NOTICE: For the convenience of capital market participants, RENOVA, Inc. makes efforts to provide English translations of the information disclosed in Japanese. However, in the event that any discrepancy is found between the documents, the Japanese original shall prevail over its English translation.

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 (Japanese GAAP, Non-Audited)

February 5, 2020

Company name:	RENOVA, Inc.	Stock exchange listing:	Tokyo
Securities code:	9519	URL:	https://www.renovainc.com/
Representative:	Yosuke Kiminami, Founding CEO		
Contact:	Aki Mori, CFO		Tel. +81-3-3516-6263

Scheduled date of quarterly securities report filing: February 5, 2020
Scheduled date of commencement of dividend payment: –
Supplementary documents for quarterly financial results: Yes
Quarterly financial results briefing: None

(Amounts of less than one million yen are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – December 31, 2019)

(1) Consolidated Results from Operations (cumulative) (Percentages show year-on-year changes)

	Net sales		EBITDA*		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
ended Dec. 31, 2019	13,681	30.0	7,647	38.2	4,892	44.1	3,145	45.0	2,791	233.5
ended Feb. 28, 2019	10,522	20.6	5,534	11.1	3,395	13.3	2,169	17.3	837	37.1

(Note) Comprehensive income:
Nine months ended Dec. 31, 2019: 3,641 million yen, 129.7% Nine months ended Feb. 28, 2019: 1,585 million yen, 24.7%

	Earnings per share (basic)	Earnings per share (diluted)
Nine months	Yen	Yen
ended Dec. 31, 2019	37.02	35.53
ended Feb. 28, 2019	11.24	10.63

* EBITDA = Ordinary profit + Net interest expenses + Depreciation + Amortization of long-term prepaid expenses (amortization of grid connection costs and amortization of deferred consumption taxes) + Amortization of goodwill + Amortization of deferred assets (amortization of business commencement expenses and amortization of deferred organization expenses)

(Note) 1. RENOVA, Inc. ("RENOVA") conducted a 2-for-1 share split of its common shares with an effective date of Sep. 1, 2018. Accordingly, earnings per share are calculated on the assumption that the share split was conducted at the beginning of the fiscal year ended Mar. 2019.
2. RENOVA changed its fiscal year end date from May 31 to March 31 for the fiscal year ended March 31, 2019. As a result of the change, the third quarter for the previous fiscal year comprised of the financial results for the nine months from June 1, 2018 to February 28, 2019, whereas the third quarter for the current fiscal year comprised of the financial results for the nine months from April 1, 2019 to December 31, 2019. Accordingly, year-on-year changes for the nine months ended December 31, 2019 are calculated by comparison to the results for the nine months from June 1, 2018 to February 28, 2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio*	Net assets per share
As of	Million yen	Million yen	%	Yen
Dec. 31, 2019	140,370	18,099	8.7	160.75
Mar. 31, 2019	81,499	12,886	11.5	124.22

(Reference) Equity attributable to owner of parent: As of Dec. 31, 2019: 12,250 million yen As of Mar. 31, 2019: 9,337 million yen
*Equity ratio = Equity attributable to owner of parent / Total assets

(Note) RENOVA conducted a 2-for-1 share split of its common shares with an effective date of Sep. 1, 2018. Accordingly, net assets per share are calculated on the assumption that the share split was conducted at the beginning of the fiscal year ended May 2018.

2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
ended Mar. 2019	–	0.00	–	0.00	0.00
ending Mar. 2020	–	0.00	–		
ending Mar. 2020 (forecast)				0.00	0.00

(Note) Revisions to the dividends forecast since the latest announcement: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages show year-on-year changes)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	19,200	36.2	10,800	36.8	6,700	33.3	4,100	18.5	3,300	98.9	43.77

(Note) 1. Revisions to the consolidated forecast since the latest announcement: None
2. RENOVA changed its fiscal year end date from May 31 to March 31 for the fiscal year ended March 31, 2019. As a result of the change, the previous fiscal year is the ten-month period from June 1, 2018 to March 31, 2019. Accordingly, year-on-year changes of consolidated forecasts for the current fiscal year (twelve-month period) are calculated by comparison to the financial results for the above-mentioned period.

* Notes

(1) Changes in the state of material subsidiaries during the period (changes in the state of specific subsidiaries with changes in scope of consolidation): Yes

Newly added: Three companies

(Nasukarasuyama Solar T.K., Karumai West Solar T.K., Karumai East Solar T.K.)

Excluded: –

(2) Simplified accounting procedure to consolidated quarterly financial statements: Yes

(Note) Please see page 7, “Consolidated Quarterly Financial Statements and Key Notes (3) Notes to Consolidated Quarterly Financial Statements (Simplified Accounting Procedure to Consolidated Quarterly Financial Statements)” for details.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies caused by revision of accounting standards: None
(ii) Changes in accounting policies other than (i): None
(iii) Changes in accounting estimates: None
(iv) Restatements: None

(4) Number of issued shares (common shares):

(i) Number of issued shares at end of period (including treasury shares)
As of Dec. 31, 2019: 76,236,400 shares As of Mar. 31, 2019: 75,470,000 shares
(ii) Number of treasury shares at end of period
As of Dec. 31, 2019: 387,700 shares As of Mar. 31, 2019: 393,600 shares
(iii) Average number of shares outstanding during the period
For the nine months ended Dec. 31, 2019: 75,415,797 shares
For the nine months ended Feb. 28, 2019: 74,500,620 shares

(Note) RENOVA conducted a 2-for-1 share split of its common shares with an effective date of September 1, 2018. Accordingly, the number of issued shares (common shares) are calculated on the assumption that the share split was conducted at the beginning of the fiscal year ended Mar. 2019.

* This report is not subject to audits by independent auditors.

* Explanations and other special notes concerning the appropriate use of forecasts
(Cautionary statement with respect to forward-looking statements and other information)
The forward-looking statements discussed in this material, including financial forecasts, are based on the information currently available to RENOVA and certain assumptions that are judged to be rational at the current time. These statements do not constitute a promise by RENOVA to achieve such results. Please note that the actual results may differ significantly from forecast figures.

Consolidated Quarterly Financial Statements and Key Notes

(1) Consolidated Quarterly Balance Sheet (Non-Audited)

(Million yen)

	As of Mar. 31. 2019	As of Dec. 31, 2019
Assets		
Current assets		
Cash and deposits	21,249	22,670
Accounts receivable – trade	2,221	3,853
Work in process	3	19
Raw materials and supplies	156	238
Advances paid to subsidiaries and associates	3,307	1,314
Other	833	4,305
Allowance for doubtful accounts	(147)	(165)
Total current assets	27,623	32,236
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,318	31,284
Accumulated depreciation	(670)	(1,140)
Buildings and structures, net	8,647	30,143
Machinery, equipment and vehicles	43,543	67,421
Accumulated depreciation	(9,047)	(11,363)
Machinery, equipment and vehicles, net	34,495	56,058
Land	2,372	2,855
Other	243	545
Accumulated depreciation	(68)	(121)
Other, net	174	424
Total property, plant and equipment	45,690	89,481
Intangible assets		
Cost incurred for leased land, net	708	1,898
Goodwill	553	1,218
Other	20	49
Total intangible assets	1,283	3,167
Investments and other assets		
Shares of subsidiaries and associates	2,390	8,056
Investments in other securities of subsidiaries and associates	1,005	493
Other	2,621	3,828
Allowance for doubtful accounts	–	(56)
Allowance for investment loss	(13)	(22)
Total investments and other assets	6,004	12,298
Total non-current assets	52,977	104,947
Deferred assets	898	3,186
Total assets	81,499	140,370

(Million yen)

	As of Mar. 31, 2019	As of Dec. 31, 2019
Liabilities		
Current liabilities		
Accounts payable – trade	279	287
Current portion of long-term loans payable	4,225	10,013
Income taxes payable	637	1,006
Provision for bonuses	174	119
Provision for special repairs	108	184
Other	1,011	3,564
Total current liabilities	6,437	15,176
Non-current liabilities		
Long-term loans payable	57,490	98,394
Asset retirement obligations	2,968	7,070
Provision for stocks payment	8	26
Provision for special repairs	227	283
Other	1,480	1,320
Total non-current liabilities	62,175	107,094
Total liabilities	68,613	122,271
Net assets		
Shareholders' equity		
Capital stock	2,080	2,136
Deposit for subscriptions to shares	11	58
Capital surplus	2,067	2,124
Retained earnings	5,369	8,146
Treasury shares	(504)	(496)
Total shareholders' equity	9,025	11,969
Accumulated other comprehensive income		
Deferred gains or losses on hedges	312	281
Total accumulated other comprehensive income	312	281
Share options	9	20
Non-controlling interests	3,539	5,828
Total net assets	12,886	18,099
Total liabilities and net assets	81,499	140,370

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

Consolidated Quarterly Statement of Income (Non-Audited)

(Million yen)

	Nine months ended Feb. 28, 2019	Nine months ended Dec. 31, 2019
Net sales	10,522	13,681
Cost of sales	4,912	5,888
Gross profit	5,610	7,792
Selling, general and administrative expenses	2,214	2,899
Operating profit	3,395	4,892
Non-operating income		
Interest income	2	2
Insurance income	5	39
Reversal of allowance for doubtful accounts	88	–
Other	8	9
Total non-operating income	104	51
Non-operating expenses		
Interest expenses	981	1,179
Share of loss of entities accounted for using equity method	–	142
Commission fee	37	21
Amortization of business commencement expenses	281	442
Foreign exchange losses	20	0
Other	9	11
Total non-operating expenses	1,330	1,797
Ordinary profit	2,169	3,145
Extraordinary income		
Gain on step acquisitions	–	1,883
Gain of negative goodwill	–	66
Total extraordinary income	–	1,949
Extraordinary losses		
Loss on retirement of non-current assets	5	–
Total extraordinary losses	5	–
Profit before income taxes	2,163	5,095
Income taxes	616	1,459
Profit	1,547	3,636
Profit attributable to non-controlling interests	710	844
Profit attributable to owners of parent	837	2,791

Consolidated Quarterly Statement of Comprehensive Income (Non-Audited)

(Million yen)

	Nine months ended Feb. 28, 2019	Nine months ended Dec. 31, 2019
Profit	1,547	3,636
Other comprehensive income		
Deferred gains or losses on hedges	17	70
Foreign currency translation adjustment	20	–
Share of other comprehensive income of entities accounted for using equity method	–	(65)
Total other comprehensive income	37	5
Comprehensive income	1,585	3,641
Comprehensive income attributable to		
Owners of parent	866	2,760
Non-controlling interests	718	880

(3) Notes to Consolidated Quarterly Financial Statements

Notes Relating to Going Concern Assumptions

Not applicable

Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable

Simplified Accounting Procedure to Consolidated Quarterly Financial Statements

(Calculation of tax expenses)

Tax expenses were calculated by multiplying profit before income taxes by an estimated effective tax rate. The estimated effective tax rate was calculated by using the annual forecast figures, taking deferred tax factors into consideration.

Segment Information

Nine months ended Feb. 28, 2019 (June 1, 2018 – February 28, 2019)

1. Results by Reportable Segment

(Million yen)

	Reportable segments			Adjustments (Note 1)	Amount on consolidated statement of income
	Renewable Energy Power Generation Business	Renewable Energy Development and Operation Business	Subtotal		
Net sales					
Sales – outside customers	8,849	1,672	10,522	–	10,522
Sales and transfer – inter-segment	–	1,936	1,936	(1,936)	–
Total	8,849	3,609	12,459	(1,936)	10,522
Segment profit (Note 2)	5,665	2,167	7,833	(5,663)	2,169

(Notes) 1. The adjustment of (5,663) million yen to the segment profits includes interest expenses of (981) million yen, interest expenses on asset retirement obligations of (19) million yen, interest income of 2 million yen, depreciation of (2,040) million yen, amortization of long-term prepaid expenses of (19) million yen, amortization of goodwill of (24) million yen, amortization of deferred assets of (281) million yen, and elimination of intersegment transactions of (2,298) million yen.

2. Segment profit represents EBITDA (Ordinary profit + Net interest expenses + Depreciation + Amortization of long-term prepaid expenses (amortization of grid connection costs and amortization of deferred consumption taxes) + Amortization of goodwill + Amortization of deferred assets (amortization of business commencement expenses and amortization of deferred organization expenses)). The segment profit figure of 2,169 million yen corresponds to Ordinary Profit on RENOVA's consolidated financial statements.

Nine months ended Dec. 31, 2019 (April 1, 2019 – December 31, 2019)

1. Results by Reportable Segment

(Million yen)

	Reportable segments			Adjustments (Note 1)	Amount on consolidated statement of income
	Renewable Energy Power Generation Business	Renewable Energy Development and Operation Business	Subtotal		
Net sales					
Sales – outside customers	10,642	3,039	13,681	–	13,681
Sales and transfer – inter-segment	–	3,071	3,071	(3,071)	–
Total	10,642	6,110	16,752	(3,071)	13,681
Segment profit (Note 2)	7,176	3,530	10,706	(7,560)	3,145

(Notes) 1. The adjustment of (7,560) million yen to the segment profits includes interest expenses of (1,179) million yen, interest expenses on asset retirement obligations of (23) million yen, interest income of 2 million yen, depreciation of (2,796) million yen, amortization of long-term prepaid expenses of (29) million yen, amortization of goodwill of (32) million yen, amortization of deferred assets of (442) million yen, and elimination of intersegment transactions of (3,058) million yen.

2. Segment profit represents EBITDA (Ordinary profit + Net interest expenses + Depreciation + Amortization of long-term prepaid expenses (amortization of grid connection costs and amortization of deferred consumption taxes) + Amortization of goodwill + Amortization of deferred assets (amortization of business commencement expenses)). The segment profit figure of 3,145 million yen corresponds to Ordinary Profit on RENOVA's consolidated financial statements.

2. Information regarding reportable segment assets.

(Significant increase in assets due to business combination)

During the first quarter of the current fiscal year, the amount of assets increased by 8,169 million yen in the Renewable Energy Power Generation Business segment due to the acquisition of Nasukarasuyama Solar T.K..

During the second quarter of the current fiscal year, the amount of assets increased by 20,279 million yen in the Renewable Energy Power Generation Business segment due to the acquisition of Karumai West Solar T.K..

During the third quarter of the current fiscal year, the amount of assets increased by 29,918 million yen in the Renewable Energy Power Generation Business segment due to the acquisition of Karumai East Solar T.K..

3. Information regarding impairment loss on non-current assets and goodwill for each reportable segment.

(Gain on negative goodwill)

RENOVA acquired an additional ownership interest in Nasukarasuyama Solar T.K., an equity method affiliate of RENOVA, during the first quarter of the current fiscal year. As a result of the acquisition, Nasukarasuyama Solar T.K. became a consolidated subsidiary of RENOVA. As a result, a 66 million yen gain on negative goodwill was recognized in the Renewable Energy Power Generation Business segment. The negative goodwill does not constitute segment profit in "Segment Information 1. Results by Reportable Segment" as it is an extraordinary income item.

(Significant changes in the amount of goodwill)

RENOVA acquired an additional ownership interest in Karumai West Solar T.K., an equity method affiliate of RENOVA, during the second quarter of the current fiscal year. As a result of the acquisition, Karumai West Solar T.K. became a consolidated subsidiary of RENOVA, thereby increasing goodwill by 312 million yen in the Renewable Energy Power Generation Business segment.

RENOVA acquired an additional ownership interest in Karumai East Solar T.K., an equity method affiliate of RENOVA, during the third quarter of the current fiscal year. As a result of the acquisition, Karumai East Solar T.K. became a consolidated subsidiary of RENOVA, thereby increasing goodwill by 384 million yen in the Renewable Energy Power Generation Business segment.

Business combination

(Business Combination through Acquisition)

On December 2, 2019 RENOVA acquired an additional 30.75% of ownership interest in Karumai East Solar T.K.. The Karumai East Solar Power Plant commenced operations on December 1, 2019. As a result of the acquisition, RENOVA's ownership interest of Karumai East Solar T.K., which previously was an equity method affiliate of RENOVA, increased to 69.25%. Consequently, Karumai East Solar T.K. became a consolidated subsidiary of RENOVA.

1. Overview of the business combination
   (1) Company name and description of acquired business
   Company name: Karumai East Solar T.K.
   Description of acquired business: Solar power generation
   (2) Main reason for the business combination
   To increase RENOVA's business scale, while also increasing our commitment to the region's development as an independent power producer.
   (3) Date of business combination
   Date of completion of business combination: December 2, 2019
   Date of inclusion in consolidated
   financial statements as a consolidated subsidiary: December 31, 2019
   (4) Legal form of business combination
   Acquisition of ownership interest with cash
   (5) Name of acquired company after business combination
   Karumai East Solar T.K.
   (6) Ownership interest
   Ownership interest held before business combination: 38.50%
   Ownership interest gained through the acquisition: 30.75%
   Ownership interest after the acquisition: 69.25%
   (7) Main rationale for determining the acquiring company
   RENOVA increased its ownership interest in Karumai East Solar T.K. to 69.25% in an all-cash transaction.
2. Results of the acquired company that are included in the consolidated quarterly statement of income for the nine months ended December 31, 2019.
   Karumai East Solar T.K. was deemed acquired on December 31, 2019. Therefore, Karumai East Solar T.K.'s results are not included in the consolidated statement of income for the nine months ended December 31, 2019.
3. Total cost for the acquired business

Market value of RENOVA's ownership interest in Karumai East Solar T.K. immediately before the business combination:	1,277 million yen
Price of additional investment on December 2, 2019:	cash 1,020 million yen
Total cost for the acquired business:	2,297 million yen

4. Difference between the acquisition cost for the acquired company and the total amount of acquisition costs for each step in the acquisition.
   1,030 million yen gain on step acquisitions
5. Main costs associated with the acquisition
   None
6. Amount of goodwill, principal component of goodwill recognized, depreciation method and period
   (1) Amount of goodwill
   384 million yen
   (2) Principal component of goodwill recognized
   Goodwill represents expected excess earning power attributable to future business activities.
   (3) Depreciation method and period
   Straight-line method over 20 years