

# **FY06/23 Performance Highlights and Future Outlook**

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



# Corporate Profile

■ Company name	Abalance Corporation (Group Holding Company)
■ Establishment	April 17, 2000
■ Business segments	Solar Panel Manufacturing Business, Green Energy Business, IT Business, Photocatalyst Business
■ Primary consolidated subsidiaries	VSUN, Vietnam Sunergy Cell Company Limited, WWB, Valors, Abit, Japan Photocatalyst Center Consolidation of Vietnam's VSUN as a subsidiary (October 2020) <ul style="list-style-type: none"> <li>• In recent years, significant growth in panel sales to the US</li> <li>• <b><u>Japan's leading solar panel manufacturer (annual production capacity of 5.0GW)</u></b> <b><u>(Source: BloombergNEF, Tier1 PV Module Maker List (May 23, 2023))</u></b></li> <li>• Pursuing overseas IPO for growth capital acquisition</li> </ul>
■ Equity-method affiliate	Meiji Machine Co., Ltd. (TSE Standard/Securities Code: 6334)
■ 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-Jun. 2023)	144.1 billion yen
■ Net assets (end-Jun. 2023)	23.3 billion yen
■ Performance results (FY06/23)	Net sales: 217.4 billion yen, Ordinary Profit: 14.8 billion yen
■ Performance forecast (FY06/24)	Net sales: 251.8 billion yen, Ordinary Profit: 15.8 billion yen
■ No. of employees (end-Dec. 2022)	341 in Japan (incl. affiliates); 1,500 overseas (VSUN, etc.)

# Performance Highlights [FY06/23]

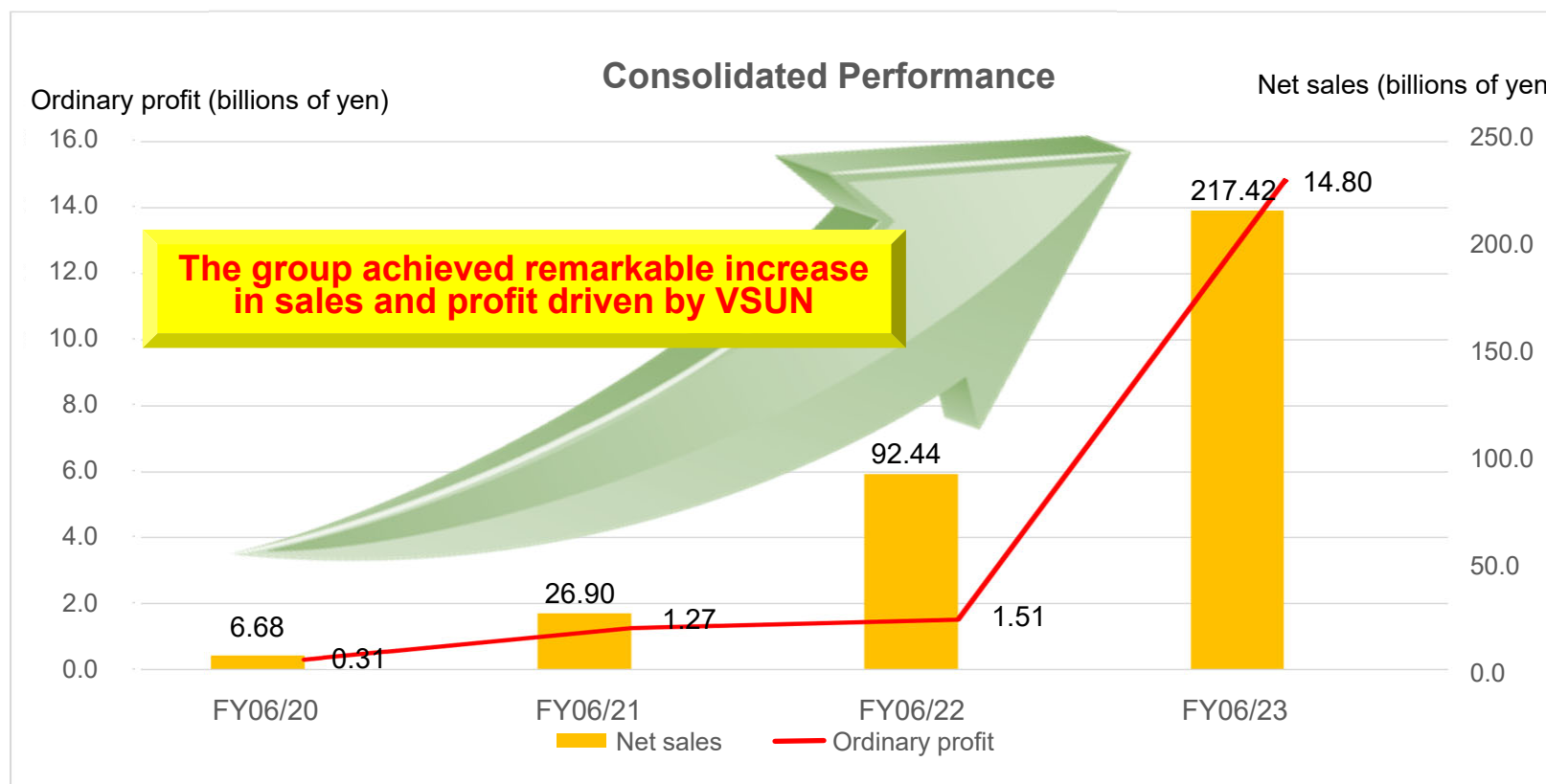
Sales and profit growth for three consecutive fiscal years; the highest profit recorded in FY06/23.  
 Consolidated net sales: 217.4 billion yen (2.4 x YoY), Ordinary profit: 14.8 billion yen (9.8 x YoY).

## Reasons for sales growth:

- Global demand for renewable energy
- Expansion of panel sales to the US and Europe
- Inflation countermeasures (price pass-through)

## Reasons for profit growth:

- Price pass-through, decline in shipping cost
- Increased electricity sales (recurring revenue business)
- Foreign exchange gains (due to a weaker yen)
- Equity method investment gains (Meiji Machine, etc.).



# Performance of Key Segments

## Solar Panel Manufacturing Business (VSUN)

- Significant increase in sales and segment profit.
- Sales of solar panels to the US and Europe exceeded expectations.
- Price pass-through and reduced container freight costs led to improved profit margins (especially in 2H).
- Plant No.4 (for panel manufacturing) began operations in stages from January 2023.

(Billions of yen)

	FY06/22	FY06/23	YoY
Net sales	81.78	206.81	+153%
Segment profit	1.24	12.70	+926%



Vietnam Sunergy Joint Stock Company (VSUN)

## Green Energy Business (WWB, VALORS)

- Steady advancement of the recurring revenue business (company ownership, securing stable income).
- Acquisition of a solar power plant (in Ibaraki Prefecture with a first-year revenue projection of about 350 million yen).
- Operations in FY06/23: the Taiwa/Ohira power plant in Miyagi Prefecture, Kamisu power plant in Ibaraki Prefecture, among others.
- Actively pursuing non-FIT projects as a PPA operator.

(Billions of yen)

	FY06/22	FY06/23	YoY
Power plant and product sales	7.58	6.94	-8%
Electricity sales & O&M (recurring revenue)	2.65	3.19	+20%
Net sales	10.23	10.13	-1%
Segment profit	1.20	1.84	+53%



[WWB Kamisu Solar Power Plant]  
An example of an operational project developed in Kamisu, Ibaraki Prefecture.

# Consolidated Performance Forecast for FY06/24

\*Announced on August 18

Consolidated Sales: **251.8 billion yen** (+16% YoY),  
Ordinary Profit: **15.8 billion yen** (+7% YoY)

→ The cell plant (Phase 1) is scheduled for completion in October 2023.

	FY06/23	FY06/24	(Billions of yen) Change (YoY)
	Actual	Forecast	
Net sales	217.42	251.80	+16%
Panel Manufacturing Business (=VSUN)	206.81	239.00	+16%
Domestic Business (One-Time Revenue)*	7.42	7.80	+5%
Domestic Business (Recurring Revenue)*	3.19	5.00	+57%
Operating profit	13.57	15.80	+17%
Ordinary Profit	14.80	15.80	+7%
Profit attributable to owners of parent	5.45	7.00	+29%
Earnings per share	321.68 yen	413.53 yen	-

- One-time revenue includes sales from the Green Energy Business's power plant sales and merchandise, as well as sales from the IT Business and Photocatalyst Business.
- Recurring revenue accounts for electricity & O&M sales from the Green Energy Business.

# Establishment of the New Medium-term Management Plan

- While FY06/24 marks the final year of the current Medium-term Management Plan, considering changes in the business environment, we plan to announce a new Medium-term Management Plan starting from FY06/24 within this fiscal year.

Current Medium-term Plan  
(FY06/22-FY06/24)

Upward revision of target figures, further upward revision

Expansion of production capacity in Vietnam

New Medium-term Plan  
(FY06/24-FY06/26)

Will newly establish as the medium-term management plan

**New growth strategies**

- ✓ Operating a cell plant and improving profit margins
- ✓ Capital investment in the US market

# Equity Ratio and Shareholder Returns

## ▼ Improvement in Equity Ratio

- Improved from 7.0% (end-FY06/22) to 9.1% (end-FY06/23)
  - Equity ratio target: Above 10% to 12%.
    - We aim to bolster our equity by increasing retained earnings, with the Solar Panel Manufacturing Business and Green Energy Business as our main drivers.
- \* ROE increased from 17.4% (end-FY06/22) to 57.1% (end-FY06/23).

## ▼ Policy on Shareholder Return Measures

Dividend per share for FY06/23 was 8 yen (equivalent to 24 yen before stock split), which represents a substantive increase from FY06/22 (18 yen).

➔ We take into account the balance of accumulating necessary internal reserves and providing stable shareholder returns.

Breakdown of Annual Dividend (For reference)

Record Date	Dividend Per Share		
	Interim	Year-End	Full Year
Current Fiscal Year (FY06/23)	3 yen (*9 yen)	5 yen (*15 yen)	8 yen (*24 yen)
Previous Fiscal Year (FY06/22)	8 yen	10 yen	18 yen

Note: A 3-for-1 stock split was executed on August 31, 2022, turning each common share into 3 shares.

\* The dividend for the current fiscal year (FY06/23) is converted based on the figures before the stock split.

# [Overseas Topics ①] New US Panel Factory (VSUN)

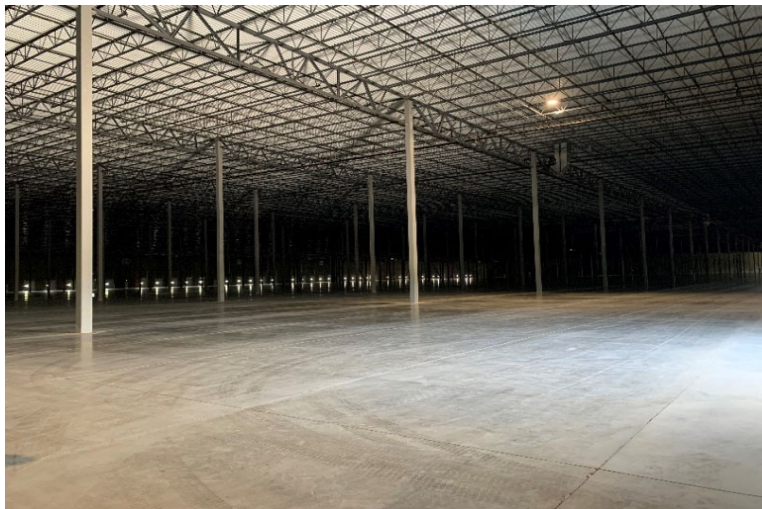
(Published on May 31, 2023)

VSUN started considering the construction of a new panel factory with a view toward direct investment in the US market and inspected potential construction sites.

➔ The schedule, factory location, and construction funds are still under consideration. We will announce the details promptly once decided.

## Purpose & Background of the Capital Investment

- The demand for panels in the US market continues to grow.
- The US government actively encourages domestic production.
  - Significant benefits are expected from early direct investment.
  - We chose the US as a leading candidate for a location outside of Vietnam.
  - We also continue to consider areas in South America, Africa, etc.



[Inspection in the US]: The photos above show the inspected site for the potential new factory.



# [Overseas Topics②] Plant No.4 Operational in Phases from January 2023 (VSUN)

(Published on October 27, 2022)

## Purpose & Overview of the Capital Investment

- In line with the expansion of orders, we enhanced production capacity and swiftly responded to the generational transition of solar panels based on market trends.
- Annual production capacity: Increased from 2.6GW to 5.0GW. (For reference, 1 nuclear reactor equals 1GW.)
- Annual operation rate: Currently at around 80% and improving.
- Investment amount for Plant No.4: Approximately 30 million US dollars.

## Top Japanese panel manufacturer (Tier 1 List)

[Plant No.4 exterior / Vietnam]



[Inside / Automated Factory]



# [Overseas Topics ③] Construction of Cell Plant (VSUN)

(Published on February 10, 2023)

## ● Shift from purchasing cells (the main component of solar panels) to in-house manufacturing

- Executed an investment in the construction of the cell plant in Phases 1 and 2.
  - [Cell] Annual production capacity: 6GW
- Note: This does not mean a total of 11GW combined with our panel annual production capacity of 5GW.**
- Total investment amount: Approximately 300 million US dollars (approx. 43.5 billion yen\*).
  - Ensuring stable procurement of main components and addressing import regulations in various countries.
  - ➡ Stabilizing the upstream supply chain and enhancing market competitiveness.
  - In-house manufacturing of components leading to cost reductions, resulting in a gradual improvement in profit margins.

\*Based on MUFG's "Foreign Exchange Rate List" (as of June 30, 2023), converted at a TTM (mid-rate) of 144.99 yen/US\$.

## ● Phase 1 (annual production capacity: 3GW) is expected to be completed in October 2023.

(1) CAPEX:	Approx. 180 million US dollars (26.10 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

\*Based on MUFG's "Foreign Exchange Rate List" (as of June 30, 2023), converted at a TTM (mid-rate) of 144.99 yen/US\$.

# ■ Fundraising Details (VSUN)

(Published on May 12, 2023)

- VSUN entered into a long-term partnership agreement with Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), the largest state-owned bank in Vietnam, as of May 2023.
- Comprehensive financial support will serve as a significant driving force for accelerating various business activities, including upcoming factory construction.



- Furthermore, VSUN secured financing through a green loan to fund the purchase of Plant No.4 (March 2023, loan amount: 10 million US dollars, equivalent to about 1.44 billion yen\*).
- A balance obtained a second opinion regarding compliance with the "Green Loan Principles" and related standards from Rating and Investment Information, Inc. (R&I).

\*Based on MUFG's "Foreign Exchange Rate List" (as of June 30, 2023), converted at a TTM (mid-rate) of 144.99 yen/US\$.

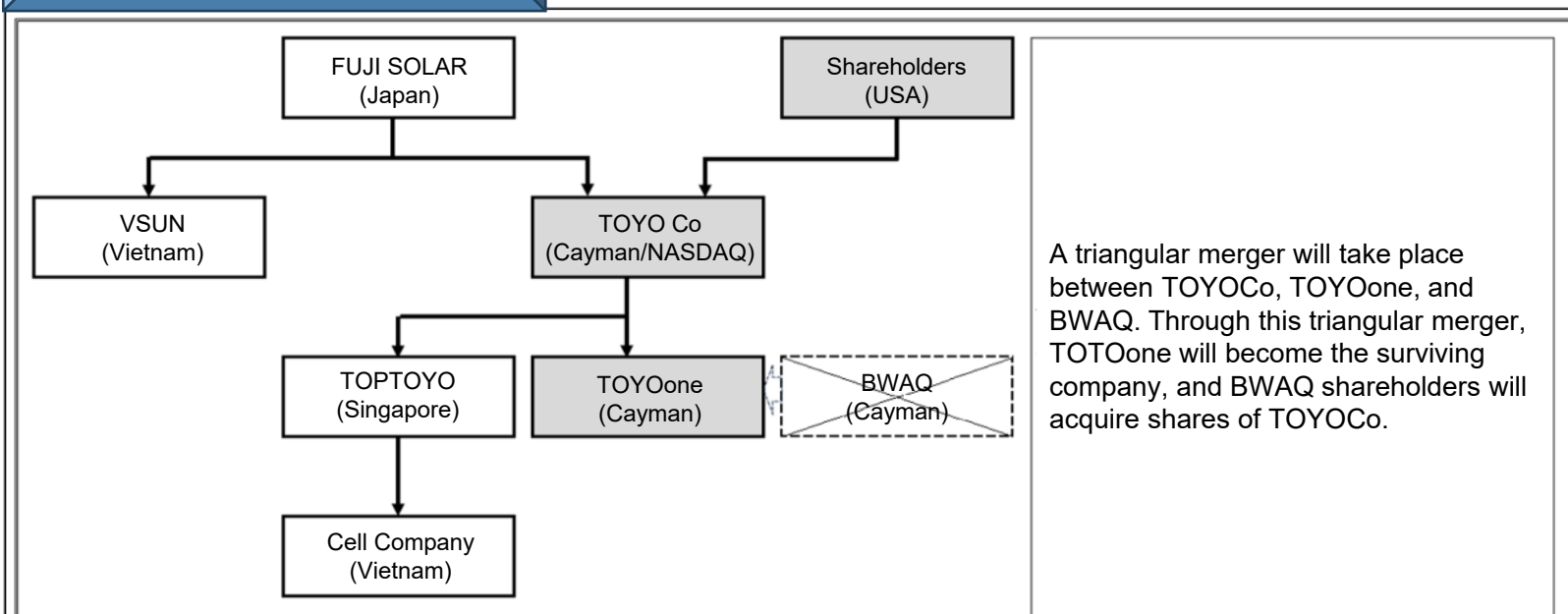
# [Overseas Topics④] Moving toward NASDAQ Listing (SPAC)

(Published on August 10, 2023)

- Our subsidiary, Vietnam Sunergy Cell Company Limited (hereinafter, "Cell Company"), signed a memorandum of understanding with BLUE WORLD ACQUISITION CORPORATION, a special purpose acquisition company (SPAC) listed on NASDAQ in the US.
- Our company's Board of Directors **resolved for Cell Company to effectively aim for a NASDAQ listing.**

\*For the stock listing through this merger, approvals from SPAC shareholders, NASDAQ, and the SEC will be required by February 2024.

## Anticipated Structure



# **【Domestic Topics ①】 Promotion of Offsite Corporate PPA (Green Energy Business)**

(Published on August 10, 2023)

- A balance, along with its consolidated subsidiary WWB Corporation and Mitsui & Co. Plant Systems, Ltd., signed a Memorandum of Understanding on the Joint Development of Solar Power Generation Business using Offsite Corporate PPA Model among the three companies.

- ✓ A new company (special purpose company) will be jointly established.
- ✓ Discussions with potential consumers and PPA negotiations are planned to commence sequentially.
- ✓ Separate from this joint development, concrete negotiations have already begun for several individual projects under different schemes.

## [Domestic Topics ②] Initiation of Battery Storage Business (Green Energy Business)

(Published on April 26, 2023)

### ▼ New entry into the grid-connected battery storage business

- Collaborating with leading domestic power generation operators, construction companies, and heavy electrical system manufacturers in the installation and operation of grid-connected batteries.
- Implementing design, procurement, construction, testing adjustments, and supply-demand operations through power market trading systems.

### ▼ Significance of introducing grid-connected batteries

- Our battery solutions enhance the efficient use and spread of renewable energy in the country by adjusting to power supply-demand fluctuations.

- Additionally, on April 20, 2023, we received a grant approval from the Agency for Natural Resources Energy of the Ministry of Economy, Trade, and Industry for the "2022 Amendment: Subsidy for the Expansion of Renewable Energy and Distributed Energy Resource Introduction Support Projects (Grid-Connected Battery System & Water Electrolysis Equipment Introduction Support Businesses)."

# [Domestic Topics ③] Commencement of Sales of Electricity Generated at Power Plants (Green Energy Business)

(Published on June 14, 2023)

- Taiwa Town and Ohira Village Solar Power Plants (Kurokawa County, Miyagi Prefecture/SPC)
- ➔ Major development following the Kakuda Solar Power Plant.
  - ➔ Significant leap forward in recurring revenue business (which ensures stable revenue).

Item	Details
■ Generation capacity	(AC) 16.8MW / (DC) 21.6MW
■ Annual power generation	22,431 MWh
■ First-year annual electricity sales revenue	Approx. 470 million yen (excluding taxes, based on the calendar year)



[Taiwa Town Solar Power Plant]



[Ohira Village Solar Power Plant]

# ■ Utilization of Sustainability Linked Loans

## (Green Energy Business)

(Published on June 26, 2023)

- WWB Corporation secured a "Kiyo Sustainability Linked Loan" from The Kiyo Bank, Ltd. to further its ESG and SDGs initiatives.

- **Conformity to the Sustainability Linked Loan Principles (2023) and the Ministry of Environment's Sustainability Linked Loan Guidelines 2022 Edition has been confirmed.**
- **A second opinion has been obtained from Rating and Investment Information, Inc. (R&I).**

### [Overview of the Loan]

Borrower	Company name	WWB Corporation
	Headquarters	Tennozu First Tower 5F 2-2-4 Higashishinagawa, Shinagawa-ku, Tokyo
	Representative	President & CEO Yuichiro Masuda
	Established	June 2006
	Business details	Green Energy Business
Execution date		June 26, 2023
Loan amount		500 million yen
Duration		5 years



### [Overview of SPTs]

- Year-over-year increase in the domestic power generation capacity of the company-owned renewable energy power generation facilities.
- By 2028, an increase of 5MW or more year-over-year (based on DC).

Note: SPTs stands for Sustainability Performance Targets. They refer to measurable improvement goals of KPIs that the issuing body commits to over a predetermined timeframe.



# Frequently Asked Questions (FAQ)

# Q&A (1)

## **1. Can you explain the reasons for the delay in the financial results announcement?**

- We initially planned to announce our financial results for the fiscal year ended June 2023 on August 14, 2023. However, we postponed the announcement to August 21, 2023 (as stated in our August 14, 2023 release). While we expected to finalize the year-end financial results during the three-day holiday in the previous week, the final review wasn't completed in time. Since it was the full-year financial results, we wanted to ensure that no revisions were needed post-announcement. To conduct a thorough review, we decided to delay the announcement until August 21, 2023, ensuring we stayed within the Tokyo Stock Exchange's 50-day rule. Following a meticulous review process, once we saw that the review would be completed, we decided to move up the announcement date to August 18, 2023.
- The primary reason for this delay was our company's rapid growth. Even though we have consistently bolstered and strengthened our resources, the substantial increase in our consolidated sales led to a greater-than-anticipated increase in the workload for accounting processes, reviews, and checks. Taking this delay seriously, we will commit to anticipating the increased workload for consolidated financial results announcement in the future. By carefully planning our financial reporting schedule ahead of time, we will ensure that our financial results are disclosed within 45 days.

## **2. Can you provide details regarding the statements made during the IR seminar held on June 30, 2023?**

- During the IR seminar held on June 30, 2023, there were comments about the potential upward revision of our consolidated earnings forecast for the fiscal year ended June 2023. To clarify, the profit of our Solar Panel Manufacturing segment decreased in Q4 compared to Q3. While the gross profit improved due to an increase in the profit margin, the segment's profit margin slightly declined because a larger proportion of sales expenses, which are accounted for before sales recognition, were incurred. These sales expenses will fluctuate temporarily in our accounting treatment but are expected to improve over time. At the time of the seminar, we couldn't fully anticipate the factors affecting segment profit, leading to the comments about a potential upward revision. However, moving forward, we will exercise caution when making statements regarding future forecasts and remain committed to fair disclosure. Note: In response to inquiries asking if the downturn in Q4 was due to a timing difference: We have not made or communicated any statements to that effect.
- Regarding our consolidated earnings forecast for the fiscal year ending June 2024, it is based on our medium-term management plan (FY22-FY24) and has been calculated using reasonable assumptions as of the announcement date. There was a statement suggesting that the operating profit margin would double after the completion of the cell plant (first phase is expected to be completed in October 2023). However, the primary purpose of constructing the cell plant is to stabilize the upstream supply chain through secured procurement of key components and to address import regulations in various countries, aiming to enhance our medium- to long-term market competitiveness. By transitioning from external procurement to in-house production, we anticipate a gradual improvement in profit margin due to reduced manufacturing costs. We will continue to prioritize fair disclosure concerning this matter as well.

## Q&A (2)

### **3. Can you provide a breakdown of the "Other" category, which accounts for 14 billion yen in the "Cash Flows from Operating Activities"?**

- The primary components within this category are the increase in accrued expenses\* from VSUN (+9.1 billion yen) and the decrease in accounts receivables (+2.2 billion yen). These factors contributed to the rise in our operating cash flows.  
Note: Accrued expenses include export costs, procurement commissions, and import duties.

### **4. Can you clarify the sizable contract liabilities for the fiscal year ended June 2023?**

- The contract liabilities for the fiscal year ended June 2023 have increased significantly. In accounting terms, contract liabilities arise when we receive advance payments from customers before delivering our products. This contributes positively to our cash flows. As our sales continue to grow in the future, we expect this account to increase as well.

### **5. Who is responsible for the construction of the cell plant?**

- We've received inquiries regarding the company overseeing the construction of our cell plant in Vietnam. As detailed in our announcements "Notice on the Conclusion of the Business Combination Agreement Between Our Subsidiary and BLUE WORLD ACQUISITION CORPORATION" (dated August 10, 2023) and "Announcement on the Establishment of Our Subsidiary (Subsidiary of Our Subsidiary)" (dated August 18, 2023), the company responsible for the construction and operation of the cell plant is Vietnam Sunergy Cell Company Limited (hereinafter "Cell Company"), a subsidiary of VSUN.
- Additionally, TOYO Co., Ltd. (hereafter "TOYO Co") is a special-purpose company established by our subsidiary, FUJI SOLAR Corporation. TOYO Co serves as the parent company of Cell Company and aims to be listed on NASDAQ in the future.

### **6. Are there concerns about VSUN's ability to repay its large loans given its aggressive capital investments?**

- We've received queries regarding VSUN's loans and potential repayment challenges. Currently, the combined long-term and short-term borrowings stand at 27.3 billion yen. The funds for repayment, calculated by combining segment profits and depreciation expenses, amount to approximately 13.5 billion yen. This results in a repayment period of about 2.0 years, so there is no particular concern about our ability to repay these loans. Additionally, in Vietnam, there are four banks from which we have borrowed amounts exceeding 30 million US dollars. Given VSUN's ability to earn foreign currency, we receive substantial support, primarily from state-owned banks in Vietnam.

# Q&A (3)

## **7. How is VSUN responding to US regulations regarding export circumvention?**

- On August 18, 2023, the U.S. Department of Commerce issued a press release. They announced a final decision that several solar product manufacturers with Chinese origins were circumventing the Anti-Dumping Duties (AD) and Countervailing Duties (CVD) placed on Chinese solar products (cells and modules). This was achieved by routing their products through four Southeast Asian countries (Cambodia, Malaysia, Thailand, Vietnam) before exporting them to the US. The investigation focused on concerns that some manufacturers were performing minimal processing of solar products (cells and modules) in one of the aforementioned Southeast Asian countries before re-exporting them to the US. According to the press release, our group company, VSUN, is neither recognized as a circumventing company nor a non-circumventing one.
- The announcement cautioned that, under US related laws and regulations, if evidence is found that products are completed or assembled in a third country with the intention to evade Anti-Dumping Duties (AD) or Countervailing Duties (CVD), the US Department of Commerce may conduct an investigation.  
In A balance Group, we are advancing the establishment of a supply chain that can address stable procurement of key components and import regulations in various countries. For example, we are considering measures such as internalizing cell production and direct investments into the US market to respond adequately.

# Disclaimer

- The future outlook and estimated figures presented in this material are based on information available to our company at the time of its creation, as well as facts we recognized and results from our subsequent analyses and evaluations.
- While we have considered past confirmed facts and other recognized data, we have also used certain assumptions and premises necessary for this material's preparation and future outlook, including those we have calculated independently.
- Statements about future projections inherently carry risks and uncertainties. Given the potential shifts in business operations, domestic and global economic trends, securities markets, and other changing circumstances, our actual performance, results, and outcomes may differ from the projections and outlooks provided herein. We do not guarantee that these future projections or outlooks will materialize.
- We have taken meticulous care in preparing the content of this material. However, please understand that we cannot assume responsibility for any errors in the information presented or for any damages resulting from the use of this information.