

Financial Results Presentation for 1H FY06/23

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



Corporate Profile

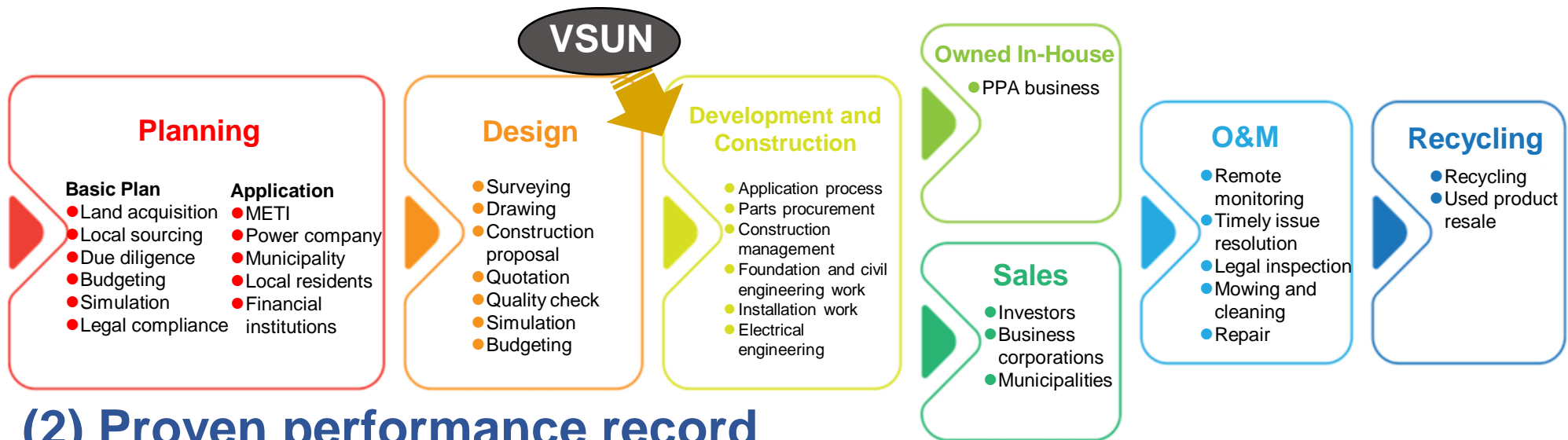
■ Company name	Abalance Corporation (Group Holding Company)
■ Establishment	April 17, 2000
■ Businesses	Green energy, construction machinery, IT, healthcare (photocatalyst)
■ Major subsidiaries	WWB, VALORS, VSUN, Japan Photocatalyst Center
■ Overseas subsidiaries	Consolidation of VSUN Inc. in Vietnam (Oct. 2020) <ul style="list-style-type: none">• <u>Largest Japanese solar panel manufacturer (capacity: 5.0GW)</u> (Source data: BloombergNEF, Tier1 PV Module Maker List [November 22, 2022])• Preparing UPCoM listing on Hanoi Stock Exchange (HNX)• Exploring IPO opportunities on other foreign stock exchanges• Expanding exports to the US market
■ 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-Dec. 2022)	118.7 billion yen
■ Net assets (end-Dec. 2022)	13.5 billion yen
■ No. of employees (end-Dec. 2022)	341 in Japan (incl. affiliates); 1,500 overseas (VSUN)
■ Consolidated net sales (FY12/22)	112.0 billion yen
■ Financial forecast (FY06/23)	Net sales: 175.0 billion yen (upwardly revised: 110.0 billion yen ⇒ 175.0 billion yen) Ordinary profit: 7.3 billion yen (upwardly revised: 2.8 billion yen ⇒ 7.3 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 3.5GW**

—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

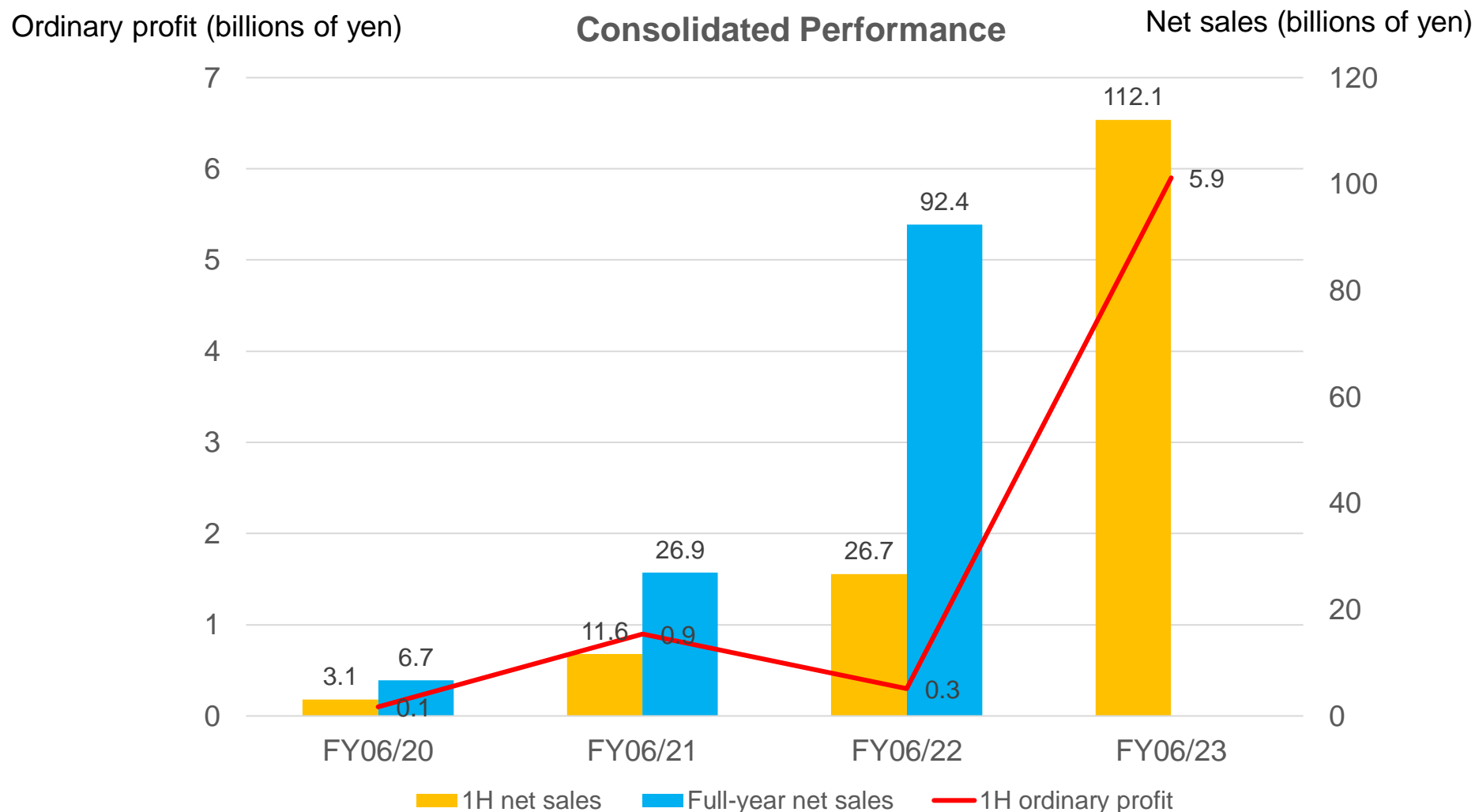
— We are collaborating with Associate Professor Tanaka of the Graduate School of Engineering, University of Tokyo* (our technical advisor) to explore renewable energy certification systems, supply-demand adjustment systems, etc.

*Member of the Nikkei Decarbonization Committee

Performance Highlights [Consolidated; 1H FY06/23]

■ **Net Sales: Approx. 4.2x YoY; Ordinary Profit: Approx. 17.2x YoY**

- Revenue drivers: Global demand for renewable energy, reduced congestion in regional ports and harbors
- Profit drivers: Price increase to customers, declining transportation fares after reaching a peak, increased electricity sales



Upward Revision to Full-Year Consolidated Forecast (Second 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		
	Actual	Initial forecast	Re-revised forecast	1H result
Net sales	92.4	110.0	175.0	112.1
Operating profit	1.7	2.9	7.0	5.2
Ordinary profit	1.5	2.8	7.3	5.9
Profit attributable to owners of parent	0.9	1.3	3.4	2.3

- 👉 Plant No. 4 has run at full capacity since January 2023, but we did not include its full output in our re-revised forecast because we cannot reasonably estimate its production capacity at this early stage.
- 👉 We will promptly disclose any further earnings upside from VSUN's strong performance.

1H Results in Key Segments

Solar Panel Manufacturing Business (VSUN)

- Increased net sales and segment profit significantly
- Exceeded solar panel sales expectations in Europe and US
- Less congestion in regional ports and harbors improved shipping conditions
- Raised prices and container shipping rates declined after reaching a peak → Improved profitability

(Billions of yen)

	1H FY06/22	1H FY06/23	YoY	Change
Net sales	22.7	107.4	Approx. 4.7x	+84.7
Segment profit	0.2	4.6	Approx. 20.7x	+4.4



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)

	1H FY06/22	1H FY06/23	YoY	Change
Power plant and product sales	2.6	2.8	+10%	+0.2
Electricity sales and O&M revenue	1.0	1.6	+53%	+0.6
Net sales	3.6	4.4	+22%	+0.8
Segment profit	0.6	0.9	+51%	+0.3



[WWB Kamisu Solar Power Plant]

[Reference] Green Energy Business: Development Examples



**Kakuda Solar Power Plant (Miyagi Prefecture)
(DC): Approx. 18.3MW**



**Hanabatake Solar Power Plant (Gunma
Prefecture) / (DC): Approx. 3.6MW**



**Miyanoura Solar Power Plant (Kagoshima
Prefecture) / (DC): Approx. 2.8MW**



**Dai Dung An Ha Factory roof top
(Thang Long Power)/Vietnam**

[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 March 7, 2023, Closing price)

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

- Plant No. 4 (panel production) has begun operations sequentially from Jan. 2023.
- 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.

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*)

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).

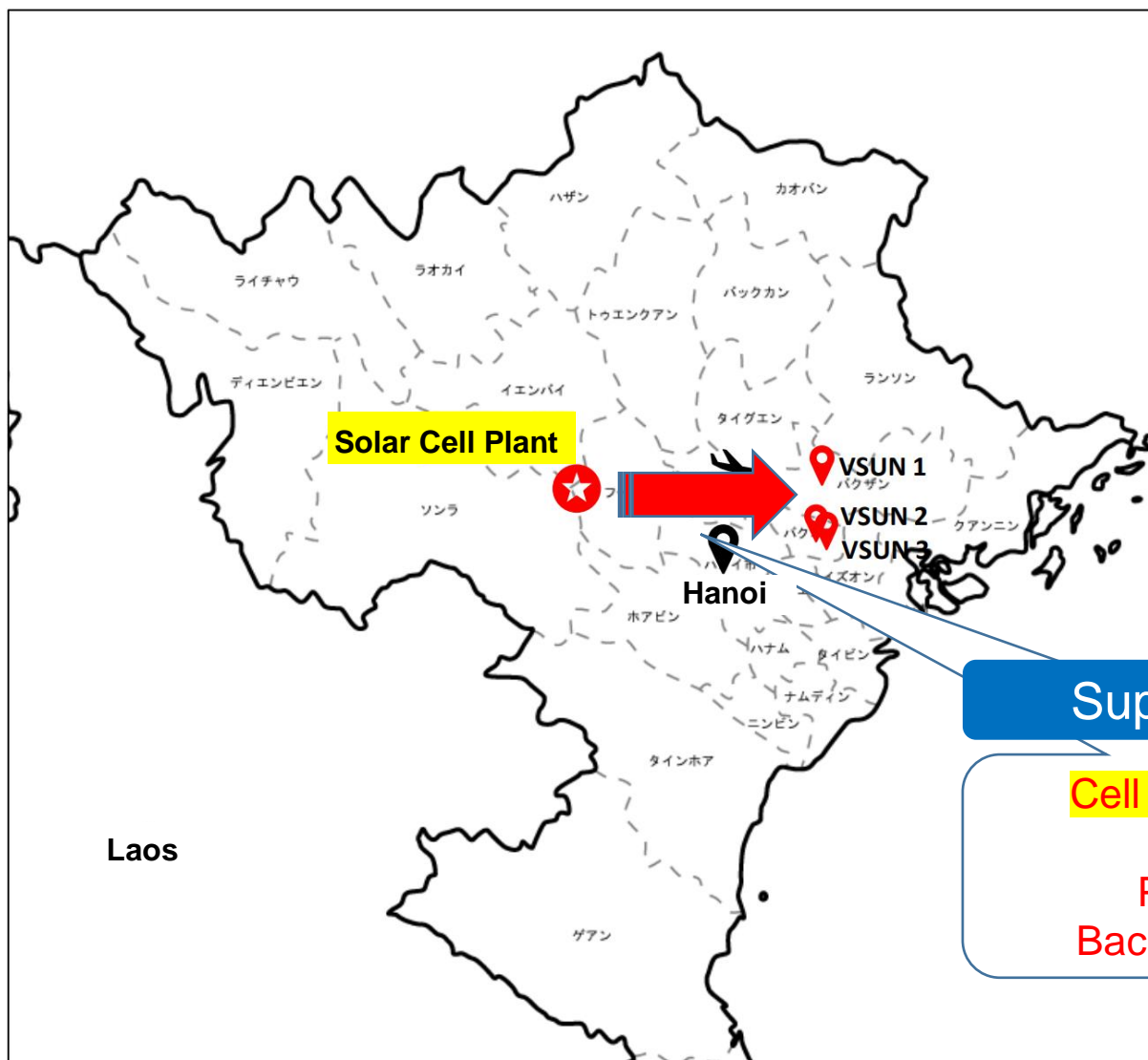


- First, Phase 1 will be implemented (to be completed in October 2023)
 - Benefits of in-house production: Lower costs and significantly higher profit margin
 - More control over upstream processes in our supply chain
 - Adapt to changes in market trends (such as import rules in each country)

(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).

VSUN Solar Cell Plant: Location Map



Access

- Approx. 84 km from Noi Bai International Airport
- Approx. 110 km from Hanoi city center
- Approx. 130 km from VSUN No. 1 Plant
- Approx. 130 km from VSUN No. 2 Plant
- Approx. 134 km from VSUN No. 3 Plant

Supply chain flow

Cell production in Phu Tho Province
 ↓ (Transportation)
 Panel production factories in
 Bac Giang and Bac Ninh Provinces


Cell Plant Construction (Phase 1 in Progress)

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



(*) Construction is proceeding smoothly.



 We will share more details on Phase 2 of the project as soon as they are confirmed.

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

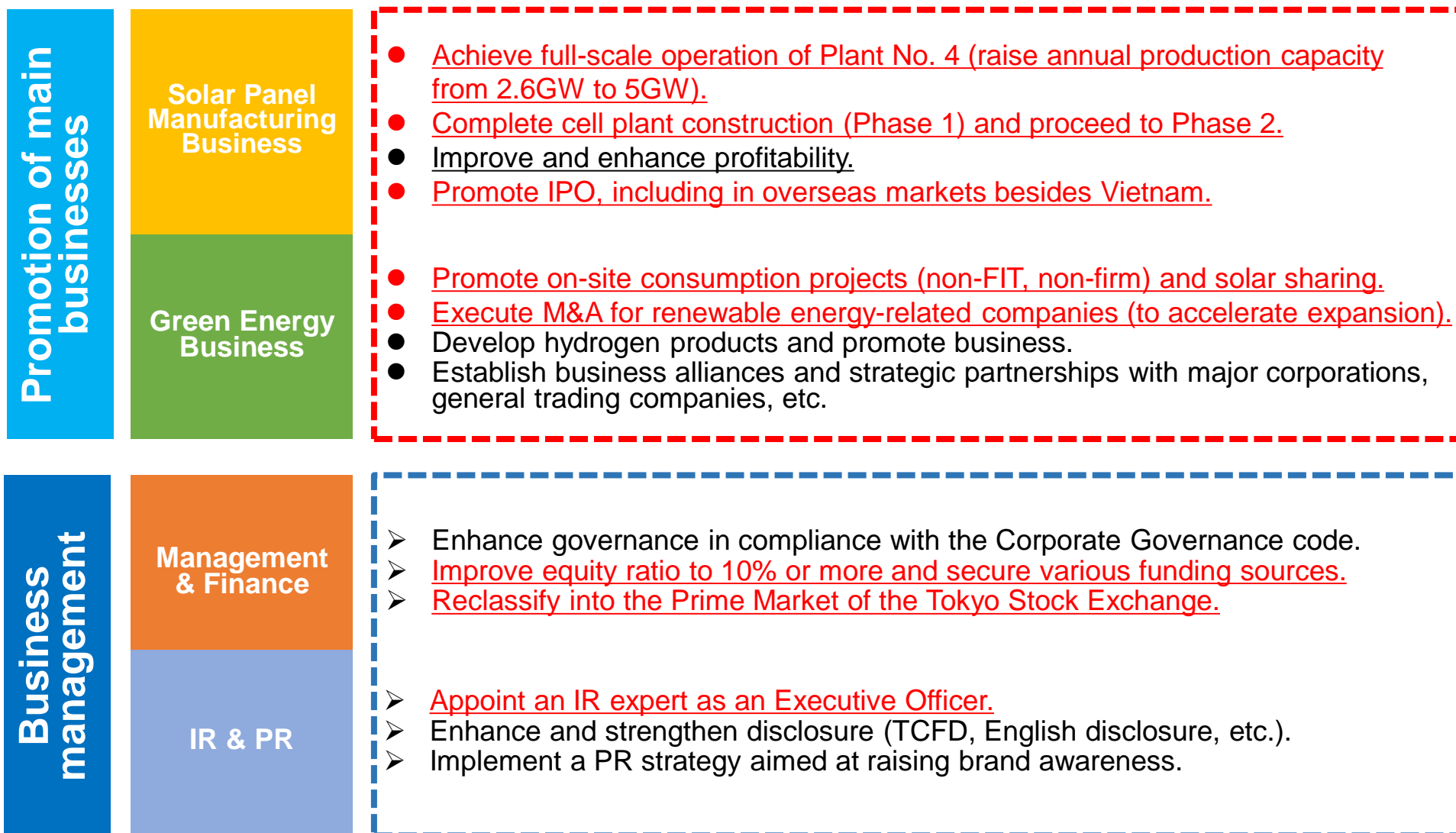
Full-year FY06/23 forecast re-revised upward (on Feb. 13, 2023)

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

Plan period→ (Millions of yen)	FY06/22	FY06/23	FY06/24	
	Actual	Revised forecast (Feb. 13, 2023)	Revised targets (Sep. 28, 2022)	Re-revised targets (Feb. 24, 2023)
Net sales	92,435	175,000	150,000	251,800
Panel Manufacturing Business (=VSUN)	81,775	165,000	138,000	239,000
Green Energy Business (One-Time Revenue)	8,009	6,700	7,600	7,800
Green Energy Business (Recurring Revenue)	2,651	3,300	4,400	5,000
Operating profit	1,697	7,000	4,500	15,800
Ordinary Profit	1,510	7,300	3,800	15,800
Profit attributable to owners of parent	867	3,400	1,800	8,000
Earnings per share	158.33 yen	204.55 yen	108.29 yen	481.29 yen

👉 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.

Key Initiatives to Enhance Corporate Value



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.

	Decided amount (1H FY06/23)	Recent dividend forecast (announced Aug. 15, 2022)	Actual dividend amount in the previous period (1H FY06/22)
Record date	December 31, 2022	December 31, 2022	December 31, 2021
Dividend per share	3 yen	Undecided	8 yen (Regular dividend: 7 yen) (Special dividend: 1 yen)

Equity Ratio Trends in the Near Term

- Our equity ratio was 6.8% as of end-Q2 FY06/23
 - Marks a moderate improvement
 - ROE remained high at 17.4% (FY06/22)



[Equity Ratio Trend and Outlook]

- Our equity ratio temporarily dropped to 5.4% as of end-September 2022.
- However, it has since improved to 6.8% as of end-December 2022.
- In January 2023, we raised 1.4 billion yen through new share issuance, thereby increasing our capital.
- Our aim is to increase retained earnings and achieve an equity ratio of 10% or more, with a focus on our solar panel manufacturing and green energy businesses (→ one of our key initiatives).

【Disclaimer】

- The information contained in this document has been prepared based on economic and social conditions and certain assumptions that the Group has determined to be reasonable, may change without notice due to changes in the business environment, etc. there is.
- The information provided in this document includes “information regarding future prospects.” They are based on the Group’s current expectations, forecasts and certain assumptions involving risks, and include uncertainties that may lead to results that differ materially from the statements, and guarantee the realization of plans, etc. not.
- Risks and uncertainties include general industry and market conditions, and international and domestic economic conditions such as interest rate and currency fluctuations. The 4th factory newly established by VSUN in Vietnam is now in operation, but the impact on the import and export of materials and products on the supply chain based on future increases in production capacity and various factors, and exchange rate fluctuations in other markets, etc. Please note that the actual consolidated results may differ from this full-year forecast.

【Contact information】

Abalance Co., Ltd.

Investors Relation Division

<https://www.abalance.jp/contact/>

* From the inquiry of the website, select “Performance/Financial Results/IR” in the pull-down menu