



# **Abalance Group Medium-Term Management Plan (FY2022-FY2024)**

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## **Abalance Group Vision For Sustainable Society**

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October 18, 2021  
Abalance Corporation  
Securities Code: 3856  
(Tokyo Stock Exchange, Second Section)

## ◆ Corporate Philosophy: Best Values

Through creating value with a primary focus on providing advanced products, operations and services, the Group continues to improve and enhance social life, thereby contributing to the sustainable development of society.

## ◆ Group Vision for 2030

**“Be a core global renewable energy company”**

[Key Strategy] Power generation capacity at company-owned plants: 1GW;  
Annual output target: 8GW

### Changes in External Environment

Decarbonization in business activities (including the RE100 initiative, under which companies aim to power 100% of their operations with renewables)

#### **[Global Market]**

**EU aims to be carbon neutral with a €1 trillion investment over the next decade.**

**US rejoined the Paris Agreement, shifting to renewable energy.**

**China aims at carbon neutrality by 2060.**

**(Framework for disclosure of GHG emissions reduction)**

→International organizations released new guidelines requiring companies to disclose their action plans for decarbonization.

#### **[Domestic Market]**

**Lagging well behind EU and other countries, government has developed policies in rapid succession.**

- ✓ Achieve carbon neutrality by 2050
- ✓ Reduce GHG emissions by 46% compared to FY2013
- ✓ Enacted the revised Act on Promotion of Global Warming Countermeasures
- ✓ Approved the Sixth Strategic Energy Plan, etc.

# ■ Abalance Group's Growth Strategy

- Position the Medium-Term Management Plan (2022-24) as a kick-start for the Vision 2030, and
- Achieve sustainable growth and maximize the Group's corporate value with the solar panel manufacturing and green energy businesses as growth engines

The Medium-Term Management Plan (FY2022-FY2024) was drafted through a *backcasting approach* based on our roadmap for the ideal state in 2030.

## Status of FY2021

- Drastic increase in sales and profits due to newly consolidated VSUN in Vietnam
- Shift from solar power plant sales (flow-type) to a stock-type business model through plant ownership. Kakuda and Onami Solar Power Plants started to sell electricity via power system interconnection.
- Planning for new businesses responsible for future growth

## Medium-Term Management Plan (FY2022-FY2024)

- **VSUN's Financial Goals:**
  - Enhance sales channels for the initial expansion stage
  - Increase operating profit margin
  - Make capital expenditures
- **Stock-type Business Model:**
  - Strengthen development capabilities
  - Speed up development processes
  - Promote plant ownership
- **Carbon Neutral Business:**
  - Expansion of value-added products/services
  - Establish a unique business model

## Ideal State (Vision for 2030)

- Maximize corporate value
- Be a core global renewable energy company
- Contribute to achieving a decarbonized society

## [Pillars of Growth Strategy]

Domestic & overseas power generation capacity at company-owned plants: 1GW  
+  
Annual output target: 8GW

\* 1GW electric power corresponds to one nuclear power plant.

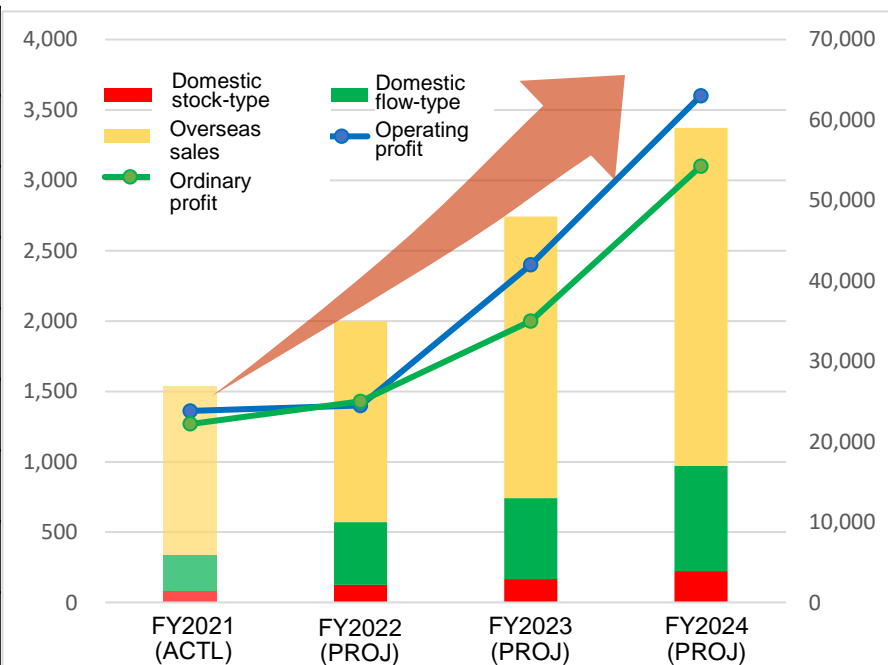
# Medium-Term Management Plan: 3-Year Budget Projections



- Achieve consolidated net sales of ¥59 billion for the fiscal year ending June 30, 2024, more than double the record in the fiscal year ended June 30, 2021**
- Double operating profit and ordinary profit with VSUN as a growth engine**
- Stimulate growth through concentrated investments in the renewable energy field
  - VSUN Production Capacity: 3.6GW; Domestic Investments: ¥45 billion (to realize 150MW power generation capacity owned by the Group)

[Medium-Term Management Plan: Budget Projections (FY2022-FY2024)]  
(Millions of yen)

	FY2021 (ACTL)	FY2022 (PROJ)	FY2023 (PROJ)	FY2024 (PROJ)
<b>Net sales</b>	<b>26,901</b>	<b>35,000</b>	<b>48,000</b>	<b>59,000</b>
Overseas (= VSUN)	21,013	25,000	35,000	42,000
Domestic flow-type (*1)	4,401	7,800	9,700	12,600
Domestic stock-type (*2)	1,487	2,200	3,300	4,400
<b>Operating profit</b>	<b>1,361</b>	<b>1,400</b>	<b>2,400</b>	<b>3,600</b>
<b>Ordinary profit</b>	<b>1,269</b>	<b>1,430</b>	<b>2,000</b>	<b>3,100</b>
Equity ratio	10.2%	→		20.0%
Return to shareholders	Provide stable dividends balancing between “returning profits” and “securing funds for growth”			



(\*1) Sales of power plants and products (panels, storage batteries, etc.), reuse/recycling and energy saving businesses, etc. conducted by domestic group companies are included.  
 (\*2) This refers to income from selling electricity generated at solar and wind power plants, stable earnings from O&M (Operation and Maintenance), and income-generating businesses which are the source of cash flows.  
 (KPI) Based on ROIC, ROA will be at least 3%, as we are currently shifting to a stock-type business model and will also implement a new business during this medium-term plan period.

- **Consolidated net sales for the FY2024 expected to be more than double the record in the FY2021**
  - The U.S. market mainly consisting of North America, and the European market have been growing in recent years, which is expected to contribute to increase in sales and is reflected in the three-year budget projections. (⇒ Increase in demand in Southeast Asia is an additional factor.)
- **Gradual increase in operating profit margin expected (3.5% in FY2021 ⇒ 6.0% in FY2024)**
  - Increase in profit margin will have a greater impact on profits according to increase in sales, which is expected to result in cost reduction including ocean freight due to higher capacity utilization to handle increased orders.
- **Capital investment of 1GW capacity (\$12 million) expected over the next three years**
  - Additional investment during the medium-term plan period to meet increased demand is expected, and capital expenditures are to expand in FY2024 and beyond.

## [Medium-Term Management Plan and Budget Projections (FY2022-FY2024)]

(Millions of yen unless otherwise specified)

	FY2021 (Actual)	FY2022 (Projected)	FY2023 (Projected)	FY2024 (Projected)
<b>Net sales</b>	21,013	25,000	35,000	42,000
<b>Operating profit</b>	731	1,000	1,900	2,500
Operating profit margin	3.5%	4.0%	5.5%	6.0%
Annual production capacity	2.6GW	→		3.6GW
Capital expenditures*	\$13 million	→		\$12 million

\*Capital expenditures in the Third Plant: approximately ¥1.3 billion; operation started in July 2021

⇒ Started producing cutting-edge 500W+/600W+ series panels mainly for Japan, Europe, and the US (Power generation exceeding 500W or 600W per panel)

# ■ Domestic Business: 5 Main Areas and Initiatives

## 1. Promote a stock-type business model

- Paramount strategy for Group Vision 2030
- Develop primarily extra high-voltage power generation to more than double the power generation capacity at company-owned plants (to 150MW)
- Promote M&A activities in order to expand in-house development & ownership (average development period: around two years)

## 2. (Secondary) Power plant sales

- Push forward the sales in the secondary market, mainly of high- and low-voltage projects, to secure sales while making a shift to a stock-type business model (in-house development & ownership)

## 3. Promote carbon neutral business

- Establish competitive, high value-added, on-site consumption schemes (PPA, etc.) to meet the needs of companies and municipalities to use renewable energy (RE100, etc.)
- Expand service offerings such as provision of energy-saving equipment, consultation, etc. and strengthen competitiveness
- Develop hydrogen-based energy storage systems at Birdy Fuel Cells LLC and promote reuse and recycling business at PV Repower Corporation

## 4. Photocatalyst business/IT business

- Aggressively promote the “Photocatalyst LIFE” business (franchisees/distributors) mainly for major real estate firms, hotels, large event venues, healthcare field (hospitals and nursing facilities), etc. (target: 500 companies in FY2024)
- Restructure the IT business while incorporating new fields through M&A

## 5. Improve equity ratio

- Diversify funding sources (green bonds, fund schemes, use of trusts, etc.) and implement effective capital policies, keeping in mind that equity ratio decreases as the scale of development increases

■ Mapping	■ Abalance Group's Commitment
	<h2 style="background-color: #00a651; color: white; padding: 5px;">CO<sub>2</sub> Emissions Reduction / Global Warming Prevention</h2> <ul style="list-style-type: none"> <li>● Green energy business result (total): 3,440MW</li> <li>● CO<sub>2</sub> emissions reduction (total): approximately 2 million tons</li> <li>● Solar panel manufacturing and VSUN plant management (production capacity: 2.6GW)</li> <li>● Hybrid power generation in Cambodia through the Joint Crediting Mechanism (JCM)</li> <li>● Development of a hydrogen-based energy storage system</li> <li>● Recycling and reuse of solar panels (effective use of resources)</li> <li>● Issuance of SDGs private placement bonds</li> </ul>

## <Development Cases>

The Group is promoting ownership of power plants developed by the Group, thereby realizing a sustainable decarbonized society.



■ Mapping	■ Abalance Group's Commitment
	<p><b>Solar sharing and commitment to agriculture</b></p> <ul style="list-style-type: none"> <li>● Construction of Mega Solar Sharing Power Plant</li> <li>● Provide Solar Sharing Package</li> <li>● Development of power-generating plastic greenhouses “Maxar® EneZone,” etc.</li> <li>● Provide support and technical sponsorship for social activities and events (Peace On Earth, Earth Day, etc.)</li> </ul>
	<p><b>Healthcare business</b></p> <ul style="list-style-type: none"> <li>● “Photocatalyst LIFE” business                     <ul style="list-style-type: none"> <li>– Contribute to the “creation of a future city” that produces zero GHG emissions</li> <li>– Provide lasting effects of air purification, anti-fouling, etc.</li> </ul> </li> <li>● Development of the antibacterial and antiviral spray “blockKIN”                     <ul style="list-style-type: none"> <li>– Reactive even to fluorescent light (visible light responsive) and 99.9% antibacterial and antiviral</li> </ul> </li> </ul>





## [Abalance] Transition to new market segments

- The Group is aiming to transition to the “Prime Market” without delay.
  - \* We have confirmed that the Group fulfills the requirements for the Standard Market, based on the notification of the results of its initial assessment from the Tokyo Stock Exchange.
  - \* We believe that the transfer to the “Prime Market” will enhance our corporate value and contribute to attracting excellent human resources in the energy sector which is undergoing remarkable technological innovation.

## [VSUN] IPO in Vietnam

- VSUN is going public on “UPCoM” in Vietnam during the FY2022.
- The Group is aiming to be listed on the Hanoi Stock Exchange or the Ho Chi Minh Stock Exchange, which are the main markets in Vietnam, after going public on “UPCoM”.
  - \* We are currently in the process of coordinating with local authorities and securities companies.
  - \* VSUN will continue to be included in the scope of consolidation of the Group.

- The information contained in this document has been prepared based on economic and social conditions and certain assumptions deemed reasonable by the Group, and is subject to change without notice due to changes in the business environment and other factors.
- Any forward-looking statements provided in this document are based on the Group's current prospects, forecasts and certain assumptions that involve risks, and they include uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. The achievement of the plan and other descriptions is not guaranteed in any way.
- These risks and uncertainties include, but are not limited to, general industry and market conditions, as well as international and domestic economic conditions including fluctuations in interest rates and exchange rates.

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