

Financial Results Presentation for FY06/24

August 14, 2024

Abalance Corporation

(TSE Standard: 3856)

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1. Overview of FY06/24 Consolidated Financial Results



VSUN Ingot and Wafer Plant

FY06/24 Consolidated Financial Results (Year-on-Year Comparison)



- **Net sales:** Net sales down mainly due to a fall in unit prices of solar panels (6.3 billion yen decrease)
- **Operating profit:** Profits up due to the start of a new solar cell plant and more efficient production of VSUN resulting in lower production costs (10.5 billion yen increase)
- **Operating profit margin:** Significant improvement of 5.2% year on year

(Unit: billion yen)	FY06/23			FY06/24			YoY change	
	1H	2H	Full Year	1H	2H	Full Year	Amount	%
Net sales	111.6	103.7	215.3	108.5	100.5	209.0	(6.3)	(3)%
Operating profit	4.9	7.9	12.8	10.1	13.3	23.3	10.5	82%
Ordinary profit	5.6	8.4	14.0	10.5	14.4	24.9	10.9	77%
Profit attributable to owners of parent	2.1	2.8	5.0	3.6	5.9	9.5	4.6	92%
Operating profit margin (%)	4.4%	7.6%	5.9%	9.3%	13.2%	11.2%	5.2%	-

FY06/24 Consolidated Financial Results (By Segment)

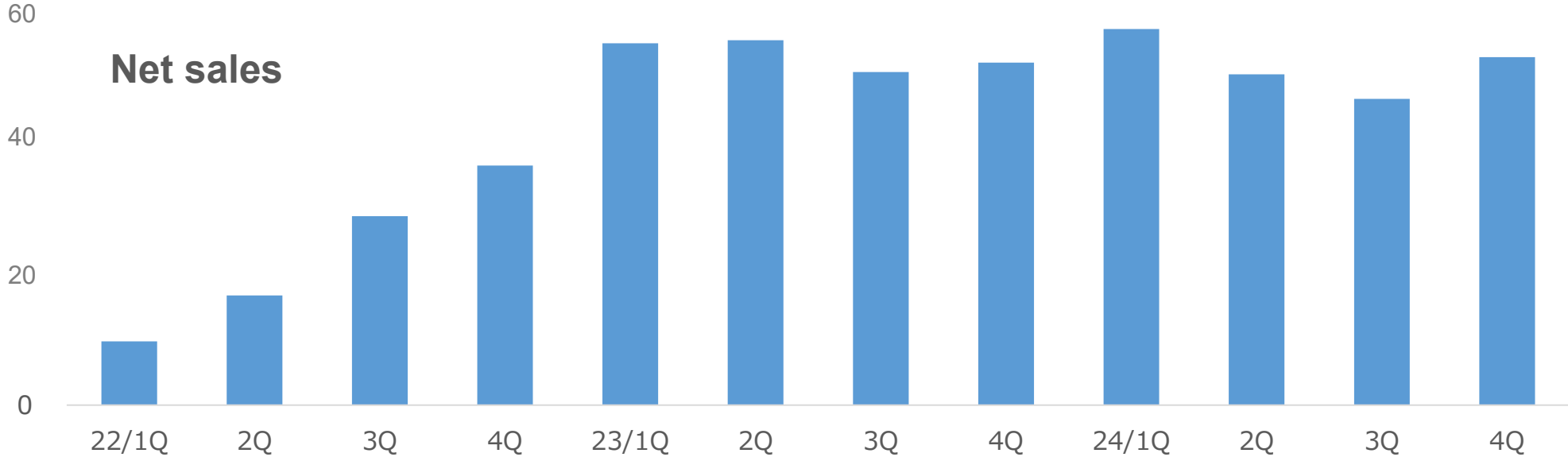


(Unit: billion yen)	FY06/23			FY06/24			YoY change
	1H	2H	Full Year	1H	2H	Full Year	
Net sales	111.6	103.7	215.3	108.5	100.4	209.0	(6.3)
Solar Panel Manufacturing Business	107.3	99.3	206.6	104.3	95.6	199.9	(6.7)
Green Energy Business	3.9	4.1	8.0	3.9	4.4	8.3	0.3
IT Business	0.30	0.30	0.60	0.30	0.29	0.59	(0.01)
Photocatalyst Business	0.02	0.38	0.40	0.02	0.02	0.04	(0.36)
Other, Adjustment	0.02	0.05	0.08	0.02	0.13	0.14	0.07
Operating profit	4.9	7.9	12.8	10.1	13.3	23.3	10.5
Solar Panel Manufacturing Business	4.6	8.1	12.7	10.1	13.8	23.9	11.2
Green Energy Business	0.7	0.4	1.1	0.6	(0.1)	0.5	(0.5)
IT Business	0.01	0.04	0.05	0.02	0.02	0.04	(0.01)
Photocatalyst Business	(0.02)	(0.02)	(0.04)	(0.01)	0.01	0.00	0.04
Other, Adjustment	(0.36)	(0.62)	(0.98)	(0.65)	(0.45)	(1.10)	(0.12)

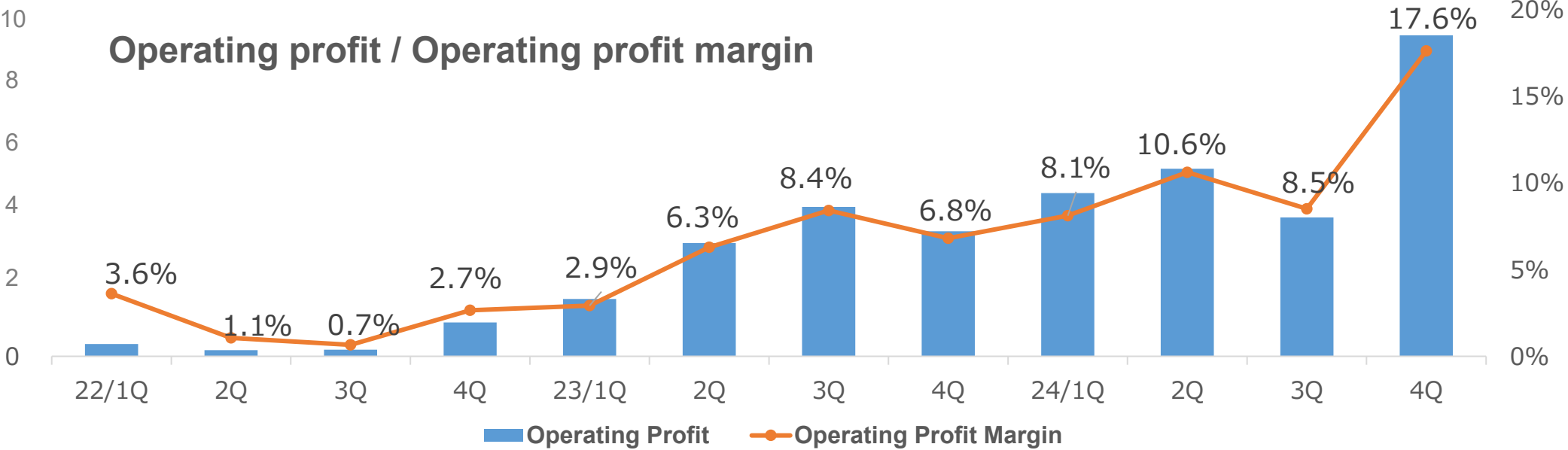
Quarterly Sales and Operating Profit



(Unit: billion yen)



In-house manufacturing of solar cells progressed, with the operating profit margin on an improving trend.



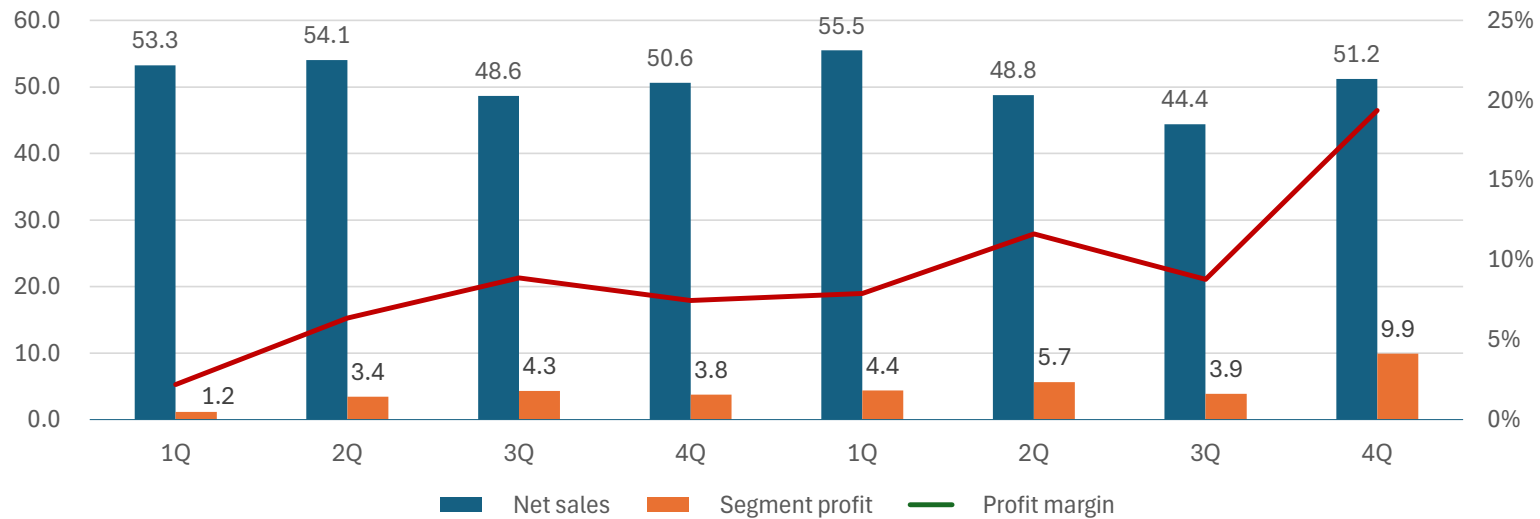
Solar Panel Manufacturing Business (Panels / Cells)



- Net sales: Sales decreased due to a decline in sales prices caused by the softening of global supply and demand for solar panels and cells
- 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							前期比 (%)
	1Q	2Q	1H	3Q	4Q	2H	Full Year	1Q	2Q	1H	3Q	4Q	2H	Full Year	
Net sales	53.3	54.1	107.3	48.6	50.6	99.3	206.6	55.5	48.8	104.3	44.4	51.2	95.6	199.9	97%
Segment profit	1.2	3.4	4.6	4.3	3.8	8.1	12.7	4.4	5.7	10.1	3.9	9.9	13.8	23.9	188%
Profit margin	2.2%	6.4%	4.3%	8.9%	7.5%	8.1%	6.1%	7.9%	11.6%	9.7%	8.8%	19.4%	14.5%	11.9%	5.8%

(Unit: billion yen)

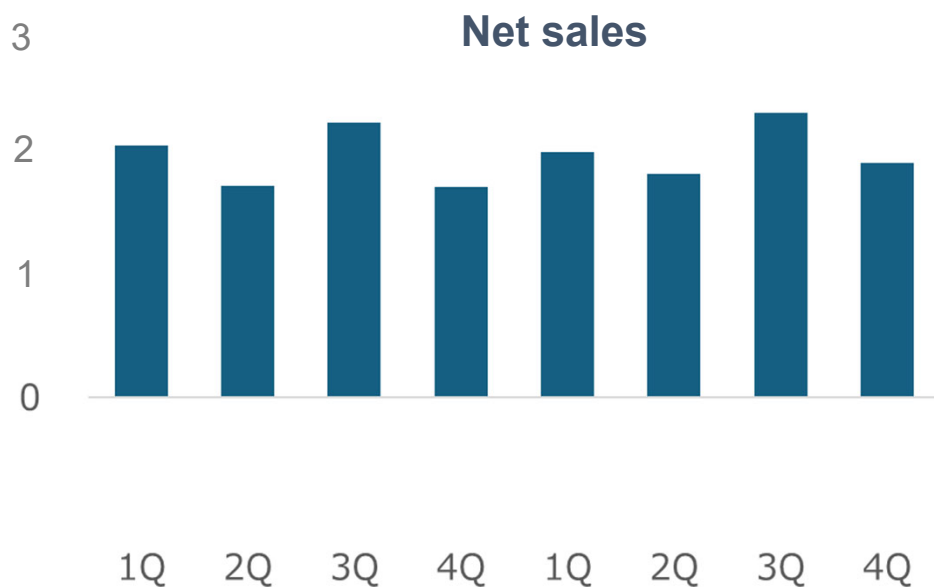


Green Energy Business

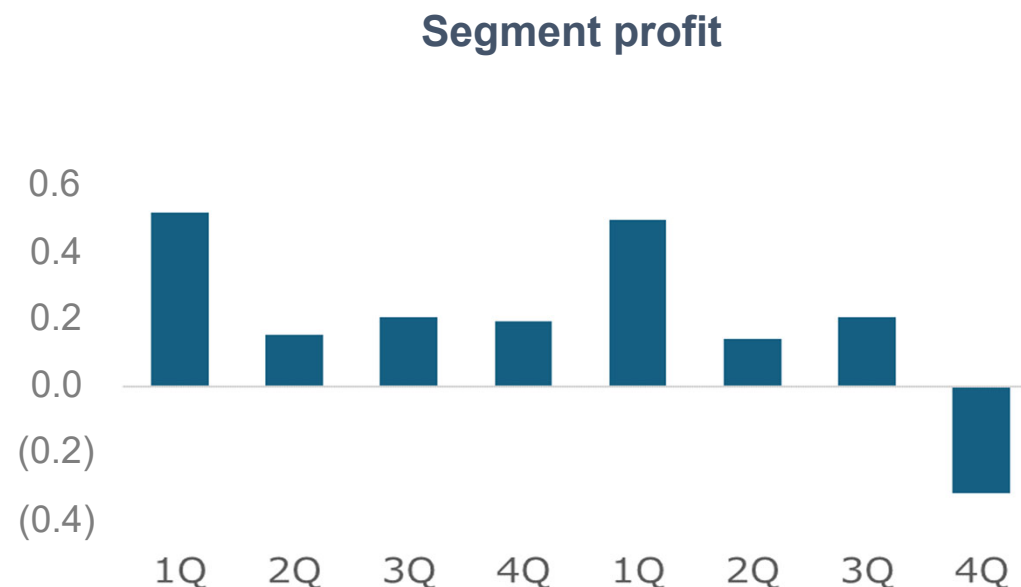
- Steady development of the recurring revenue business model of solar power plant ownership, which is a priority business.
- Actively pursuing non-FIT projects as a PPA operator

(Unit: billion yen)	FY06/23							FY06/24							YoY (%)
	1Q	2Q	1H	3Q	4Q	2H	Full Year	1Q	2Q	1H	3Q	4Q	2H	Full Year	
Net sales	2.1	1.8	3.9	2.3	1.8	4.1	8.0	2.1	1.9	3.9	2.4	2.0	4.4	8.3	104%
Segment profit	0.5	0.2	0.7	0.2	0.2	0.4	1.1	0.5	0.1	0.6	0.2	(0.3)	(0.1)	0.5	49%

(Unit: billion yen)



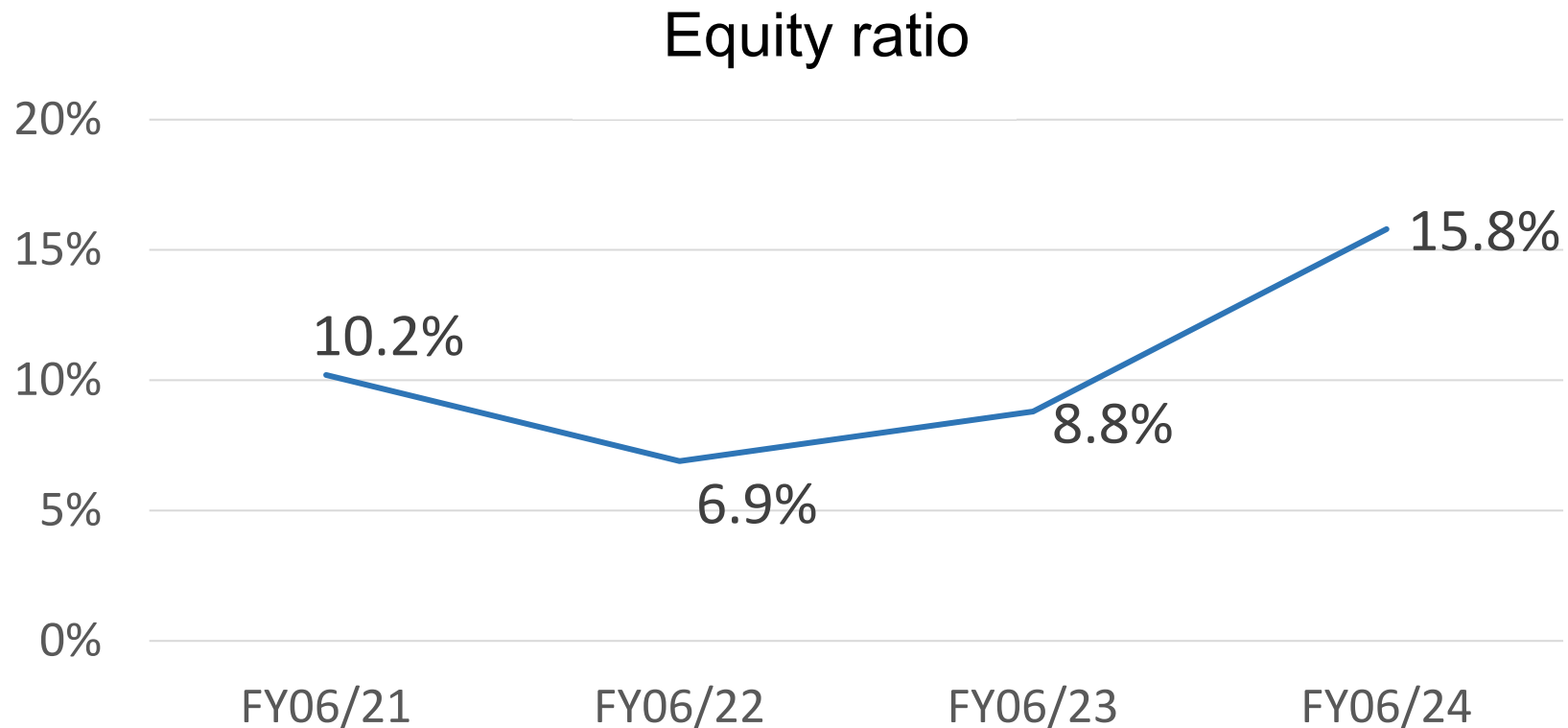
(Unit: billion yen)



■ Equity ratio (FY06/24): **15.8%**

*The rate has shown signs of improvement since 6.9% in FY06/22.

■ We will continue to ensure financial soundness by increasing our equity capital through the accumulation of retained earnings mainly from the Solar Panel Manufacturing Business and the Green Energy Business.



Shareholder Returns (Dividends)

- Policy: We will provide stable and continuous dividends while expanding and effectively utilizing retained earnings, thus improving corporate competitiveness and shareholder value.
- FY06/25: Annual dividends have not yet been determined, but we will make appropriate decisions while assessing our business performance.

(Unit: yen)	FY06/20	FY06/21	FY06/22	FY06/23	FY06/24 (Plan)
Interim dividends	7	7	8	3	3
Year-end dividends	10	10	10	5	5
Annual dividends	17	17	18	* 8	8

*The figures for FY06/23 onwards indicate the dividends per share after a three-for-one stock split.

2. Recognition of Business Environment



Model: VSUN390-72BMH-DG(Illinois, USA)

Recognition of Business Environment

2030 Group Vision A global core renewable energy company

The renewable energy market is expected to grow as the world is moving away from fossil fuels and going for a carbon-free society over the medium to long term

Strengthen competitiveness by building a global supply chain

Policy	<ul style="list-style-type: none"> ■ Efforts to reduce greenhouse gas emissions <ul style="list-style-type: none"> ▶ Convention on Climate Change (COP28) <ul style="list-style-type: none"> “The era of global boiling has arrived” (UN Secretary-General António Guterres) ▶ Intergovernmental Panel on Climate Change (IPCC) ▶ US Inflation Reduction Act (IRA) ▶ 2050 Carbon Neutral Declaration (Japan)
Industry	<ul style="list-style-type: none"> ■ Stable growth of renewable energy markets <ul style="list-style-type: none"> ▶ Expansion of solar panel production capacity (China’s share: approx. 80%) ▶ Decline in facility utilization rates due to production capacity exceeding demand ▶ Module and cell prices weakening ▶ US market is moving from dependency on imports to domestic production

Risk Factors	<ul style="list-style-type: none"> ▶ US: The end of import tariff exemptions for solar power products from four Southeast Asian countries (June 2024) ▶ US: The enactment of the Inflation Reduction Act (IRA) accelerated domestic production of solar products, reducing dependency on imports from overseas ▶ US: Unclear renewable energy policy of the new administration after the presidential election (November 5, 2024)
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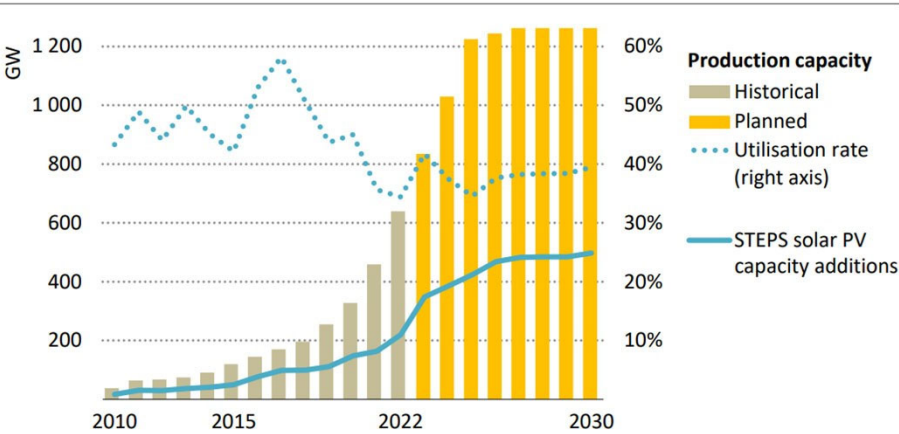
Global Solar Module Production Capacity

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 ”

Global solar module manufacturing and solar PV capacity



Source: IEA, “World Energy Outlook 2023 ”

The following three main changes in the environment have been affecting the business management of the Group.

The end of US import tariff exemption for solar panel products from four Southeast Asian countries (June 2024)



The US government is considering anti-dumping and countervailing duties in addition to tariffs under Section 201 of the Trade Act, creating difficulties for exports from Vietnam, Malaysia, Thailand and Cambodia

Supply and demand for solar panel products soften as Chinese companies increase their production capacity



Profit environment worsens due to a decline in sales prices and low plant operating rates

Enactment of the Inflation Reduction Act (IRA) to protect and nurture the US industry



Production capacity for solar panel products in the United States expands, reducing dependency on imports from overseas



Solar Panel Manufacturing Business faces intensifying competition in the US market, necessitating a restructuring of global strategy

3. Performance Forecast for FY06/25



Model: VSUN475-156BMH (Wisconsin, USA)

FY06/25 Consolidated Financial Result Forecasts



- Net sales: Sales to the US will decrease due to a decline in sales prices in the solar power market and US import tariff policies
Sales of solar panel products will be strengthened in Europe and Asia, including India
Domestic sales for FY06/25 are expected to be 10 billion yen, compared to the target of 14.8 billion yen set in the Medium-Term Management Plan (announced in Sep. 2023), due to some delays in the M&A and new businesses
- Profit: Profit will decrease due to a decline in sales of solar products, but operating profit margin will remain stable due to cost improvements, etc.

Net sales

80.0 billion yen (down 129.0 billion yen year on year)

Operating profit

10.0 billion yen (down 13.3 billion yen year on year)

	FY06/24	FY06/25	YoY change	
	Results	Plan	Amount	%
	(Unit: billion yen)			
Net sales	209.0	80.0	(129.0)	(62)%
(Overseas) Solar panel manufacturing	199.9	70.0	(129.9)	(65)%
(Domestic) Green energy, etc.	9.1	10.0	0.9	10%
Operating profit	23.3	10.0	(13.3)	(57)%
Ordinary profit	24.9	10.0	(14.9)	(60)%
Profit attributable to owners of parent	9.5	6.0	(3.5)	(37)%
Operating profit margin	11.2%	12.5%	1.3%	-

Assumptions for FY06/25 Financial Result Forecasts



Changes in the solar power market environment

- ▶ The softening of supply and demand for solar products brings down prices and plant operating rates, resulting in a deterioration in profitability.
- ▶ The end of US import tariff exemption for products from four Southeast Asian countries makes it difficult to export products
- ▶ The enactment of the Inflation Reduction Act (IRA) accelerates domestic production in the United States and reduces dependency on imports



Assumptions for FY06/25 financial result forecasts

Selling prices
Solar panels and cells continue to be low priced

Vietnam plant
Operating rates fall due to lower sales of panels and cells to the United States
Sales are diversified

Cost improvement
Profit margin is improved by in-house manufacturing of cells, wafers, and ingots which are the upstream processes of solar panels

Company-wide consolidated net sales and operating profit

FY06/24 results
Net sales: 209.0 billion yen
Operating profit: 23.3 billion yen



FY06/25 forecast
Net sales: 80.0 billion yen
Operating profit: 10.0 billion yen

Group's strategy

- ▶ The Solar Panel Manufacturing Business shifts from focusing sales on the US market to focusing resources on Europe, India, and other solar power markets where mid- to long-term growth is expected
- ▶ The subsidiary TOYO (listed on the NASDAQ in the United States) is utilized to promote the establishment of new production bases (panels and cells) in the United States and secure profits from the growth of the solar power market in the country

4. Withdrawal of Numerical Targets of the Medium-Term Management Plan (2024-2026)



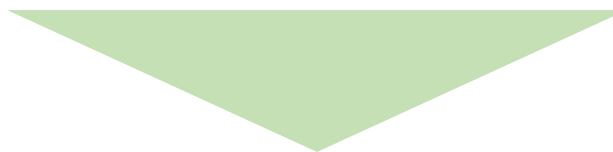
Model: VSUN270-60P (Mersin, Turkey)

Withdrawal of Medium-Term Management Plan

- ▶ As stated in the “Notice concerning Withdrawal of Numerical Targets of the Medium-Term Management Plan (2024-2026)” announced on August 14, 2024, we have withdrawn the Medium-Term Management Plan ending in FY06/26

Reasons

- ▶ In the global market for solar panels and other products, the Chinese manufacturers are expanding their production capacity, and the market is weakening due to the softening of supply and demand
- ▶ The US import tariff exemption for solar panel products for four Southeast Asian countries (Vietnam, Cambodia, Thailand, and Malaysia) ended on June 6, 2024
- ▶ Furthermore, the United States has launched industrial support measures aimed at protecting and nurturing the domestic solar panel industry, expanding domestic production capacity for products such as solar panels and cells



Future outlook

- ▶ The Group will continue to closely monitor market trends for solar panel products, policy trends in the United States regarding Southeast Asian-made solar panels and cells, and the expansion of domestic supply capacity due to the Inflation Reduction Act (IRA).
- ▶ Should any matters that need to be disclosed arise, we will disclose them promptly.

5. Business Division Action Plans



BNEF Tier 1
Solar Manufacturer



Bronze Award
EcoVadis 2023



Top Performer
PVEL 2024

Growth Strategy Pipeline for Solar Panel Manufacturing Business



Strategy Directions

- Strengthen the global supply chain by establishing integrated production systems
- Strengthen the business development and foundation in the United States, where market growth is expected
- The specific production capacity of the US module plant has yet to be determined, as the business environment in the country is currently being assessed

Area	Details	FY06/23		FY06/24		FY06/25		FY06/27	
		2H		1H	2H	1H	2H	1H	2H
Vietnam	Modules								
	Cells			Phase 1 (Production capacity: 4GW)		Phase 2 (on hold) (Production capacity: 4GW)			
	Ingots Wafers				External cell sales (To US and India: part of 4GW in Phase 1)				
	Silicon				New plant start (Production capacity: 4GW)				
						Strategic partnership with OCI (Silicon materials procurement)			
US	NASDAQ listing					NASDAQ listing (July 2024)			
	Modules						New plant start (considered) (Production capacity: 2GW)		
	Cells							New plant start (considered) (Production capacity: planned)	

*FY06/26 has been omitted from the table above because there are no plans to start operations at a new plant in that year.

Listing of subsidiary TOYO Co., Ltd. on NASDAQ



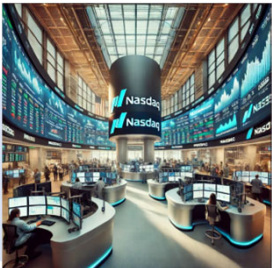
Recognition of business environment

- Growth in demand for renewable energy with the progression of global warming
- Increasing demand for solar panels and cells in the European and US markets
 - *The US Inflation Reduction Act (IRA) has stimulated **domestic production (domestic investment)**
- The end of tax exemption for imports of panels and cells from Southeast Asia in the US (June 2024)
= Decreasing supply of panels and cells from Vietnam → Urgent need to consider **expanding business into the US**



Listing of subsidiary

- TOYO Co., Ltd. was listed on NASDAQ on July 2, 2024 (US time)
- TOYO is the parent company of Vietnam Sunergy Cell Company
- The amount raised was approx. 6.0 million US dollars (approx. 971 million yen)



Future challenges

- Consider the establishment of a supply chain including a solar panel and cell production base in the United States
- Monitor demand trends in the US market as well as policy trends such as tax systems, and consider additional fundraising schemes in line with business expansion

The Group aspires to:

Use the listing as an opportunity to accelerate business expansion in the United States and seize opportunities for growth in the solar power market in the country

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 (Start of operations in April 2024)
- Build a stable system for purchasing key components and reduce costs to improve profit margin

Initial investment plan

- Production capacity: 8GW
- 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 2 is on hold)

Phase 1 (in operation)

- 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 (on hold)

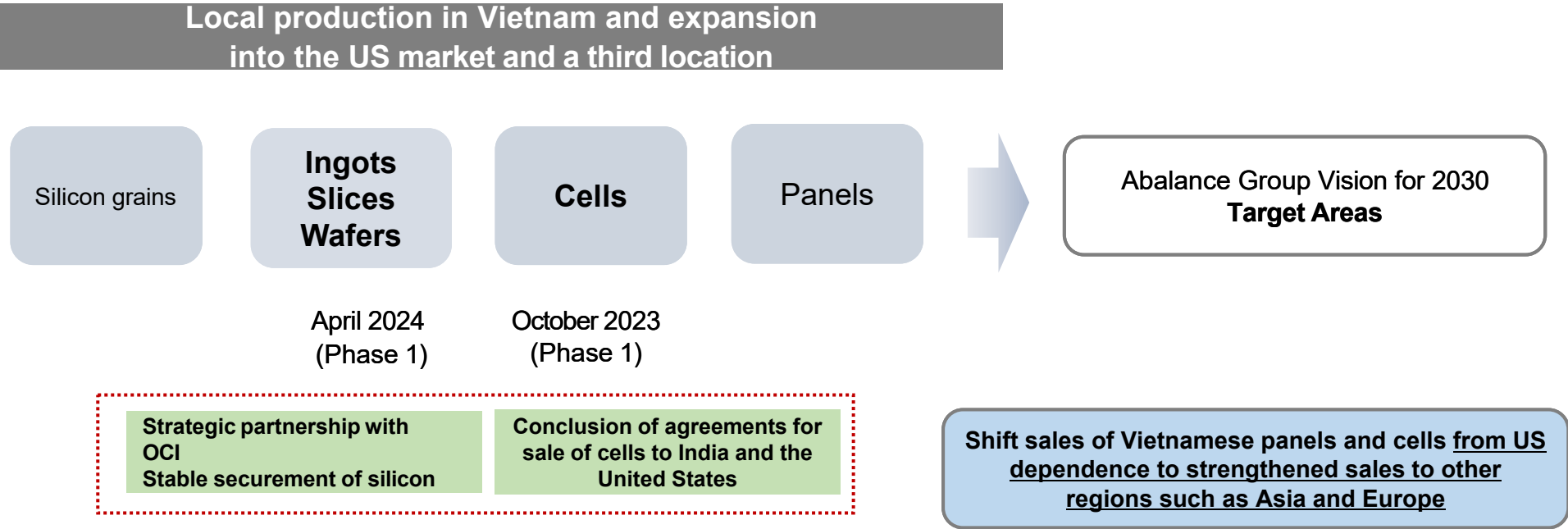
- The plan was to start operation in the first half of FY06/25, but was put on hold due to the sluggish market (annual production capacity: 4GW)
- Phase 2 in Vietnam will be carefully considered, including expansion of cell production bases in the United States

Planning to expand upstream processes to strengthen global supply chain *See next page

■ Medium- to long-term strengthening of competitiveness

- ▶ Switch from external purchasing to in-house production of key components of solar panels (cells, wafers, ingots)
- ▶ Aim to improve profitability by stabilizing parts procurement and reducing costs through in-house production of major parts
- ▶ Consider “Made in USA,” or expansion of panel and cell production bases in the United States in response to the strengthening of import tariffs in the country

Solar Panel Manufacturing Business: Global Supply Chain



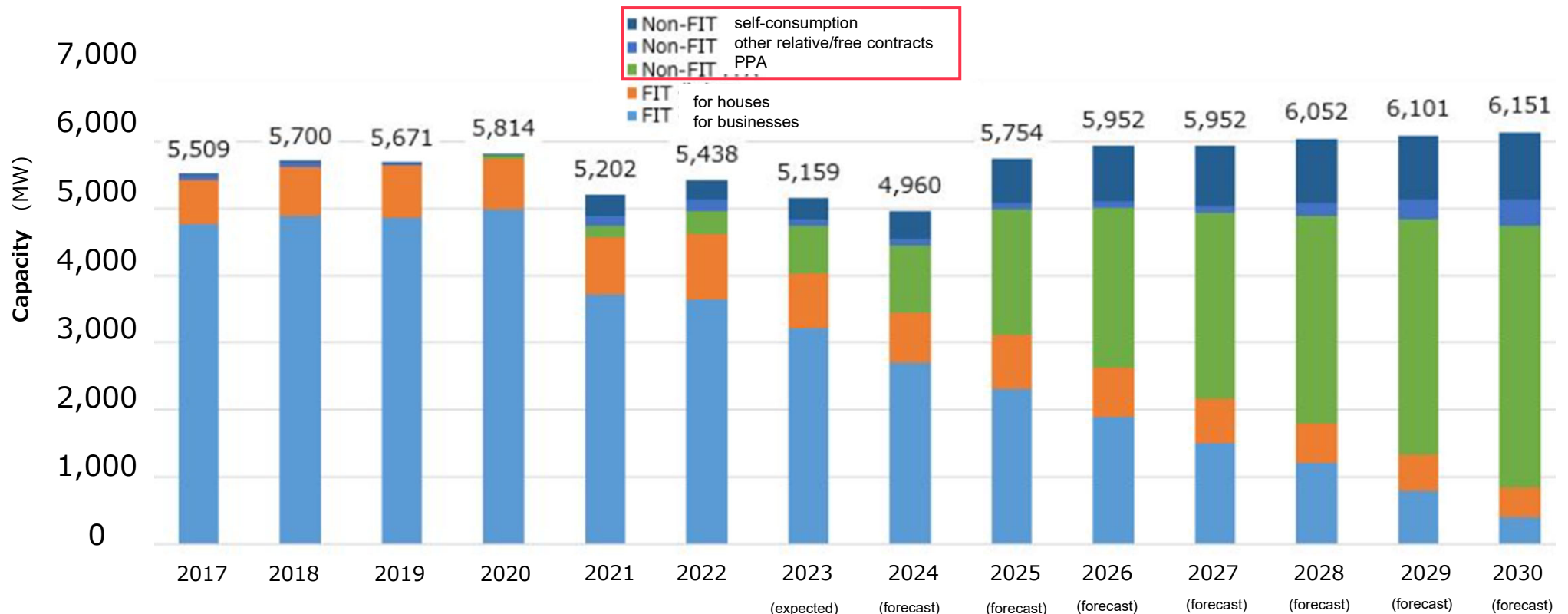
Recognition of Environment

- The market as a whole will expand gradually until 2030
- Due to government policy, the number of FIT (Feed-in Tariff) projects in Japan has gradually decreased since 2021.
- Non-FIT PPA and self-consumption will drive growth in the future

Company Strategy

- The Green Energy Business will respond to market trends and promote company ownership of solar power plants as a PPA operator.
- Aim for long-term business growth and consider replacing assets as necessary

Trends and Forecasts of Domestic Solar Power Generation Installation Capacity (By Contract Type)



Source: Yano Research Institute Ltd., "Trends and Forecasts of Domestic Solar Power Generation Installation Capacity (By Contract Type)" in *Conducted a Survey on the Solar Power Market (2023)*

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

Stable earnings	<ul style="list-style-type: none">▶ Promotion of recurring revenue business: company ownership of solar power plants▶ Promotion of company ownership of solar power plants as a PPA operator
M&A	<ul style="list-style-type: none">▶ 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	<ul style="list-style-type: none">▶ Expansion of business foundations by building business alliances and partnerships▶ Pursuit of joint ventures for domestic and overseas projects
New businesses	<ul style="list-style-type: none">▶ Company ownership of solar power plants as a PPA operator▶ Self-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, grid connections underway
R&D, etc.	<ul style="list-style-type: none">▶ 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

Meiji Machine

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

Yamada Trading

- ▶ Sale of photovoltaic storage batteries

au Renewable Energy

- ▶ Concluded a sales agreement for non-FIT power plant equipment
- ▶ March 29, 2024: Commenced grid connection (power plant handover completed)



(Kakuda Solar Power Plant)

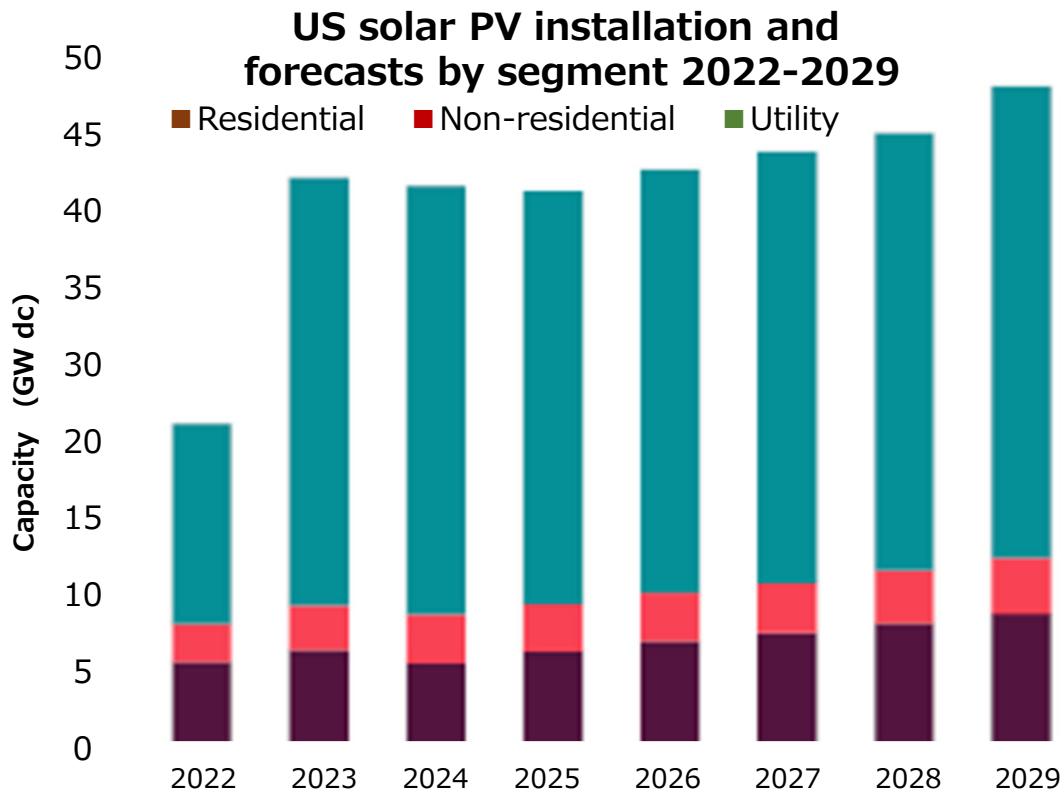
6. Appendix



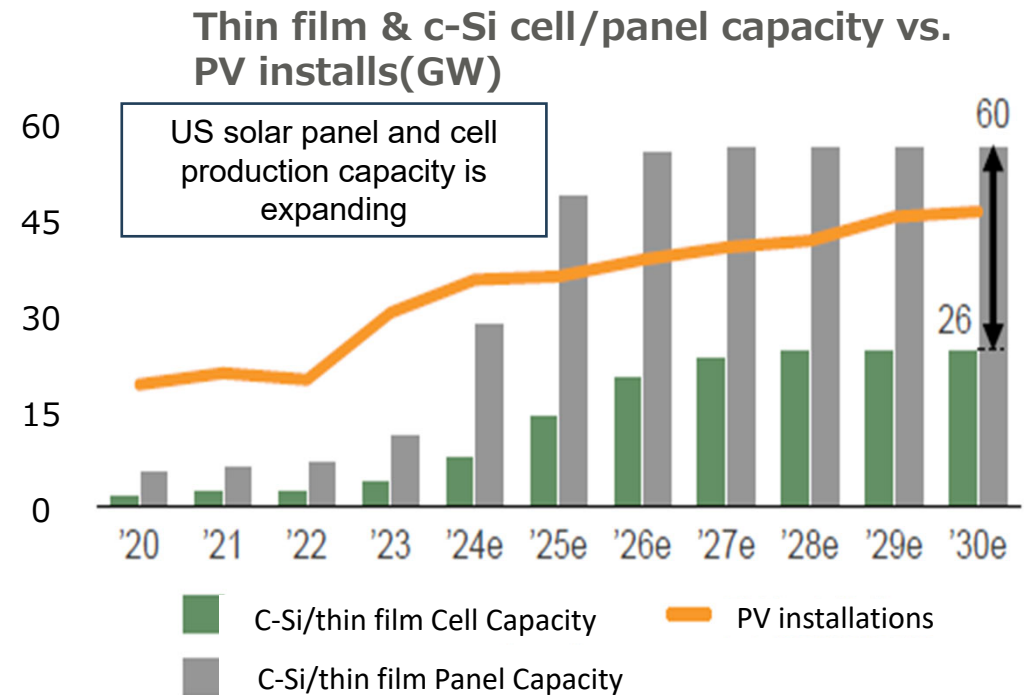
Model: VSUN475-156BMH(Minnesota,USA)

■ A market where stable growth is expected with a shift in progress to domestic production

- ▶ The solar power market will maintain a **steady expansion trend** in the medium to long term
(Factor) Increasing demand for heating and cooling due to economic growth, population growth, and climate change
- ▶ Globally **more supply than demand** due to expanding production in China (→low prices)
- ▶ Policies such as IRA have accelerated domestic investment in **products made in the United States**, expanding domestic supply capacity
- ▶ August 2, 2024: The US Department of Commerce rejected Vietnam’s request to be designated a “market economy” country
→Sales of Vietnamese solar panels and cells in the United States face tough times



Source: Wood Mackenzie “Three prediction for global solar in 2024”



Source: Clean Energy Associates, “Potential impacts of the 2024 antidumping and countervailing duties on the U.S. solar industry”

The United States moves to strengthen import tariffs on solar products (announced in April and May 2024)

NO.	Policy	Type	Target product	Target country	Tariff level	Company target	Remarks
1	Anti-dumping and Countervailing Duty: AD/CVD	Import duties	Cells and panels	Cambodia Malaysia Thailand Vietnam	To be decided (Under review by US Dept. of Commerce)	○	AD/CVD tariff levels expected to be finalized in 2025
2	Tariffs under Section 201 of the Trade Act (Section 201 Tariffs)	Import tariff	Cells and panels	All countries (except Mexico, Canada, and developing countries)	The tariff rate for bifacial solar panels is 14.25%.	○	Import tariff exemptions for four Southeast Asian countries, including Vietnam, ended on June 6, 2024 *Section 201 of Trade Act expires in February 2026
3	Uyghur Forced Labor Prevention Act (UFLPA)	Import ban Human rights violations	Polysilicon, ingots, wafers, cells, and panels	China Uyghur Autonomous Region	Import ban	×	Importation of products from this area into the United States prohibited
4	Additional tariffs under Section 301 of the Trade Act (Section 301 Tariffs)	Import tariff	Cells and panels	China	Increase from 25% to 50%	×	Effective from August 1, 2024

Source: Created by the Company based on Clean Energy Associates, "PV Supply, Technology, and Policy Report/Q2 2024"

*US imports of Chinese solar products are already minimal (2023: panels: 0.09%, cells: 0.03% / Source: Wood Mackenzie, "US Solar Market Insight Q2 2024"), and the impact of 3-4 above on the market is likely to be limited

**Vietnam
(panels & cells)
sales**

- ◆ Sales in the United States have expanded steadily thanks to the tax exemption for solar panels in the United States
- ◆ As sales to the United States are expected to be tough in the future, the Company will shift sales destinations from its current reliance on the United States to Europe and Asia, including India

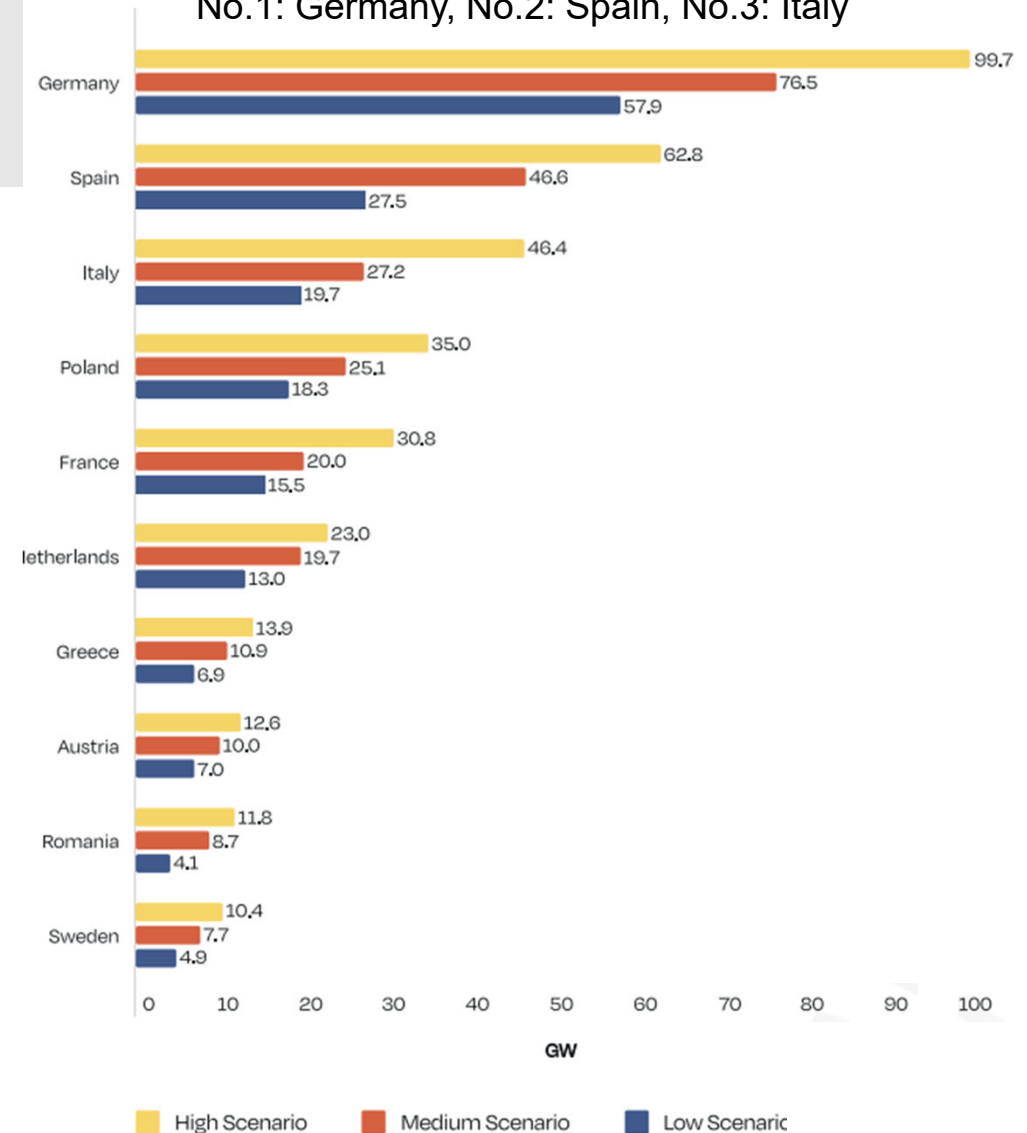
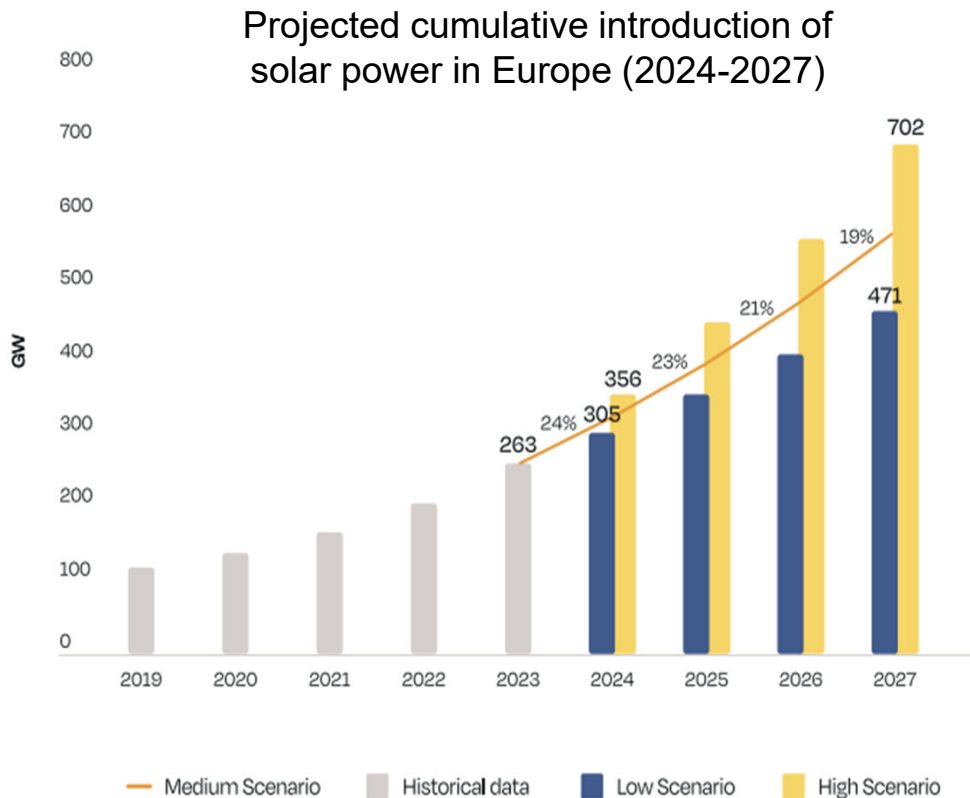
Europe: Germany Drives Growth of Solar Power Market

Recognition of Environment

- ▶ In Europe, there is a move away from fossil fuels, and the solar power market is expected to continue to grow in the medium to long term
- ▶ In particular, Germany, Spain and Italy are leading the solar power market

Top 10 EU27 countries with the most solar power installed (2024-2027)

No.1: Germany, No.2: Spain, No.3: Italy



Source: SolarPower Europe, "EU Market Outlook FOR Solar Power 2023-2027"

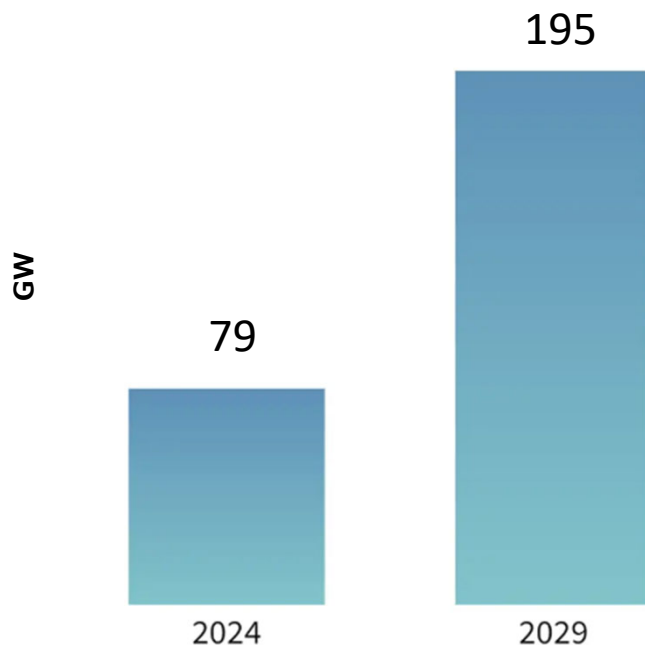
Recognition of Environment

- ▶ The average annual growth of the Indian solar power market in 2024-2029 is expected to be 19.8%
- ▶ There will be a shift to domestic production, and domestic demand for panels will be met in 2026, but **import demand for cells will continue**

Indian solar power market will grow at CAGR of 19.8% 2024-2029

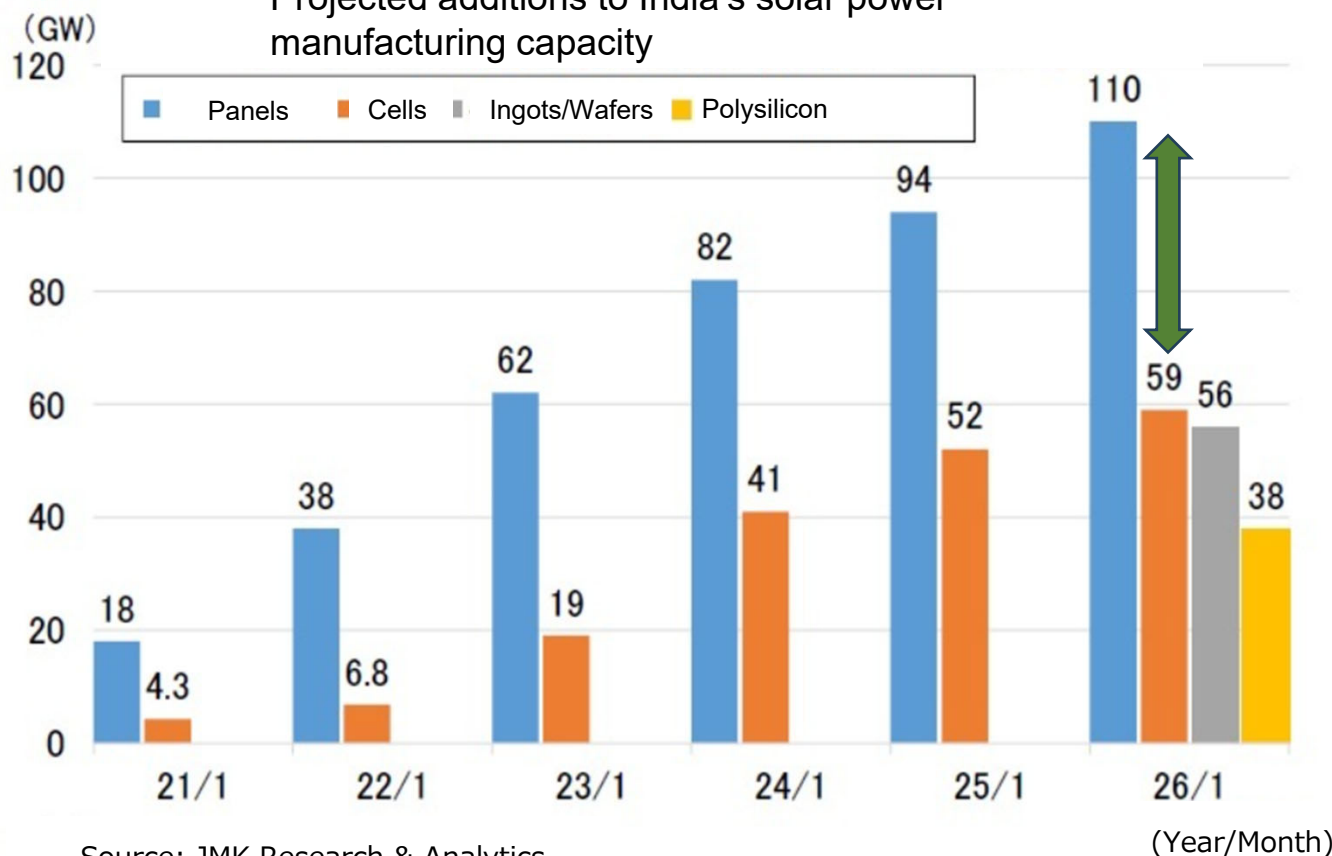
Solar power manufacturing capacity in India is on the rise. Although panel manufacturing capacity is expanding significantly, import demand for cells is expected to continue.

Projected introduction of solar power in India (2024-2029)



Source: Mordor Intelligence

Projected additions to India's solar power manufacturing capacity




Source: JMK Research & Analytics

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Abalance Group Summary



Trade Name	Abalance Corporation 
Address	Tennozu First Tower 16F 2-2-4 Higashishinagawa, Shinagawa-ku, Tokyo
Establishment	April 17, 2000
Capital	2,518 million yen
President & Representative Director	Yasuaki Mitsuyuki
Stock Listing	Tokyo Stock Exchange (Standard Market: 3856)
Employees	Consolidated: 1,684; Non-consolidated: 38 (as of June. 30, 2024)
Primary consolidated subsidiaries	Japan: WWB, VALORS, Abit Overseas: VSUN, Vietnam Sunergy Cell Company Limited TOYO Co.,LTD(NASDAQ: TOYO)
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.
- 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.



Abalance Corporation