

Financial Results Presentation for 2Q FY06/24

March 14, 2024

Abalance Corporation

(TSE Standard: 3856)

- ◆ Performance Highlights
- ◆ Impact of Correction of Prior Period Financial Statements
- ◆ Recognition of Business Environment
- ◆ Overview of Q2 Consolidated Financial Results
- ◆ Performance Forecast for FY06/24
- ◆ Progress of Medium-Term Management Plan

2Q FY06/24 Financial Summary

- Net sales declined by 3.0 billion yen year on year to **108.5 billion yen**
- Due mainly to the improvement in revenue of the solar panel manufacturing business, operating profit increased by 5.1 billion yen to **10.1 billion yen**

Net sales

108.5 billion yen

(Down 3.0 billion yen year on year)

Ordinary profit

10.5 billion yen

(Up 4.9 billion yen year on year)

Operating profit

10.1 billion yen

(Up 5.1 billion yen year on year)

Operating Profit Margin

9.3%

(Up 4.9% year on year)

Impact of Correction of Prior Period Financial Statements

Reasons for Correction

- ▶ Net sales and profit from buy-sell transactions for solar panels in connection with solar power plants of a domestic consolidated subsidiary (WWB Corporation) were not recorded appropriately.
- ▶ Correction of financial statement figures was required, causing a delay in the finalization of the financial statements.

* Excerpt from “Notice of Submission of Corrected Reports, including Annual Securities Reports, for Prior Years and Correction of Summaries of Financial Results, Etc. for Prior Years” disclosed on March 14, 2024 (Japanese only)

(Unit: million yen)

	Corrections	FY06/2022				FY06/2023				FY06/2024
		1Q	2Q	3Q	Full year	1Q	2Q	3Q	Full year	1Q
Net Sales	Before correction	9,805	26,655	55,652	92,435	55,729	112,071	164,824	217,415	57,740
	After correction	9,492	26,342	55,339	92,122	55,546	111,553	162,693	215,284	57,740
	Impact	(312)	(312)	(312)	(312)	(182)	(518)	(2,130)	(2,130)	0
	Change (%)	(3.2)	(1.2)	(0.6)	(0.3)	(0.3)	(0.5)	(1.3)	(1.0)	0.0
Operating Profit	Before correction	354	532	723	1,697	1,629	5,167	9,982	13,565	4,673
	After correction	254	434	626	1,605	1,506	4,908	9,213	12,804	4,684
	Impact	(99)	(98)	(96)	(91)	(122)	(258)	(768)	(760)	11
	Change (%)	(28.2)	(18.5)	(13.4)	(5.4)	(7.5)	(5.0)	(7.7)	(5.6)	0.2
Ordinary Profit	Before correction	271	340	486	1,510	1,444	5,860	11,133	14,799	4,507
	After correction	172	241	389	1,418	1,321	5,602	10,364	14,038	4,518
	Impact	(99)	(98)	(96)	(91)	(122)	(258)	(768)	(760)	11
	Change (%)	(36.7)	(28.9)	(19.9)	(6.1)	(8.5)	(4.4)	(6.9)	(5.1)	0.3
Profit attributable to owners of parent	Before correction	855	803	776	867	531	2,269	4,249	5,445	1,737
	After correction	789	739	712	806	451	2,148	3,764	4,965	1,744
	Impact	(65)	(64)	(63)	(60)	(80)	(120)	(484)	(479)	7
	Change (%)	(7.6)	(8.0)	(8.2)	(6.9)	(15.1)	(5.3)	(11.4)	(8.8)	0.4

2030 Group Vision A global core renewable energy company

The renewable energy market is expected to grow over the medium to long term with the aim of moving away from fossil fuels and achieving a carbon-free society

Strengthen competitiveness by building a global supply chain

Policy

- **Efforts to reduce greenhouse gas emissions**
 - ▶ Convention on Climate Change (COP28)
 - “The era of global boiling has arrived” (UN Secretary-General António Guterres)
 - ▶ Intergovernmental Panel on Climate Change (IPCC)
 - ▶ Inflation Reduction Act (IRA)
 - ▶ 2050 Carbon Neutral Declaration (Japan)

Industry

- **Stable growth of renewable energy markets**
 - ▶ Expansion of solar panel production capacity (China’s share: approx. 80%)
 - ▶ Decline in facility utilization rates due to production capacity exceeding demand
 - ▶ Weakening module prices
 - ▶ US market dependent on imports → IRA (increase domestic production)

Risk Factors

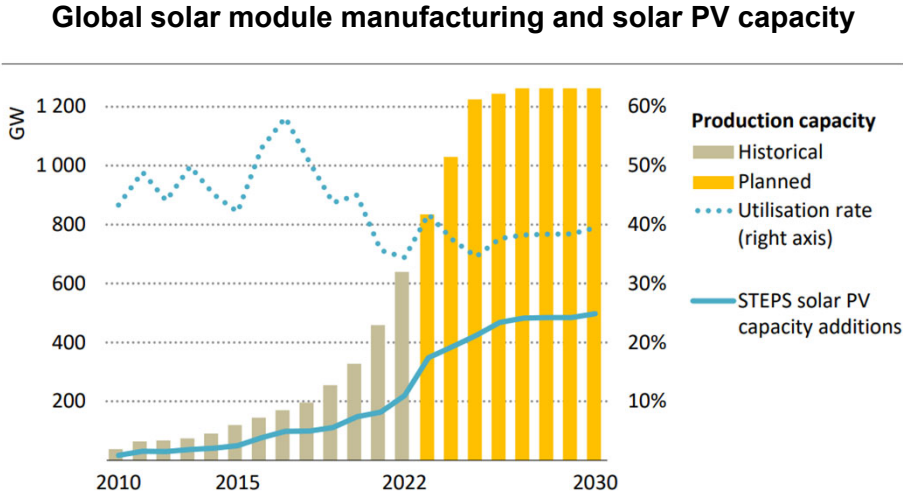
- ▶ US: Restrictions on circumventing exports by Chinese photovoltaic product manufacturers (understanding that VSUN is not subject to these restrictions)
- ▶ US: Temporary tariff exemption for solar products from four Southeast Asian countries (two years from June 2022)
- ▶ US: Presidential election (Nov. 5, 2024)

Global Solar Module Production Capacity

Production concentrated on top 5 countries

- ▶ China: 80% (500GW)
- ▶ Group 2: 13% (Vietnam, India, Malaysia, Thailand)
- ▶ Group 3: Approx. 5% (US, South Korea, Cambodia, Turkey, Taiwan)

Source: IEA, *World Energy Outlook 2023*

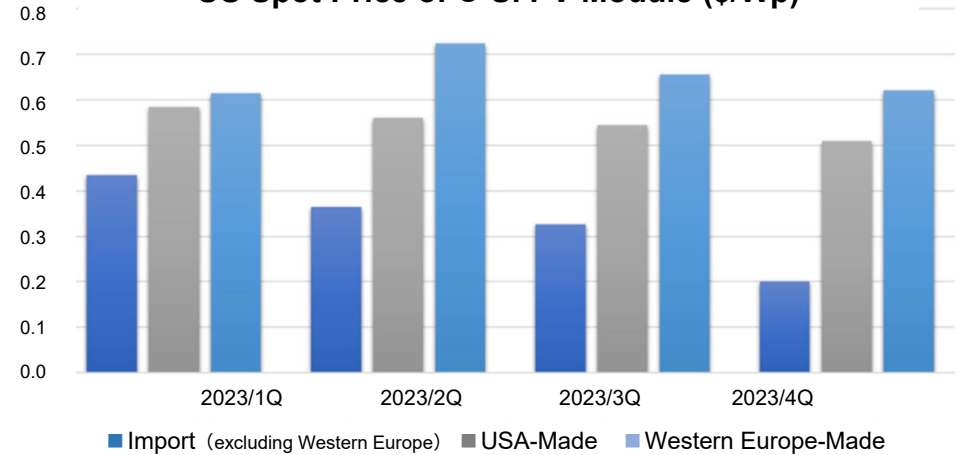


Source: IEA, *World Energy Outlook 2023*

■ Expectations of stable market growth

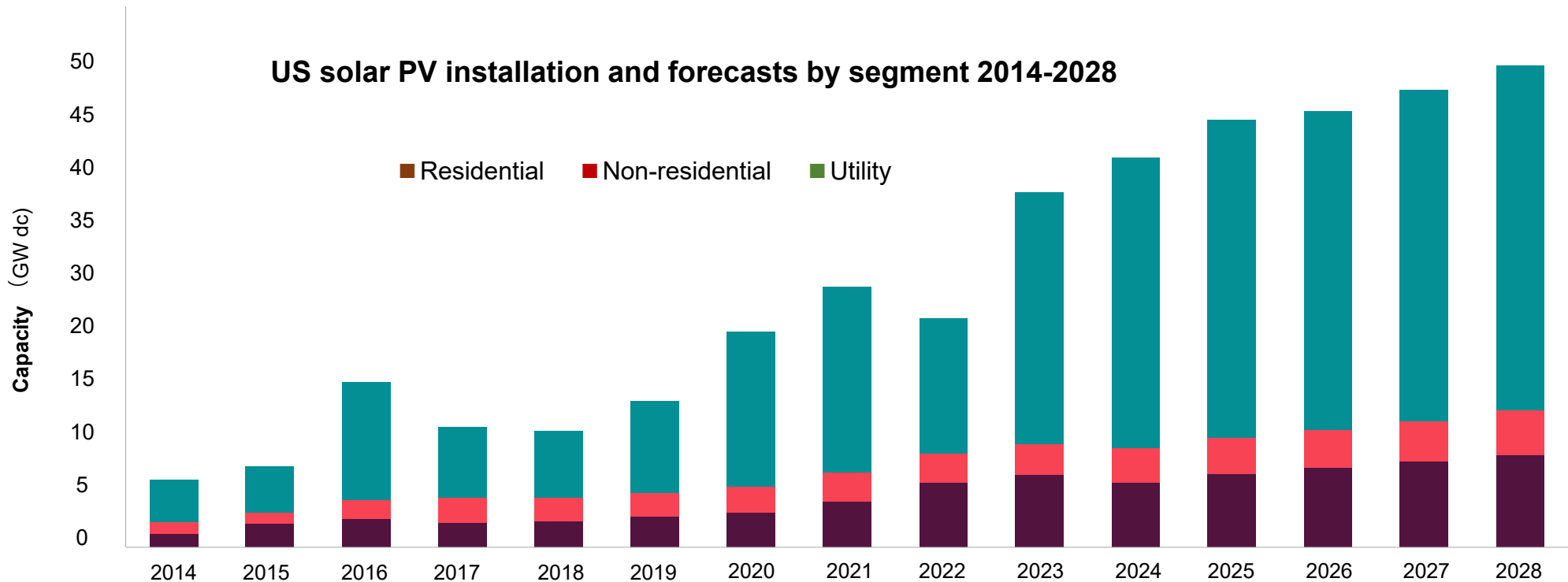
- ▶ The solar power market has continued its **strong expansion trend** since 2023
Factors: Economic growth, population growth, increase in HACV demand due to climate change
- ▶ Global supply-demand balance in a state of excess supply due to production expansion in China (→ price stagnation)
- ▶ US module prices are relatively high due to the small volume of imports from China
- ▶ Investment in “Made in America” is increasing due to IRA and other policies

US Spot Price of C-Si PV Module (\$/Wp)



Source: EnergyBin, 2023 PV Module Price Index

US solar PV installation and forecasts by segment 2014-2028



Source: Wood Mackenzie, Three predictions for global solar in 2024

Overview of Q2 Consolidated Financial Results



VSUN's new ingot and wafer plant (conceptual drawing)

Q2 Consolidated Financial Results (Year-on-Year Comparison)



- **Net sales:** Net sales down due to a fall in unit prices of solar panels (3.0 billion yen decrease)
- **Operating profit:** Profits up due to the start of operation of the solar cell plant and cost reductions resulting from VSUN's production efficiency improvements: (5.1 billion yen increase)
- **Operating profit margin:** Major improvement of 4.9% year on year, generally higher level than competitors
- **Full-year target progress:** Net sales are 50% below, but profit is progressing well at the 60% mark

	FY06/23			FY06/24			Full-year Target Progress	Y/Y change
	1Q	2Q	1H	1Q	2Q	1H		
(Unit: billion yen)								
Net sales	55.5	56.0	111.6	57.7	50.8	108.5	43%	(3.0)
Operating profit	1.5	3.4	4.9	4.7	5.4	10.1	64%	5.1
Ordinary profit	1.3	4.3	5.6	4.5	6.0	10.5	67%	4.9
Profit attributable to owners of parent	0.5	1.7	2.1	1.7	1.9	3.6	52%	1.5
Operating profit margin (%)	2.7%	6.1%	4.4%	8.1%	10.6%	9.3%	-	4.9%

Q2 Consolidated Financial Results (By Segment)

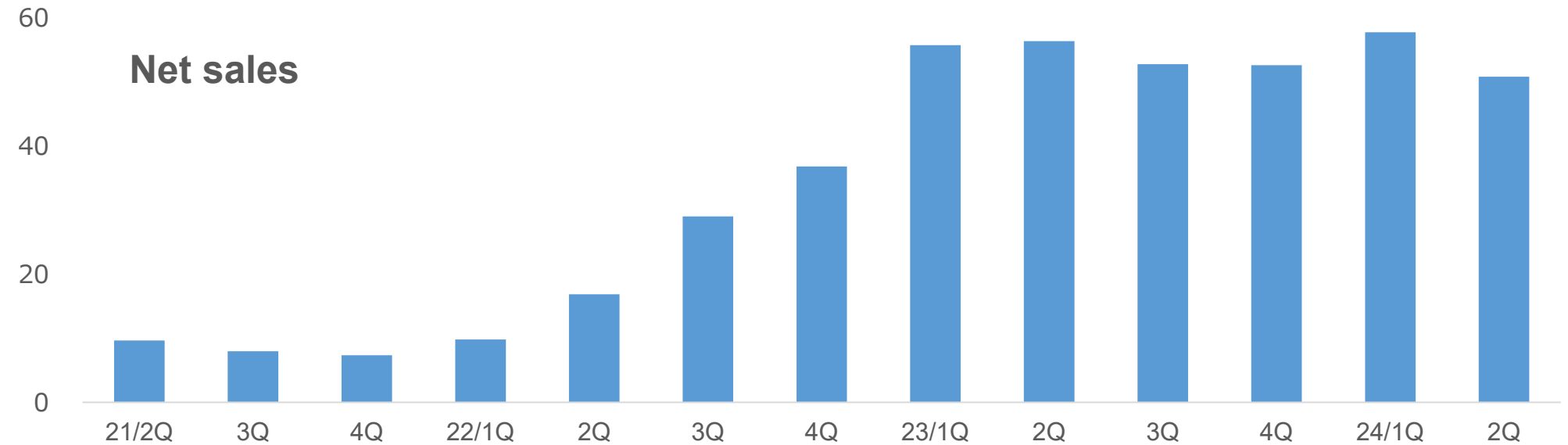


(Unit: million yen)	FY06/23			FY06/24			YY change
	1Q	2Q	1H	1Q	2Q	1H	
Net sales	55,546	56,007	111,553	57,740	50,801	108,541	(3,012)
Solar Panel Manufacturing Business	53,250	54,054	107,304	55,495	48,764	104,259	(3,045)
Green Energy Business	2,126	1,781	3,907	2,066	1,881	3,947	40
IT Business	154	147	301	161	140	301	0
Photocatalyst Business	10	8	18	9	10	19	1
Other	5	16	21	9	6	15	(6)
Operating profit	1,506	3,403	4,909	4,684	5,373	10,057	5,148
Solar Panel Manufacturing Business	1,175	3,437	4,612	4,390	5,672	10,062	5,450
Green Energy Business	518	155	673	494	142	636	(37)
IT Business	1	10	11	21	(1)	20	9
Photocatalyst Business	(9)	(14)	(23)	(5)	(5)	(10)	13
Other	(179)	(185)	(364)	(216)	(435)	(651)	(287)

Quarterly Sales and Operating Profit



(Unit: billion yen)



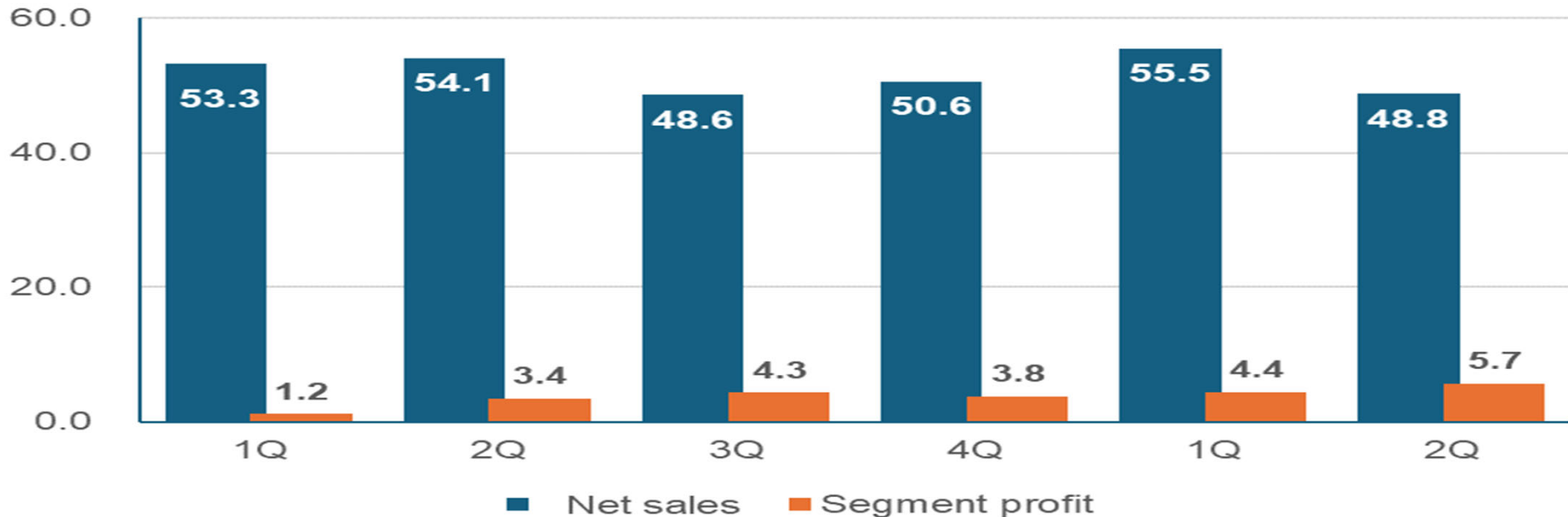
Solar Panel Manufacturing Business (VSUN Group)



- Net sales: Sales to the US market were strong, but falling prices resulted in a year-on-year decrease
- Profit: Overall optimization of the supply chain from production to sales led to a major increase year on year

(Unit: billion yen)	FY06/23				FY06/24		YoY (%)
	1Q	2Q	3Q	4Q	1Q	2Q	
Net sales	53.3	54.1	48.6	50.6	55.5	48.8	90%
Segment profit	1.2	3.4	4.3	3.8	4.4	5.7	165%

(Unit: billion yen)



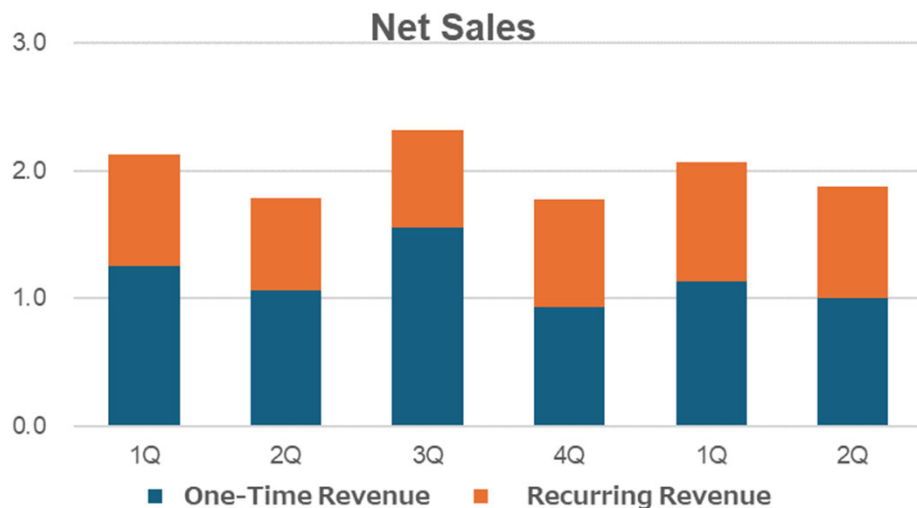
Green Energy Business

- Steady development of the recurring revenue business model of solar power plant ownership, which is a priority business.
- Actively pursuing non-FIT projects as a PPA operator

(Unit: billion yen)	FY06/23				FY06/24		YoY (%)
	1Q	2Q	3Q	4Q	1Q	2Q	
Net sales	2.1	1.8	2.3	1.8	2.1	1.9	106%
Domestic Business (One-Time Revenue)	1.3	1.1	1.6	0.9	1.1	1.0	94%
Domestic Business (Recurring Revenue)	0.9	0.7	0.8	0.8	0.9	0.9	123%
Segment Profit	0.5	0.2	0.2	0.2	0.5	0.1	92%

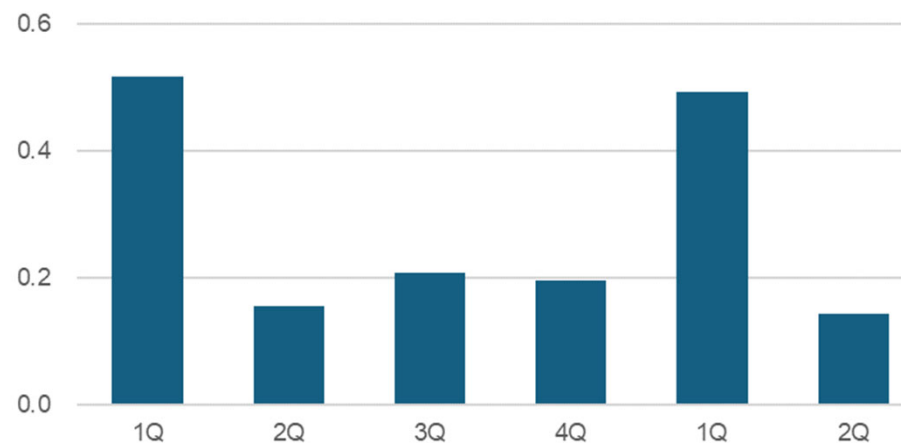
Note: One-time revenue includes sales from the Green Energy Business's power plant sales and merchandise. Recurring revenue accounts for electricity & O&M sales from the Green Energy Business

(Unit: billion yen)



(Unit: billion yen)

Segment Profit



Performance Forecast for FY06/24



VSUN (Vietnam Sunergy Joint Stock Company)

Consolidated Performance Forecast



- Net sales: No change in the forecast due to expectations of external sales of solar cells
- Profit: We will monitor exchange rates and solar panel price trends to decide on the need to revise the forecast

Net sales

251.8 billion yen (up 36.5 billion yen year on year)

Operating profit

15.8 billion yen (up 3.0 billion yen year on year)

	FY06/23			FY06/24			Y/Y change
	1H	2H	FY	1H	2H	FY	
(Unit: billion yen)							
Net sales	111.6	103.7	215.3	108.5	143.3	251.8	36.5
Operating profit	4.9	7.9	12.8	10.1	5.7	15.8	3.0
Ordinary profit	5.6	8.4	14.0	10.5	5.3	15.8	1.8
Profit attributable to owners of parent	2.1	2.8	5.0	3.6	3.4	7.0	2.0
Operating profit margin (%)	4.4%	7.6%	5.9%	9.3%	4.0%	6.3%	0.4%

Progress of Medium-Term Management Plan



Kunisaki Solar Power Plant



Kakuda Solar Power Plant

■ **FY06/2026** (Final Year of Medium-term Management Plan)

Net sales 355.8 billion yen, operating profit 30.8 billion yen, ordinary profit 30.8 billion yen

■ **Major action plans**

(1) NASDAQ listing (2) Operation of cell plant (Vietnam) (3) Establishment of new cell plan (US), etc.

	FY06/23	FY06/24	FY06/25	FY06/26
(Unit: billion yen)	(Results)	(Forecast)	(Plan)	(Plan)
Net sales	215.3	251.8	301.8	355.8
(Overseas) VSUN	206.8	239.0	287.0	338.0
(Japan) Green Energy, etc.	8.5	7.8	8.8	9.8
Operating profit	12.8	15.8	25.8	30.8
Operating profit margin	5.9%	6.3%	8.5%	8.7%
Ordinary profit	14.0	15.8	25.8	30.8
Profit attributable to owners of parent	5.0	7.0	n/a	n/a
Equity ratio	8.8%			20.0%

Improvement in Equity Ratio

- Equity ratio (end-2Q FY06/24): **10.6%**

*Improving from 8.8% of end of FY06/2023.

- Equity ratio target: Above 10% to 12%

To secure financial soundness, we aim to bolster our equity by increasing retained earnings, centering on the Solar Panel Manufacturing Business and Green Energy Business.

Policy on Shareholder Return Measures

- Interim dividend for FY06/2024: 3 yen per share

- In addition to stable, continuous dividend distribution, we will aim to raise corporate competitiveness and enhance shareholder value by increasing internal reserves and putting them to effective use.

Business Division Action Plans



UtilityVSUN540 (Colorado, USA) *From VSUN website

Recognition of Business Environment

- Growth in demand for renewable energy with the progression of global warming
- Expansion of demand for solar panels in European and US markets (VSUN target markets)
 - * US Inflation Reduction Act (IRA)
Response to climate change through CO2 emissions reductions Approx. \$400.0 billion (over the next 10 years)
- Need to address growing markets (= increase in supply capacity)

Growth Strategy

- Abalance Group Growth Strategy (Medium-term Management Plan 2024-2026)
 - **IPO Strategy (NASDAQ Listing)** as a growth engine for enhancement of corporate value

Merger Scheme

- Vietnam Sunergy Cell Company Limited (Cell Company) signed a letter of intent with BLUE WORLD ACQUISITION CORPORATION (BWAQ), a special purpose acquisition corporation (SPAC) listed on NASDAQ in the US.

Action toward merger

- ▶ Progress of merger scheme: Transfer of Cell Company's shares (VSUN → TOYO Co)
- ▶ Planned NASDAQ listing company, TOYO Co: Submission of draft prospectus to US Securities and Exchange Commission (SEC)

Strengthening of VSUN Supply Chain

Strategy Directions

- Strengthen competitiveness by building a global supply chain
- Switch from external purchasing to **in-house production** of **cells**, the key component of solar panels
- Build a manufacturing plant for ingots and wafers (due to start operating around the summer of 2024)
- Build a stable system for purchasing key components and reduce costs to improve profit margin

Investment plan

- Production capacity: 8 GW
- Total investment amount: Approx. US\$300 million (Approx. 45.0 billion yen)
- Implementation policy: Execute capital investment in two phases, Phase 1 and Phase 2



Progress Status of Cell Plant Construction Project

Phase 1 (Complete)

- Completion ceremony held on November 22, 2023
- Annual production capacity: 4 GW
- Capital investment: Approx. US\$180 million (Approx. 27.0 billion yen)

Phase 2 (Under deliberation)

- The operational status of Phase 1 operation is being evaluated, and the execution of Phase 2 investment is under deliberation.
- Appropriate disclosure of Phase 2 deliberations will be made when concrete progress is apparent.

Planning venture into upstream processes to further strengthen the global supply chain

*See next page

Strengthening of Global Supply Chain

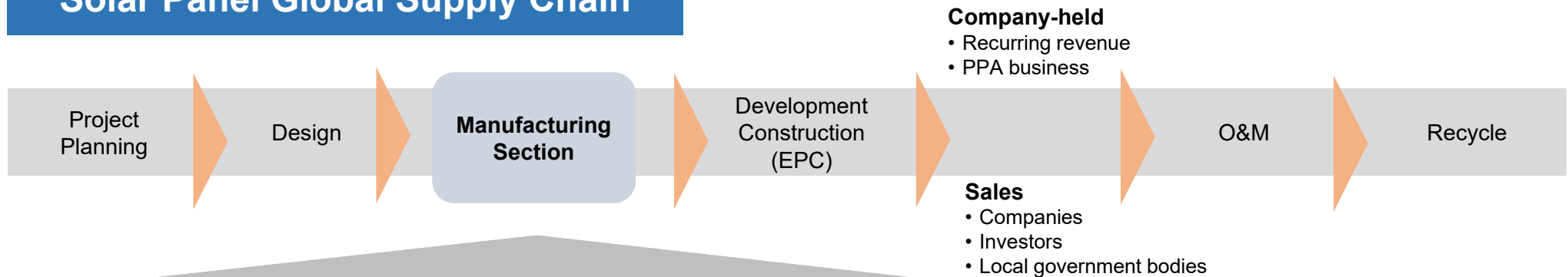


* Latest version based on Abalance Group's Medium-Term Management Plan (2024-2026) announced on September 22, 2023.

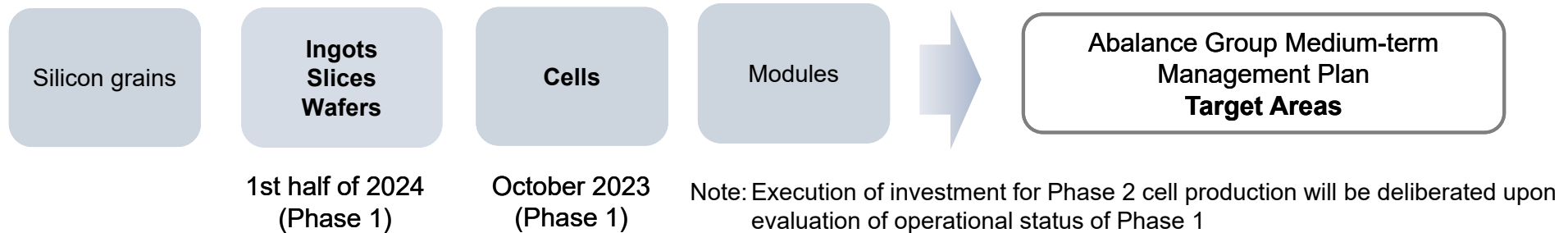
■ Medium- to long-term strengthening of competitiveness

- ▶ Switch from external purchasing to in-house production of key components of solar panels (cells, wafers, ingots).
- ▶ Strive for improvement of profitability by stabilizing parts purchasing, responding to market developments such as import restrictions, and reducing costs.

Solar Panel Global Supply Chain



Local production in Vietnam and further expansion into the US



- Strategic partnership with OCI
Stable securement of silicon
- Conclusion of agreements for sale of cells to India and US

Promote **one-stop solutions** mainly by subsidiaries, WWB Corporation and VALORS Corporation

Stable earnings

- ▶ Promotion of recurring revenue business: company-held solar power plants
- ▶ Entry into PPA business: Company ownership of solar power plants as a PPA operator

M&A

- ▶ Expansion of business scale through M&A of renewable energy-related companies
- ▶ Execution of M&A with awareness of cost of capital

Business tie-ups and partnerships

- ▶ Expansion of business foundations by building business alliances and partnerships
- ▶ Pursuit of joint ventures for domestic and overseas projects

New businesses

- ▶ Company ownership of solar power plants as a PPA operator
- ▶ Private consumption solar power generation EPC business (roof installation at large companies)
- ▶ Grid-connected batteries business: Formation of SPC with a partner company in the Hokkaido area (January 2024)

R&D, etc.

- ▶ Development of hydrogen products and promotion of business
- ▶ Promotion of green transformation (GX)

Promotion of recurring revenue business model

- Expansion of recurring revenue business through company ownership of solar power plants
 - ▶ Company-held power plants: Approx. 110 power plants (Japan and overseas)
 - ▶ Company-owned power generation capacity: Over 140MW (including projects under development and planned for acquisition)
- CO2 emission reductions from Green Energy Business: Approx. 2 million tons
 - * Equivalent to the annual power consumption of approximately 770,000 households
- Company ownership of solar power plants as a PPA operator

Promotion of business tie-ups

- Basic policy
To achieve our growth strategy, we will actively pursue alliances with leading domestic and overseas companies in areas such as energy storage

Specific examples



(Kamisu Solar Power Plant)

Meiji Machine

- ▶ Formed a business alliance with subsidiaries WWB and Japan Photocatalyst Center
- ▶ Established mutual funding line

Yamada Trading

- ▶ Yamada Trading: Sale of photovoltaic storage batteries
- ▶ WWB: Sale of residential storage batteries

Mitsu & Co. Plant Systems

- ▶ Joint development of Offsite Corporate PPA solar power generation business

US import regulations

- **Response to circumventing exports** (anti-dumping duties and countervailing duties)
 - ▶ On August 18, 2023, the US Department of Commerce determined circumventing exports by five Chinese solar photovoltaic product manufacturers.
 - ▶ The Department identified concerns about circumventing exports through four Southeast Asian countries (Cambodia, Malaysia, Thailand, and Vietnam).
 - ▶ If duties are determined to be payable, a 250% sanctioned tax will be levied.
 - ▶ VSUN understands that its status regarding export circumvention remains uncertain.

- **Temporary tariff exemption by the Biden administration**
 - ▶ In June 2022, as a response to a shortage of photovoltaic products, a temporary tariff exemption was made.
 - ▶ Collection of duties on imports from four Southeast Asian countries (Cambodia, Malaysia, Thailand, and Vietnam) was suspended for two years (until May 2024).
 - ▶ If duties are levied from June 2024, we will be in the same competitive environment as our competitors, but the Abalance Group intends to maintain its competitive advantage with the following measures:
(1) Pass duties onto sale prices; (2) reduce the cost of sales through cost-cutting; (3) secure production base in the US


- **US presidential elections** (November 5, 2024)
 - ▶ Potential for changes in US policies on global warming

Solar panel supply/demand and pricing trends

- **Price stagnation due to over-supply**
 - ▶ Over-supply caused by the expansion of Chinese manufacturers' production capacity will lead to a fall in prices and a decline in production facility operating rates
 - ▶ US solar power generation market is a growth market → Increase in domestic production due to IRA → Secure production base in US
 - ▶ Build relative competitive advantage through overall optimization of production–logistics–sales supply chain

Abalance Group Summary



Trade Name	Abalance Corporation 
Address	Tennozu First Tower 16F 2-2-4 Higashishinagawa, Shinagawa-ku, Tokyo
Establishment	April 17, 2000
Capital	2,059 million yen
President & Representative Director	Yasuaki Mitsuyuki
Stock Listing	Tokyo Stock Exchange (Standard Market: 3856)
Employees	Consolidated: 2,029; Non-consolidated: 40 (as of Dec. 31, 2023)
Primary consolidated subsidiaries	Japan: WWB, VALORS, Abit Overseas: VSUN, Vietnam Sunergy Cell Company Limited
Equity-method affiliate	Meiji Machine Co., Ltd. (TSE Standard: 6334)

- 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, evaluations and calculations.
- 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.
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