

Financial Results Presentation for 3Q FY06/23

**Abalance Corporation
TSE Standard: 3856 / May 2023**



Corporate Profile

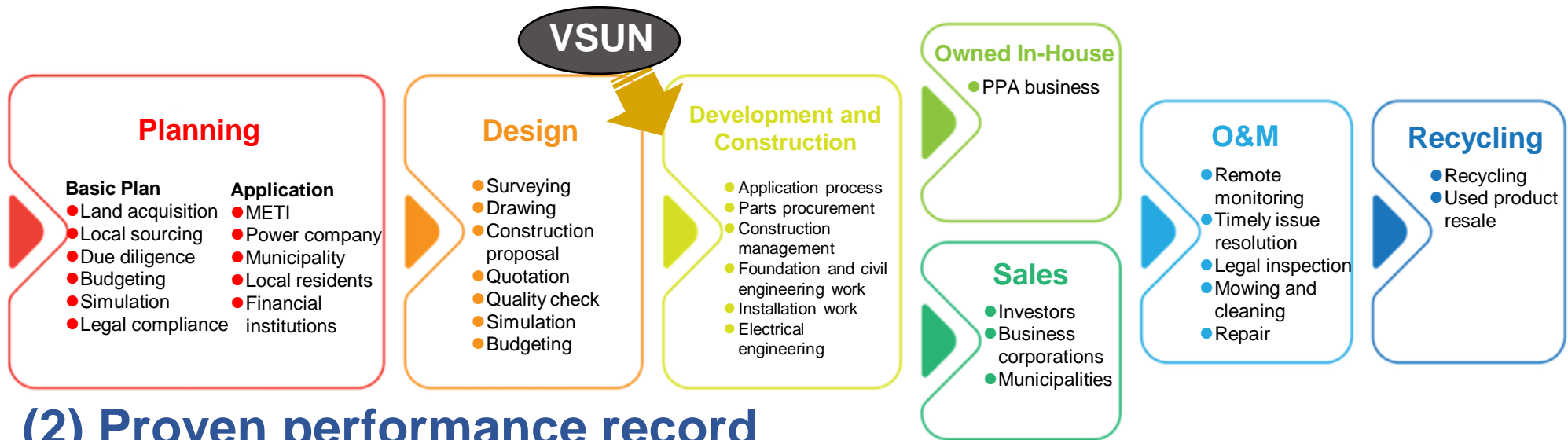
■ Company name	Abalance Corporation (Group Holding Company)
■ Establishment	April 17, 2000
■ Businesses	Green energy, construction machinery, IT, healthcare (photocatalyst)
■ Major subsidiaries	WWB, VALORS, VSUN, Japan Photocatalyst Center
■ Overseas subsidiaries	Consolidation of VSUN Inc. in Vietnam (Oct. 2020) <ul style="list-style-type: none">• Expanding exports to the US market• <u>Largest Japanese solar panel manufacturer (capacity: 5.0GW)</u> (Source data: BloombergNEF, Tier1 PV Module Maker List [February 24, 2023])• Preparing UPCoM listing on Hanoi Stock Exchange (HNX)• Exploring IPO opportunities on other foreign stock exchanges
■ Equity-method affiliate	Meiji Machine Co., Ltd.
■ Head office	Tennozu First Tower 16F 2-2-4 Higashishinagawa, Shinagawa-ku, Tokyo
■ President & Representative Director	Yasuaki Mitsuyuki
■ Stock listing	TSE Second Section (Oct. 2018) ⇒ TSE Standard (Apr. 2022)
■ Fiscal year-end	June
■ Total assets (end-March. 2023)	127.5 billion yen
■ Net assets (end-March. 2023)	13.5 billion yen
■ No. of employees (end-Dec. 2022)	341 in Japan (incl. affiliates); 1,500 overseas (VSUN)
■ Financial forecast (FY06/23)	Net sales: 215.0 billion yen (upwardly revised: 110.0 billion yen ⇒ 215.0 billion yen) Ordinary profit: 13.5 billion yen (upwardly revised: 2.8 billion yen ⇒ 13.5 billion yen)

Our Solar Panel Business: Strengths

(1) One-stop solution

- We offer an end-to-end solution to customers with our own panel manufacturing facility in Vietnam.
- Unlike most solar panel distributors, we control the entire supply chain from production to installation.

✓ In-house plant: Largest production capacity among Japan manufacturers



(2) Proven performance record

—Our achievements in the Green Energy business:

1. Our own power plant (**140MW**), 2. Power plant and facility development (**400MW**), 3. In-house panel manufacturing (**2.9GW**)
- ⇒ **Total of 5.5GW**

—Our goal for in-house panel manufacturing ⇒ **8.0GW** by 2030

* We are considering revising the target value, since the current annual production capacity has reached 5.0GW.

—Our goal for in-house capacity ⇒ **1GW** by 2030 (combined for Japan and overseas)

—Our focus on solar sharing ⇒ Planning to grow through collaboration with Meiji Machine Co., Ltd.

(3) High-quality modules from VSUN

— We were awarded the Bronze Medal from EcoVadis (headquartered in France)* in 2022.

*We ranked #64 out of more than 75,000 participating companies worldwide.

*EcoVadis is a leading provider of ESG ratings for global supply chains.

— We were included in Bloomberg's Tier 1 PV Module Maker List.

— We were named one of the "Top Performers" in the "PV Module Reliability Scorecard" by PV Evolution Labs (PVEL)* in 2022.

*PVEL is a testing organization specializing in module reliability and performance for solar power generation.

(4) Pioneering structure for decarbonized energy

— We led the industry in creating a green transformation (GX)-focused organization.

— We have strengthened our PPA business → Established "Decarbonization Corporate Business Division" at WWB Corporation.

(5) MAXAR: diverse proprietary products

— We have developed Maxar LIGHT series (lightweight modules that use fluorine resin instead of glass, etc.).

(6) Module reuse and recycling business

— We have established PV Repower Corp. (in Mar. 2021) to address the issue of module disposal.

(7) Innovative technologies

— We are collaborating with Associate Professor Tanaka of the Graduate School of Engineering, University of Tokyo* (our technical advisor) to explore renewable energy certification systems, supply-demand adjustment systems, etc.

*Member of the Nikkei Decarbonization Committee

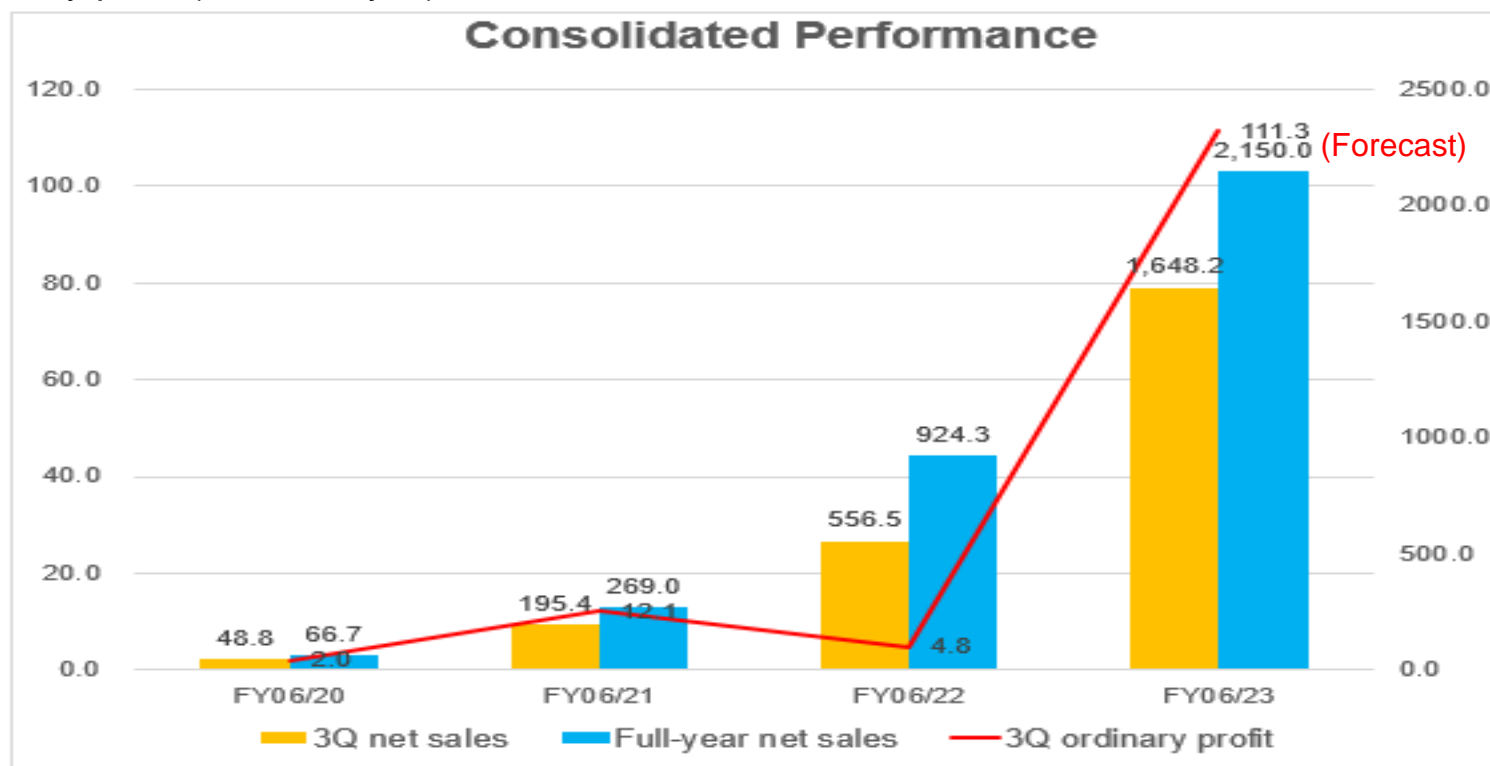
Performance Highlights [Consolidated; 3Q FY06/23]

■ Net Sales: 196% increase YoY; Ordinary Profit: 2,191% increase YoY

- Revenue drivers: Global demand for renewable energy, reduced congestion in regional ports and harbors
- Profit drivers: Price increase to customers, declining transportation fares, increased electricity sales, in addition, foreign exchange gains, equity in earnings of affiliates, etc.

Ordinary profit (billions of yen)

Net sales (billions of yen)



Upward Revision to Full-Year Consolidated Forecast

**Full-year consolidated forecast revised upward based on business progress.
(Third Upward Revision for the Current Fiscal year)**

- VSUN's panel sales to Europe and US exceeded our expectations.
- Profits have improved significantly mainly due to price increases to customers and declining container shipping rates after reaching a peak.

(Billions of yen)

	FY06/22		FY06/23		YoY
	3Q Actual	Actual	3Q Actual	Forecast	
Net sales	55.7	92.4	164.8	215.0	+133%
Operating profit	0.7	1.7	10.0	14.0	+725%
Ordinary profit	0.5	1.5	11.1	13.5	+794%
Profit attributable to owners of parent	0.8	0.9	4.2	5.7	+557%
Earnings per share	47.44 yen	52.78 yen	252.72 yen	334.48 yen	—

👉 The 4th factory (2.4GW) has been in full-scale operation since January 2023, but some of the product shipments from the factory are scheduled to be recorded in the Company's business results from the 4th quarter of the current fiscal year onwards.

【The main reason】

Because there is a lead time from the start of production to shipment in individual order production.

Equity Ratio, and Shareholder Return Policy

▼ Our equity ratio improved significantly to 9.0%

▼ Revised to future target value: 10%⇒ 15% or more

- The target was revised from the previous 10% to 15%, as the equity ratio improved from 7.0% at the end of the fiscal year ended June 2022 to 9.0% in the fiscal year ended June 30, 2023 (3Q).
- We will work to increase equity by increasing retained earnings, focusing on the solar panel manufacturing business and the green energy business.
- ROE remained high at 17.4% (FY06/22)

【 Shareholder Return Policy 】

- ◆ We have increased the interim dividend to 3 yen per share, or 9 yen per share pre-stock split, as of the record date of December 31, 2022, which represents a significant increase from the previous interim period.
- ◆ Income gain: We anticipate paying a higher year-end dividend than in previous years, barring any special circumstances that may arise.
- ◆ Capital gain: We aim to enhance shareholder returns by improving our market value through corporate growth and effective management efforts.

Key Segments Results FY06/22(3Q)

Solar Panel Manufacturing Business (VSUN)

- Increased net sales and segment profit significantly
- Exceeded solar panel sales expectations in Europe and US
- Raised prices and container shipping rates declined⇒ Improve profit margin
- Started operation of Plant No.4(January 2023)

(Billions of yen)

	3Q FY06/22	3Q FY06/23	YoY
Net sales	49.6	156.2	+215%
Segment profit	0.4	9.0	+1,981%



Vietnam Sunergy Joint Stock Company (VSUN)

Green Energy Business (WWB, VALORS)

- Promoted recurring revenue business (in-house ownership)
- Acquired a solar power plant in Ibaraki Prefecture (expected revenue in initial year: approx. 350 million yen)
- Started operation of Kamisu Solar Power Plant (Ibaraki Prefecture)
- Worked on non-FIT projects as a PPA operator

(Billions of yen)

	3Q FY06/22	3Q FY06/23	YoY
Power plant and product sales	4.3	6.0	+41%
Electricity sales and O&M revenue	1.6	2.4	+44%
Net sales	5.9	8.4	+42%
Segment profit	0.8	1.7	+114%



[WWB Kamisu Solar Power Plant]
Development example of an operational project

[Reference] Share Price Chart (Securities Code: 3856)

- ◆ We recognize that we have entered a phase of valuation expansion, reflecting investor expectations for the growth potential of our Group businesses.
- ⇒ We have newly hired an expert in investor relations: Nobuyuki Horiuchi, Executive Officer and Head of the IR & PR Office.



Share price chart from Reuters (as of May 16, 2023, Closing price)

[Topics 1] Started operation of Plant No. 4 (VSUN)

Capital investment purpose/outline

- Aiming to expand production capacity in order to increase orders for VSUN.
- The annual production capacity is expected to rise from 2.6GW to 5.0GW. For reference, 1GW of plant capacity is roughly equal to the capacity of one nuclear plant.
- Plant No. 4 (panel production) has begun operations sequentially from Jan. 2023.
- Capital investment: Approx. US\$ 30 million

Top Japanese panel manufacturer (Tier 1 List)

[Plant No. 4 exterior/Vietnam]



[Inside view of the plant]



[Topics 2] Construction of Solar Cell Plant (VSUN)

- We are building our own solar cell plant to produce solar cells, a key component of solar panels.
 - Project details: Annual capacity of 6GW
 - Total investment (planned): Approx. 300 million US dollars (39.45 billion yen*)
 - **Benefits of in-house production: Lower costs and significantly higher profit margin**
 - Stable procurement of main parts
 - Adapt to changes in market trends (such as import rules in each country)

Note: Calculated based on TTM (mid-point) of 131.50 yen/US dollar published in MUFG's Foreign Exchange Rate List (updated at 9:00 a.m. on February 10, 2023).



- **First, Phase 1 will be implemented (to be completed in October 2023)**

(1) CAPEX:	Approx. 180 million US dollars (23.67 billion yen)
(2) Location:	Cam Khe Industrial Park, Phu Tho Province, Vietnam
(3) Site area:	Approx. 13.42 hectares
(4) Production capacity:	Annual production capacity of 3GW
(5) Manufactured products:	Solar cells (key components of solar panel manufacturing)
(6) Payment method:	Funded by internal capital and borrowed funds

Note: Calculated based on TTM (mid-point) of 131.50 yen/US dollar published in MUFG's Foreign Exchange Rate List (updated at 9:00 a.m. on February 10, 2023).

Cell factory construction (Phase 1)

We are on track to complete Phase 1 (3GW) of the 6GW solar cell plant construction project by October 2023.



Phase 1 construction work is well underway

👉【Video release】<https://youtu.be/33Xjjqky9I0>

Second phase progress

👉 Scheduled to be disclosed as soon as the situation is known



【About funding (VSUN)】

- VSUN signed a long-term partnership cooperation agreement with Vietnam Investment and Development Bank (BIDV), Vietnam's largest state-owned bank (May 2023).
 - Full financial support will be a major driving force for accelerating all business activities, including future factory construction.



- In addition, VSUN procured a green loan (March 2023, loan amount: US\$10 million) to acquire the 4th factory.
 - The Company obtained a second opinion on compliance with the Green Loan Principles, etc. from Rating and Investment Information, Inc. (R&I)

[Topics 3] Storage battery business(Green energy business)

- Group company WWB Co., Ltd. collaborated with leading domestic power producers, construction companies, and heavy electric system manufacturers in the installation and operation of grid storage batteries.
- WWB will design, procure, construct, test and coordinate, and operate supply and demand through an electricity market trading system as a new business.

▼ Significance of introducing grid storage batteries

- 👉 WWB will promote the effective use and spread of renewable energy in Japan, By providing the ability to adjust power supply and demand fluctuations.

- The Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry's "FY2020 supplementary subsidy for the introduction of distributed energy resources that contributes to the expansion of renewable energy introduction (support project for the introduction of power storage systems and water electrolyzers for grids)". has been decided on April 20, 2023.

Further Upward Revision of the Medium-Term Management Plan (2nd Upward Revision)

Full-year FY06/24 medium-term targets re-revised upward (on Feb. 24, 2023)

👉 Our targets will be reviewed again once a practical forecast on the impact of the solar cell plant operation is possible. The plant is expected to be completed in October 2023 and its effect on profit margin improvement will be taken into account.

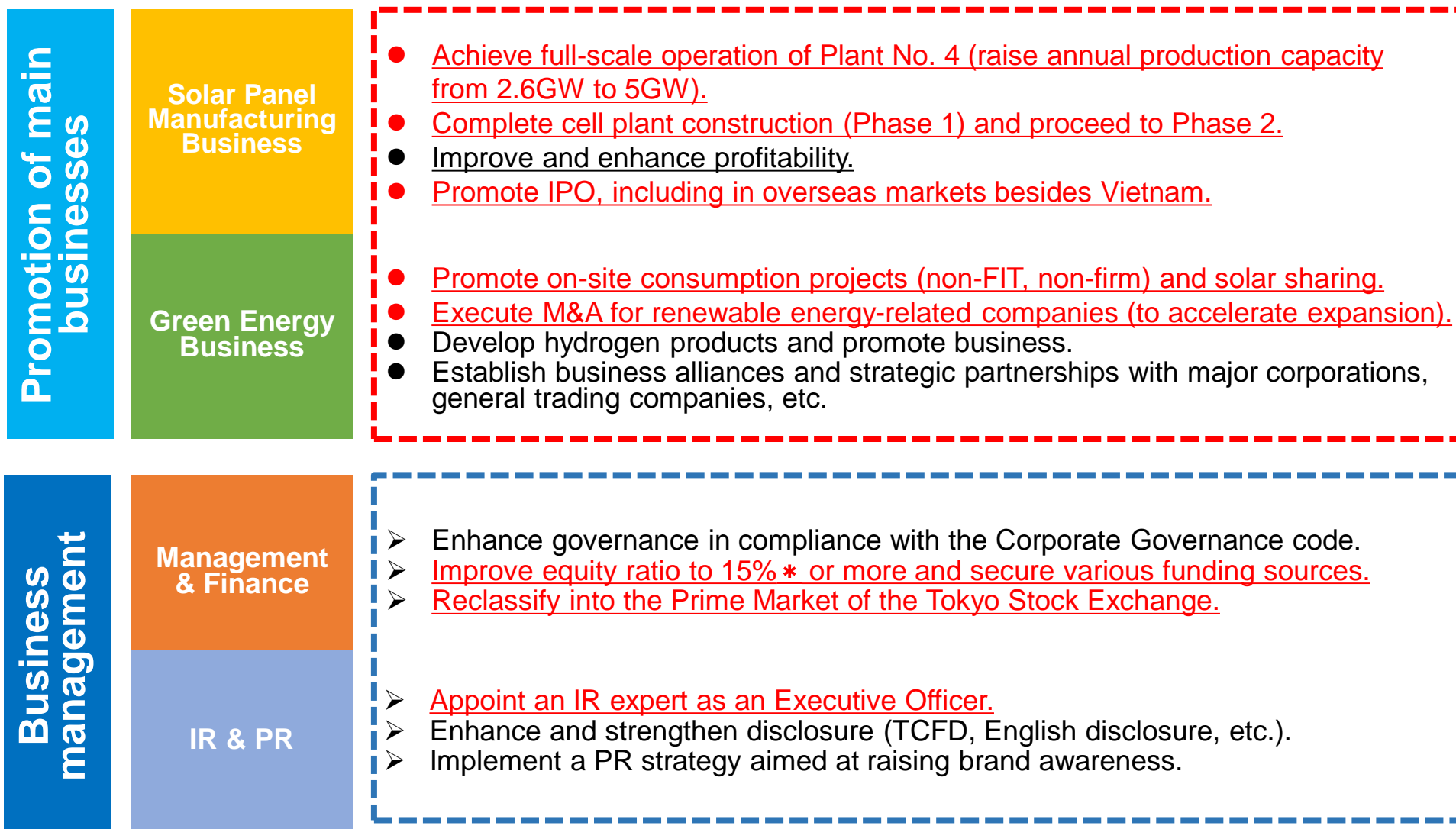
(Billions of yen)

Plan Period (2022-24)⇒	FY06/22	FY06/23		FY06/24
	Actual	3Q Actual	Forecast	Forecast
Net sales	92.4	164.8	215.0	251.8
Panel Manufacturing Business (=VSUN)	81.8	156.2	205.0	239.0
Domestic business (One-Time Revenue)*	8.0	6.3	6.7	7.8
Domestic business (Recurring Revenue)*	2.7	2.4	3.3	5.0
Operating profit	1.7	10.0	14.0	15.8
Ordinary Profit	1.5	11.1	13.5	15.8
Profit attributable to owners of parent	0.9	4.2	5.7	8.0
Earnings per share	52.78 yen	252.72 yen	334.48 yen	481.29 yen

*"One-Time Revenue" includes sales of power plants and product sales in the green energy business, IT business and photocatalyst business.

* "Recurring Revenue" includes income from electricity sales and O&M revenue in the green energy business.

Key Initiatives to Enhance Corporate Value



* We revised the target value from 10% to 15% as the equity ratio improved to 9.0% in FY6/2023 (3Q).