)	892	2,712	3,605	(290)	113	3,429	27	3,456

Notes: 1. "Other" comprises a) businesses that are not included in any of the reportable segments such as special batteries business and b) segment income adjustment. Segment income adjustment was minus 474 million yen, which includes minus 201 million yen elimination of inter-segment transactions and minus 273 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

2. The difference between the total segment income in the table above and operating income of 2,917 million yen on the consolidated income statements represents amortization of goodwill and other intangible assets of 539 million yen. These goodwill and other intangible assets include identifiable assets acquired on the effective date of business combination.

II. Three months ended June 30, 2019 (April 1 to June 30, 2019)

1. Net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment							
	Automotive Batteries			Industrial Batteries and Power Supplies	Automotive Lithium-ion Batteries	Total	Other (note)	Total
	Japan	Overseas	Subtotal					
Net sales								
Sales to outside customers	19,129	40,856	59,985	15,616	10,282	85,884	4,198	90,082
Inter-segment sales and transfers	335	941	1,277	2,979	102	4,359	(4,359)	-
Total	19,465	41,797	61,262	18,596	10,385	90,244	(161)	90,082
Segment income (loss)	600	2,706	3,306	(155)	(798)	2,352	252	2,604

Notes: 1. "Other" comprises a) businesses that are not included in any of the reportable segments such as special batteries business and b) segment income adjustment. Segment income adjustment was minus 528 million yen, which includes minus 270 million yen elimination of inter-segment transactions and minus 258 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

2. The difference between the total segment income in the table above and operating income of 2,040 million yen on the consolidated income statements represents amortization of goodwill and other intangible assets of 564 million yen. These goodwill and other intangible assets include identifiable assets acquired on the effective date of business combination.

2. Changes to reportable segments

The Company reviewed its administrative segmentation to facilitate more accurate evaluation of segment results based on products. As a result, from the fiscal year ending March 31, 2020, some consolidated subsidiaries that were included in "Automotive Batteries-Overseas" have been reclassified to "Industrial Batteries and Power Supplies."

The segment information for the three months ended June 30, 2018 has been recast to conform to the revised presentation.

6. Supplementary Information

(1) Quarterly profit/loss

Fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	90,082	-	-	-	-	-	-
Operating income	2,040	-	-	-	-	-	-
Ordinary income	2,873	-	-	-	-	-	-
Profit attributable to owners of parent	1,473	-	-	-	-	-	-

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	96,256	99,158	110,230	107,442	195,415	305,646	413,089
Operating income	2,917	4,038	7,358	8,339	6,956	14,315	22,654
Ordinary income	3,165	4,327	8,308	8,927	7,492	15,800	24,728
Profit attributable to owners of parent	1,430	2,023	6,636	3,433	3,454	10,090	13,524

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	87,805	96,402	112,776	113,966	184,208	296,984	410,951
Operating income	2,876	3,109	7,734	8,198	5,986	13,721	21,920
Ordinary income	3,273	3,174	7,763	7,176	6,447	14,210	21,387
Profit attributable to owners of parent	1,254	1,295	3,668	5,231	2,549	6,218	11,449

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	75,364	83,535	95,428	105,277	158,899	254,328	359,605
Operating income	2,988	4,184	7,501	8,431	7,173	14,674	23,106
Ordinary income	2,875	3,774	8,007	7,887	6,650	14,657	22,545
Profit attributable to owners of parent	1,840	2,271	4,460	3,656	4,111	8,572	12,229

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

	(Millions of yen)						
	Q1 (Apr. – Jun.)	Q2 (Jul. – Sep.)	Q3 (Oct. – Dec.)	Q4 (Jan. – Mar.)	Q2 YTD (Apr. – Sep.)	Q3 YTD (Apr. – Dec.)	Full year
Net sales	81,642	89,507	94,159	100,301	171,149	265,308	365,610
Operating income	3,109	3,705	7,338	7,756	6,814	14,153	21,909
Ordinary income	3,044	4,004	7,220	7,146	7,049	14,269	21,416
Profit attributable to owners of parent	951	2,665	3,010	2,402	3,616	6,627	9,030