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Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (Japanese GAAP, Non-Audited)

January 9, 2019

Company name:	RENOVA, Inc.	Stock exchange listing:	Tokyo
Securities code:	9519	URL:	http://www.renovainc.com/
Representative:	Yosuke Kiminami, Founding CEO		
Contact:	Aki Mori, CFO		Tel. +81-3-3516-6263
Scheduled date of quarterly securities report filing:		January 9, 2019	
Scheduled date of commencement of dividend payment:		–	
Supplementary documents for quarterly financial results:		Yes	
Quarterly financial results briefing:		Yes (for institutional investors and analysts)	

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (June 1, 2018 – November 30, 2018)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Nov. 30, 2018	6,656	10.7	3,418	(10.6)	1,941	(23.4)	1,166	(35.6)	322	(64.2)
ended Nov. 30, 2017	6,015	6.9	3,822	3.3	2,535	3.1	1,812	(9.3)	900	(59.5)

(Note) Comprehensive income:

Six months ended Nov. 30, 2018: 966 million yen, (31.0%) Six months ended Nov. 30, 2017: 1,400 million yen, (42.0%)

	Earnings per share (basic)		Earnings per share (diluted)	
	Yen	Yen	Yen	Yen
Six months ended Nov. 30, 2018	4.34	4.09	4.09	4.09
ended Nov. 30, 2017	12.24	11.70	11.70	11.70

* 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) RENOVA conducted a 2-for-1 share split of its common shares with an effective date of May 1, 2018, and 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 both share splits were conducted at the beginning of the fiscal year ended May 2018.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio*		Net assets per share	
	Million yen	Million yen	Million yen	Million yen	%	Yen	Yen	
As of Nov. 30, 2018	69,838	11,058	11,058	11,058	10.9	102.39	102.39	
May 31, 2018	65,713	10,870	10,870	10,870	11.6	102.98	102.98	

(Reference) Equity attributable to owner of parent: As of Nov. 30, 2018: 7,636 million yen

As of May 31, 2018: 7,648 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 ended May 2018	–	0.00	–	0.00	0.00
ending March 2019	–	0.00	–	–	–
ending March 2019 (forecast)	–	–	–	0.00	0.00

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

(Note) As stated in the "Notice Regarding Change in Fiscal Year End (Last Day of Fiscal Year)" announced on July 5, 2018, RENOVA changed its fiscal year end (last day of fiscal year) from May 31 to March 31. Accordingly, the current fiscal year will comprise the financial results for the 10 months from June 1, 2018 to March 31, 2019, and the record date for the year-end dividend has changed to March 31, 2019. Therefore, the above dividend forecast corresponds to the 10 months period ending March 31, 2019.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2019 (June 1, 2018 – March 31, 2019)

(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	Yen
Full year	13,600	–	7,100	–	4,300	–	2,700	–	1,350	–	–	18.13

(Note) Revisions to the consolidated forecast since the latest announcement: Yes

(Notes) 1. Consolidated Forecasts for the fiscal year ending March 31, 2019, which were originally released on July 5, 2018, have been revised upward. Please see page 3 "Explanation of consolidated forecasts and other forward-looking statements" for details.

2. As stated in the "Notice Regarding Change in Fiscal Year End (Last Day of Fiscal Year)" announced on July 5, 2018, the current fiscal year will comprise the financial results for the 10 months from June 1, 2018 to March 31, 2019. Accordingly, year-on-year changes are not presented in the table above, as the relevant comparable period and corresponding figures are unavailable.

* 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): None

Newly added: –

Excluded: –

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

(Note) Please see page 10, “Consolidated Quarterly Financial Statements and Key Notes (4) 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): Yes

(iii) Changes in accounting estimates: Yes

(iv) Restatements: None

(Note) From the first quarter of the fiscal year ending March 31, 2019, RENOVA changed its accounting policy concerning the depreciation method of fixed assets. This change qualifies as a “change of accounting policy that cannot be distinguished from a change in accounting estimates”. Please see page 10, “Consolidated Quarterly Financial Statements and Key Notes (4) Notes to Consolidated Quarterly Financial Statements (Changes in Accounting Policies & others)” for details.

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

(i) Number of issued shares at end of period (including treasury shares)

As of Nov. 30, 2018: 74,842,800 shares As of May 31, 2018: 74,268,400 shares

(ii) Number of treasury shares at end of period

As of Nov. 30, 2018: 400,800 shares As of May 31, 2018: – shares

(iii) Average number of shares outstanding during the period

For the six months ended Nov. 30, 2018: 74,368,077 shares

For the six months ended Nov. 30, 2017: 73,532,400 shares

(Note) RENOVA conducted a 2-for-1 share split of its common shares with an effective date of May 1, 2018, and 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 both share splits were conducted at the beginning of the fiscal year ended May 2018.

* This report is not subject to quarterly review 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.

Explanation of consolidated forecasts and other forward-looking statements

Consolidated Forecasts for the Fiscal Year Ending March 31, 2019, which were originally released on July 5, 2018, have been revised upward. The upward revision is the result of strong electricity sales figures from the Renewable Energy Power Generation Business as well as an additional business development fee that is expected to be received in relation to the Tokushima Tsuda Biomass Project (hereinafter "Tokushima Biomass Project"), which is being developed by RENOVA in Tokushima City, Tokushima Prefecture, Japan. In light of the additional value that RENOVA has provided to the Tokushima Biomass Project, RENOVA expects to receive an additional business development fee from one of the project's co-sponsors. For further information, please refer to "Notice of Revision to Full-Year Consolidated Financial Forecasts for FYE March 2019" announced on January 9, 2019.

Consolidated Quarterly Financial Statements and Key Notes
(1) Consolidated Quarterly Balance Sheet (Non-Audited)

(Million yen)

	As of May 31, 2018	As of Nov. 30, 2018
Assets		
Current assets		
Cash and deposits	14,118	14,915
Accounts receivable – trade	1,665	1,619
Work in process	45	44
Raw materials and supplies	162	179
Advances paid to subsidiaries and associates	3,043	5,232
Other	393	741
Allowance for doubtful accounts	(243)	(192)
Total current assets	19,185	22,540
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,732	6,086
Accumulated depreciation	(500)	(555)
Buildings and structures, net	5,232	5,530
Machinery, equipment and vehicles	40,209	40,428
Accumulated depreciation	(6,632)	(7,832)
Machinery, equipment and vehicles, net	33,577	32,596
Land	1,738	1,738
Other	208	158
Accumulated depreciation	(72)	(62)
Other, net	135	95
Total property, plant and equipment	40,684	39,960
Intangible assets		
Goodwill	564	548
Other	724	707
Total intangible assets	1,289	1,256
Investments and other assets		
Shares of subsidiaries and associates	358	2,205
Investments in other securities of subsidiaries and associates	1,077	1,033
Other	2,297	2,212
Allowance for investment loss	(9)	(12)
Total investments and other assets	3,723	5,438
Total non-current assets	45,697	46,655
Deferred assets	830	642
Total assets	65,713	69,838

(Million yen)

	As of May 31, 2018	As of Nov. 30, 2018
Liabilities		
Current liabilities		
Accounts payable – trade	111	147
Current portion of long-term loans payable	3,945	3,965
Income taxes payable	551	469
Provision for bonuses	136	153
Provision for stocks payment	–	5
Other	665	784
Total current liabilities	5,410	5,524
Non-current liabilities		
Long-term loans payable	45,196	49,067
Asset retirement obligations	2,445	2,504
Provision for stocks payment	–	4
Provision for special repairs	222	253
Other	1,569	1,425
Total non-current liabilities	49,433	53,255
Total liabilities	54,843	58,780
Net assets		
Shareholders' equity		
Capital stock	1,986	2,034
Deposit for subscriptions to shares	–	14
Capital surplus	1,973	2,022
Retained earnings	3,713	4,035
Treasury shares	–	(513)
Total shareholders' equity	7,673	7,594
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(4)	62
Foreign currency translation adjustment	(20)	(20)
Total accumulated other comprehensive income	(25)	42
Share options	5	4
Non-controlling interests	3,216	3,417
Total net assets	10,870	11,058
Total liabilities and net assets	65,713	69,838

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
Consolidated Quarterly Statement of Income (Non-Audited)

(Million yen)

	Six months ended Nov. 30, 2017	Six months ended Nov. 30, 2018
Net sales	6,015	6,656
Cost of sales	2,465	3,219
Gross profit	3,550	3,436
Selling, general and administrative expenses	1,015	1,495
Operating profit	2,535	1,941
Non-operating income		
Interest income	0	1
Share of profit of entities accounted for using equity method	23	–
Foreign exchange gains	4	–
Subsidy income	26	–
Insurance income	12	–
Reversal of allowance for doubtful accounts	–	88
Other	8	4
Total non-operating income	74	94
Non-operating expenses		
Interest expenses	609	657
Commission fee	7	14
Amortization of business commencement expenses	176	187
Foreign exchange losses	–	0
Other	3	8
Total non-operating expenses	797	868
Ordinary profit	1,812	1,166
Extraordinary losses		
Loss on retirement of non-current assets	–	5
Loss on step acquisitions	19	–
Total extraordinary losses	19	5
Profit before income taxes	1,793	1,160
Income taxes	457	326
Profit	1,335	834
Profit attributable to non-controlling interests	435	512
Profit attributable to owners of parent	900	322

Consolidated Quarterly Statement of Comprehensive Income (Non-Audited)

(Million yen)

	Six months ended Nov. 30, 2017	Six months ended Nov. 30, 2018
Profit	1,335	834
Other comprehensive income		
Deferred gains or losses on hedges	64	131
Foreign currency translation adjustment	(5)	0
Share of other comprehensive income of entities accounted for using equity method	5	-
Total other comprehensive income	64	131
Comprehensive income	1,400	966
Comprehensive income attributable to		
Owners of parent	932	389
Non-controlling interests	468	576

(3) Consolidated Quarterly Statement of Cash Flows (Non-Audited)

(Million yen)

	Six months ended Nov. 30, 2017	Six months ended Nov. 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,793	1,160
Depreciation	1,184	1,365
Amortization of goodwill	15	16
Amortization of business commencement expenses	176	187
Increase (decrease) in allowance for doubtful accounts	13	(51)
Increase (decrease) in allowance for investment loss	–	3
Increase (decrease) in provision for bonuses	9	16
Increase (decrease) in provision for stocks payment	–	10
Increase (decrease) in provision for special repairs	34	31
Interest and dividend income	(0)	(1)
Interest expenses	609	657
Commission fee	7	14
Share of (profit) loss of entities accounted for using equity method	(23)	–
Subsidy income	(26)	–
Insurance income	(12)	–
Loss on retirement of non-current assets	–	5
Loss (gain) on step acquisitions	19	–
Decrease (increase) in accounts receivable - trade	(1,422)	46
Decrease (increase) in inventories	(2)	(16)
Increase (decrease) in accounts payable - trade	23	35
Other, net	(43)	(581)
Subtotal	2,358	2,900
Interest and dividend income received	0	0
Interest expenses paid	(606)	(618)
Income taxes paid	(947)	(582)
Proceeds from subsidy income	26	–
Proceeds from insurance income	12	–
Net cash provided by (used in) operating activities	843	1,699
Cash flows from investing activities		
Payments for construction advances	(461)	(1,410)
Collection of construction advances	–	71
Purchase of property, plant and equipment	(105)	(534)
Purchase of investment securities	(233)	(2,027)
Payments of loans receivable	–	(154)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	60	–
Other, net	1	46
Net cash provided by (used in) investing activities	(737)	(4,009)

(Million yen)

	Six months ended Nov. 30, 2017	Six months ended Nov. 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(300)	–
Proceeds from long-term loans payable	–	6,362
Repayments of long-term loans payable	(2,449)	(2,471)
Proceeds from issuance of common shares	–	97
Purchase of treasury shares	–	(513)
Dividends paid to non-controlling interests	(297)	(375)
Repayments of lease obligations	(5)	(6)
Net decrease (increase) in restricted deposits	(299)	202
Other, net	(2)	13
Net cash provided by (used in) financing activities	(3,354)	3,308
Effect of exchange rate change on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	(3,248)	999
Cash and cash equivalents at beginning of period	7,768	6,009
Cash and cash equivalents at end of period	4,519	7,009

(4) Notes to Consolidated Quarterly Financial Statements

Notes Relating to Going Concern Assumptions

Not applicable.

Notes on Significant Changes in the Amount of Shareholders' Equity

In accordance with the resolution of the annual shareholders meeting held on August 29, 2018, RENOVA introduced a share-based compensation plan (hereinafter referred to as the "Plan". Please see page 11, "Additional Information (Share-based Compensation Plan)" for details) for its directors (including external directors) and executive officers. As part of the Plan, RENOVA purchased shares totaling 513 million yen through a trustee bank, which have been recorded as treasury shares in the "Net assets" section on the balance sheet.

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.

Changes in Accounting Policies and Others

(Changes in Accounting Policies that Cannot Be Distinguished from Changes in Accounting Estimates)

(Change in the depreciation method of non-current assets)

RENOVA and its subsidiaries and affiliates have generally adopted the straight-line method when accounting for non-current assets. The "Renewable Energy Development and Operation Business" segment, however, had previously adopted the declining-balance method. Beginning from the first quarter of the current consolidated fiscal year, the segment also adopted the straight-line method to unify the accounting policies of RENOVA with those of its subsidiaries and affiliates.

This change in accounting policy is timed to coincide with RENOVA's head office relocation, which resulted in a significant replacement of depreciable assets within the "Renewable Energy Development and Operation Business" segment.

The impact of this change on the profit and loss for the second quarter of the consolidated fiscal year ending March 31, 2019 is minor.

Additional Information

(Adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.”)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2019, RENOVA has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018) and other standards, whereby deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities.

(Change in Presentation Method)

In the previous consolidated fiscal year, RENOVA's consolidated subsidiaries' long-term non-recourse loans payable had been presented as “Current portion of long-term non-recourse loans payable” and “Long-term non-recourse loans payable”. This is because these loans are non-recourse to RENOVA as the parent company. However, as these subsidiaries comprise a part of the consolidated RENOVA Group, the subsidiaries' loans would not be considered non-recourse for RENOVA Group as a whole. Therefore, beginning from the first quarter of current fiscal year ending March 31, 2019, RENOVA presents these subsidiaries' loans as a part of “Current portion of long-term loans payable” and “Long-term loans payable”. Figures for the previous consolidated fiscal year are reclassified to reflect this change in presentation method.

As a result, 2,020 million yen presented in “Current portion of long-term non-recourse loans payable” under “Current liabilities”, and 30,465 million yen presented in “Long-term non-recourse loans payable” under “Non-current liabilities” in the consolidated balance sheet of the previous consolidated fiscal year has been reclassified as “Current portion of long-term loans payable” under “Current liabilities” and “Long-term loans payable” under “Non-current liabilities” respectively. In accordance with this change, (1,257) million yen presented as “Repayments of long-term non-recourse loans payable” under “Cash flows from financing activities” in the six months ended November 30, 2017 has been reclassified as “Repayments of long-term loans payable”.

(Change in Fiscal Year End)

RENOVA resolved to change its fiscal year end (last day of fiscal year) from May 31 to March 31 at the meeting of the Board of Directors held on July 5, 2018 and the 19th Annual General Meeting of Shareholders held on August 29, 2018.

1. Details of the Change

Previous fiscal period twelve-month period ending May 31 of each year

Current fiscal period twelve-month period ending March 31 of each year

As a result of this change, current fiscal year is the ten-month period from June 1, 2018 to March 31, 2019. Renova Asset Management, Inc., a 100% consolidated subsidiary of RENOVA in the “Renewable Energy Development and Operation Business” segment, also changed its fiscal year from the twelve-month period ending May 31 to the twelve-month period ending March 31 of each year.

2. Reasons for the Change

RENOVA's subsidiaries and affiliates, which own renewable energy power plants, have fiscal years ending on March 31, whereas RENOVA had a fiscal year ending on May 31. Aligning RENOVA's fiscal year end with those of its subsidiaries and affiliates eliminates a two-month time lag for incorporating its subsidiaries and affiliates' business results in RENOVA's consolidated financial results. This change aims to ensure timely disclosure and to provide easy-to-understand information concerning RENOVA's financial results.

(Share-based Compensation Plan)

In accordance with the resolution of the 19th annual shareholders meeting held on August 29, 2018, RENOVA introduced a share-based compensation plan (hereinafter referred to as the “Plan”) for directors (including external directors) and operating officers. The Plan aims to increase the commitment of our directors (including external directors) and executive officers to RENOVA's medium to long-term business performance by creating an incentive structure for RENOVA's directors (including external directors) and executive officers.

(1) Overview

The Plan is a share-based compensation plan whereby RENOVA delivers and grants shares that are acquired through the share delivery trust and money equivalent to the converted value of RENOVA's shares (hereinafter referred to as the "Shares and Cash") to its directors (excluding external directors) and executive officers, in accordance with their official positions and degree of achievement of their performance targets. RENOVA will also deliver and grant certain fixed amounts of Shares and Cash to its external directors to ensure appropriate management supervision functions of RENOVA's businesses.

(2) Acquired shares

The book value of the Shares held by the trustee bank are recorded as treasury shares in the "Net assets" section on RENOVA's balance sheet. As of November 30, 2018, the book value and total number of treasury shares held by the trustee bank are 513 million yen and 400,800 shares respectively.

Segment Information

Six months ended Nov. 30, 2017 (June 1, 2017 – November 30, 2017)

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	5,131	884	6,015	–	6,015
Sales and transfer – inter-segment	–	1,182	1,182	(1,182)	–
Total	5,131	2,066	7,198	(1,182)	6,015
Segment profit (Note 2)	3,751	1,273	5,024	(3,211)	1,812

(Notes) 1. The adjustment of (3,211) million yen to the segment profits includes interest expenses of (609) million yen, interest expenses on asset retirement obligations of (14) million yen, interest income of 0 million yen, depreciation of (1,184) million yen, amortization of long-term prepaid expenses of (9) million yen, amortization of goodwill of (15) million yen, amortization of deferred assets of (176) million yen, and elimination of intersegment transactions of (1,202) million yen.

2. Segment profit represents EBITDA (Ordinary profit + Net interest expenses + Depreciation + Amortization of long-term prepaid expenses (amortization of grid connection costs) + Amortization of goodwill + Amortization of deferred assets (amortization of business commencement expenses)). The segment profit figure of 1,812 million yen corresponds to Ordinary Profit on RENOVA's consolidated financial statements.

2. Information on Impairment Loss on Non-current Assets and Goodwill by Reportable Segment

(Significant changes in the amount of goodwill)

The amount of goodwill increased by 50 million yen in the Renewable Energy Power Generation Business segment due to the inclusion of United Renewable Energy Co., Ltd. in the scope of consolidation.

Six months ended Nov. 30, 2018 (June 1, 2018 – November 30, 2018)

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	6,233	423	6,656	–	6,656
Sales and transfer – inter-segment	–	996	996	(996)	–
Total	6,233	1,419	7,653	(996)	6,656
Segment profit (Note 2)	4,143	365	4,508	(3,342)	1,166

(Notes) 1. The adjustment of (3,342) million yen to the segment profits includes interest expenses of (657) million yen, interest expenses on asset retirement obligations of (13) million yen, interest income of 1 million yen, depreciation of (1,365) million yen, amortization of long-term prepaid expenses of (13) million yen, amortization of goodwill of (16) million yen, amortization of deferred assets of (187) million yen, and elimination of intersegment transactions of (1,089) 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 1,166 million yen corresponds to Ordinary Profit on RENOVA's consolidated financial statements.

Significant Subsequent Events

Not applicable.