

Industrial Batteries and Power Supplies



Accelerating expansion strategies for key markets

Although some businesses have been affected by the novel coronavirus pandemic since April 2020, demand for communications infrastructure and data centers has continued to grow, driven by disaster prevention and 5G mobile communications system.

There are also some new results. We have independently developed a system that utilizes the IoT as a tool for proposing replacements for products that have exceeded their lifespan. This is a manifestation of the *Koto Zukuri* (service creation) concept promoted in the Fifth Mid-Term Management Plan. In the field of renewable energy, we have made a full-scale entry into the home energy storage device market.

I believe that acceleration is the key to realizing the aims of the Fifth Mid-Term Management Plan. In particular, it is important to increase the speed of execution of our expansion strategy into the renewable energy market and the Asian, European, and American markets. Of course, this requires close collaboration with other business units, but we will also seek to maximize results with a view to external alliances.

In fiscal 2020, we will begin delivering lithium-ion batteries for a large-scale wind power generation installation in Hokkaido. Relying on the strength of our full-fledged service framework, we will differentiate ourselves from competitors and enhance the Group's position in the electricity storage system market. Meanwhile, in the global market, we will identify target areas for

expansion, centered on the Group's existing overseas offices, and promote the development of an infrastructure for developing local production / local consumption businesses.

The future is of course difficult to predict, but we will pursue our expansion strategy based on rational risk-taking, aiming to achieve the plan as soon as possible.

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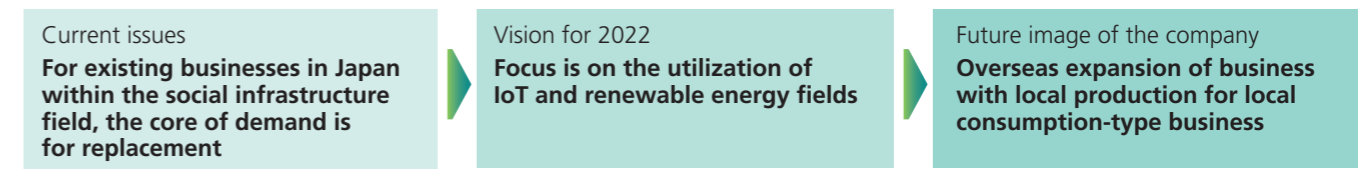


Long-term strategy (Vision for 2030)

Long-term vision

- Improve profitability by expanding sales of high value-added products and services utilizing IoT
- 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 the future image



SWOT

Strengths

- High market share and brand power in Japan
- Extensive product lineup
- Enhanced sales and service structure

Opportunities

- Expansion of renewable energy
- Advance of disaster mitigation and BCP measures
- Strengthening of environmental and emission regulations
- Expansion of utilization of AI and IoT technologies

Weaknesses

- Global expansion
- Ability to respond to market changes

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

In Focus

Share transfer agreement regarding acquisition of Infrastructure Business from Sanken Electric Signed

GS Yuasa International Ltd., a main operating company, signed a share transfer agreement with Sanken Electric Co., Ltd. in August 2020 regarding acquisition of Sanken Electric's infrastructure business. The share transfer is scheduled to be completed on April 1, 2021. Sanken Electric will spin off the infrastructure business from its power systems business and transfer it to subsidiary Sanken Densetsu Co., Ltd. through an absorption-type company split, and subsequently, GS Yuasa will acquire all outstanding shares of Sanken Densetsu.

Market conditions

- New construction and expansion of data centers
- Expansion of demand of emergency power supplies
- Intensification of competition due to market entry by competitors

Purpose of the acquisition

- To reinforce competitiveness through integration of the technological and developmental capabilities
- To augment the weaker areas of each company in existing business fields
- To strengthen operational frameworks in preparation for the emergence of new markets other than the backup power supply market

Create various short-term and long-term synergies

- Procurement Cost reduction
- Development/Manufacturing Productivity improvement
- Sales/Service Expansion of customer and market

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

Business policy

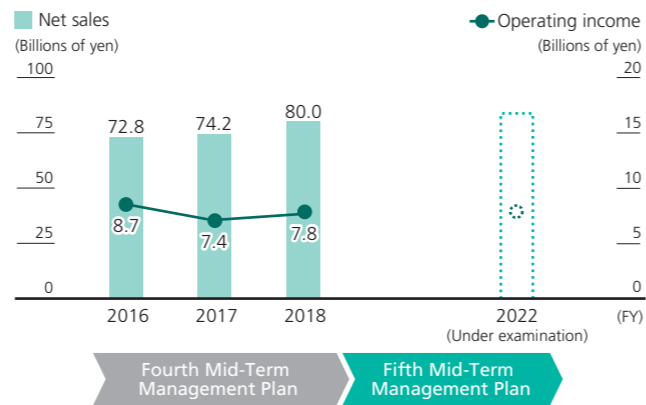
Lay the groundwork for transition to a global energy solutions company that contributes to societal and environmental safety and security

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 plan

The Fifth Mid-Term Management Plan originally covered the period from fiscal 2019 to fiscal 2021. Due to the impact of the novel coronavirus 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.



Review of operations

Fiscal 2019 (fiscal year ended March 31, 2020)

Net sales in the industrial battery and power supply business in fiscal 2019 totaled 84,566 million yen (up 4,523 million yen year on year), and operating income was 9,157 million yen (up 1,329 million yen year on year).

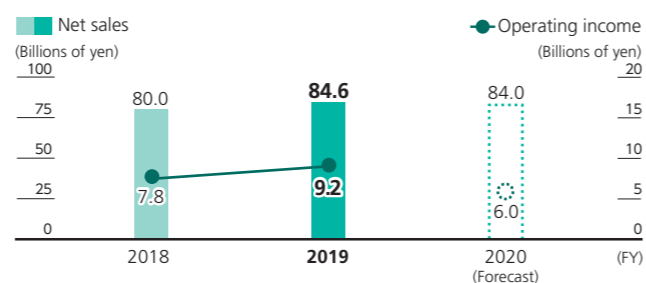
Sales of industrial batteries and power supplies (Data 1), our mainstay products, were strong, particularly in social infrastructure applications such as data centers and power plants. In addition, we released the DATAWINDOW-S storage battery monitoring system as an expansion of our IoT-based *Koto Zukuri* services. Sales of industrial lithium-ion batteries also expanded. Although the market for forklift lead-acid batteries is growing in the long term (Data 2), sales in this area decreased temporarily in fiscal 2019, mainly due to the suspension of operations at supplier plants due to typhoon damage and other factors.

Fiscal 2020 (fiscal year ending March 31, 2021)

Our business forecast for fiscal 2020 is as follows: net sales of 84 billion yen (down 0.7% year on year), operating income of 6 billion yen (down 34.5% year on year).

Focusing on industrial lithium-ion batteries, we will strive to capture new demand for non-emergency applications, while also improving profitability. We will be actively devising *Koto Zukuri* services for emergency applications making use of AI and IoT, and pursue an expansion strategy aimed at overseas markets where our presence and share are relatively low. The creation of operation bases for as yet unexplored areas is also part of the agenda.

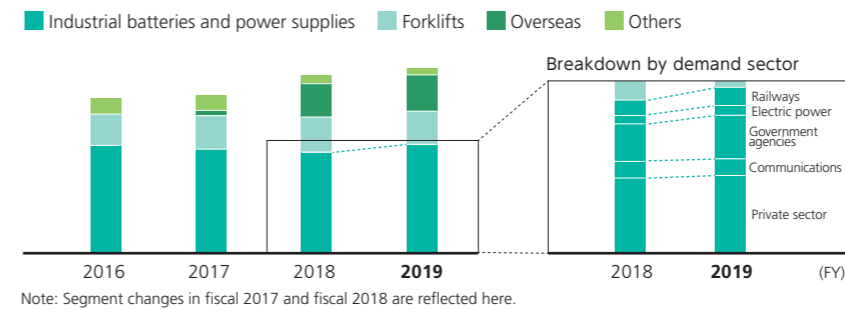
Financial performance



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.

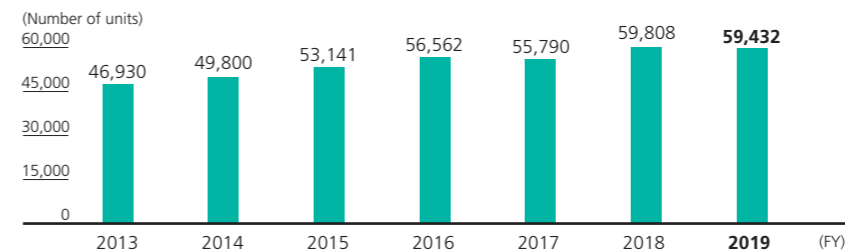
Data

1 Net sales by product type



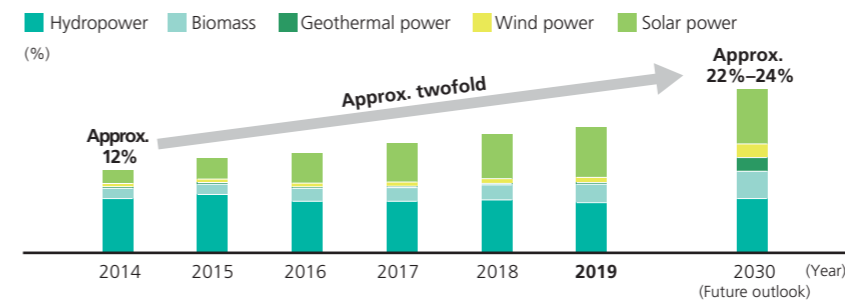
Note: Segment changes in fiscal 2017 and fiscal 2018 are reflected here.

2 Production numbers of battery-driven forklifts in Japan



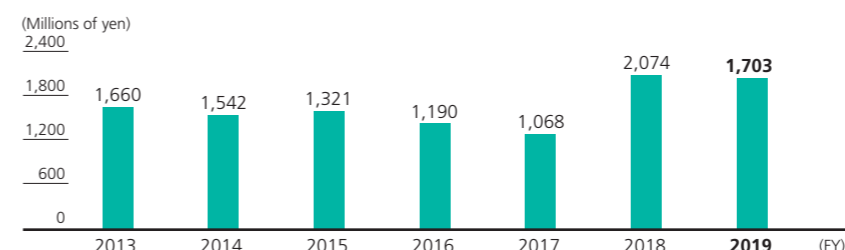
Source: Japan Industrial Vehicles Association, Production, Domestic Sales, and Export of Forklifts

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



Source: Institute for Sustainable Energy Policies, Ratio of Domestic Renewable Electricity in 2019 (Preliminary Report) Agency for Natural Resources and Energy, Measures for Realizing the "2030 Energy Mix" Policy

4 Capital investment



In fiscal 2019, industrial batteries and power supplies with good income margin started to perform very well. In terms of demand sources, areas such as the private sector, government agencies, and electric power showed growth. Sales of lead-acid batteries for data centers and power supply systems for power plants are on the rise. We are also seeing an increase in deliveries of batteries and power supplies for government agencies in keeping with the Plan for National Resilience.

Compared to engine-powered forklifts that use gasoline or diesel fuel, battery-powered forklifts, which are driven by electric motors, help to reduce CO₂ emissions. The production volume of battery-powered forklifts is increasing year by year.

In Japan, the use of renewable energy such as solar power and wind power is necessary from the viewpoint of reducing CO₂ emissions and improving the energy self-sufficiency rate. The government is promoting a goal of 22% to 24% renewable energy in the domestic power supply composition in 2030.

Our capital investment in fiscal 2019 was 1,703 million yen. This was for updating and renewal of existing facilities. We also made capital investments in facilities for utilizing AI and IoT in accordance with the Fifth Mid-Term Management Plan.