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RENOVA

March 31, 2026

RENOVA, Inc.

# RENOVA to Develop 90 MW/270 MWh Market-based BESS in Kikugawa City, Shizuoka Prefecture, One of the Largest of Its Kind in Japan - Execution of Project Finance Loan Agreement for approx. JPY 6.0 billion -

RENOVA, Inc. (Chuo-ku, Tokyo; Representative Director, President & CEO: Yosuke Kiminami; hereafter, "RENOVA") announced today that it has entered into a loan agreement for approx. JPY 6.0 billion through its affiliate R1 Energy Storage Facility G.K. to fund the Kikugawa Nishimura Energy Storage Facility (expected output: 90 MW; expected capacity: 270 MWh) being developed in Kikugawa City, Shizuoka Prefecture.

Amid expectations that demand for electricity will increase in the future due to the expansion of data centers and other facilities following the recent popularization of AI, the securing of stable carbon-free power sources has become an urgent issue. This project represents an advanced example of a large-scale project finance structure for a market-based*1 energy storage business. Rather than relying on subsidies or the Feed-in Tariff (FIT) system, the project aims to contribute to the stabilization of the power grid by participating in markets such as the supply-demand balancing market.

In 2023, RENOVA secured project financing for the Himeji Energy Storage Facility (expected output: 15 MW, expected capacity: 48 MWh), making it the first financing arrangement in Japan for a market-based BESS project. Leveraging financing expertise cultivated through that project, RENOVA has successfully arranged financing for this new project, one of the largest of its kind in Japan.

*1 In market-based business models, revenue is secured by providing balancing capacity and supply capacity in markets such as the supply-demand balancing market and capacity market without relying on government price guarantees (e.g., the FIT system) or long-term fixed-price contracts with specific counterparties.

## ■ Four Key Features of the Project

### 1. Development of Japan's largest piece of energy infrastructure for participating in markets (90 MW/270 MWh)

With an output of 90 MW and a capacity of 270 MWh, this project is the largest market participation-model battery energy storage system (BESS) in Japan. It is not bound by specific contracts, and it will be able to flexibly access multiple markets, including the supply-demand balancing market and the capacity market. Providing significant balancing capacity, it will play a role as a part of the core energy infrastructure supporting

a next-generation power grid.

**2. Expansion of scale and internal implementation of operations to achieve high cost competitiveness**

The economies of scale inherent in the project being the largest of its kind in Japan have made it possible to reduce the cost per MW. By in-sourcing BESS operations and utilizing the knowledge regarding optimal operations that RENOVA has cultivated internally, RENOVA aims to control operating costs and maximize revenue by flexibly managing the project in line with market conditions. Anticipating the intensification of competition between BESS facilities in the future, RENOVA has established a solid business foundation to ensure both sustainable profitability and competitive edge.

**3. High reliability based on RENOVA's track record in BESS project financing**

The project's financing scheme is advanced for a large-scale BESS project in Japan. SBI Shinsei Bank, Ltd. has evaluated this market-linked and sophisticated business model highly for its stability and future potential. It is a testament to RENOVA's robust fundraising capabilities.

**4. Effective use of renewable energy and contribution to stabilization of electric power supply**

The project will contribute to resolving a tight power supply-demand balance by providing balancing capacity to compensate for limitations of renewable sources of energy and utilizing electricity without waste. Furthermore, by actively participating in the demand-supply balancing market for maintaining the quality of electric power at a constant level and in the capacity market to ensure supply capacity in the future, RENOVA will fulfill its responsibility as an infrastructure operator to reduce the cost of electricity and ensure a stable supply of electricity for society as a whole.

With this investment decision, RENOVA is increasing the capacity of its energy storage business to 352 MW (including both facilities in operation and under construction). This is a significant step, and it represents approximately 40% of the cumulative 900 MW by 2030 target set in the Medium-Term Management Plan. Under its mission of "creating green and self-sufficient energy systems," RENOVA will continue to accelerate its investments and contribute to the realization of a sustainable society by building a foundation for next-generation energy infrastructure.

Planned Kikugawa Nishimura BESS construction site

Note: For details of this matter (financial impact and contract specifics), please refer to the Announcement Concerning Signing a Finance-related Agreement for RENOVA's Storage Battery Business timely disclosure published today (March 31).

■ Overview of the Kikugawa Nishimura Energy Storage Facility

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| Operator | R1 Energy Storage Facility G.K. |
| Planned construction site | Kato, Kikugawa City, Shizuoka Prefecture |
| Planned output / Planned capacity | 90 MW / 270 MWh |
| Planned start of construction | FY2025 |
| Operation commencement | FY2028 (planned) |
| Sponsors | RENOVA, Inc.<br>NCS RE Capital Limited<br>SMFL MIRAI Partners Company, Limited. |

**For inquiries about this release**

Public Relations Office, RENOVA, Inc.

Email: press@renovainc.com