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Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 (Japanese GAAP, Non-Audited)

November 6, 2020

Company name: RENOVA, Inc. Stock exchange listing: Tokyo
 Securities code: 9519 URL: <https://www.renovainc.com/>
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 Scheduled date of quarterly securities report filing: November 6, 2020
 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, 2021 (April 1, 2020 – September 30, 2020)

(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	
Six months ended Sep. 30, 2020	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
ended Sep. 30, 2020	10,776	21.6	5,947	20.4	3,291	1.0	1,803	(13.0)	524	(64.4)
ended Sep. 30, 2019	8,860	33.1	4,938	44.5	3,258	67.8	2,072	77.7	1,475	357.4

(Note) Comprehensive income:

Six months ended Sep. 30, 2020: (99) million yen, - % Six months ended Sep. 30, 2019: 3,680 million yen, 281.0%

	Earnings per share (basic)		Earnings per share (diluted)	
Six months ended Sep. 30, 2020	Yen		Yen	
ended Sep. 30, 2020	6.86		6.67	
ended Sep. 30, 2019	19.59		18.79	

* 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 bond issuance costs)

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio*	Net assets per share
As of	Million yen		Million yen		%	Yen
Sep. 30, 2020	158,104		22,608		11.0	225.91
Mar. 31, 2020	148,151		24,313		12.5	241.77

(Reference) Equity attributable to owner of parent: As of Sep. 30, 2020: 17,338 million yen

As of Mar. 31, 2020: 18,482 million yen

*Equity ratio = Equity attributable to owner of parent / Total assets

2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
Fiscal year ended Mar. 2020	Yen –	Yen 0.00	Yen –	Yen 0.00	Yen 0.00
ending Mar. 2021	–	0.00			
ending Mar. 2021 (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, 2021 (April 1, 2020 – March 31, 2021)

(Percentages show year-on-year changes)

	Revenue		EBITDA		Operating profit		Profit attributable to owners of parent		Earnings per share (basic)
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	20,500	5.4	10,800	(3.8)	5,400	(24.5)	800	(78.2)	10.57

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

(Note) RENOVA, Inc. ("RENOVA") will adopt International Financial Reporting Standards (IFRS) from the end of the fiscal year ending March 31, 2021. As such, the consolidated forecasts above are IFRS figures. In addition, percentages for year-on-year changes in the table above are calculated by using IFRS figures for the fiscal year ending March 31, 2021, while the previous year's figures are in accordance with Japanese Generally Accepted Accounting Principles (J-GAAP).

* 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: One company (RENOVA Renewables Vietnam 1 Pte. Ltd.)
Excluded: –
- (2) Simplified accounting procedure to consolidated quarterly financial statements: Yes
(Note) Please see page 9, “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): | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatements: | None |
- (4) Number of issued shares (common shares):
- | | |
|--|--|
| (i) Number of issued shares at the end of the period (including treasury shares) | |
| As of Sep. 30, 2020: 77,127,600 shares | As of Mar. 31, 2020: 76,807,600 shares |
| (ii) Number of treasury shares at the end of the period | |
| As of Sep. 30, 2020: 381,500 shares | As of Mar. 31, 2020: 387,700 shares |
| (iii) Average number of shares outstanding during the period | |
| For the six months ended Sep. 30, 2020: | 76,532,142 shares |
| For the six months ended Sep. 30, 2019: | 75,312,052 shares |

* 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 the forecast figures.

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

(Million yen)

	As of Mar. 31, 2020	As of Sep. 30, 2020
Assets		
Current assets		
Cash and deposits	24,945	38,868
Accounts receivable – trade	5,205	3,920
Work in process	12	24
Raw materials and supplies	108	233
Advances paid to subsidiaries and associates	2,350	2,008
Other	3,964	1,141
Allowance for doubtful accounts	(113)	(142)
Total current assets	36,473	46,055
Non-current assets		
Property, plant and equipment		
Buildings and structures	31,285	31,316
Accumulated depreciation	(1,416)	(1,970)
Buildings and structures, net	29,868	29,345
Machinery, equipment and vehicles	67,423	67,447
Accumulated depreciation	(12,329)	(14,264)
Machinery, equipment and vehicles, net	55,094	53,183
Land	2,855	2,855
Other	546	604
Accumulated depreciation	(142)	(191)
Other, net	404	412
Total property, plant and equipment	88,222	85,797
Intangible assets		
Cost incurred for leased land, net	1,872	1,820
Goodwill	1,201	1,167
Other	49	45
Total intangible assets	3,123	3,032
Investments and other assets		
Shares of subsidiaries and associates	12,328	15,504
Investments in other securities of subsidiaries and associates	490	483
Other	4,596	4,691
Allowance for investment loss	(46)	(82)
Total investments and other assets	17,368	20,596
Total non-current assets	108,714	109,427
Deferred assets	2,963	2,621
Total assets	148,151	158,104

(Million yen)

	As of Mar. 31, 2020	As of Sep. 30, 2020
Liabilities		
Current liabilities		
Accounts payable – trade	138	327
Current portion of long-term loans payable	9,649	7,193
Income taxes payable	2,329	618
Provision for bonuses	219	257
Provision for special repairs	192	108
Other	2,312	1,128
Total current liabilities	14,841	9,634
Non-current liabilities		
Bonds	—	14,000
Long-term loans payable	100,373	100,056
Asset retirement obligations	7,079	7,099
Provision for stocks payment	33	61
Provision for special repairs	306	374
Other	1,202	4,268
Total non-current liabilities	108,995	125,861
Total liabilities	123,837	135,496
Net assets		
Shareholders' equity		
Capital stock	2,175	2,198
Deposit for subscriptions to shares	5	0
Capital surplus	2,162	1,836
Retained earnings	9,029	9,551
Treasury shares	(496)	(488)
Total shareholders' equity	12,877	13,098
Accumulated other comprehensive income		
Deferred gains or losses on hedges	5,605	4,291
Foreign currency translation adjustment	—	(51)
Total accumulated other comprehensive income	5,605	4,240
Share options	34	71
Non-controlling interests	5,797	5,197
Total net assets	24,313	22,608
Total liabilities and net assets	148,151	158,104

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

(Million yen)

	Six months ended Sep. 2019	Six months ended Sep. 2020
Net sales	8,860	10,776
Cost of sales	3,775	5,191
Gross profit	5,084	5,584
Selling, general and administrative expenses	1,826	2,292
Operating profit	3,258	3,291
Non-operating income		
Interest income	1	2
Insurance income	—	21
Other	5	14
Total non-operating income	6	38
Non-operating expenses		
Interest expenses	762	1,016
Bond interest	—	12
Share of loss of entities accounted for using equity method	129	27
Commission fee	9	10
Amortization of business commencement expenses	277	418
Other	14	41
Total non-operating expenses	1,192	1,527
Ordinary profit	2,072	1,803
Extraordinary income		
Gain on step acquisitions	852	—
Gain of negative goodwill	66	—
Total extraordinary income	919	—
Profit before income taxes	2,991	1,803
Income taxes	878	557
Profit	2,113	1,245
Profit attributable to non-controlling interests	638	721
Profit attributable to owners of parent	1,475	524

Consolidated Quarterly Statement of Comprehensive Income (Non-Audited)

(Million yen)

	Six months ended Sep. 30, 2019	Six months ended Sep. 30, 2020
Profit	2,113	1,245
Other comprehensive income		
Deferred gains or losses on hedges	16	35
Foreign currency translation adjustment	—	(0)
Share of other comprehensive income of entities accounted for using equity method	1,550	(1,379)
Total other comprehensive income	1,566	(1,345)
Comprehensive income	3,680	(99)
Comprehensive income attributable to		
Owners of parent	3,033	(839)
Non-controlling interests	646	740

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

(Million yen)

	Six months ended Sep. 30, 2019	Six months ended Sep. 30, 2020
Cash flows from operating activities		
Profit before income taxes	2,991	1,803
Depreciation	1,773	2,611
Amortization of goodwill	20	34
Amortization of grid connection costs	17	33
Amortization of business commencement expenses	277	418
Increase (decrease) in allowance for doubtful accounts	24	28
Increase (decrease) in allowance for investment loss	12	35
Increase (decrease) in provision for bonuses	9	38
Increase (decrease) in provision for stocks payment	11	28
Increase (decrease) in provision for special repairs	49	(15)
Interest and dividend income	(1)	(2)
Interest expenses and bond interest	762	1,029
Commission fee	9	10
Share of (profit) loss of entities accounted for using equity method	129	27
Insurance income	—	(21)
Loss (gain) on step acquisitions	(852)	—
Gain of negative goodwill	(66)	—
Decrease (increase) in accounts receivable - trade	(953)	1,285
Decrease (increase) in inventories	21	(138)
Increase (decrease) in accounts payable - trade	(157)	189
Decrease / increase in consumption taxes receivable / payable	132	2,461
Other, net	(492)	3,093
Subtotal	3,719	12,951
Interest and dividend income received	0	0
Interest expenses paid	(803)	(957)
Income taxes paid	(713)	(2,217)
Insurance income received	—	21
Net cash provided by (used in) operating activities	2,203	9,797
Cash flows from investing activities		
Payments for construction advances	(12)	(1,712)
Collection of construction advances	1,341	1,791
Purchase of property, plant and equipment	(3,817)	(1,110)
Purchase of investment securities	(2,307)	(4,277)
Loan advances	—	(98)
Collection of loans receivable	—	20
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(685)	—
Other, net	(6)	21
Net cash provided by (used in) investing activities	(5,486)	(5,366)

(Million yen)

	Six months ended Sep. 30, 2019	Six months ended Sep. 30, 2020
Cash flows from financing activities		
Proceeds from long-term loans payable	6,921	5,745
Repayments of long-term loans payable	(3,542)	(8,517)
Proceeds from issuance of bonds	—	13,922
Proceeds from issuance of common shares	38	39
Dividends paid to non-controlling interests	(278)	(276)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,413)
Repayments of lease obligations	(8)	(11)
Net decrease (increase) in restricted deposits	(2,119)	(1,120)
Other, net	3	1
Net cash provided by (used in) financing activities	1,015	8,369
Effect of exchange rate change on cash and cash equivalents	(0)	(1)
Net increase (decrease) in cash and cash equivalents	(2,268)	12,799
Cash and cash equivalents at beginning of period	12,426	10,344
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	3
Cash and cash equivalents at end of period	10,158	23,146

(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

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

Six months ended Sep. 30, 2019 (April 1, 2019 – September 30, 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	7,504	1,355	8,860	–	8,860
Sales and transfer – inter-segment	–	1,145	1,145	(1,145)	–
Total	7,504	2,501	10,005	(1,145)	8,860
Segment profit (Note 2)	5,207	875	6,083	(4,010)	2,072

- (Notes) 1. The adjustment of (4,010) million yen to the segment profits includes interest expenses of (762) million yen, interest expenses on asset retirement obligations of (15) million yen, interest income of 1 million yen, depreciation of (1,773) million yen, amortization of long-term prepaid expenses of (18) million yen, amortization of goodwill of (20) million yen, amortization of deferred assets of (277) million yen, and elimination of intersegment transactions of (1,144) 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 2,072 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 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 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..

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 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 did not constitute segment profit in "Segment Information 1. Results by Reportable Segment" as it was 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 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.

Six months ended Sep. 30, 2020 (April 1, 2020 – September 30, 2020)

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	9,688	1,088	10,776	–	10,776
Sales and transfer – inter-segment	–	1,648	1,648	(1,648)	–
Total	9,688	2,737	12,425	(1,648)	10,776
Segment profit (Note 2)	6,813	762	7,575	(5,772)	1,803

- (Notes) 1. The adjustment of (5,722) million yen to the segment profits includes interest expenses of (1,016) million yen, bond interest of (12) million yen, interest expenses on asset retirement obligations of (19) million yen, interest income of 2 million yen, depreciation of (2,611) million yen, amortization of long-term prepaid expenses of (34) million yen, amortization of goodwill of (34) million yen, amortization of deferred assets of (419) million yen, and elimination of intersegment transactions of (1,628) 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 bond issuance costs)). The segment profit figure of 1,803 million yen corresponds to Ordinary Profit on RENOVA's consolidated financial statements.