

Abalance Corporation

3856

Tokyo Stock Exchange Second Section

19-Oct.-2021

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FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

In the FY6/21 results, set new record highs through making VSUN a consolidated subsidiary. Is aiming for high growth, supported by the global increase in demand for renewable energy

Abalance Corporation <3856> (hereafter, also “the Company”) in the Abalance Group is a comprehensive renewable energy company that is promoting ESG and SDGs. For its mainstay solar power generation operations, the Group conducts every aspect, from planning and development through to construction, sales, maintenance, and electric power sales, and it is aiming to have a power generation capacity of 1GW by 2030. In November 2020, it made a subsidiary of Vietnam Sunergy Joint Stock Company (hereafter, VSUN), which is major Vietnamese manufacturer of solar panel modules, and thereby greatly expanded its business scope. Going forward also, it will expand its business areas and develop its businesses globally, including for wind power generation, self-consumption-type solar power generation, a solar panel reuse and recycling business, and the development of a hydrogen energy storage system.

VSUN’s solar panel production capacity is 2.6Gw, which ranks it among the top 16 companies in the world and it is the largest Japan-affiliated manufacturer. Its main sales regions are Europe and the United States, but going forward, it is looking to also increase sales in the ASEAN region, where the Vietnamese local subsidiary will benefit from tax reductions and exemptions, and in Japan, and it plans to increase the production capacity to 8GW by 2030, which is expected to drive the consolidated results. It is progressing preparations toward an IPO for VSUN on the Vietnamese stock market at an early stage, but the policy is to maintain it as a consolidation subsidiary in the Abalance Group even after the IPO. Also, from April 2022, the Tokyo Stock Exchange (TSE) will introduce its new market categories and the Company will start on the standard market. However, it is aiming to be quickly listed on the prime market, which will enable it to strengthen its ability to recruit human resources and improve its enterprise value.

1. Outline of results for FY6/21

In the FY6/21 consolidated results, the amount of sales increased 302.8% year-on-year (YoY) to ¥26,901mn, operating income rose 276.5% to ¥1,361mn, ordinary income grew 315.6% to ¥1,269mn, and net income attributable to owners of the parent company increased 154.4% to ¥537mn. So sales and profits increased significantly and set new record highs. This was mainly because from 2Q FY6/21, VSUN’s results were included in the consolidated results, which were increase factors of ¥21,013mn for the amount of sales and ¥731mn for operating income. In the existing businesses, the Company is shifting the axis of the business model of the Green Energy Business from sales of solar power plants (flow-type business) to revenue from the sales of the electric power it owns (stock-type business), and therefore the amount of sales declined 11.8% YoY to ¥5,888mn. But operating income achieved a double-digit increase, rising 74.5% to ¥630mn.

2. Outlook and growth strategy

The forecasts for the FY6/22 consolidated results are that the amount of sales will increase 30.1% YoY to ¥35,000mn, operating income will grow 2.9% to ¥1,400mn, ordinary income will rise 12.6% to ¥1,430mn, and net income attributable to owners of the parent company will increase 59.6% to ¥858mn. As part of the measures to deal with global warming, efforts are being progressed around the world to introduce renewable energy, and in this situation, the Company continues to benefit from the favorable market environment. However, as the end of the novel coronavirus pandemic (hereafter, COVID-19) is still not in sight, it has set conservative results forecasts in consideration of this risk.

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The outlook for the Green Energy Business is for double-digit increases in sales and profits. In FY6/22 also, while continuing lot sales of solar power plants, the Company's policy is to actively build its own power plants and to acquire them through M&A. From December 2022, a large-scale power plant in Yamato Town and Ohira Village is scheduled to start operations as a solar power plant (annual expected revenue from electric power sales, ¥0.53bn), and in such ways, it has in sights revenue from electric power sales of ¥2bn from the next period onwards.

As new businesses, for developments of wind power plants and a non-FIT-type business model (PPA model*1), the self-consumption-type solar power generation business (including installations of storage batteries), and the ESCO business*2 that provides various services relating to saving energy, the Group is utilizing its strengths in the form of providing one-stop solutions and steadily progressing its businesses. Birdy Fuel Cells LLC, which was newly established in June 2021, plans to conduct investment in order to develop a hydrogen energy storage system, while PV Repower Corp., which was newly established in March 2021, has started a business relating to the reuse and recycling of solar panels.

*1 PPA (Power Purchase Agreement) is a model to acquire revenue from customers, in which through a power customer providing space to a PPA business, such as within a site or on a roof, the PPA business provides free of charge the installation, management, and maintenance of the power generation facilities, including solar power generation systems.

*2 An ESCO (Energy Service Company) business involves providing customers with services that have energy-saving effects, such as renovations, the costs of which are covered by the cost-reduction part.

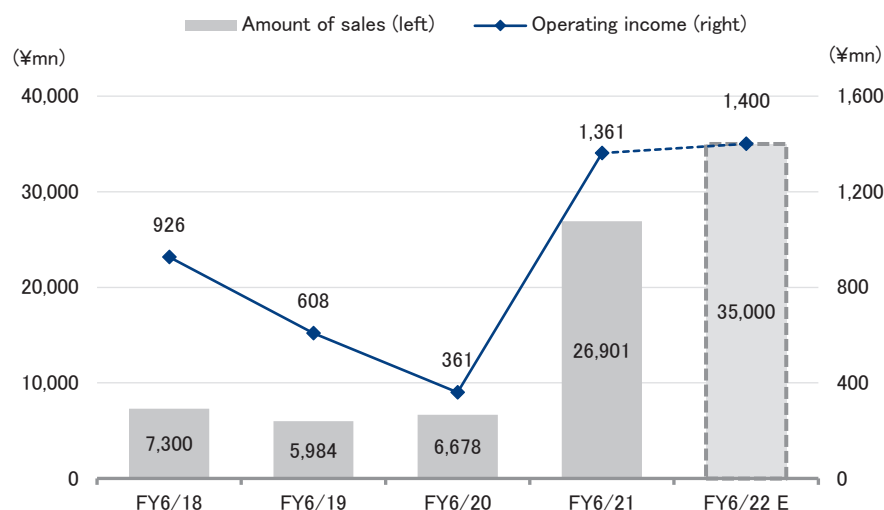
In the Solar Module Manufacturing Business, in addition to for Europe as in the past, the Group will further strengthen sales for the United States, while moreover, the trend of decarbonization is forecast to spread from Europe and the United States to various Asian countries. In Vietnam, in a situation of the ongoing COVID-19 pandemic, there are concerns about government regulations on going outside which although small, are still having an impact. It seems that the results forecasts for VSUN (Vietnam Sunergy Joint Stock Company), which conducts the Solar Module Manufacturing Business, takes this impact into account. However, there has been no change to the strong demand in the Europe and the US markets for solar panels, and if the COVID-19 pandemic ends and the production and logistic systems completely return to normal, we can fully expect results to exceed the forecasts.

Key Points

- A comprehensive renewable energy company with two business pillars, the Green Energy Business and the newly added Solar Module Manufacturing Business
- In the FY6/21 results, sales and profits increased significantly due to the effects of VSUN being newly made a consolidation subsidiary
- In a situation of the ongoing COVID-19 pandemic, has set conservative results forecasts for FY6/22
- Has ascertained the increase in global demand for renewable energy as a growth opportunity, and its policy is to actively progress its businesses

Summary

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

From an IT company to a comprehensive renewable energy company

1. History

The Company was established in April 2000 as an IT company in order to develop and manage internet services and to provide knowledge management solutions to companies. In September 2007, it was listed on the TSE Mothers market (currently listed on the TSE Second Section), and it used the funds raised from this to acquire overseas IT companies with the aim of growing its businesses. However, following the deterioration of results in the fall of 2008 due to the Lehman Shock, by June 2011 it had sold all of its overseas IT Business.

In November 2011, the Company made WWB Co., Ltd., which conducted purchase sales of construction machinery and a green energy business, a wholly owned subsidiary through an exchange of shares. Using this opportunity, it has subsequently progressed its businesses centered on the Green Energy Business. In March 2017, it made a wholly owned subsidiary of VALORS Corporation, which conducts a business of lot sales of solar power plants, and then in January 2019, WWB made a subsidiary of Kon Corporation (currently, Japan Photocatalyst Center Corporation). Also, in October 2019 with aims including to respond flexibly to market changes specific to the IT industry, the Company split-off the IT Business, which conducted one of its businesses, and established Abit Corporation. Moreover, in November 2020 it made a consolidated subsidiary of its equity-method affiliate FUJI SOLAR Corporation, through which this company's subsidiary VSUN, a major manufacturer of solar panel modules in Vietnam, also became the Group's consolidated subsidiary. Recently, in March 2021 it newly established PV Repower in order to enter-into the solar panel reuse and recycling market, and then in June of the same year, it newly established Birdy Fuel Cells to develop a hydrogen energy storage system, and in such ways, it is expanding its business areas in the green energy market.

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Company profile

On the introduction of new market categories by the TSE in April 2022, the Company will start on the standard market. However, it is aiming to be upgraded to the prime market, which will enable it to strengthen its ability to recruit human resources and to improve enterprise value in the medium- to long-term.

History

| Date | Major event |
|----------------|--|
| April 2000 | Established Real Communication Inc., (changed name to Realcom Inc., in February 2001,) in order to develop and manage knowledge exchange websites on the Internet, to develop knowledge management systems for companies, and to provide consulting |
| February 2006 | In the United States, established Realcom Technology, Inc., as its US subsidiary in order to conduct sales and support, and to plan and develop next-generation products |
| September 2007 | Listed on the TSE Mothers market |
| March 2008 | Established Realcom U.S., Inc., as a US subsidiary (absorption merger with Realcom Technology, Inc., in January 2009) |
| November 2011 | Conducted an exchange of shares and made a wholly owned subsidiary of WWB Co., Ltd., which conducts sales of used construction machinery and solar power generation systems |
| February 2013 | WWB Co., Ltd. established the joint venture Jyojo Power Co., Ltd., and launched an electric power sales business |
| August 2013 | WWB Co., Ltd. acquired a construction business license and launched a construction business |
| March 2017 | The company name was changed to the current name, Abalance Corporation WWB Co., Ltd. made a subsidiary of VALORS Corporation, which conducts a business of lot sales of solar power plants |
| February 2018 | WWB Co., Ltd. established FUJI SOLAR Corporation |
| April 2018 | FUJI SOLAR Corporation invested in Vietnam Sunergy Company Limited, a Vietnamese solar panel manufacturer |
| October 2018 | Listing was changed from the TSE Mothers market to the TSE Second Section |
| January 2019 | WWB Co., Ltd. made a subsidiary of Kon Corporation (name was subsequently changed to Japan Photocatalyst Center Corporation), which conducts businesses including the manufacture and sales of a photocatalytic titanium oxide coating agent and the products that use it. |
| March 2019 | WWB Co., Ltd. established VSUN JAPAN Co., Ltd., to be its domestic sales base for the solar panels manufactured by Vietnam Sunergy Company Limited |
| October 2019 | Conducted a company split of the IT Business (simple, new establishment split) and established Abit Corporation |
| November 2020 | Made its equity method affiliate FUJI SOLAR a consolidated subsidiary, and as a result, this company's subsidiary Vietnam Sunergy Joint Stock Company (VSUN) became a specified subsidiary |
| December 2020 | Issued new shares through a third-party allocation (capital increase) |
| February 2021 | Acquired all of the shares of BLESS Co., Ltd., which conducts power generation operations, including solar power, and sales of electric power |
| March 2021 | Established PV Repower Corp., in order to conduct a business relating to the reuse and recycling of solar panels, etc. |
| June 2021 | Established Birdy Fuel Cells LLC in order to develop a hydrogen energy storage system |

Source: Prepared by FISCO from the Company's securities report, financial results, and press releases

The "A" in Abalance stands for "Ace," "All," and "Action" and includes the meaning of "As professionals, we will aim to be the best (Ace), and in order to contribute widely to all including to our customers (All), we will continuously create social value alongside the business activities of our customers (Action)." "Balance" reflects its resolve of aiming to build and maintain an organic balance in which all stakeholders enjoy benefits substantially and fairly together with the Abalance Group, while maximizing the balance between each of the businesses in the Abalance Group. Also, it writes its name using alphabet characters to indicate its resolve to develop its businesses globally.

Takes an ESG perspective and contributes to SDGs through its businesses

2. Initiatives for ESG and SDGs

As an indicator that determines a company's long-term growth potential, ESG (environmental responses, social responsibility, and corporate governance) has been attracting attention in recent years. Companies are evaluated through their provision of value to the global environment, to local communities and to intentional society, and to stakeholders, while Japanese companies are also evaluated according to international standards of estimating how and whether they can achieve sustainable growth. Initiatives for ESG are consistent with the Abalance Group's philosophy, and it actively incorporates an ESG perspective into its management strategy and also invites experts in SDGs to be its outside directors.

The Company intends for the Green Energy Business to help realize a sustainable decarbonized society, so it is developing it alongside the trends in SDGs. By 2030, it is targeting owning power plants with a power generation capacity of 1GW (equals 1,000MW, which corresponds to the power generated by one nuclear power plant) as the total of its domestic and overseas power plants, and it intends to contribute to a reduction in CO₂ in order to prevent global warming. By progressing the Green Energy Business, it will be able to contribute to SDG No.7 (Ensure access to affordable, reliable, sustainable and modern energy for all), SDG No.11 (Make cities and human settlements inclusive, safe, resilient and sustainable), and SDG No.13 (Take urgent action to combat climate change and its impacts).

In order to reduce CO₂ and to prevent global warming

| | | |
|---|---|--|
|  |  | <ul style="list-style-type: none"> ■ Renewable energy-related domestic and overseas business achievements: facilities capacity of 3,440MW, CO₂ emissions reduction volume of approx. 2mn tons (includes planned sales, management and developments, and the Company's manufacturing) ■ Operations of the Group's own plants that manufacture panels (VSUN) ■ Investment in solar power generation in South East Asia ■ Applied for and was selected as a representative business in the public call for projects for the FY2019 Facilities Subsidy Projects Among Joint Crediting Mechanism Financial Support Projects implemented by the Ministry of the Environment ■ Conducted initial investment for a wind power generation business (on-land and small-scale) in the Hiyma area of Hokkaido ■ Started the development of an energy storage system that utilizes hydrogen (Birdy Fuel Cells LLC) ■ Started a panels recycling and reuse business (PV Repower Corp.) ■ Developed in-house Rakudenkun, a household power supply system for use during times of disaster ■ Issued SDGs private-placement bonds, etc. |
|  |  | |
|  | | |
| | | |

Source: prepared by FISCO from the Company's materials

Also, in the overseas business, the Group has constructed a solar power plant near to Ho Chi Minh City, Vietnam, while in various countries in South East Asia, it is working on multiple projects to meet local demand for electric power. The provision of green energy in South East Asia is significant in terms of making an important international contribution that supports local infrastructure and the lives of people in societies. In regions that are far away from urban areas, when the sun goes down, the environment becomes completely dark, and the Company has explained that it wants to provide light to these regions through green energy.

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Company profile

The Ho Chi Minh Plant Roof Project



Source: The Company's results briefing materials

Donation of solar power facilities to Warren City, Cambodia



Source: The Company's press release

WWB has a reputation for developing new products. It is able to conduct an agriculture business at the same time as a power generation business, and its solar sharing method, in which it installs pillars in farmland and solar power generation facilities at on-ground spaces, is contributing to the stabilization of agricultural management, the development of business successors, and the elimination of idle farmland. Also, in recent years there has frequently occurred wind and rain damage due to large-scale typhoons and alongside this, power cuts have also occurred. In response to this, it developed in-house Rakudenkun, which is a portable battery comprised of a set of optimized folding lightweight modules that can be used by households as a power supply at the time of a disaster. Inquiries are increasing in preparation for times of need, such as from local governments that are working on disaster measures, while the Company has also donated it to Hitoyoshi City in Kumamoto Prefecture, Kobayashi City and Ebino City in Miyazaki Prefecture, Kakuda City in Miyagi Prefecture, and Motomiya City in Fukushima Prefecture.

Solar sharing case study



Source: The Company's materials

The portable battery developed in-house



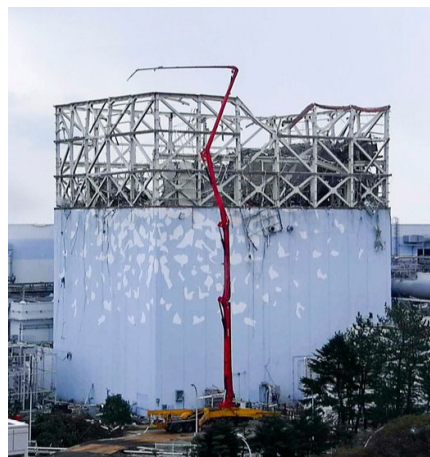
Source: The Company's press release

Since the past when SDGs have been seen to spread, the Abalance Group has conducted activities based on them, centered on WWB. Following the accident at the Fukushima Daiichi Nuclear Power Plant due to the Great East Japan Earthquake in March 2011, it collaborated in the donation of a large-scale concrete pump vehicle (common name: the large giraffe) manufactured by SANY*. For use in times of emergency, it is stored on the site of the Fukushima Daiichi Nuclear Power Plant and currently also, it is still available for use. Moreover, to ensure that the vehicle and all its parts operate correctly, WWB provides services free of charge, including maintenance work and exchanges of parts.

* SANY is a Chinese global construction machinery manufacture that competes with companies including Caterpillar of the US and Komatsu. WWB is its official agency in Japan.

Company profile

Collaborated to donate a concrete pump vehicle to the Fukushima Daiichi Nuclear Power Plant



Note: the 62-meter pump vehicle was transferred from the Port of Shanghai to Fukushima with the permission of the Japanese government due to height restrictions in Japan.

Source: The Company's materials

Healthcare-related business



- Has developed a photocatalyst that works continuously over a long period. It has high resolution capabilities with visible light, such as LED and fluorescent lights in addition to UV rays, and also high antibacterial and antiviral effects and deodorization and other effects
- During the COVID-19 pandemic, has started handling blockKIN, which is a new product that is attracting attention for its antibacterial and antiviral effects
- Has market launched the highline blockKIN HYPER, which blends silver ions into blockKIN to further enhance its antibacterial and antiviral effects

Source: Prepared by FISCO from the Company's materials

The blockKIN product lineup



Source: The website of Japan Photocatalyst Center

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Company profile

Other recent initiatives for SDGs

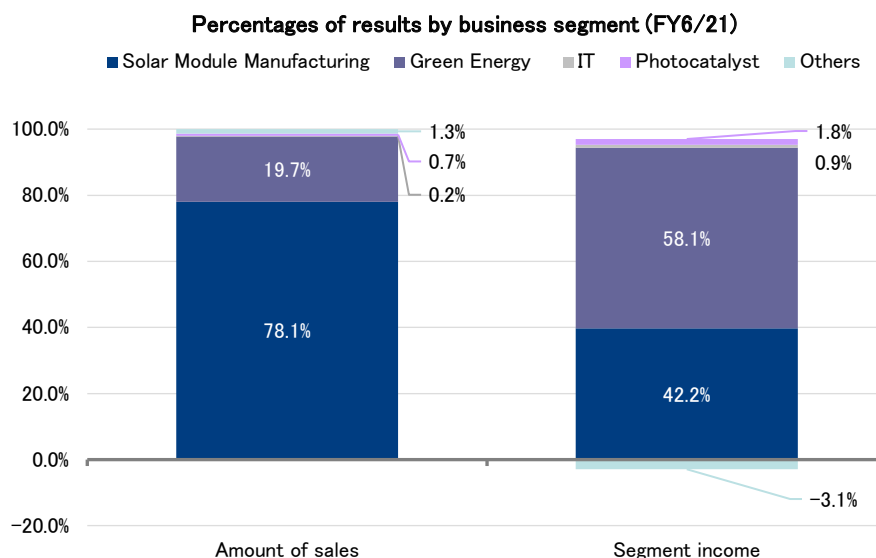
- Introduced photocatalysts into Grand Blissen Hotel Jozankei (Hokkaido) (June 2021)
- Donated Rakudenkun, a household power supply for use in times of emergency, to Kakuda City in Miyagi Prefecture and Motomiya City in Fukushima Prefecture (May and July 2021)
- To establish and maintain an infrastructure in Bangladesh during the COVID-19 pandemic, introduced locally the construction equipment handled by WWB (from October 2020 onwards)
- Donated general-use masks (more than 300,000 masks in total) to the Japan Medical Association, Shinagawa Ward, Takeo City, Suita City, and other institutions; donated KN95 masks (more than 20,000 masks in total) to medical facilities and related parties; and donated blockIN to Katsura Hotel Mikazuki, with which it is collaborated in order for it to receive Japanese citizens returning from Wuhan City, China
- The Abalance Group's initiatives for SDGs have been published on the JAPAN SDGs Action Platform website of the Ministry of Foreign Affairs
- Became a supporting member of the Japan Climate Leaders' Partnership (JCLP), etc.

Source: Prepared by FISCO from the Company's financial results

A comprehensive renewable energy company whose two business pillars are the Green Energy Business and the newly added Solar Module Manufacturing Business

3. Business description

The Abalance Group is comprised of comprehensive renewable energy companies and has two business pillars, the Green Energy Business and the newly added Solar Module Manufacturing Business. Looking at the percentages of results by business segment in FY6/21, the Solar Module Manufacturing Business, which was newly added from the 2Q, contributed 78.1% of sales and 42.2% of segment profit and is one of the main businesses. The Green Energy Business is the second largest in sales scale, contributing 19.7% of sales, but it contributes more than half of segment income, of 58.1%.



Source: Prepared by FISCO from the Company's financial results

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Company profile

(1) Green Energy Business

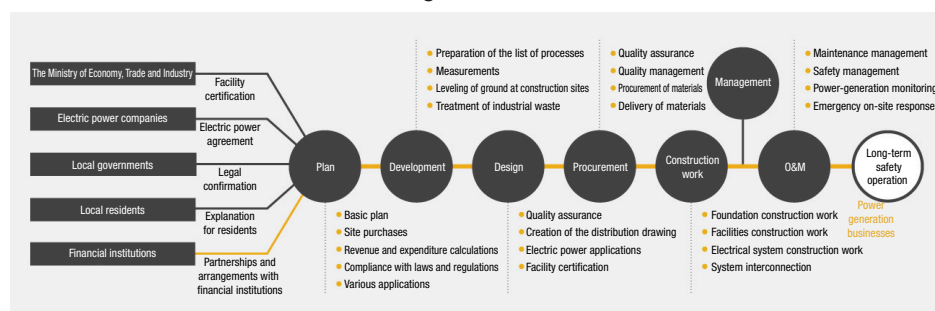
The Abalance Group provides unified, vertically integrated-type one-stop solutions for solar power generation, from planning and development through to construction and O&M^{*1}. In recent years, with the aim of transitioning to a stock (recurring income) type business model, it has worked to increase revenue from electric power sales through building its own power plants. In addition, it conducts businesses including purchase sales of solar panels and related products (power conditioners (hereafter, PCS), storage batteries, etc.) and solar power plant sales (including pre-owned projects). In March 2021, it newly established PV Repower in order to launch a solar panel reuse and recycling business, and going forward, its policy is to grow this business through keeping down panel waste and effectively utilizing them. It is also conducting other businesses, including an EPC business^{*2} and an IPP business^{*3}, including by establishing joint ventures with local companies in areas where energy demand is strong, such as in the South East Asia region and Taiwan

*1 O&M (Operations & Maintenance): maintenance and management services for solar power generation facilities, etc. It includes ascertaining and monitoring daily power generation conditions, including from data analysis; maintaining equipment performance through regular inspections; the early detection of accidents; and replacing parts and equipment in a timely manner.

*2 An EPC business is a business for the outsourcing of construction work projects that includes E (Engineering), P (Procurement), and C (Construction).

*3 An IPP (Independent Power Producer) business refers to a business of conducting wholesales to electric power companies of the electric power generated by a company's own power generation facilities.

Vertical-integration business model



Source: The Company's website

The Group's customers include domestic and overseas IPP businesses that own solar power plants, companies conducting wholesales of household-use solar panels and related products, general business companies, and public organizations (such as those installing solar panels). The solar panels are sold under the Group's own Maxar® brand. The performance and price of Maxar brand panels is comparable to the panels of major Chinese manufacturers and its lineup also includes products that are superior in terms of conversion efficiency. It procures PCS from a highly reliable major manufacturer, while its in-house development team jointly develops storage batteries with a major Chinese manufacturer. The power plant construction areas are the Kanto area, mainly from Tohoku to the Chiba area, and also the Kinki and Kyushu areas, so it is constructing them practically nationwide. WWB is mainly involved in the East Japan area and VALORS in the Kyushu area.

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Company profile

**Kakuda City Solar Power Plant
(WWB development)**



**Kunisaki Solar Power Plant
(VALORS development)**



Source: The Company's materials

For other new businesses, WWB has conducted the initial development of a wind power plant (on-land and small-scale) in the Hiyama area of Hokkaido and started electric power sales from March 2020. For the storage batteries business also, it is preparing to enter-into the industrial-use and household-use storage batteries markets and in advance of this, it developed in-house Rakudenkun, which is a portable battery set comprised of folding lightweight modules whose sales started from October 2019. Moreover, the Company newly established Birdy Fuel Cells to be a global innovation company with the aim of standardizing intermittent green energy. It plans to progress the development of a hydrogen energy storage system, which is expected to be a new energy of the future.

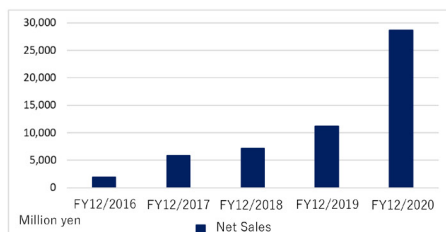
(2) Solar Module Manufacturing Business

The Solar Module Manufacturing Business is the business of VSUN, a Vietnamese solar panel modules manufacturer that newly became a consolidated subsidiary from the FY6/21 2Q (October to December 2020). VSUN was established in June 2015 as a subsidiary of FUJI SOLAR. It has developed while acquiring the expertise of Japanese engineers and it has grown to the extent that today, it has a production capacity of 2.6GW, which according to the Company means it ranks 16th among global companies and is the largest Japan-affiliated manufacturer of solar panels. VSUN has grown mainly through exports to Europe, but recently it has entered-into the United States market as well and its sales are growing significantly. In August 2021, CSR, which is the main organization in the supply chain, was awarded the FY2021 Bronze Medal by EvoVadis, the sustainability global evaluation organization.

VSUN's results have continued to grow rapidly since its establishment, and going forward, in order to conduct at an early stage an IPO for it on the Vietnamese stock market, the Company is currently working together with the local authorities and securities companies. Looking at its capital composition, the investment ratio in FUJI SOLAR of WWB, which is the Company's wholly owned subsidiary, is 51% and the investment ratio in VSUN of FUJI SOLAR is 84.85%. Therefore, substantially its equity ratio is about 43% and the rest is the non-controlling shareholders' portion. The Company plans to progress a response in which VSUN can be maintained as a consolidated subsidiary even if an IPO is conducted for it.

Company profile

Trend in VSUN's sales



VSUN owns a consolidated subsidiary. Figures for prior years have not been audited and are non-consolidated.

Source: The Company's materials



Ground-Mounted Systems
17.6MW, VSUN270-60R, Mersin, Turkey

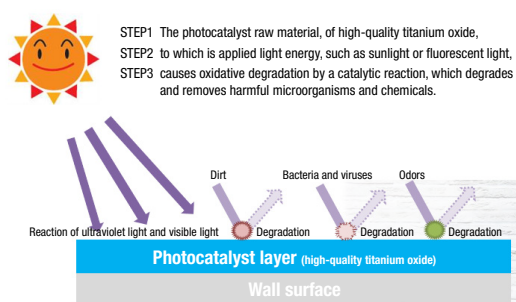
(3) IT Business

In the IT Business, the subsidiary Abit sells Knowledge Market®, which is an information-sharing and knowledge-management tool that helps companies to improve their work efficiency. It also sells licenses, such as for SharePoint, the collaboration software from Microsoft <MSFT>, and it provides installation-support services. In recent years, it has focused on growth fields like IoT, RPA, and AI, while it has also utilized IT technologies for developments, including of a remote monitoring system for solar power plants.

(4) Photocatalyst Business

The Photocatalyst Business is mainly the business of the subsidiary Japan Photocatalyst Center, which primarily manufactures and sells a photocatalytic titanium oxide coating agent and the products that use it. Photocatalyst refers to a process in which when applying light energy, such as sunlight or fluorescent light, to the agent, oxidative decomposition by a catalytic reaction occurs on the surface of the object to which the agent is applied, which has the effect of degrading and removing harmful microorganisms and chemicals. Utilizing this principle, applying the photocatalytic titanium oxide coating agent to the target object makes possible various effects, including an antifouling function, an air cleaning function, air purification, a deodorizing function, measures to counter sick house syndrome, and also antibacterial, antifungal, and antiviral functions.

The mechanism of Japan Photocatalyst Center's photocatalyst



Source: Materials provided by the Company and prepared by FISCO

Performance differences with conventional products, such as disinfectants

- It is composed only of water and titanium oxide, and after drying, the titanium oxide component alone becomes the photocatalyst film. Therefore, self-deterioration does not occur compared to general, conventional products, and photocatalyst activity is high
- If there is light, it will work for all bacteria, viruses, and even pollen, and it demonstrates space-purifying effects for nearby attached objects
- If applied only once, its effects are semi-permanent
- Its antibacterial and antivirus effects are 99.9%

Utilizing this photocatalyst action, it was sold for building materials, such as for store exterior walls and fronts, for rooms in hospitals and welfare facilities, and for toilets and bathrooms. But due to COVID-19, attention has focused on its antibacterial and antiviral functions, which are one photocatalyst effect, and from March 2020, Japan Photocatalyst Center began sales of blockKIN, an antibacterial and antiviral product, as an anti-infection product. It is also enhancing the blockKIN product lineup, including market launching blockKIN HYPER, which is a highline product that blends silver ion (Ag) into blockKIN.

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Also, in 2020, it launched the Photocatalyst Life business, which provides antibacterial and antiviral construction services to medical and nursing care facilities, hotels, schools, nursery schools, public facilities, food processing plants, restaurants, and karaoke boxes. It has started developing the business through sales agencies and franchisees (hereafter, FC), and currently it has more than 100 agencies or FCs with which it has concluded agreements. The main raw materials of Japan Photocatalyst Center's photocatalyst are water and titanium oxide so it is a creative technology that does not include chemical substances, and its main strengths include high antibacterial and antiviral effects, deodorizing effects, and that its effects are sustained over a long period.

Comparison with competitor products that use a photocatalyst

| | Photocatalyst Center | Company A | Company B | Company C | Company D |
|--|--|--------------------------------------|---|---|--|
| Safety | ◎ | ○ | ◎ | ○ | ○ |
| Components | Titanium oxide and water (anatase-type) | Titanium oxide, silver, and platinum | Titanium oxide and water (anatase-type) | Titanium oxide, silver, and an inorganic binder | Titanium oxide, water, and ethanol |
| Duration | More than 10 years (accelerated-weathering tested) | 1 year | — | Equivalent to 20 years (assumes the use of an adhesive) | A long period (no specific time indicated) |
| Photocatalyst activity | ◎ | ○ | ○ | △ (because there is a binder) | ○ |
| Antibacterial activity value (Staphylococcus aureus) | 4.0 (1 part in 10,000) | — | — | 3.5 (1 part in 1,000) | — |
| Ultraviolet intensity | 0.1mW/cm ² | Unknown | Unknown | 0.25mW/cm ² | Unknown |
| Reaction through indoor light | ◎ | ○ | △ | ○ | ○ |
| Manufacture of the photocatalyst | 100% manufactured in-house | — | Manufactured in-house | Manufactured in-house | Purchased overseas |
| Manufacture of the visible light sol | — | — | Purchased from another company | Purchased from another company | Purchased overseas |
| PIAJ* certification | ◎ | x | x | ◎ | x |

* PIAJ is the Photocatalyst Industry Association of Japan.

Source: Prepared by FISCO from Japan Photocatalyst Center's website

(5) Others

In others, WWB conducts sales and rental leases of construction machinery in Japan and in South East Asia. A strength is that it handles used machinery, and it is the official agency of SANY of China, a global construction machinery manufacturer, and of SUNWORD. Its customers include domestic and overseas construction companies, civil engineering companies, logistics-related companies, and import-export sales companies. It recently acquired an order from a Japanese general contractor company entering-into South East Asia for an ODA project, and it is also progressing collaborations between businesses, including the use of machinery at the construction sites of solar power generation projects. Through WWB, SANY has delivered three top lifters to the Oi. No.5 Container Terminal (CT) at Tokyo Harbor, and going forward, it plans to conduct product sales in Japan at a pace of 10 to 15 units a year.

A top lifter manufactured by SANY



Delivery of a top lifter



Source: The Company's materials

Has manufacturing bases overseas and a strength is that can provide one stop solutions globally

4. The Abalance Group's strengths

(1) One-stop solutions

Solar power generation covers a wide area and its supply chain is also long, so it is an industry in which it is difficult for a single company to prepare a complete set of power generation equipment. Generally, a company determines what in-house products and services it can provide and then searches for partners it can collaborate with for technologies and sales. However, the Abalance Group is able to provide a one-stop solution, from planning through to procurement of the power generation system, design and construction outsourcing, operations, and maintenance. Also, by making VSUN a subsidiary, it has added to the Group a solar panel manufacturing function in Vietnam, while for the future, it is developing a panel reuse and recycling business in order to contribute to resolving the problem of the large volume of waste solar panels.

(2) Unique synergies

In terms of what has made possible the overseas advance of the Green Energy Business, which has been accelerating in recent years, it can be said that the Group has strengths that other companies do not possess. These include that in the Construction Machinery Sales Business, it can utilize its expertise in advancing into overseas markets that it has cultivated over many years, and that WWB possesses an expansive overseas network. Other than these strengths, the IT Business is creating expertise in utilizing data on solar power plants' operations and power generation and on remote monitoring equipment in order to ascertain local conditions in a timely manner. Synergies between its businesses is one of the Group's unique strengths that is not possessed by other companies.

(3) A revolving cycle of sustainable investment

The revenue from electric power sales from the solar power plants that are owned by the Company in order to secure stable revenue from sales of electric power is expected to continue to increase in the future. Also, management fees from O&M (it has a management track record of more than 1,000 projects in total) will become a stable source of earnings in the medium- to long-term. Using the cash flow generated from these businesses as the source of funds, the Company is conducting investment in power plant development and overseas. It is considered that the rotating cycle of sustainable investment in this form will contribute to improving its enterprise value in the medium- to long-term.

(4) Regional dispersion of sources of earnings

The Group is developing the Green Energy Business, the Solar Module Manufacturing Business, and the Construction Machinery Sales Business not only within Japan, but widely overseas as well. The solar power generation business in Japan is growing through acquisitions of its own power plants, in addition, it is actively conducting upfront investment in order to expand the overseas business, centered on Asia. This is leading to the regional dispersion of its sources of earnings, which will be the major driving force behind generating earnings in the future. It will also contribute to hedging country risk and exchange-rate risk.

(5) Product development capabilities

The features of Rakudenkun developed by WWB, which is a portable battery comprised of a set of folding lightweight modules, include that it can be installed on folding solar panels and charged outdoors, and also that on considering factors such as the convenience of smartphones, it can be used even while it is charging. The battery is equipped with a lithium ion battery manufactured in China that has competitive advantages not only in terms of quality, but also for price.

Company profile

Also, the strengths of blockKIN, which is a spray-type photocatalyst antibacterial and antiviral solution developed by Japan Photocatalyst Center, is that it utilizes the photocatalyst function of titanium oxide, its main component, and light irradiation to oxidatively decompose every type of bacteria, virus, and harmful organic compound, to create effects including the removal of unpleasant odors, such as of tobacco. Another strength is that its effects are sustained over a long period.

Industry environment

Natural disasters due to abnormal weather caused by global warming are occurring frequently in many places around the world. In this situation, many of the world's leading countries have announced specific action plans toward realizing decarbonization, and the outlook is that progress will be made in introducing renewable energy toward realizing green energy societies in the medium- to long-term. It is considered that this market environment will be extremely beneficial for the earnings growth of the Company, which conducts the Green Energy Business and the Solar Module Manufacturing Business.

The Japanese government has set establishing a virtuous circle for the economy and the environment as the main pillar of its growth strategy, and it is placing its greatest focus on realizing a green energy society. Toward this, on October 26, 2020, it announced to the world its goal of becoming carbon neutral by 2050. Its response to global warming is not to restrict economic growth, but rather to actively conduct measures for global warming that will transform the industrial structure and economic society and that will reinvigorate growth. On April 2021, the Japanese government announced its target of reducing emissions of greenhouses gases by 46% by FY2030 compared to in FY2013, and in May of the same year, it formulated the revised Law Concerning the Promotion of the Measures to Cope with Global Warming. This law provides for "the realization by 2050" of carbon neutrality, and it indicates its policy of establishing renewable energy promotion special zones and increasing installations of solar power and wind power generation facilities.

According to the Sixth Energy Basic Plan (draft) announced by the Agency for Natural Resources and Energy in July 2021, for the composition of energy sources in FY2030, the target ratio for introductions of renewable energy has been upwardly revised from the previous target (22% to 24%) to the new target of increasing from 18% in FY2019 to 36% to 38%. In order to achieve this target, the plan presents the idea that it will be necessary to promote the use of household power generation through solar power and to strengthen wind power generation, so these markets are expected to grow in the future.

Overseas also, in Europe it was announced that 1 trillion euro will be invested in the next 10 years, as the total of the public and private sectors, in order to realize carbon neutrality. In the United States as well, the Biden government has committed to reducing CO₂ emissions by 50% to 52% by 2030 compared to in 2005. Previously it had indicated a target of reducing emissions by 26% to 28% by 2025, so it has almost doubled this target. So in the United States as well, there is an environment in place in which we can expect the renewable energy market to grow even more. China has also declared its intention of becoming carbon neutral by 2060, so going forward, the outlook is that initiatives for renewable energy will become increasingly active around the world.

Industry environment

Power supply composition ratio in Japan

| | 2019 | Current target | 2030 target (provisional value) |
|----------------------|------|----------------|------------------------------------|
| Renewable energy | 18% | 22% to 24% | 36% to 38% |
| Hydrogen and ammonia | 0% | 0% | 1% |
| Nuclear power | 6% | 20% to 22% | 20% to 22% |
| LNG | 37% | 27% | 20% |
| Coal | 32% | 26% | 19% |
| Oil, etc. | 7% | 3% | 2% |

Source: Summary of the Energy Basic Plan (draft), the Agency for Natural Resources and Energy, the Ministry of Economy, Trade and Industry (announced on July 21, 2021)

Results trends

In the FY6/21 results, sales and profits increased significantly from the effects of VSUN being newly made a consolidated subsidiary

1. Outline of results for FY6/21

In the FY6/21 consolidated results, the amount of sales increased 302.8% YoY to ¥26,901mn, operating income rose 276.5% to ¥1,361mn, ordinary income grew 315.6% to ¥1,269mn, and net income attributable to owners of the parent company increased 154.4% to ¥537mn, so sales and profits increased significantly. The main factor was that VSUN was made a consolidated subsidiary from the 2Q. Compared to the Company forecasts announced in February 2021, sales and every profit item were higher than forecast and moreover set new record highs. From May 2021 in Vietnam, the effects of the government introducing restrictions on going outside due to COVID-19 had some impact on plant activities and product shipments. But this impact was dealt with, including by having employees permanently stationed within the plant's site, so the impact was kept to a minimum. The reason why the increase rate of net income attributable to owners of the parent company appears lower than that of ordinary income is that following VSUN being made a subsidiary, net income attributable to non-controlling shareholders increased from ¥5mn in the previous period to ¥394mn.

Consolidated results for FY6/21

| | FY6/20 | | | FY6/21 | | | |
|---|---------|----------------------|--------------------|---------|----------------------|--------|--------------|
| | Results | % of amount of sales | *Company forecasts | Results | % of amount of sales | YoY | vs. forecast |
| Amount of sales | 6,678 | - | 23,500 | 26,901 | - | 302.8% | 14.5% |
| Cost of sales | 4,916 | 73.6% | - | 22,112 | 82.2% | 349.8% | - |
| SG&A expenses | 1,400 | 21.0% | - | 3,427 | 12.7% | 144.8% | - |
| Operating income | 361 | 5.4% | 1,110 | 1,361 | 5.1% | 276.5% | 22.6% |
| Ordinary income | 305 | 4.6% | 1,080 | 1,269 | 4.7% | 315.6% | 17.5% |
| Extraordinary income/loss | -1 | - | - | -15 | - | - | - |
| Net income attributable to owners of the parent company | 211 | 3.2% | 430 | 537 | 2.0% | 154.4% | 24.9% |

* The Company forecasts are the values announced in February 2021

Source: Prepared by FISCO from the Company's financial results and press releases

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Results trends

The numerical effects on results of VSUN being made a consolidated subsidiary was ¥21,013mn for the amount of sales and ¥731mn for operating income. Looking on an existing business basis that excludes VSUN's Solar Module Manufacturing Business, the amount of sales decreased 11.8% YoY to ¥5,888mn and operating income increased 74.5% to ¥630mn. The Company is transitioning the Green Energy Business from a flow-type business based on the construction and sales of solar power plants, to a stock-type business based on owning its own solar power plants and acquiring revenue from electric power sales. FY6/21 was the transition period for this, which is why sales declined. Conversely, operating income grew by double digits because of the increase in revenue from electric power sales and the improved profitability of the IT Business and the Photocatalyst Business, which recorded losses in the previous period.

Results by business segment

| | (¥mn) | | | |
|---|--------------|--------------|---------------|---------------|
| Amount of sales | FY6/19 | FY6/20 | FY6/21 | YoY |
| Solar Module Manufacturing Business | - | - | 21,013 | - |
| Green Energy Business | 5,177 | 6,248 | 5,311 | -15.0% |
| IT Business | 172 | 58 | 61 | 5.2% |
| Photocatalyst Business | 38 | 112 | 177 | 57.0% |
| Others | 595 | 257 | 355 | 38.1% |
| Adjustment amount | - | - | -16 | - |
| Total | 5,984 | 6,678 | 26,901 | 302.8% |
| (excluding the Solar Module Manufacturing Business) | | | 5,888 | -11.8% |

| Segment income | FY6/19 | FY6/20 | FY6/21 | YoY |
|---|------------|------------|--------------|---------------|
| Solar Module Manufacturing Business | - | - | 731 | - |
| Green Energy Business | 931 | 817 | 1,005 | 23.1% |
| IT Business | 62 | -40 | 16 | - |
| Photocatalyst Business | -20 | -6 | 32 | - |
| Others | 2 | -49 | -54 | - |
| Adjustment amount | -368 | -359 | -370 | - |
| Total | 608 | 361 | 1,361 | 276.5% |
| (excluding the Solar Module Manufacturing Business) | | | 630 | 74.5% |

Source: Prepared by FISCO from the Company's financial results

(1) Green Energy Business

In the Green Energy Business, the amount of sales decreased 15.0% YoY to ¥5,311mn, but segment income increased 23.1% to ¥1,005mn. While continuing power plant sales that secure stable earnings, mainly by WWB and VALORS, the Abalance Group is transitioning this business to a stock-type business in which it continues to own the plants after they are constructed. It is obtaining revenue from electric power sales from the Miyanoura Solar Power Plant, the Kosai City Ota Solar Park, the Takahashi Solar Power Plant, the Katsuma Solar Power Plant, and wind power plants. During FY6/21, in addition to acquiring some sections of the Hanahata Solar Power Plant (November 2020 interconnection, initial full fiscal year revenue from electric power sales: forecast of approx. ¥0.15bn), the Kakuda City Solar Power Plant (March 2021 interconnection, initial full fiscal year revenue from electric power sales: forecast of approx. ¥0.75bn), and the Fukushima City Onami Solar Power Plant (June 2021 interconnection, initial full fiscal year revenue from electric power sales: forecast of approx. ¥0.22bn), it is also acquiring the rights to a power plant in Kobe City through an M&A.

The O&M business, which already generates stable earnings, has been highly evaluated including for its ground wiring that is effective for anti-lightning measures, securing security through installing cameras in facilities, and proposing systems, including detecting abnormalities through an RPA system. It has annual sales on the scale of hundreds of millions of yen and its results are steadily increasing.

Results trends

In the overseas business as well, in order to supply green energy to countries in South East Asia where demand for electric power is strong, including Vietnam, Taiwan, and Cambodia, the plan for this business includes establishing joint ventures with local companies. In addition, the Group was selected in the public call for projects for the FY2019 Facilities Subsidy Projects Among Joint Crediting Mechanism (JCM) Financial Support Projects by the Ministry of the Environment, and in Cambodia, it plans to progress a project to establish a hybrid power generation facility for both solar power generation (1MW) and biomass power generation (0.5MW). Due to the impact of COVID-19, restrictions, such as on overseas travel, are continuing, so currently no noticeable progress is being made for the overseas business. But the policy going forward is to grow the overseas business by establishing joint ventures with local companies and actively participating in projects through JCM, while appropriately conducting risk management.

Other than the above, as the product-sales business, the Group sells products including solar power generation equipment like solar panels and PCS, the Rakudenkun portable battery that can be used as an emergency power supply at the time of a disaster, and industrial-use and household-use storage batteries. Also, as a new business, in March 2020, it began operating 11 on-land, small-scale wind power plants in the Hiyama area of Hokkaido.

(2) Solar Module Manufacturing Business

The Solar Module Manufacturing Business recorded sales of ¥21,013mn and segment income of ¥731mn (results for the 9 month period from October 2020 to June 2021). Demand for green energy is growing globally, and based on this, sales have been increasing in recent years for the United States, as well as for Europe.

Chinese companies rank top of the global solar panel market, while VSUN, which is the largest Japan-affiliated solar panel modules manufacturer, ranks 16th globally. Going forward, the Group's policy is to actively increase capacity and expand business scale. In July 2021, the newly established third plant began operations following the implementation of facilities investment. The facilities investment amount was approximately ¥1.3bn and its annual production capacity is 1GW, and after the strengthening of capacity, this will be increased to 2.6GW. The plan for the third plant is for it to manufacture state-of-the-art panels (1 panel to have a power generation capacity of more than 500W, and also products of 600W and above), for which demand is expected mainly from Japan, Europe, and the United States.

In Vietnam from May 2021 onwards, the Vietnamese government and local government authorities implemented measures to prevent the spread of COVID-19 infections, including calling for self-restraint on going out, and this had an impact on plant operations and product shipments. However, due to the continuous support and measures from the Abalance Group, this business has become a major driving force behind the consolidated results.

(3) IT Business

In the IT Business, the amount of sales increased 5.2% YoY to ¥61mn and segment income was ¥16mn (a loss of ¥40mn in the previous period). It provides various services, including Knowledge Market®, which is a tool to improve productivity through sharing knowledge (information, findings, and experience) and rebuilding businesses processes; DX support services that utilize Microsoft 365; and data collection support for various surveys that utilize RPA products and IoT. Also, to meet the needs of organizations, including SDG-orientated companies such as those involved in providing green energy and promoting RE100, and local governments, this business is being progressed while aiming to coordinate with the Green Energy Business and the healthcare-related business.

Results trends

(4) Photocatalyst Business

In the Photocatalyst Business, the amount of sales increased 57.0% YoY to ¥177mn and segment income was ¥32mn (a loss of ¥6mn in the previous period). After Japan Photocatalyst Center was made a subsidiary in January 2019, this business recorded a profit for the first time. The amount of sales increased because needs are rising for measures to prevent the spread of COVID-19 infections, and also as the Group enhanced the lineup of blockIN products, which are antibacterial and antiviral products, and as it has further promoted the Photocatalyst LIFE Business and has worked to increase the numbers of FC members and agencies among coating construction businesses. In the 4Q, it obtained an order for photocatalyst construction work from a hotel in Hokkaido, which also contributed to the increase in earnings.

(5) Others

In others, which includes the Construction Machinery Sales Business, the amount of sales increased 38.1% YoY to ¥355mn and the segment loss was ¥54mn (a loss of ¥49mn in the previous period). Sales increased because in addition to supplying construction machinery in Japan, the Group strengthened the rental business, including a business to establish and maintain infrastructure in Bangladesh, China, and other countries. However, it was not able to improve profitability to the profit-loss breakeven point and continued to record a loss.

Total assets increased due to VSUN being made a consolidated subsidiary and the conversion of the business model

2. Financial condition and business indicators

Looking at the financial condition at the end of FY6/21, total assets had increased ¥24,624mn on the end of the previous period to ¥39,388mn, with the main factors being VSUN being made a consolidated subsidiary, the construction of power plants, and the Company acquiring its own plants. Of this amount, current assets increased ¥13,984mn, and breaking down the main items, there were increases of cash and deposits of ¥3,512mn and merchandise and products of ¥6,234mn, while conversely, there were decreases of real estate for sales of solar power plants of ¥1,170mn and work in progress for uncompleted construction projects of ¥288mn. Non-current assets increased ¥10,641mn, mainly because property, plant and equipment rose ¥9,672mn following VSUN being made a subsidiary, and the increase in solar power plants owned.

Total liabilities were ¥34,611mn, an increase of ¥22,005mn on the end of the previous period. Within this amount, current liabilities increased ¥19,467mn. Breaking down the main items, there were increases in accounts payable-trade of ¥4,067mn due to power plant developments, etc., short-term borrowing of ¥5,799mn, accounts payable of ¥3,556mn, and advances received of ¥3,065mn. Non-current liabilities increased ¥2,538mn, which was mainly because long-term borrowing rose ¥2,511mn.

Net worth was ¥4,777mn, an increase of ¥2,618mn on the end of the previous period. This was mainly due to the recording of net income attributable to owners of the parent company of ¥537mn, and also as surplus funds increased ¥1,162mn following a change to the scope of consolidation, non-controlling shareholders' interests increased ¥694mn, and an increase of ¥224mn due to the issue of new shares.

Results trends

Looking at the business indicators, the equity ratio declined from 14.2% at the end of the previous period to 10.2%. This was mainly because total assets and interest-bearing debt increased due to the Company acquiring its own solar power plants. However, in the medium- to long-term, it is building a system to create a virtuous circle in which revenue from electric power sales grows from the increase in the number of power plants it owns, and then in turn it reinvests this revenue to further increase the number of power plants. The financial condition is also expected to improve due to other factors, including the growth of VSUN's earnings.

Consolidated balance sheet

| | (¥mn) | | | | |
|-------------------------|--------|--------|--------|--------|--------|
| | FY6/18 | FY6/19 | FY6/20 | FY6/21 | Change |
| Current assets | 5,226 | 6,077 | 8,553 | 22,537 | 13,984 |
| (Cash and deposits) | 601 | 799 | 1,209 | 4,722 | 3,512 |
| Non-current assets | 1,961 | 4,893 | 6,193 | 16,835 | 10,641 |
| Total assets | 7,188 | 10,985 | 14,764 | 39,388 | 24,624 |
| Current liabilities | 3,873 | 4,640 | 6,745 | 26,212 | 19,467 |
| Non-current liabilities | 1,499 | 4,312 | 5,859 | 8,398 | 2,538 |
| Total liabilities | 5,372 | 8,952 | 12,605 | 34,611 | 22,005 |
| Net worth | 1,815 | 2,032 | 2,159 | 4,777 | 2,618 |

Source: Prepared by FISCO from the Company's financial results

Outlook and growth strategy

For the FY6/22 results, has set conservative forecasts in the situation of the ongoing COVID-19 pandemic. But has ascertained the increase in global demand for renewable energy as a growth opportunity and its policy is to actively develop its businesses

For the FY6/22 consolidated results, the Company is forecasting that the amount of sales will increase 30.1% YoY to ¥35,000mn, operating income will grow 2.9% to ¥1,400mn, ordinary income will rise 12.6% to ¥1,430mn, and net income attributable to owners of the parent company will increase 59.6% to ¥858mn. As part of the measures to deal with global warming, efforts are being progressed around the world to introduce renewable energy and in this situation, the Company continues to benefit from the favorable market environment. However, as the end of the COVID-19 pandemic is still not in sight, it has set conservative results forecasts in consideration of this risk.

Going forward, the Company is aiming to become a global renewable energy company by creating both societal value and enterprise value through progressing ESG and SDGs. Demand for renewable energy is expected to grow globally, and from the perspective of responding rapidly to business opportunities, it is formulating a new medium-term management plan to start from FY6/23 and plans to announce it in October 2021.

Also, for the IPO of VSUN on the Vietnamese stock market, the Company is currently negotiating with the local authorities, securities companies, and others in anticipation of its listing at an early stage. It is also considering the items for the capital policy for VSUN shares that are substantially held by the Abalance Group. But the current situation is that the Company has explained that its policy is for VSUN to continue to be its subsidiary even after the IPO is realized.

Outlook and growth strategy

Alongside the reorganization of the TSE markets, the Company is aiming to be listed on the prime market in the future as this will enable it to improve its enterprise value, while its policy is to respond in a planned manner for this.

Consolidated outlook for FY6/22

| | FY6/21 | | FY6/22 | | YoY |
|---|---------|----------------------|-------------------|----------------------|-------|
| | Results | % of amount of sales | Company forecasts | % of amount of sales | |
| Amount of sales | 26,901 | - | 35,000 | - | 30.1% |
| Operating income | 1,361 | 5.1% | 1,400 | 4.0% | 2.9% |
| Ordinary income | 1,269 | 4.7% | 1,430 | 4.1% | 12.6% |
| Net income attributable to owners of the parent company | 537 | 2.0% | 858 | 2.5% | 59.6% |
| Earnings per share (EPS) (¥) | 102.63 | | 161.69 | | |

Source: Prepared by FISCO from the Company's financial results

The outlooks for each of the business segments are shown below.

(1) Green Energy Business

The outlook for the Green Energy Business is for double-digit increases in sales and profits. In FY6/22, while continuing lot sales of solar power plants, the Group's policy is to build its own power plants and also actively acquire new plants through M&A. In FY6/22, the acquisitions, including of some sections of the Hanahata Solar Power Plant (interconnection in November 2020, initial full fiscal year revenue from electric power sales: forecast of approx. ¥0.15bn) that became interconnected in the previous period and the Kakuda City Solar Power Plant (interconnection March 2021, initial full fiscal year revenue from electric power sales: forecast of approx. ¥0.75bn), and the Fukushima City Onami Solar Power Plant (interconnection June 2021, initial full fiscal year revenue from electric power sales: forecast of approx. ¥0.22bn), will contribute to the full fiscal year consolidated results. Also, new system interconnections are planned for other power plants, including the Kobe Power Plant (September 2021, ¥75mn), the Kuranami Solar Power Plant (November 2021, ¥48mn), and the Nagamine Solar Farm (after November 2021, ¥170mn). Moreover, if it can newly acquire power plants through M&A, this will also be a factor increasing results.

From December 2022 onwards, operations are scheduled to start at the Yamato Town and Ohira Village Solar Power Plant (annual estimated revenue from electric power sales, ¥0.53bn). So on considering plant operating conditions in the future, the Company has explained that it has in its sights revenue from electric power sales in excess of ¥2bn from FY6/22 onwards. It is targeting owning power plants on a scale of 1GW, as the total of the plants in Japan and overseas, by 2030. Therefore, as an issue for the stock-type model, the key to achieving this target will be smoothly escaping from the business model transition period to its initial realization stage and building a growth process.

In the overseas business, while conducting appropriate risk management for COVID-19 in each country, in Cambodia the Group plans to progress a JCM project already ordered and to participate in solar power generation projects through methods including joint ventures with Japanese or local companies, such as in Vietnam and Taiwan. These will also be growth factors for the stock-type model. Other than those initiatives, it plans to develop the product-sales business, which includes sales of solar panels, PCS, and storage batteries, in Japan and overseas.

Outlook and growth strategy

Also, as new businesses, in developments of wind power plants and a non-FIT-type business model (PPA model), the self-consumption-type solar power generation business (including installations of storage batteries), and the ESCO business that provides various services relating to saving energy, the Group is utilizing its strengths in the form of providing one-stop solutions and is steadily progressing its businesses.

Moreover, Birdy Fuel Cells, which was newly established in June 2021, plans to conduct investment in order to develop a hydrogen energy storage system, which is expected to be a new energy of the future. It has invited a person from a major company with a Ph.D. relating to the development of hydrogen storage technologies to supervise development and in the next few years, it will invest in R&D costs toward its practical realization. Also, PV Repower, which was newly established in March 2021, has started a business for the reuse and recycling of solar panels. Its policy is to contribute to the realization of a decarbonized society in the form of creating a recycling-based society through keeping down panel waste, which is forecast to increase in the future, and effectively utilizing them.

(2) Solar Module Manufacturing Business

Through the facilities investment in VSUN's third plant, the production capacity will increase to a scale of 2.6GW. The Company has explained that going forward, the medium- to long-term business target is a manufacturing target of 8GW (annual) by 2030. In addition to for Europe as in the past, it will further strengthen sales for the United States, while moreover, the trend of decarbonization is forecast to spread from Europe and the United States to various Asian countries, so results are expected to trend strongly in Asia as well. To meet this increase in demand, the Company has explained that while it will depend on VSUN's operating conditions, it will continue to increase production capacity in a planned manner in the future as well.

In Vietnam, in a situation of the ongoing COVID-19 pandemic, there are concerns about government regulations on going outside, which although small, are still having an impact. It seems that the results forecasts of VSUN, which conducts the Solar Module Manufacturing Business, takes this impact into account. However, there has been no change to the strong demand for solar panels in the Europe and the US markets, and if the COVID-19 pandemic ends and the production and logistic systems completely return to normal, we can fully expect results to exceed the forecasts.

The measures to improve profitability include increasing sales in the ASEAN region, where customs tariffs are not imposed, and expanding the areas covered by the production process. But it is considered that seizing medium- to long-term business opportunities will be the main factor driving growth in the medium- to long-term.

(3) IT Business

The policy for the IT Business is to continue to provide software and systems that support improvements to white collar productivity and value creation capabilities, and to aim to increase sales and profits while coordinating with the Green Energy Business and the healthcare-related business. For the main service lines, it provides services to improve white collar productivity through guidance to transition from work with low value-added, such as adjustment and survey work, to core work with high value-added, like decision making and progress management. It also provides solutions relating to workstyle reforms in response to the decline of the working population in Japan caused by factors such as Japan's contracting market and its declining birthrate and aging population. Also, in issue will be investigating M&A and other methods toward expanding the business scale.

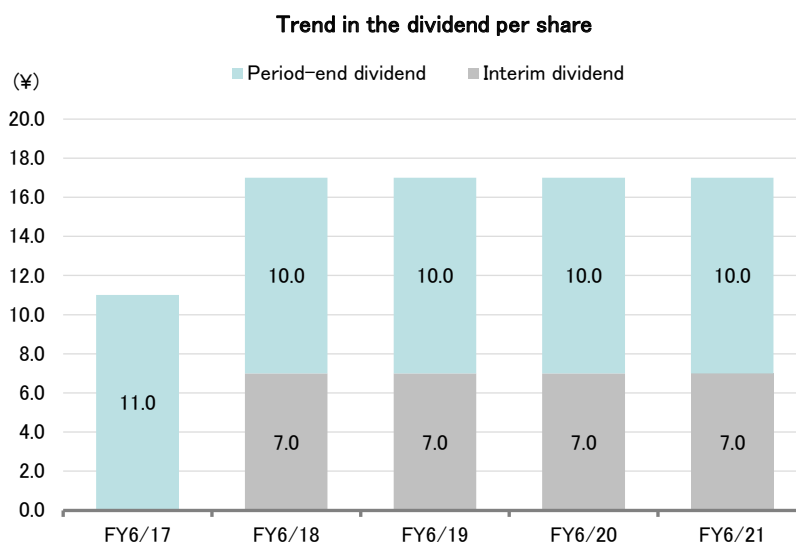
(4) Photocatalyst Business

In the Photocatalyst Business, as a measure to prevent the spread of COVID-19, the Group is working to develop the blockIN series of antibacterial and antiviral products and to expand its sales channels. Conversely, other than by manufacturer construction work, it is also growing sales through increasing FC members and agencies through the Photocatalyst LIFE Business. It is promoting the use of blockIN widely in various industries, not only at medical and nursing facilities and schools, but also at sites such as hotels and restaurants. Its policy is to work on developing new products that will meet societal needs. The issues at the current time include acquiring science- and technology-related human resources and investing in facilities.

Shareholder return policy

Basic policy is to pay dividends stably and continuously

To return profits to shareholders, the Company's basic shareholder return policy is, after considering returning capital gains based on improving enterprise value through results growth, to stably and continuously pay dividends while considering maintaining a good balance between "returning profits to shareholders" and "securing reserves to fund growth" as its dividends from profits policy. It has not yet decided the dividend per share for FY6/22, but if results progress as forecast, it is highly likely to be at the same level as in FY6/21.



Source: Prepared by FISCO from the Company's financial results

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