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ASTRIS CORPORATE ADVISORY JAPAN

Renova (9519)

Empowering the future with “new energy”

23 July 2026

Share price: ¥977 Market cap: ¥89.2bn

Initiating coverage

- **Biomass is the cash cow for now; BESS is the future** – Renova’s early growth as an IPP was driven by high-margin FIT solar assets. Following a strategic withdrawal from offshore wind post-auction losses, the company has successfully pivoted to its stable biomass operations. From FY3/26 onwards, grid-scale energy storage will serve as the primary growth engine, with management targeting an 8.3% domestic market share by FY3/31. This accelerated pipeline rollout underpins the Medium-Term Management Plan 2030 targets of 5.0 GW gross capacity and ¥60.0bn in EBITDA. Upside to growth will be driven by overseas expansion and a shift to non-FIT revenues via corporate PPAs. Based on our NPV calculations, we see substantial upside room from the current market cap.



Source: Bloomberg

Unlocking new potential

- **Biomass remains the bedrock of earnings heading into FY3/27** — FY3/26 results saw significant growth, driven mainly by the biomass segment (EBITDA +31% YoY, OP +104% YoY). While planned maintenance outages in FY3/27 are concentrated in Q1, total outage days are scheduled to decrease YoY. Consequently, full-year guidance for FY3/27 targets revenue growth of +9% YoY and EBITDA growth of +11% YoY.
- **Medium-Term Management Plan 2030:** Renova’s MTP targets ¥60.0bn EBITDA by FY3/30, driven primarily by three key segments. BESS (surging from near-zero to 13% of total EBITDA), onshore wind (from under 3% to 7%), and overseas (from 2% to 13%), versus FY3/24. Progress in the battery storage business has been particularly strong; we view it as a key driver of future growth and expect it to significantly exceed the medium-term plan targets.
- **ESG** – We score the company as ‘Amber’ under our Astris-Sustainability model scorecard.
- **Valuations** – On our earnings estimates, the shares are trading on an EV/EBITDA of 11.7x, with a FCF yield of 14.4%. Based on our NPV calculations, we estimate the NPV of projects currently in operation and under construction at approximately ¥162.6bn.

Year-end	3/25	3/26	3/27E	3/28E	3/29E
Sales (¥bn)	70.25	87.62	91.58	100.98	109.28
OP (¥bn)	4.07	8.28	11.60	14.20	15.80
NI (¥bn)	2.69	3.31	3.52	6.10	7.63
EPS (¥)	29.85	36.59	38.93	67.52	84.42
DPS (¥)	-	-	-	-	-
Sales growth YoY (%)	+57.0	+24.7	+4.5	+10.3	+8.2
OP growth YoY (%)	-19.0	+103.7	+40.0	+22.4	+11.3
NP growth YoY (%)	-69.7	+23.1	+6.4	+73.4	+25.0
EPS growth YoY (%)	-73.4	+22.6	+6.4	+73.4	+25.0
PER (x)	32.7	26.7	25.1	14.5	11.6
EV/EBITDA (x)	18.7	14.3	11.7	9.1	8.1
EV/Sales (x)	6.2	5.0	4.8	4.3	4.0
PBR (x)	1.0	0.7	0.7	0.7	0.6
ROE (%)	3.4	3.1	2.7	4.5	5.4
ROCE (%)	0.9	1.5	2.1	2.5	2.7
FCF yield (%)	25.5	25.1	14.4	9.8	12.9
Dividend yield (%)	-	-	-	-	-

Source: Company, Astris Advisory (estimates)

Price Performance

	YTD	1M	3M	12M
Abs (%)	+42.6	+6.2	-1.1	+31.7
Rel (%)	+19.9	+4.5	-9.3	-5.0

Company sector

Energy-Alternate Sources
Independent Power and Renewable Energy (GICS)

Stock data

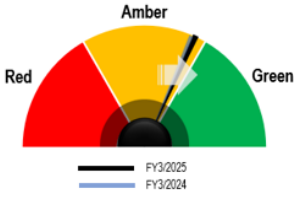
Price (¥)	977
Mkt cap (¥bn)	89.2
Mkt cap ($m)	545.9
52-week range (¥)	616-1,400
Shares O/S (m)	91.3
Average daily value ($m)	7.6
Free float (%)	48.6
Foreign shareholding (%)	14.9
Ticker	9519
Exchange	Tokyo Prime
Net Debt/Equity (x)	3.4
FFO leverage (x)	12.1
BBG BUY | HOLD | SELL	0 | 5 | 0

Source: Bloomberg

Business Overview

Renova is a leading independent developer in the renewable energy sector, developing and operating solar, biomass, wind, geothermal power, and battery energy systems.

Astris-Sustainability ESG rating



Reference ratings	
MSCI	N/A
Sustainalytics	28.22
Refinitiv	N/A
S&P Global	17.00
Bloomberg	2.87
CDP	N/A

Next events

Q1 FY3/27 results August 2026

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This report has been commissioned and paid for by the company

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Summary

Founded in 2000, RENOVA, Inc. is a leading independent renewable energy developer and operator across the full project lifecycle, and is defined by a history of resilience and dynamic strategic transitions. After achieving rapid early growth through a **highly profitable FIT solar** business, the company pivoted toward large-scale **offshore wind** as its next growth engine, but was subsequently forced to retreat from the segment following a major setback in a key auction. RENOVA successfully absorbed this shock by aggressively commissioning its pipeline of large **biomass** plants, effectively stabilizing earnings and resecuring its portfolio foundation. Today, anticipating shifting market dynamics, the firm is reallocating core capital toward **Battery Energy Storage Systems (BESS)** and **non-FIT solar** (corporate PPAs), evolving from a legacy FIT-dependent developer into a market-linked, comprehensive GX (Green Transformation) solutions provider.

RENOVA views its current phase as a foundational period for its **Medium-Term Management Plan 2030**, highlighting the key growth drivers:

- **Non-FIT solar**: Promoting small-scale, distributed solar projects via PPAs to reduce reliance on government guarantees.
- **BESS**: Developing major energy storage facilities, such as the 90 MW Kikugawa project, to stabilize power grids.
- **Global Expansion**: Accelerating project development in overseas markets, including the U.S., Philippines, South Korea, and Vietnam
- Target of **5.0 GW gross installed capacity** by FY3/30, from 1.5 GW in FY3/25
- Target **¥60.00bn EBITDA** by FY3/30, from ¥30.53bn in FY3/26 (CAGR 18.4%)

Company description

Overview

Renewable energy power generation and Development and operations are two pillars of the business.

Renova was founded in 2000 as Recycle One, Inc., initially providing research and consulting services within the environmental and energy sectors. In 2012, it entered the renewable energy business. Today, operating as RENOVA, Inc., it functions as an independent company providing comprehensive solutions in the renewable energy and Green Transformation (GX) sectors, including energy storage and related technologies. The company has two core segments:

- **Renewable energy power generation** – This is the company's foundational business, managing a portfolio of operational plants that provide stable, long-term cash flows through feed-in tariffs (FIT) and power purchase agreements.
- **Development and operations** – This segment focuses on developing new projects, including large-scale battery storage, non-FIT solar, onshore wind, and overseas expansion. By leveraging specialized engineering expertise, it drives the operational launch of new capacity.

Distinguished by its dual role as both an asset developer and an independent power producer (IPP), RENOVA maintains a unique position in the energy sector. While primarily focused on project development, the company also oversees the operation and management of its proprietary assets, enabling full control over the entire value chain—from initial site selection to final grid connection and operation. This end-to-end business model is underpinned by robust technical expertise and a proven track record as a first mover in the Japanese renewable energy market. Renova is now leveraging this domestically cultivated expertise to drive its global business expansion.

Timeline summary

Year	Details
2000	**Established Recycle One, Inc.** (now RENOVA, Inc.) in Akasaka, Minato-ku, Tokyo, with a capital of 10 million yen to conduct research and consulting in the environmental and energy sectors.
2012	**Entered the renewable energy business**.
2013	Changed company name to RENOVA, Inc. following the entry into the renewable energy sector.
2017	**Listed on the Tokyo Stock Exchange (TSE) Mothers Market**.
2018	**Transferred listing to the First Section of the Tokyo Stock Exchange**.
2022	**Transferred listing to the Prime Section of the Tokyo Stock Exchange**

Source: Company

Segment data

Renova has two reporting segments as follows:

Segment details

Segment	Subsegment	Core product/application
Renewable energy power generation	• Solar	• Mega-solar (utility-scale) power plants and Non-FIT solar (Corporate PPAs).
	• Wind	• Onshore wind farms (and early-stage offshore wind development).
	• Biomass	• Biomass power plants fueled by wood pellets and palm kernel shells (PKS).
	• Geothermal	• Binary and conventional geothermal power extraction plants.
	• Battery	• Grid-scale Battery Energy Storage Systems (BESS) / merchant battery storage trading.
Development and operations	• Development	• Engineering, Procurement, and Construction (EPC) management, and initial development of renewable energy projects.
	• Operations	• Operation and management of completed renewable energy power plants and energy storage facilities.

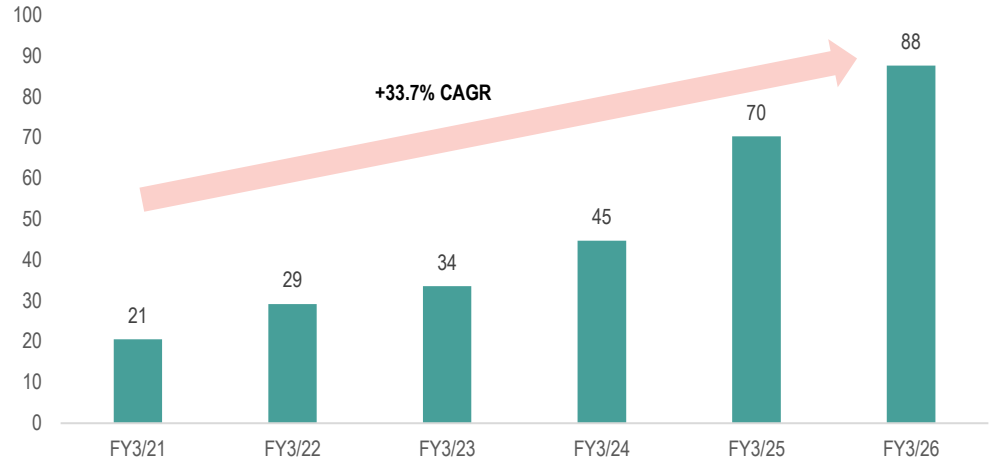
Source: Company

Trends in sales

Renova's rapid top-line expansion, marked by a 33.7% sales CAGR from FY3/21 to FY3/26, was primarily driven by a structural shift in its asset portfolio away from intermittent solar projects and toward large-scale biomass plants. These biomass facilities provide continuous, round-the-clock baseload generation while bypassing the heavy land-use constraints that typically limit major solar developments in Japan.

Revenue has been scaling at an impressive rate

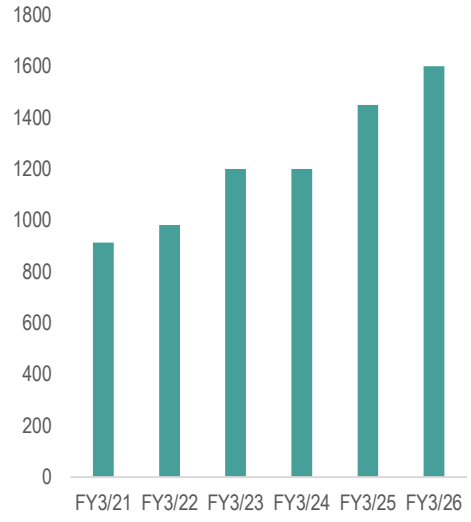
Annual sales (¥bn)



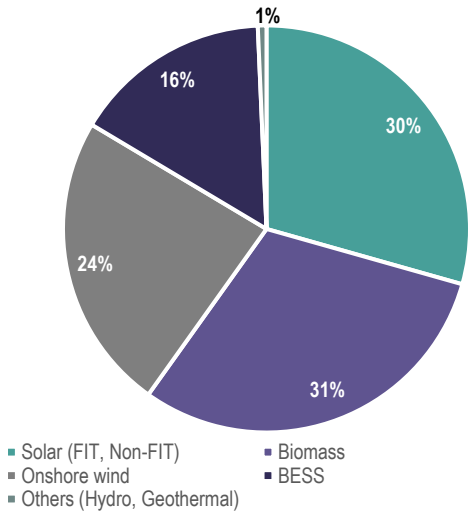
Source: Company, Astris Advisory

Expanding electricity generation capacity with a diversified portfolio

Total amount of gross capacity, including Operating and under construction (MW)



Breakdown of energy type in FY3/25

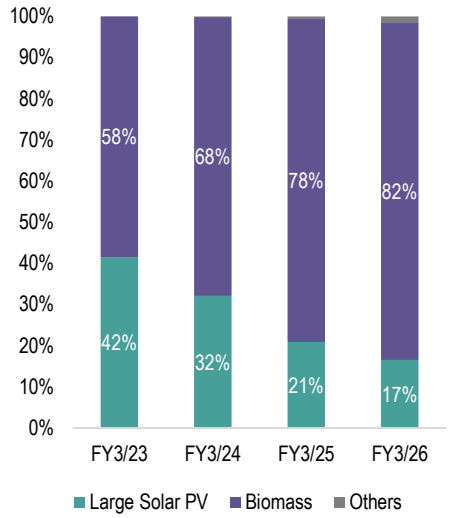


Source: Company, Astris Advisory

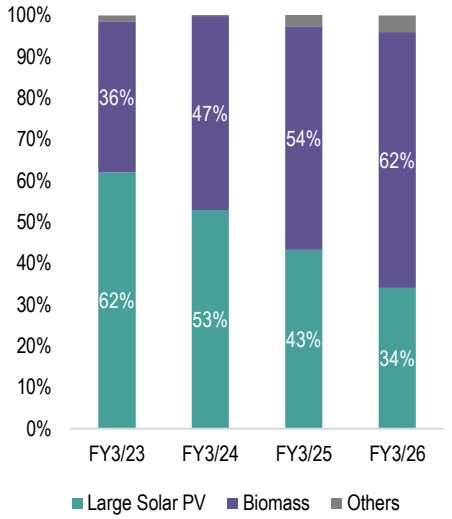
Burgeoning biomass

(Within the Renewable Energy Power Generation Business)

Revenue split by energy type



EBITDA split by energy type



Source: Company, Astris Advisory
*EBITDA = Revenue - Fuel expenses - Outsourcing expenses - Payroll and related personnel expenses + Share of profit (loss) of investments accounted for using the equity method + Other income and expenses.
*Adjusted for intercompany transactions (operation and management fees and interest on subordinated loans) paid by Power Generation etc. Business SPCs to RENOVA.
*Adjusted for amortization of intangible assets, etc. After accounting for ownership interest

Trends in profitability

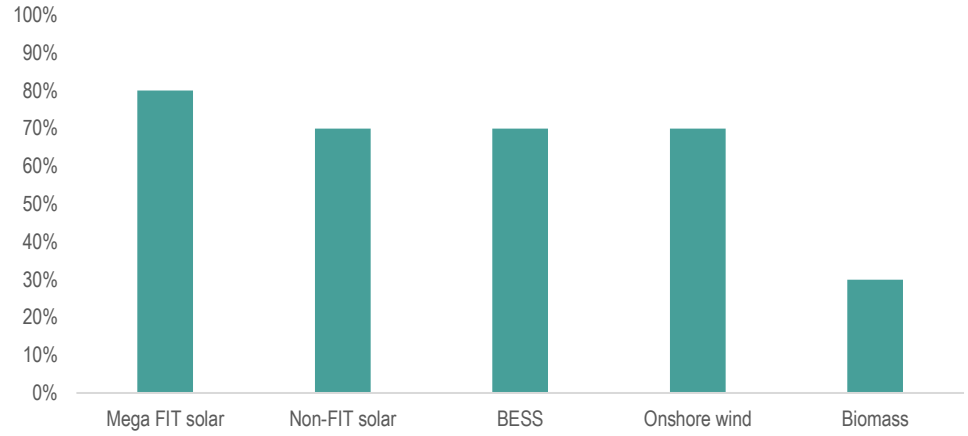
Profitability across power generation sources varies significantly due to differing cost structures.

Margin Characteristics by Power Source

- **FIT Solar**: Benefits from historically high feed-in tariffs (¥36–40/kWh) combined with exceptionally low post-launch operation and maintenance (O&M) costs. As a result, it maintains an EBITDA margin of approximately 80%—by far the highest level within the portfolio.
- **Biomass**: Fuel costs, such as wood pellets and PKS (palm kernel shells), account for approximately 40% of revenue. Furthermore, operating costs are higher than those of solar, keeping the EBITDA margin at around 30%. However, management has set a target to improve this margin to the mid-30% range by FY3/28.
- **Non-FIT Solar / Grid-scale Battery / Onshore Wind**: These new segments, which will drive medium-term growth, benefit from low fixed operating expenses such as maintenance and insurance premiums. They share a highly efficient cost structure, each generating EBITDA margins of approximately 70%.

Biomass EBITDA margin lags other energy sources due to its heavy cost structure

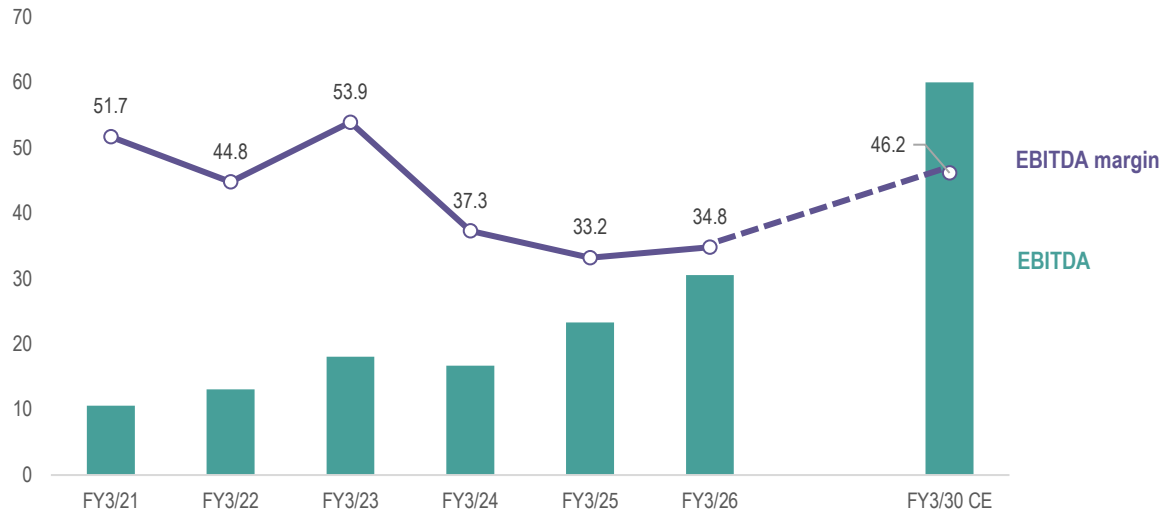
Annual EBITDA margins (%)



Source: Company, Astris Advisory

Contracting EBITDA margin reflecting the mix change

Annual EBITDA (¥bn) and EBITDA margins (%)



Source: Company, Astris Advisory

Consolidated EBITDA for FY3/26 hit a record ¥30.53bn, driven by the FY operation of core assets and the late-2025 commercial launch of the Karatsu Biomass plant. The overall EBITDA margin also recovered to 34.8%, aided by optimized plant utilization rates and the realization of high-margin development fees.

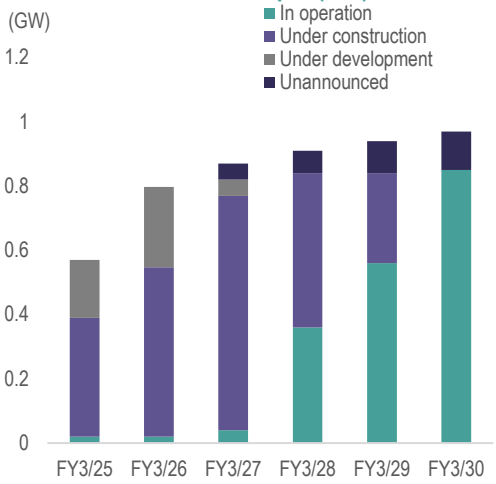
Heading toward FY3/31, the portfolio share of non-FIT solar, grid-scale battery, and onshore wind is projected to grow. As the sales mix transitions favorably toward these higher-margin sources, we forecast renewed expansion in the company-wide EBITDA margin.

BESS – a key driver of the group's EBITDA growth onwards

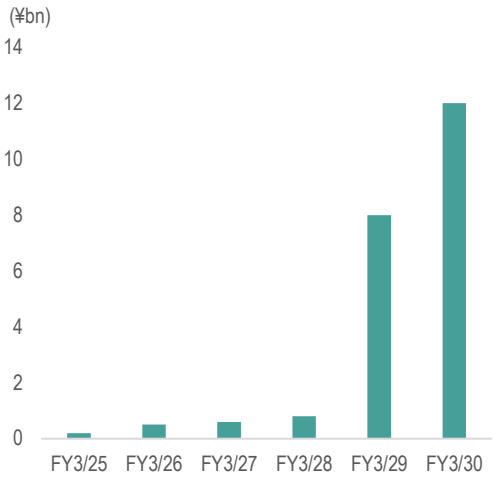
Aided by capacity expansion and strong market pricing, the grid-scale battery segment will be a central growth engine toward FY3/31. From a minimal base in FY3/26, we forecast segment EBITDA to ramp rapidly to ¥12.0bn–14.0bn by FY3/31, easily beating the ¥6.5bn target. This rapid growth will position the segment as a core contributor, representing 17.9%–23.7% of the group's ¥60bn consolidated EBITDA target.

The revenue model blends locked-in, long-term cash flows, specifically 20-year capacity revenues from the Long-term Decarbonized Power Source Auction (fixed + CPI-linked) and ~20-year fixed tolling/leasing revenues via offtake agreements, with market-based merchant revenues. The merchant component adds fixed capacity market revenues and high-margin standby revenues from the balancing market. Ultimately, **this structure supports segment EBITDA by layering CPI-linked upside and domestic grid-balancing premiums atop a highly stable base of fixed remuneration.**

Accumulation of BESS output (GW)



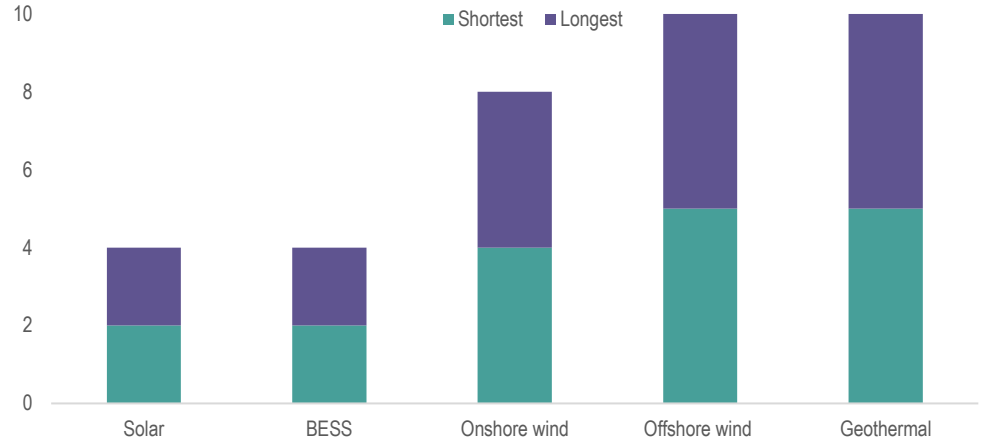
Annual EBITDA outlook (¥bn)



Source: Company, Astris Advisory

Additionally, grid-scale battery assets bypass the need for major land development, complex environmental impact assessments, and prolonged civil works. Consequently, EPC (Engineering, Procurement, and Construction) lead times are substantially shorter than those for wind or geothermal projects, offering excellent capital efficiency through a highly compressed timeline from investment to revenue generation.

Short lead time (Years)



Source: Company, Astris Advisory

Group companies

As of March 2026, Renova comprises 35 consolidated subsidiaries and 15 equity-method affiliates, with the following disclosed as major subsidiaries:

Consolidated group companies

Consolidated companies	Country/Region	Business segment
Suigo Itako Solar Co., Ltd.	Japan	Renewable energy power generation
Futtsu Solar Co., Ltd.	Japan	Renewable energy power generation
Kikugawa Ishiyama Solar Co., Ltd.	Japan	Renewable energy power generation
Kikugawa Horinouchiya Solar Co., Ltd.	Japan	Renewable energy power generation
Kokonoe Solar Silent Partnership Business	Japan	Renewable energy power generation
Nasushiobara Solar Silent Partnership Business	Japan	Renewable energy power generation
Otsu Solar Silent Partnership Business	Japan	Renewable energy power generation
Nasukarasuyama Solar Silent Partnership Business	Japan	Renewable energy power generation
Karumai Nishi Solar Silent Partnership Business	Japan	Renewable energy power generation
Karumai Higashi Solar Silent Partnership Business	Japan	Renewable energy power generation
Karumai Sonbo Solar Silent Partnership Business	Japan	Renewable energy power generation
Hitoyoshi Solar Silent Partnership Business	Japan	Renewable energy power generation
United Renewable Energy Co., Ltd.	Japan	Renewable energy power generation
Kanda Biomass Energy Co., Ltd.	Japan	Renewable energy power generation
Tokushima Tsuda Biomass Power Plant GK	Japan	Renewable energy power generation
Mori no Miyako Biomass Energy GK	Japan	Renewable energy power generation
Ishinomaki Hibarino Biomass Energy GK	Japan	Renewable energy power generation
Omaezakiko Biomass Energy GK	Japan	Renewable energy power generation
RENOVA Asset Management Co., Ltd.	Japan	Development and operations
RENOVA RENEWABLES ASIA PTE. LTD.	Singapore	Development and operations
RENOVA RENEWABLES VIETNAM PTE. LTD.	Singapore	Development and operations
RENOVA RENEWABLES PHILIPPINES 1 PTE. LTD.	Singapore	Development and operations
Renova USA Inc.	U.S.A	Development and operations
Others 10 companies		

Source: Company

Corporate Philosophy

Creating the future with renewable energy

Mission — "To create green and sustainable energy systems for a better world."

Vision — "To become Asia's renewable energy leader."

Commitments

- The Earth - To contribute towards a sustainable society and planet
- Communities - To create value in partnership with local communities, and respect their heritage and cultures
- Customers - To generate clean and efficient energy for our customers
- Shareholders - To generate sustained growth in shareholder value
- Employees - To gather the best people, and provide exciting career and growth opportunities for our employees

Meaning of RENOVA

"RENOVA" is derived from the Latin word "renovarent", which means to "renew", a key pillar of corporate philosophy.

Corporate logo

It represents a sustainable society. The "O" with its blue outward-facing wings embodies the sun, a turbine, and the cycle of sustainability and renewal. Blue is the corporate color signifying the sustainable world Renova seeks to create through its business.

Slogan

As RENOVA marks the 20th anniversary of its founding, it has adopted the corporate slogan "Creating our future with renewable energy." This slogan is instilled with the company's determination to work together with a diverse range of stakeholders to create a future 100 years from now where energy scarcity is a thing of the past, by harnessing the bounty of nature—such as solar, wood biomass, geothermal, and wind energy—which exist in local communities.

Business model

Key concepts and unique selling points

The business model of a typical renewable energy developer centers on the following:

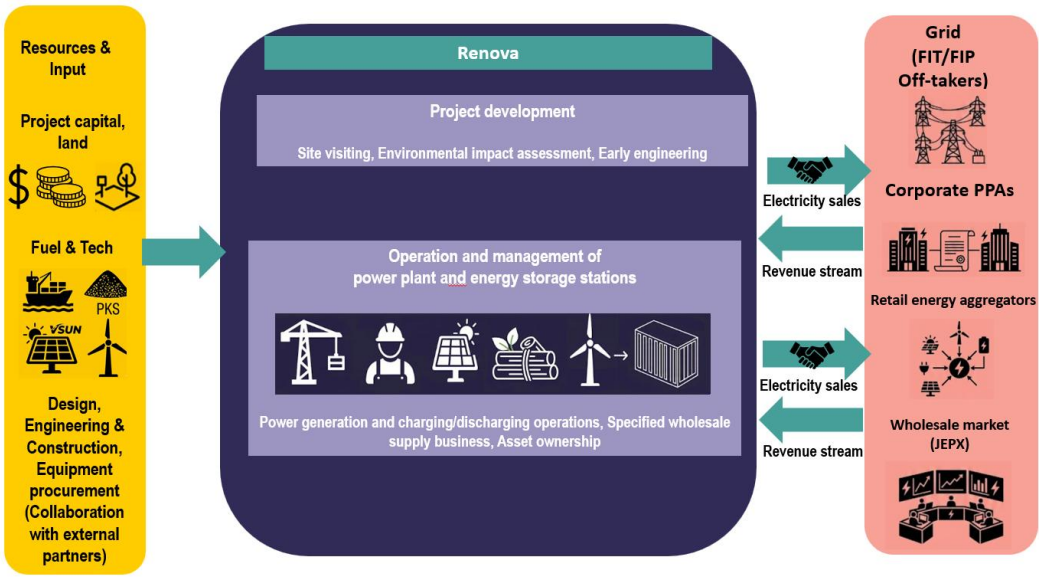
- Identifying and securing suitable project sites or zones, obtaining necessary local consent and permits, securing Environmental Impact Assessment (EIA) approvals, and locking in grid connections.
- Commercializing projects by raising funds through non-recourse project finance, underpinned by stable cash flows guaranteed by long-term contracts such as government-backed feed-in tariffs (FIT).
- Overseeing plant construction management and handling long-term operation and maintenance (O&M) post-launch.

In addition to the above, we view Renova's business model as distinguished by the following focuses:

- Establishing a robust platform capable of leading and executing projects end-to-end by internalizing all necessary functions from development through operation, including engineering, finance, O&M, and off-taker origination.
- Leveraging core competencies cultivated in renewable energy development to drive a transition from a traditional "FIT-dependent power producer" to a "comprehensive Green Transformation (GX) solution provider," which encompasses grid-scale energy storage.
- Further pursuing vertical integration across the entire energy value chain, demonstrated by the expansion of non-FIT power sales channels and scaled-up investments in large-scale battery storage.

Workflow

High-level workflow overview



Source: Company, Astris Advisory

Founding business: Solar

Renova entered the renewable energy sector by capitalizing on Japan's highly favorable Feed-in Tariff (FIT) scheme for solar power. However, by the late 2010s, the pure-play mega-solar development model encountered major structural headwinds:

- Land Scarcity & Rising Costs: Japan's mountainous topography quickly led to a shortage of flat, easily developable land. This drove up civil engineering complexities and development costs, while increasing local community resistance.
- Grid Curtailment & Market Cannibalization: A massive midday oversupply of solar energy forced regional utilities to implement uncompensated output curtailments. Concurrently, this supply spike caused wholesale power prices on the Japan Electric Power Exchange (JEPX) to collapse toward zero during peak generation hours.

To sustain growth beyond these constraints, Renova actively diversified its portfolio, identifying offshore wind and biomass as key alternative growth drivers.

Key shift 1: Forego offshore wind

Renova initially established its operating foundation on utility-scale mega-solar assets, capitalizing on Japan's early, highly lucrative Feed-in Tariff (FIT) framework. As part of a strategic push toward portfolio diversification, the company aggressively pursued utility-scale offshore wind development.

However, after its flagship Akita Yurihonjo offshore wind project was lost amid intense regulatory and competitive auction dynamics in late 2021, Renova fundamentally realigned its Medium-Term Management Plan. The company shifted its capital allocation away from capital-intensive state tenders and toward more resilient, flexible assets, specifically Non-FIT solar (Corporate PPAs), Battery Energy Storage Systems (BESS), and onshore wind.

Critical turning point - Yurihonjo offshore wind project

The Akita Yurihonjo Offshore Wind Project (700–845 MW) was intended to be Renova's crown jewel, but its loss in late 2021 structurally reshaped the company's financial and asset strategy.

In December 2021, the Ministry of Economy, Trade and Industry (METI) announced that Renova's consortium lost the Round 1 public tender for the Yurihonjo block. In a massive industry upset, a rival consortium led by Mitsubishi Corporation swept the auctions by bidding an aggressively low, unprecedented tariff of ¥11.99/kWh, which Renova's cost structure could not match.

Because Renova had capitalized years of upfront development, engineering, and environmental assessment costs on its balance sheet, the auction loss forced an immediate, massive write-off. Renova recorded a gross extraordinary loss of ¥6.70 bn on its investment in the Yurihonjo affiliate. This impairment forced Renova to slash its FY3/22 consolidated net profit from a positive ¥5.10 bn down to a net loss of ¥1.10 bn.

The Yurihonjo impairment wiped out Renova's short-term offshore wind pipeline and caused its stock price to collapse. However, this failure directly catalyzed the company's current strategy: to rapidly replace the lost gigawatt-scale capacity, Renova pivoted capital into accelerating its large-scale Biomass rollouts and building out the Non-FIT Corporate PPA solar and BESS portfolio to bypass volatile state auctions entirely.

Key shift 2: Biomass

The pivot to biomass volume to replace its flattening solar pipeline led Renova to redirect its capital into port-located biomass facilities.

Between FY3/24 and FY3/26, the company successively brought large-scale plants into commercial operation, including Sendai Gamo (75.0 MW), Tokushima Tsuda (74.8 MW), and Omaezakiko (75.0 MW). Biomass has resolved the company's inherent bottlenecks through its unique operational mechanism. Specifically, by utilizing imported wood pellets and palm kernel shells (PKS) as fuel, these plants function as a 24/7 baseload power source, achieving a high capacity factor of 80% to 85% (compared to 12% to 15% for solar power). This enables them to generate 5-6 times more electricity than solar power plants of an equivalent scale. Furthermore, securing a favorable existing biomass FIT rate of ¥24/kWh has acted as a strong catalyst for top-line growth.

Currently, this portfolio of biomass power plants operates as a solid cash cow, with the cash generated being allocated to fund next-generation growth engines, such as high-margin Non-FIT solar (corporate PPAs), grid-scale battery storage, and overseas business expansion.

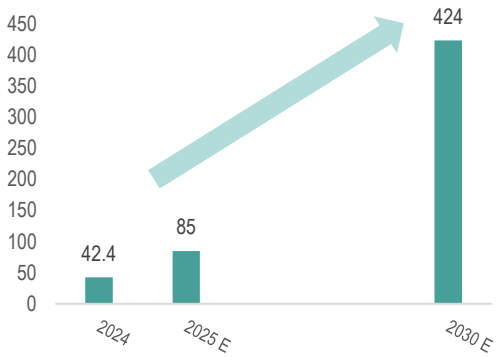
Key shift 3: BESS – leader in the fast-growing blue ocean market

As of the end of March 2026, Japan's grid-scale battery storage infrastructure has expanded, with operational facilities reaching 0.9 GW. Looking toward 2030, the total power capacity of these operational facilities is projected to increase 5-6 times, reaching 6.3 GW.

As of May 2026, leveraging its rapidly advancing pipeline, Renova has emerged as a top-tier player in Japan. The company's combined operational and under-construction capacity has expanded to 352 MW, reaching a total of 527 MW when including the 175 MW scheduled to commence construction during FY3/27. With these projects planned to become operational by FY2030, this corresponds to an approximate 8.3% market share against the 6.3 GW of operational battery storage estimated for Japan in FY2030.

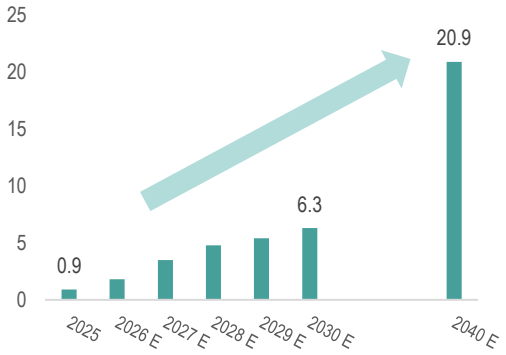
Expanding BESS market in Japan

Market size of Japan's BESS market (¥bn)



Installation volume of Grid-scale BESS

Annual BESS installation in Japan (GW)



Source: Yano Research Institute, Astris Advisory

Japan's Battery Energy Storage System (BESS) market is considered to have huge potential, primarily driven by the following factors:

- **Critical grid balancing need:** Electricity supply and demand must match in real time to avoid large-scale grid failures and blackouts. However, Japan's rapid expansion of intermittent renewable energy has created a widening gap between midday solar surges and consumer usage profiles. Grid-scale batteries have become the primary infrastructure tool to manage this structural volatility by absorbing excess supply and discharging it during deficits.
- **Massive LCOE cost reduction:** The increasing adoption of Battery Energy Storage Systems (BESS) is driven by a projected 80% reduction in the Levelized Cost of Electricity (LCOE). Based on BloombergNEF data, the LCOE has already dropped significantly from ¥56.6/kWh in 2021 to ¥22.0/kWh in 2024. This downward trend is projected to continue, with costs expected to fall further to ¥14.1/kWh by 2030 and reach ¥11.3/kWh by 2040.
- **Strong regulatory tailwinds:** Driven by significant deregulation and regulatory revisions, the inflow of private capital has begun in earnest. The revision of the Electricity Business Act in May 2022 permitted standalone battery storage to participate directly in the electricity market and monetize operations for the first time. This momentum was further bolstered by the "Long-term Decarbonization Power Source Auction," which held its first bidding in January 2024, providing Independent Power Producers (IPP) with a stable, fixed revenue floor over a 20-year period. Furthermore, the launch of primary reserve trading within the Supply and Demand Adjustment Market in April 2024 is expected to further accelerate the deployment of grid-scale battery storage.

Pricing mechanism shift (FIT to FIP to PPA)

By maximizing the use of the Feed-in Tariff (FIT) system introduced in 2012, Renova established a robust EBITDA-generation capability, supported by high, fixed prices guaranteed by the Japanese government for 20 years. By FY3/26, the company's portfolio was heavily concentrated in large-scale solar and biomass power generation; with 374 MW of large-scale solar and 445 MW of biomass, these accounted for 67% of its total generation capacity.

However, as the deployment of renewable energy, particularly solar power, has expanded and installation costs have declined, the Japanese government has been revising regulatory frameworks to promote the self-reliance of renewable energy. This includes transitioning from the FIT system to the Feed-in Premium (FIP) system, as well as promoting corporate Power Purchase Agreements (PPAs). The Ministry of Economy, Trade and Industry (METI) has indicated a policy to generally terminate the FIT/FIP systems for newly constructed power plants, effective from FY2027 for large-scale solar and from FY2026 for large-scale biomass. Consequently, new development of large-scale solar and biomass power generation from 2026 onward is being forced to fully transition toward a market-linked revenue model that does not rely on FIT/FIP.

Amidst these shifts, Renova has been steadily advancing its transition to non-FIT corporate PPAs. In its expanding small-scale distributed solar power business, the company has entered direct, long-term, fixed-price corporate PPAs with blue-chip offtakers such as Murata Manufacturing and Tokyo Gas. This strategy successfully eliminates the price volatility risk of the wholesale electricity market (JEPX) while enabling independent power development that does not rely on government guarantees. Although the margins for new projects under this strategy are lower than those during the peak of high-priced FITs, they are fully viable as a new revenue structure and offer an extremely high degree of business predictability. As a result, the company has established a stable cash flow structure that fully satisfies bankability requirements for project finance.

Furthermore, even within its existing biomass power generation business, Renova is accelerating its departure from the FIT system by executing long-term corporate PPAs with major telecommunications-affiliated companies such as NTT Anode Energy. In the biomass power business, the company has secured pricing terms that exceed the original FIT rates, thereby increasing cash flows.

Additionally, regarding the battery storage business, regulatory frameworks to expand deployment have been established since around FY2022, leading to the successive introduction of subsidies and 20-year, government-guaranteed fixed-capacity revenues. Furthermore, the Supply and Demand Adjustment Market (balancing market), where "balancing capacity to align electricity supply and demand" is traded, was fully launched in April 2024. In this environment, Renova is aiming to simultaneously stabilize and maximize its revenue by fully leveraging the inherent strengths of battery storage systems.

Competitive advantages

We believe Renova has the following competitive advantages:

- **Diversified asset base & Grid-scale innovation**: Renova mitigates the inherent intermittency of renewables by pairing a multi-energy portfolio (solar, wind, biomass, geothermal) with pioneering utility-scale Battery Energy Storage Systems (BESS). Backed by specialized in-house engineering and R&D, the company rapidly optimizes plant architecture and capitalizes on grid-balancing opportunities, creating a resilient, future-proof energy ecosystem.
- **Fully integrated value chain** – Renova captures margin across the entire project lifecycle via a seamless, end-to-end business model. Its capabilities span a wide spectrum—from early-stage site development and the structuring of complex non-recourse project finance, to proprietary EPC (Engineering, Procurement, and Construction) management, long-term AM (Asset Management) and O&M (Operations and Maintenance), and ultimately, power delivery. This comprehensive scope enables superior control over project execution and drives significant cost efficiencies.
- **Flexible adaptation to the market environment**: The company has built a solid track record in the Japanese energy market as an early mover since the dawn of the government's Feed-in Tariff (FIT) system. Even following regulatory shifts, it has demonstrated a swift and agile pivot toward corporate Power Purchase Agreements (PPAs). Furthermore, the company is accelerating the development of its merchant battery storage business, which represents a new revenue model. These strategic moves underscore the management team's deep insight and high-level expertise in policy trends and the market environment, providing strong justification for anticipating medium- to long-term growth.
- **Deep-rooted community trust & Long-term offtake alliances**: Decades of local co-existence and public trust grant Renova unparalleled access to landowners and regional stakeholders, significantly lowering development and permitting barriers. On the downstream side, multi-decade PPAs and off-take contracts with major utilities and global corporations secure highly visible, long-term cash flows.

Peer group analysis

We have selected the following peers that operate in the renewable energy business to assess Renova's returns and valuations:

Domestic companies

Company	Description
eREX Co., Ltd (9517 JP)	A pioneer in the Japanese biomass power generation market. It focuses on procuring biomass fuels (such as PKS) and operates multiple biomass power plants across Japan, while also engaging in retail electricity sales.
EF-ON Inc. (9514 JP)	Operates a vertically integrated biomass energy business, encompassing forest management, wood chip production, and power plant operation. The company is also active in energy-saving consulting (ESCO business) to promote regional carbon neutrality.
Abalance Corporation. (3856 JP)	A global green energy provider with a vertically integrated solar value chain, including solar panel manufacturing (via VSUN in Vietnam), power plant development, and O&M services. It is expanding into grid storage battery businesses to strengthen its recurring revenue model.
West Holdings Corporation. (1407 JP)	A leading specialist in solar power solutions in Japan, focusing on residential and industrial solar installations. Its business model covers the entire lifecycle of renewable assets, from initial energy-saving consulting and construction to long-term maintenance and power sales.
Electric Power Development Co., Ltd. (3580 JP)	Known as J-POWER, it is a major Japanese utility that manages a diverse portfolio of hydroelectric, geothermal, and wind power facilities. The company is currently accelerating its transition to carbon neutrality through large-scale offshore wind projects and hydrogen energy technology.

Source: Bloomberg, Astris Advisory

Overseas companies

Company	Description
Nextera Energy (NEE US)	One of the world's largest renewable energy companies and the parent of Florida Power & Light. It is a global leader in wind and solar generation and is a major investor in battery storage, natural gas, and nuclear infrastructure in North America.
Brookfield Renewable Corp (BEPC US)	Owns and operates one of the world's largest publicly traded renewable power platforms, with a portfolio spanning hydro, wind, solar, and storage across five continents. It focuses on high-quality assets with long-term, inflation-linked power purchase agreements.
Scatec ASA (SCATC NO)	A Norway-based leading renewable energy solutions provider that develops, builds, owns, and operates solar, wind, and hydropower plants. It specializes in high-growth emerging markets and is a pioneer in integrated solar and battery storage solutions.
Sembcorp Industries Ltd. (U96 SG)	A leading pan-Asian energy and urban solutions provider with a strong focus on the energy transition. It has a large renewable energy portfolio including solar and wind across Singapore, China, and India, alongside integrated urban development and water segments.
ORSTED. CO (ORSTED US)	The global leader in offshore wind has built the world's first offshore wind farm. Headquartered in Denmark, it has transitioned from an oil and gas company to a pure-play renewable energy major, managing large-scale wind, solar, and bioenergy assets globally.
Acen Corporation (ACEN PH)	The listed energy platform of the Ayala Group in the Philippines is focusing on becoming the largest listed renewables platform in Southeast Asia. It operates a diverse mix of solar, wind, and geothermal assets across the Philippines, Australia, and Vietnam.

Source: Bloomberg, Astris Advisory

Based on an analysis of comparable companies, the following became clear:

Profitability – Renova generates higher margins versus its peers.

Renova achieves higher margins while lower ROE, ROIC due to its business nature of asset developer and owner.

- **Renova's superior profit margins directly reflect the "first-mover advantage" of securing early-stage FIT contracts (¥32 to ¥40+/kWh) for its large-scale solar portfolio.** Unlike West Holdings (1407 JP) and Abalance (3856 JP), which operate as high-turnover, low-margin EPC (Engineering, Procurement, and Construction) contractors and equipment integrators, Renova has strictly maintained an "asset-ownership" model. Furthermore, the company has successfully avoided the severe fuel price volatility that burdens biomass-specialist F-On (9514 JP), the massive capital expenditures for capital-intensive thermal and hydropower that compress the profitability of wholesale power producer J-POWER (9513 JP), and the exposure to the JEPX wholesale market inherent in the retail-focused business of eREX (9517 JP).
- **Renova's lower ROE and ROIC relative to its peers reflect the capital-heavy nature inherent to the Independent Power Producer (IPP) business**. The construction of renewable energy assets requires the immediate injection of massive upfront capital, yet entails a lead time of several years before transitioning to commercial power sales, ultimately dragging on capital efficiency. In contrast, asset-light peers like West Holdings (1407 JP) and Abalance (3856 JP) achieve superior capital efficiency by functioning as EPC contractors that rapidly develop and sell projects to recover and reinvest capital, rather than continuing to hold assets on their balance sheet for 20 years.

Renova has a higher EV/EBITDA, PER ratio, due to the inherent attributes of an Independent Power Producer (IPP)

Valuations – Renova has a higher EV/EBITDA than domestic peers, but PBR is below 1x.

- **EV/EBITDA premium driven by contractual quality**: As an Independent Power Producer (IPP), Renova's cash flows are anchored by long-term, government-backed FIT/FIP contracts. The market applies a quality premium to these predictable, bond-like revenues, isolating Renova from low-margin retail brokers like eREX and capital-unproductive utilities like J-Power.
- **PER inflated by construction-phase J-Curve**: The forward PER looks high because current accounting net income is temporarily depressed. The firm carries massive non-cash depreciation from active plants alongside heavy upfront development overhead for pipeline projects that have not yet reached commercial operation.
- **Sub-1.0x PBR distorted by derivative noise**: Under IFRS, the book value of equity is artificially inflated by non-cash mark-to-market gains on long-term foreign exchange and fuel hedges held by project SPCs (Special Purpose Companies). Stripping out this "derivative noise" yields a significantly higher effective PBR.
- **Zero dividends signal capital reinvestment efficiency**: Maintaining zero payouts reflects a commitment to growth rather than distress. Reinvesting 100% of retained earnings into high-tariff domestic renewable assets comfortably clears internal hurdle rates, providing the essential equity checks required to unlock highly leveraged project finance for upcoming facilities.
- Maintaining a zero dividend payout reflects a clear commitment to growth rather than underlying underperformance, as it secures the equity capital required to structure highly leveraged project finance for the pipeline of upcoming power plants.

The divergence between Renova's premium multiples (11.7x EV/EBITDA, 25.1x PER), its sub-1.0x PBR (0.7x), negative Free Cash Flow (FCF), and lack of dividends is completely rational when viewed through the lens of project finance accounting and the renewable energy J-curve.

EBITDA margins track above the domestic peer average, and EV/EBITDA and P/E multiples are relatively high

Peer analysis of key profitability and valuation metrics

			Profitability						Valuation					
Ticker	Company Name	Mkt Cap US$ (m)	OPM LTM (%)	OPM 10-yr average (%)	EBITDA margin LTM (%)	EBITDA margin 10-yr average (%)	ROE LTM (%)	ROIC 10-yr average (%)	EV/EBITDA 12M Fwd (x)	EV/Sales 12M Fwd (x)	Div yield 12M Fwd (%)	FCF yield 12M Fwd (%)	PER 12M Fwd (x)	PBR (x)
9519 JP	**Renova**	**546**	**8.4**	**19.2**	**28.7**	**44.4**	**3.1**	**1.9**	**11.7**	**4.8**	**-**	**14.4**	**25.1**	**0.7**
Domestic														
9517 JP	eREX Co.,Ltd.	359	3.6	6.2	5.8	8.6	7.9	4.8	5.4	0.5	2.6	-8.3	12.6	0.8
9514 JP	EF-ON Inc.	45	6.4	17.3	18.3	30.0	12.1	5.9	6.6	1.3	2.4	3.8	9.8	0.3
3856 JP	Abalance Corporation	62	7.8	6.6	14.0	9.6	14.1	9.3	5.5	0.6	-	-0.2	8.8	0.3
1407 JP	West Holdings Corporation	565	17.9	13.8	23.9	17.2	15.7	6.2	2.1	0.3	2.3	2.4	18.6	2.6
9513 JP	Electric Power Development Co., Ltd.	4,219	8.5	9.5	18.4	18.6	4.3	2.7	1.5	0.1	2.8	2.0	21.0	0.5
Average			**8.8**	**10.7**	**16.1**	**16.8**	**10.8**	**5.8**	**4.2**	**0.6**	**2.5**	**-0.1**	**14.2**	**0.9**
Overseas														
NEE US	Nextera Energy	179,590	27.0	26.4	53.8	49.3	15.6	6.3	14.2	8.7	3.0	17.4	20.4	3.3
BEPC US	Brookfield Renewable Corp	6,682	21.7	29.2	54.8	59.3	-	1.3	12.0	3.9	7.5	6.8	18.1	-1.8
SCATC NO	Scatec ASA	1,650	34.0	45.2	64.4	71.4	9.7	-0.5	8.5	6.9	0.0	10.4	21.8	1.6
SCI SP	Sembcorp Industries Ltd.	8,614	15.0	10.2	23.2	16.8	18.0	4.8	9.5	2.3	4.6	-	10.5	2.0
ORSTED DC	ORSTED.CO	31,747	-1.9	-0.2	12.6	12.5	-0.6	7.1	7.9	2.9	2.4	-6.9	17.6	1.7
ACEN PM	Acen Corporation	2,087	-3.5	1.5	8.6	7.6	3.1	1.0	19.6	6.9	1.5	-10.4	13.8	0.8
Average			**19.2**	**22.2**	**41.8**	**41.8**	**10.7**	**3.8**	**10.4**	**5.0**	**3.5**	**6.9**	**17.7**	**1.3**

Source: FactSet, Bloomberg, Astris Advisory, data updated on 16th June 2026 Note: LTM is the last 12 month

Outpacing peers in revenue and asset expansion

Peer analysis of track record – growth (5-year CAGR) and change (2021-2026)

		Growth 5-year CAGR (%)						Change over the last 5 years (%)			
Ticker	Company Name	Sales	EBIT	Net Income	EPS	BPS	Total assets growth	Chg. in GPM	Chg. in FCF margin	Chg. in ROE	Chg. in ROA
9519 JP	**Renova**	**33.6**	**-4.7**	**-22.1**	**-24.6**	**47.3**	**22.6**	**-24.7**	**-12.4**	**-65.0**	**-5.7**
Domestic											
9517 JP	eREX Co.,Ltd.	3.6	-8.6	-3.2	-10.1	3.8	5.9	-5.8	-18.7	-10.0	-2.1
9514 JP	EF-ON Inc.	7.6	-14.0	-16.7	-16.4	4.4	2.3	-14.9	49.7	0.9	1.0
3856 JP	Abalance Corporation	74.4	56.3	32.1	28.4	60.9	67.7	-1.1	-8.5	-9.4	0.0
1407 JP	West Holdings Corporation	-5.3	4.6	3.9	4.6	12.8	12.6	9.2	-0.7	-9.4	-2.6
9513 JP	Electric Power Development Co	5.4	9.4	21.3	21.7	12.6	5.6	-7.2	3.0	1.5	0.8
Average		**17.1**	**9.5**	**7.5**	**5.7**	**18.9**	**18.8**	**-4.0**	**5.0**	**-5.3**	**-0.6**
Overseas											
NEE US	Nextera Energy	9.2	17.3	18.5	17.4	7.1	10.7	0.0	9.5	4.3	0.6
BEPC US	Brookfield Renewable Corp	4.7	-	-	-	-	4.7	-2.7	-31.7	-	-0.1
SCATC NO	Scatec ASA	5.5	19.3	26.0	26.0	2.6	13.5	-	-116.7	21.0	4.5
SCI SP	Sembcorp Industries Ltd.	1.3	18.9	47.7	37.2	10.6	6.3	6.5	19.0	15.1	4.6
ORSTED DC	ORSTED.CO	11.4	-22.8	-35.2	-37.2	-3.4	13.3	14.7	-20.4	-15.2	-5.5
ACEN PM	Acen Corporation	8.8	-2.9	-2.5	-33.5	1.6	20.6	-6.3	-51.1	-13.8	-4.9
Average		**7.2**	**-2.3**	**3.3**	**-11.2**	**2.9**	**13.4**	**5.0**	**-17.5**	**-4.6**	**-2.0**

Source: FactSet, Bloomberg, Astris Advisory, data updated on 16th June 2026

Balance sheet

Renewable energy developers typically operate with high leverage to fund long-term infrastructure projects, requiring a careful balance between debt servicing ability and operational liquidity.

Regarding Renova, we make the following observations:

- **Liquidity –** Renova maintains a current and quick ratio of 2.2x, which is notably higher than both its domestic peers (average 1.6x/1.4x) and overseas counterparts (average 1.0x/0.9x). This robust liquidity position provides an ample cash buffer to manage project contingencies and development lead times.
- **Leverage –** The company's Net debt to EBITDA of 10.1x and Total debt to capital of 73.5% reflect an aggressive use of leverage to fund its expansion pipeline. While these levels are elevated compared to the domestic average, they remain in line with global renewable leaders like Scatec (11.2x). With an interest coverage ratio of 3.5x, Renova demonstrates sufficient earnings power to service its debt, though its lower equity ratio (20.1%) underscores its reliance on project-level financing.
- **Efficiency** – Renova's asset turnover of 0.2x is characteristic of the capital-intensive nature of power generation assets. However, its inventory turnover of 25.6x and inventory days of 14.2 are highly competitive, significantly outperforming the domestic peer average (78.7 days). A cash conversion cycle of 13.9 days, shorter than the domestic average of 107.5 days, highlights a disciplined capital cycle and efficient management of working capital throughout its operational phases.

We believe Renova's disciplined balance sheet management and optimized capital cycle provide a solid foundation for its future project pipeline.

Balancing liquidity and efficiency

Liquidity, leverage, and capital efficiency

Company	Liquidity		Leverage					Efficiency			
	Current ratio (x)	Quick ratio (x)	Net debt to equity (x)	Net debt to EBITDA (x)	Interest cover (x)	Total debt to capital (%)	Equity ratio (%)	Asset turnover (x)	Inventory turnover (x)	Inventory days	Cash conversion cycle (days)
Renova	**2.2**	**2.1**	**2.1**	**10.1**	**3.5**	**73.5**	**20.1**	**0.2**	**25.6**	**14.2**	**13.9**
Domestic											
erex Co.,Ltd.	1.4	1.4	0.4	2.9	19.7	44.2	41.4	1.0	70.9	5.1	30.8
EF-ON Inc.	2.0	1.8	0.8	4.5	11.3	50.3	44.7	0.4	17.0	21.4	31.7
Abalance Corporation	0.9	0.7	0.5	1.3	5.2	60.1	22.0	0.7	2.1	172.0	97.9
West Holdings Corporatio	2.2	1.7	1.5	4.5	8.7	73.2	23.5	0.3	2.2	169.5	337.5
Electric Power Development Co., Ltd.	1.7	1.5	1.1	6.8	6.8	57.3	37.6	0.3	14.5	25.2	39.8
Average	**1.6**	**1.4**	**0.9**	**4.0**	**10.3**	**57.0**	**33.8**	**0.6**	**21.3**	**78.7**	**107.5**
Overseas											
Nextera Energy	0.5	0.4	1.8	6.9	3.5	65.4	24.9	0.1	7.3	50.0	-32.8
Brookfield Renewable Corp	0.3	0.3	-5.4	7.1	1.2	121.2	-5.6	0.1	81.1	4.5	181.0
Scatec ASA	1.1	1.1	2.6	11.2	1.0	76.0	20.0	0.1	-	-	-
Sembcorp Industries Ltd.	1.0	1.0	1.5	6.3	3.4	63.6	30.1	0.3	17.9	20.4	99.7
ORSTED.CO	2.1	1.8	0.3	4.6	0.7	49.6	33.7	0.2	4.8	76.5	67.7
Acen Corporation	1.5	1.5	1.1	57.8	0.5	54.7	41.0	0.1	28.2	12.9	294.2
Average	**1.0**	**0.9**	**0.2**	**7.2**	**2.0**	**75.2**	**20.6**	**0.2**	**27.8**	**37.8**	**78.9**

Source: FactSet, Bloomberg, Astris Advisory, data updated on 16th June 2026

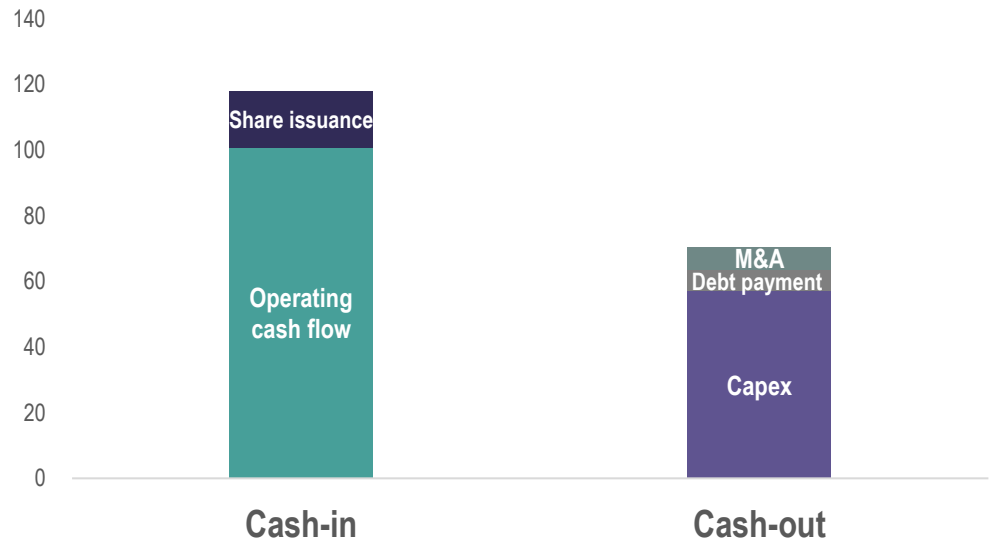
Capital allocation

Front-loading investments

Between FY3/22 and FY3/26, Renova's operating cash flow remained sufficient to fund its capital expenditures. Despite this, the company continued to issue equity to front-load new investments in April 2024. Maintaining this cash cushion serves multiple strategic purposes: it enables the company to pursue growth opportunities, mitigates liquidity risks, such as those arising from operational delays, and aligns with renewable sector standards, in which developers use leverage to enhance project IRRs.

Lever up for future growth

5-year cumulative capital generation and allocation (FY3/22 – FY3/26) (¥bn)



Source: Company data, Refinitiv

Shareholder returns

Renova refrains from dividend payments and large-scale share buybacks, prioritizing capital allocation toward new projects and overseas expansion to drive corporate value through growth initiatives.

Strategic shareholdings

Currently, Renova holds zero strategic shareholdings and has no intention of holding shares for such purposes in the future. Even if the company were to acquire such shares, it maintains a policy of conducting rigorous evaluations based on the investee's growth potential and the enhancement of shareholder value.

This represents a clear departure from the traditional Japanese corporate practice of holding strategic shares merely to maintain or strengthen business relationships, reflecting a management stance that heavily prioritizes capital efficiency.

M&A

Although Renova establishes subsidiaries for each power plant, its fundamental strategy relies on organic growth through independent project development and asset ownership. We assume the company will continue to adhere to this policy going forward.

DCF Valuation

Based on the following assumptions, our Discounted Cash Flow (DCF) analysis concludes that Renova's intrinsic value offers significant upside relative to its market capitalization as of July 23, 2026.

Power generation (MW), power utilization (%) and Price (¥/kWh) assumptions

Year	FY3/26	FY3/27	FY3/28	FY3/29	FY3/30	FY3/31	FY3/32	FY3/33	FY3/34	FY3/35	FY3/36	FY3/37	FY3/38	FY3/39	FY3/40	FY3/41	FY3/42	FY3/43	FY3/43	FY3/43	FY3/43
(t)	*0*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*
Power generation (MW)	**1,532**	**2,097**	**3,097**	**3,587**	**4,137**	**4,237**	**4,297**	**4,357**	**4,417**	**4,477**	**4,537**	**4,597**	**4,657**	**4,717**	**4,777**	**4,807**	**4,837**	**4,867**	**4,897**	**4,927**	**4,957**
Mega solar	374	374	374	374	374	374	374	374	374	374	374	374	374	374	374	374	374	374	374	374	374
Biomass	445	445	445	445	445	445	445	445	445	445	445	445	445	445	445	445	445	445	445	445	445
Non-FIT solar	214	350	500	650	800	900	920	940	960	980	1,000	1,020	1,040	1,060	1,080	1,090	1,100	1,110	1,120	1,130	1,140
BESS	352	527	877	877	877	877	897	917	937	957	977	997	1,017	1,037	1,057	1,067	1,077	1,087	1,097	1,107	1,117
Others	146	400	900	1,240	1,640	1,640	1,660	1,680	1,700	1,720	1,740	1,760	1,780	1,800	1,820	1,830	1,840	1,850	1,860	1,870	1,880
Power utilization ratio (%)																					
Mega solar	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Biomass	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Non-FIT solar	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
BESS	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Others	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
Price (¥/kWh)																					
FIT price	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38
Biomass price	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Non-FIT price	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17
BESS price	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Wind price	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22

Source: Company, Astris Advisory estimates

Calculation of equity-owned levered FCF, and discounted FCF/NPV

Year	FY3/26	FY3/27	FY3/28	FY3/29	FY3/30	FY3/31	FY3/32	FY3/33	FY3/34	FY3/35	FY3/36	FY3/37	FY3/38	FY3/39	FY3/40	FY3/41	FY3/42	FY3/43	FY3/43	FY3/43	FY3/43
Revenue (¥mn)	87,622	91,579	100,979	109,276	118,708	119,958	120,826	121,693	122,560	123,427	124,294	125,161	126,028	126,895	127,762	128,196	128,629	129,063	129,496	129,930	130,363
EBITDA (¥mn)	30,526	37,124	47,977	53,785	60,387	61,263	61,870	62,477	63,084	63,690	64,297	64,904	65,511	66,118	66,725	67,029	67,332	67,636	67,939	68,243	68,546
CAPEX (¥mn)	5,930	6,494	9,592	1,110	2,813	3,123	3,309	3,495	3,681	3,866	4,052	4,238	14,424	4,610	4,796	4,889	4,982	5,075	5,167	15,260	5,353
Unlevered FCF (EBITDA - CAPEX) (¥mn)	24,596	30,629	38,385	42,676	47,574	48,140	48,561	48,982	49,403	49,824	50,245	50,666	51,087	51,508	51,929	52,140	52,351	52,561	52,772	52,982	53,193
Project financing principal return (¥mn)	18,845	24,690	27,478	28,844	30,377	30,656	30,823	30,990	31,158	31,325	31,492	31,659	31,827	31,994	32,161	32,245	32,328	32,412	32,496	32,579	32,663
Interest (¥mn)	6,000	7,407	8,243	8,653	9,113	9,197	9,247	9,297	9,347	9,397	9,448	9,498	9,548	9,598	9,648	9,673	9,699	9,724	9,749	9,774	9,799
Tax rate (%)	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
Levered FCF (Unlevered FCF - Project financing principal return - Interest * (1-tax rate) + New borrowing)	**3,592**	**5,534**	**12,466**	**16,353**	**20,798**	**21,281**	**21,653**	**22,024**	**22,396**	**22,768**	**23,139**	**23,511**	**23,883**	**24,254**	**24,626**	**24,812**	**24,998**	**25,183**	**25,369**	**25,555**	**25,741**
Equity owned	70.0%																				
Equity-owned Levered FCF (Equity-owned × Levered FCF)	**3,592**	**3,874**	**8,726**	**11,447**	**14,558**	**14,897**	**15,157**	**15,417**	**15,677**	**15,937**	**16,198**	**16,458**	**16,718**	**16,978**	**17,238**	**17,368**	**17,498**	**17,628**	**17,758**	**17,889**	**18,019**
DCF assumptions																					
Discount rate/Cost of Equity	10.0%																				
Discounted FCF/NPV	**3,592**	**3,522**	**7,212**	**8,600**	**9,944**	**9,250**	**8,556**	**7,911**	**7,314**	**6,759**	**6,245**	**5,768**	**5,327**	**4,918**	**4,539**	**4,158**	**3,808**	**3,488**	**3,194**	**2,925**	**2,678**

Source: Company, Astris Advisory estimates

NPV calculation

(¥mn)	
Discounted cash flow	119,706
Terminal growth rate (%)	1.00%
Terminal value	288,870
Present value of terminal value	42,939
NPV	**162,645**
Current market cap	**89,200**
Implied upside (%)	**+182.3%**

Source: Company data, Astris Advisory, as of 23rd July, 2026

Sensitivity Analysis Table – Changes in NPV (¥mn) by Terminal Rate (%) and Discount Rate / Cost of Equity

NPV（¥mn）		Terminal rate (%)				
		0.0%	0.5%	1.0%	1.5%	2.0%
Discount rate/Cost of Equity	8.0%	209,723	214,693	220,374	226,928	234,575
	8.5%	194,200	198,217	202,770	207,973	213,977
	9.0%	180,603	183,875	187,556	191,728	196,496
	9.5%	168,610	171,294	174,294	177,668	181,493
	10.0%	157,968	160,184	162,645	165,396	168,491
	10.5%	148,472	150,311	152,343	154,601	157,125
	11.0%	139,955	141,489	143,176	145,042	147,114
	11.5%	132,279	133,565	134,974	136,524	138,236
	12.0%	125,333	126,416	127,597	128,891	130,314

Source: Astris Advisory

Breakdown of NPV by Period

DCF Components	(¥mn)	% of NPV
Short-term（FY1–3）	22,925	14.1%
Medium-term（FY4–10）	55,978	34.4%
Long-term（FY11–20）	40,803	25.1%
Terminal value	**42,939**	**26.4%**
Total	162,645	100.0%

Source: Astris Advisory

Assumptions for NPV Estimation

Power Generation Capacity Assumptions (Gross Equity Basis)

- **FIT Solar**: Capacity is assumed to remain constant from FY3/27 onwards.
- **Biomass**: Capacity is assumed to remain constant from FY3/27 onwards.
- **New Development (Non-FIT Solar / BESS / Others):** Assumes a net addition of 20MW each per year from FY3/31 onwards, and 10MW each per year from FY3/41 onwards.

Financial Forecast Model Assumptions

- **Revenue**: Calculated as "Generation Capacity × Capacity Factor × 70% Operating Rate (assuming 70% of total capacity is operational)" for each power source.
- **EBITDA Margin**: Applied at 30% for biomass and a flat 70% for all other power sources.
- **EBITDA**: Revenue of each power source × EBITDA Margin of each power source.
- **Ownership Stake**: Set at a flat 70% as a simplified approach (actual ratios vary by project).

Discount rate and Terminal rate

- **Cost of Equity (Discount Rate):** While the company discloses a range of 4.0–9.0% (depending on the project), we have adopted 10.0% to price in the domestic interest rate hike environment and the risk of development delays.
- **Terminal Rate (Perpetual Growth Rate):** A base rate of 1.0% is applied from FY3/41 onwards. In addition, we examined a sensitivity analysis of the Cost of Equity (8.0–12.0%) × Terminal Rate (0.0–2.0%).

In conclusion, our estimated current NPV (approximately ¥162 bn) is lower than the NPV of ¥280bn guided by Renova for operational and under-construction projects as of FY3/31. However, when compared to the current market capitalization of ¥89.2bn (as of July 23, 2026), we conclude that there is significant upside potential for the stock price.

Medium-Term Management Plan

Acceleration in multi-power asset development

Under Renova's 5-year medium-term management plan (FY3/26 – FY3/31), Non-FIT solar, onshore wind, and grid-scale storage batteries will be the key drivers of its next phase of growth.

This strategy is perfectly aligned with the direction of the '7th Strategic Energy Plan' currently being formulated by the government. While the draft plan highlights the potential for further expansion in solar and wind power generation, the demand for grid stabilization to manage output fluctuations is transforming grid-scale storage batteries into a critical, rapidly growing, and untapped market.

Solid growth is expected to continue

FY3/28 CE and FY3/31 CE

(¥bn)	FY3/25	FY3/28 CE	FY3/31 CE	CAGR (%) FY3/25-FY3/31
Sales	**70.2**	**105.0**	**130.0**	**10.82**
EBITDA	**23.3**	**40.0**	**60.0**	**17.08**
EBITDA Margin (%)	***33.2***		***46.2***	
Operating profit	4.10	13.0	25.0	35.16
Business value (Operational / Under Construction)	160.0		280.0	9.78
Total asset	530.1	650.0	800.0	7.10
Interest-bearing debt	332.9	400.0	500.0	7.01
Net debt	245.5	320.0	420.0	9.36
Net debt/EBITDA	**11x**	**8x**	**7x**	
Equity ratio	**17%**	**17%**	**17%**	

Source: Company data

Key assumptions

	FY3/25	FY3/28 CE	FY3/31 CE	CAGR (%) FY3/25-FY3/30
Gross capacity (GW)	1.5	N/A	5.0	22.22
Net capacity (GW)	1.0	N/A	3.5	23.22
Annual power generation (kWh/y)	29	N/A	81	18.8
EBITDA				
Region	Japan 98%, Asia 2%	N/A	Japan 87%, Asia 6%, US 7%	
Energy type	Biomass 54%, Large Solar PV 43%, Others (Non-FIT Solar PV, Onshore Wind etc) 3%	N/A	Biomass 45%, Solar PV 36%, BESS 13%, Onshore Wind 7%	
Off-take	FIT 77%, Fixed PPA 23%	N/A	Fixed PPA 68%, FIT, etc 26%, Market Transactions 5%	

Source: Company data

Astris earnings estimates and key assumptions

Astris' key earnings forecasts are as follows:

Astris Advisory earnings estimates

Year-end	FY3/26 results	FY3/27 guidance	FY3/27E	FY3/28E	FY3/29E
Revenue (¥bn)	**87.62**	**95.70**	**91.58**	**100.98**	**109.28**
YoY (%)	*+24.7*	*+9.0*	*+4.5*	*+10.3*	*+8.2*
EBITDA (¥bn)	**30.53**	**33.80**	**37.12**	**47.98**	**53.79**
YoY (%)	*+31.0*	*+11.0*	*+21.6*	*+29.2*	*+12.1*
EBITDA Margin (%)	34.8	35.3	40.5	47.5	49.2
OP (¥bn)	**8.28**	**11.30**	**11.60**	**14.20**	**15.80**
YoY (%)	*+103.7*	*+36.0*	*+40.0*	*+22.4*	*+11.3*
Profit attributable to owners of parent (¥bn)	**3.31**	**3.40**	**3.52**	**6.10**	**7.63**
YoY (%)	*+23.1*	*+3.0*	*+6.4*	*+73.4*	*+25.0*
FCF (¥bn)	**22.35**		**12.84**	**8.70**	**11.50**
FCF margin (%)	25.5		14.0	8.6	10.5
FCF conversion (%)	381.2		189.3	95.2	105.9
FCF yield (%)	**27.1**		**16.9**	**11.5**	**15.2**
ROE (%)	**3.1**		**2.7**	**4.5**	**5.4**
DPS (¥)	**-**		**-**	**-**	**-**

Source: Astris Advisory
Note: FCF conversion is FCF/Pre-tax Profit

The core assumptions of our estimates are as follows:

- **Sales growth** – We forecast a 9.2% revenue CAGR during FY3/27-FY3/29, driven by onshore wind, BESS, and overseas pipelines.
- **Profitability** – EBITDA is projected to expand solidly from ¥30.53 bn in FY3/26 to ¥53.79 bn in FY3/29, reaching a 3-year CAGR of 20.8%. From FY3/27 to FY3/29, we anticipate further improvements in EBITDA margins, driven by an increasing share of high-margin power sources in the portfolio mix.
- **Free cash flow generation** – Although pipeline development and construction for projects such as onshore wind and grid-scale storage batteries will accelerate, free cash flow is expected to remain abundant over the next few years, supported by the aforementioned improvements in profitability.

Company information

Management (11 members, 9.1% female ratio, 36.4% outside members)

Koichi Kawana – Director, Chairman

Born April 23, 1958. Mr. Kawana joined JGC Corporation (currently JGC Holdings Corporation) in 1982. He has held numerous leadership positions, including Executive Officer and General Manager of the New Business Development Division (2007), Managing Director (2009), and Representative Director and Executive Vice President (2010). He was appointed Representative Director, President, and COO in 2011, and served as Representative Director and President from 2012. He later served as Vice Chairman (2018). Currently, he serves concurrently as an Outside Director for ispace, inc. (2020), Kubota Corporation (2023–), Eisai Co., Ltd. (2026–), and COMSYS Holdings Corporation (2026–) (Retired as an Outside Director of BANDAI NAMCO Holdings Inc. in June 2026). Assumed the role of Chairman of the Board of Renova in June 2023 (current position). He holds 10,000 shares.

Yosuke Kiminami – Representative Director, President & CEO, Founder

Born October 5, 1974. Mr. Kiminami joined McKinsey & Company in 1998. He established Recycle One Co., Ltd. (the predecessor of the current Company) in May 2000 and was appointed Representative Director and President. He was appointed Representative Director, President, and CEO of the Company in June 2016 (current). He holds 14,760,000 shares.

Kazushi Yamaguchi – Director, Executive Officer, CFO

Born January 30, 1976. Mr. Yamaguchi joined Goldman Sachs (Japan) Ltd. in 2001. He held several key positions at the firm, including roles in the Principal Investment Area and the Investment Banking Division, eventually being appointed Managing Director in 2018. He joined Renova in 2020, serving as Director, Executive Officer, and CFO in June 2020. He holds 54,700 shares.

Naoki Shimada – Chief Independent External Director

Born November 23, 1968. Mr. Shimada began his career at Apple Computer, Inc. (currently Apple Japan) in 1993 and later joined The Boston Consulting Group in 1998. In 2001, he established P&E Directions, Inc., where he continues to serve as Representative Director. He has held various outside directorships at firms including Nihon M&A Center, Sugita Ace, and Japan Business Systems. He was appointed Outside Director of Renova in June 2021. He holds 6,100 shares.

Mayuka Yamazaki – Independent External Director

Born January 23, 1978. Ms. Yamazaki began her career at McKinsey & Company in 2000. She has held academic and research positions at the University of Tokyo and the Harvard Business School Japan Research Center, where she served as Assistant Director. In addition to her work as an Ikebana artist and editorial board member for DIAMOND Harvard Business Review, she serves as an outside director for M3, Inc. and Ryohin Keikaku Co., Ltd. She was appointed Outside Director of Renova in June 2021. She holds 4,400 shares.

Ken Takayama – Independent External Director

Born June 6, 1964. Mr. Takayama joined The Industrial Bank of Japan in 1988 before joining Rakuten in 1999, eventually serving as its CFO. He has extensive experience as an outside director for several major Japanese technology firms, including Mercari and TechMatrix. He was appointed Outside Director of Renova in June 2022. He holds 4,400 shares.

Rajit Nanda – Independent External Director

Born September 12, 1970. Mr. Nanda began his career at IFCI Limited in 1994 before joining Engie S.A. in 1998, where he eventually served as CFO for the Middle East, Asia, and Africa regions. He has held multiple senior executive roles at ACWA Power, including Chief Financial Officer, Chief Investment Officer, and Chief Portfolio Management Officer. In 2023, he was appointed CEO of DataVolt and currently serves as an Outside Director of Renova. He holds no shares.

Junichiro Ando – Full-time Audit & Supervisory Board Member

Born March 22, 1973. Mr. Ando began his career at Kumagai Gumi Co., Ltd. in 1995, where he held management roles in internal control and accounting. He joined Renova in 2013, serving first as Head of the Internal Audit Office and later as Head of the Corporate Division. He was appointed Full-time Auditor of the Company in June 2024. He holds 43,700 shares.

Yuji Shibata – Full-time Audit & Supervisory Board Member

Born July 31, 1950. Mr. Shibata joined The Long-Term Credit Bank of Japan in 1973. He has extensive experience in internal auditing, having served as Head of Internal Audit and Managing Executive Officer at eAccess Ltd., as well as Head of Internal Audit at Ymobile Corporation. He has served as a Full-time Auditor of Renova since June 2016. He holds 35,000 shares.

Hiroyuki Wakamatsu – External Audit & Supervisory Board Member

Born September 20, 1971. Mr. Wakamatsu began his career at Tohmatsu & Co. in 1995 and registered as a Certified Public Accountant in 1998. He established his own CPA office in 2008 and has since served as an outside auditor and director for several companies, including MIXI, Inc. and Takasago Thermal Engineering. He was appointed Auditor of Renova in August 2017. He holds no shares.

Daisuke Yuki – External Audit & Supervisory Board Member

Born July 7, 1972. Mr. Yuki is a dually qualified attorney in Japan and New York, having joined Nozomi Sogo Attorneys at Law in 1998, where he is now a Partner. A graduate of the USC Gould School of Law, he is also a Certified Fraud Examiner and serves on the boards of DRAFT Inc. and dely, Inc. He was appointed Auditor of Renova in June 2025. He holds no shares.

Source: Company data

Contact details

Address
18F KYOBASHI EDOGRAND, 2-2-1 Kyobashi, Chuoku, Tokyo 104-0031 Japan. TEL : +81-3-3516-6260

Source: Company

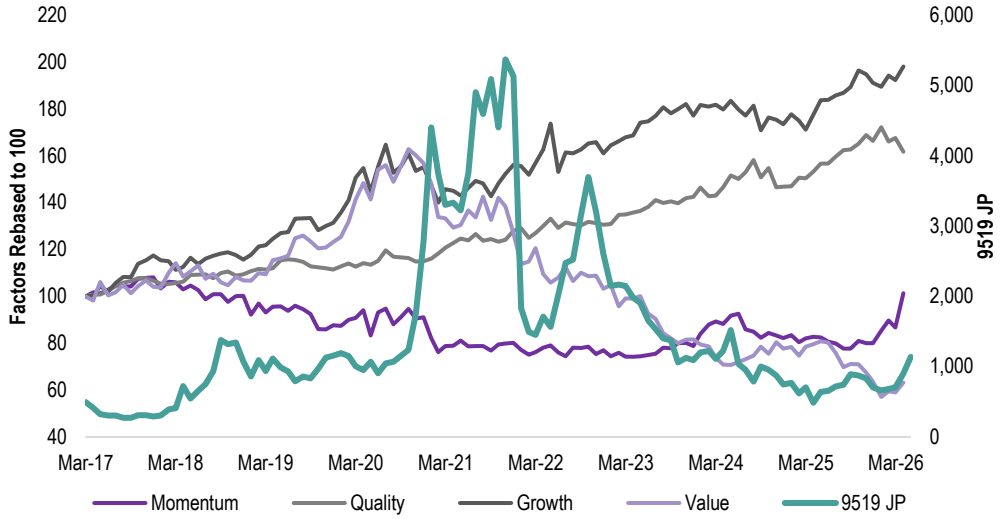
Shareholder details (as of March 2026)

Major shareholders	Stake (%)
Yosuke Kiminami	16.17
Tokyo Gas Co., Ltd.	13.02
Sumitomo Forestry Co., Ltd.	8.07
Sachio Semmoto	5.96
Daisuke Tsujimoto	5.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.06
Custody Bank of Japan, Ltd. (Trust Account)	2.63
Suzuyo Shoji Co., Ltd.	1.65
STATE STREET BANK AND TRUST COMPANY - 505223 (Standing Proxy: Mizuho Bank, Ltd.)	1.54
BBH CO FOR THE ADVISORS' INNER CIRCLE FUND III - REDWHEEL NEXT GENERATION POWER INFRASTRUCTURE FUND (Standing Proxy: MUFG Bank, Ltd.)	1.18

Source: Company

Astris Quant Sheet

Share price chart and factor analysis (from May 2017)



Source: FactSet

Renova correlates positively with the Value factor across all timeframes, strongest at 0.41 over one year and 0.34 over three years. Quality shows a consistent negative correlation across all horizons, reflecting the capital-intensive nature of renewable energy. Momentum correlations are modest and positive over one and three years, at 0.21, and fall slightly negative over ten years.

Factors	1 Year Corr	3 Year Corr	10 Year Corr
Momentum: 12 Month - 1 Month Performance	0.21	0.21	-0.04
Quality: Free Cash Flow Yield	-0.25	-0.12	-0.07
Growth: OP Growth	0.17	0.05	-0.12
Value: Book to Price	0.41	0.34	0.05

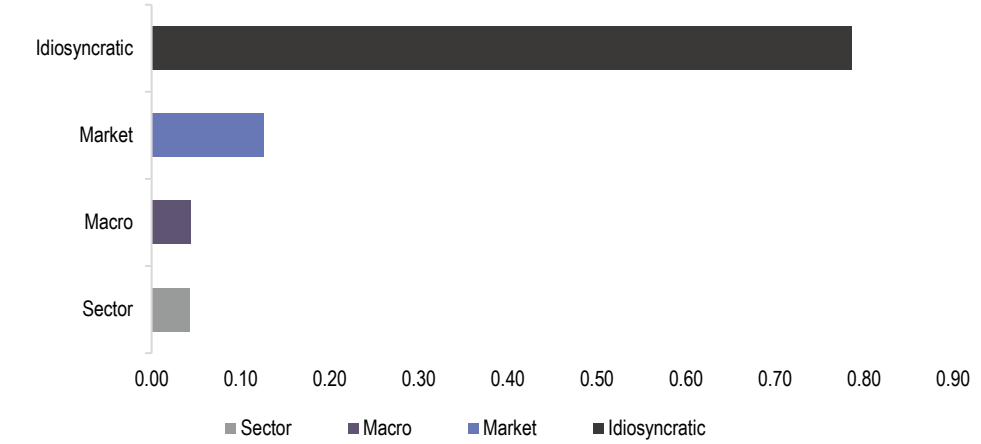
Source: FactSet

Calculation method and definition of factors in the time series

Universe	
TOPIX500	
Factor return calculation	
Quartile Range Analysis: Calculate the element return by subtracting the average performance of the lower quartile from the average performance of the upper quartile for each element forecasted for one month. This analysis is repeated monthly without considering transaction costs.	
Factor	
Momentum	
1-month return	
12-month return	Subtracting the most recent 1 month
Quality	
FCF yield (estimate)	
Growth	
Operating profit growth (estimate)	
Value	
Book-to-Price ratio (actual)	

Source: FactSet

Drivers of stock price performance and multiple regression analysis (since May 2017)



Source: FactSet

The market is the largest systematic driver, explaining 13% of share price variation, with macro and sector each contributing just 4%. Idiosyncratic factors dominate, accounting for 79% of price movements consistent with largely company-specific risk.

Calculation method for multiple regression analysis

Multiple regression analysis
Perform regression analysis, including all drivers, and conduct individual regression analysis by excluding one driver at a time. To quantify the specific impact of each driver, calculate the partial coefficient of determination (partial R-squared value) using the formula: (Residual Sum of Squares from regression analysis including all drivers - Residual Sum of Squares from regression analysis excluding one driver) / Residual Sum of Squares from regression analysis excluding one driver.

Source: FactSet

Multiple regression analysis results

Factors	1Y Corr	3Y Corr	10Y Corr
Market			
Topix 1st Section	0.03	0.06	0.19
Topix Electric Power & Gas Index	-0.14	0.09	0.06
Topix Small Cap Index	0.06	0.09	0.16
MSCI Japan	0.03	0.06	0.19
MSCI Japan Utilities	-0.22	0.11	0.02
Macro			
10Y JGB	-0.01	-0.21	0.02
CPI Nationwide	-0.15	-0.10	0.01
Industrial Production	0.16	0.15	0.03
Eco Watchers Outlook	-0.37	-0.05	0.00

Source: FactSet

Renova exhibits notably low correlation with both sector and broader equity indices, consistent with its predominantly idiosyncratic risk profile. Correlation with the MSCI Japan Utilities and Topix Electric Power & Gas indices is slightly negative in the near term, reflecting Renova's business model, which differs from that of traditional utilities.

Astris-Sustainability ESG assessment

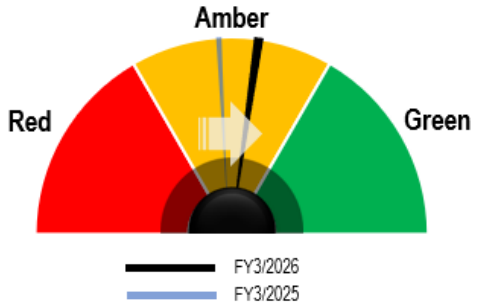
Ratings and scorecard

Our in-house **Astris Sustainability ESG model** assigns Renova a **combined score of 52.2%**, placing it in the **"Amber" rating category** in our FY3/26 assessment.

Our in-house methodology* evaluates a set of core, measurable ESG factors and ranks Renova's performance against its domestic peers in the GICS Industry Group – Utilities sector, with market capitalizations ranging from ¥25 billion to ¥1,000 billion (a total of 20 companies).

Renova's total ESG score improved over FY3/25, driven by significant gains in the Environmental and Social categories. These increases reflect the growing positive impact of Renova's expanded renewable energy footprint on both the environment and local communities. The marginal decline in the Governance score is primarily attributable to recent organizational restructuring and internal personnel transitions.

Astris-Sustainability ESG model rating for Renova



Source: Astris Advisory (*Note – for details of our in-house rating system, please contact Astris Corporate Advisory)

ESG scorecards

	FY3/25	FY3/26
Environmental (19 factors from a selected peer group)		
Astris Environmental score	**55.01**	**67.37**
Social (13 factors from a selected peer group)		
Astris Social score	**56.78**	**64.47**
Governance (37 factors from a selected peer group)		
Astris Governance score	**41.15**	**40.17**
TOTAL SCORE (Out of a total of 69 factors)	**47.90**	**52.20**

Source: Astris Advisory based on company data and FactSet

Our methodology has highlighted the following key topics:

Environmental

Renova has firmly integrated climate change as a priority management issue since expressing its support for the TCFD recommendations in 2021, with its Board of Directors actively overseeing all climate-related risks and opportunities. Dedicated to its core mission of creating green, sustainable energy systems, the company targets a cumulative CO2 emissions reduction of 20 million tons by 2030. To achieve this ambitious goal, Renova has expanded its operational focus beyond standard power generation to include Green Transformation (GX) businesses and large-scale battery energy storage systems (BESS). Furthermore, starting in FY3/26, the company has intensified its Scope 3 evaluations and is

collaborating with partners such as NTT Anode Energy to establish third-party verification schemes for sustainable biomass generation, marking a major step toward a transparent, decarbonized supply chain.

Social

Driven by a philosophy of shared prosperity and deep community coexistence, Renova ensures its renewable energy developments deliver meaningful regional benefits while firmly upholding health, safety, and environmental (HSE) standards across its power plants to safeguard vital social infrastructure. On a community level, the company actively revitalizes the local forestry industry in Akita Prefecture by sourcing 70% of its biomass fuel from previously unused regional materials, while also dedicating resources to historical preservation through educational facilities like the "Gamo Nakano Kyoshu-kan." Furthermore, Renova places a strong emphasis on fostering human capital, engaging future generations through tailored environmental learning programs, and cultivating a diverse, inclusive corporate culture to accelerate its ambition of becoming Asia's leader in renewable energy.

Governance

The corporate governance system at Renova is structured as follows:

- **Board of Directors:** Composed of 7 directors, including 4 Independent External Directors, chaired by Koichi Kawana (Director, Chairman). The board features a high ratio of independent oversight (around 36%), including female representation such as Mayuka Yamazaki, reflecting the company's focus on diversity and global standards in governance.
- **Audit & Supervisory Board:** Consists of 4 members, including 2 External Audit & Supervisory Board Members (Independent). This board is responsible for conducting rigorous audits of management execution, financial reporting, and compliance to ensure long-term corporate value and accountability to shareholders.
- **Nomination and Remuneration Committees:** To ensure objectivity, transparency, and fairness in the oversight of management, Renova operates a voluntary Nomination and Remuneration Committee to deliberate on director appointments and executive pay structures, including performance-linked stock incentives. This four-member advisory body is chaired by Chairman Kawana, a non-executive director, and includes President Kanamoto alongside External Directors Mr. Shimada and Mr. Takayama, ensuring that Independent external directors constitute a majority of the committee.

Controversies

We found no record of major public scandals or serious criminal incidents involving Renova in publicly available institutional sources for the current period. However, as the company scales its biomass operations and large-scale battery energy storage systems (BESS), institutional investors continue to monitor operational risks such as output curtailment and fuel procurement sustainability. Renova has proactively addressed these areas through the development of third-party verification schemes for biomass and enhanced transparency in its monthly electricity generation reporting to maintain high market trust.

Areas of discussion

Highlighting key topics for investors

We believe the following will be key areas for discussion with investors:

1. Battery Energy Storage Systems (BESS) Strategy

- What is the targeted revenue mix between market trading (arbitrage), the supply-demand balancing market (ancillary services), and fixed revenues from the Long-term Decarbonization Power Source Auction?
- Following the recent JPY 6.0 billion project finance secured for the Kikugawa project, is the domestic banking syndicate more comfortable scaling non-recourse project finance for entirely market-based (non-FIT/FIP) BESS assets?

2. Capital efficiency & Valuation (ROE, PBR, OCI)

- How should investors adjust for Other Comprehensive Income (OCI) fluctuations (e.g., derivative hedges, currency/interest rate swaps for project finance) when calculating the true core ROE?

3. Valuation methodology

- Is EV/EBITDA or NAV calculation a better valuation method to evaluate Renova?
- What specific WACC/discount rate assumptions is the market applying to Renova's operational assets versus its pipeline (e.g., offshore wind vs. BESS)?
- How much of a discount to Net Present Value (NPV) is warranted due to grid curtailment risks in regions like Kyushu or Hokkaido?

4. Macro Environment: Rising Interest Rates in Japan

- What percentage of Renova's outstanding project finance debt is fixed-rate or fully hedged via interest rate swaps?
- As the Bank of Japan normalizes policy, will the rising cost of debt compress project equity IRRs, or can higher funding costs be passed through via higher wholesale electricity market prices?

IFRS Financial Summary

Income statement (¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
Sales	**70.25**	**87.62**	**91.58**	**100.98**	**109.28**
Operating prfit	**4.07**	**8.28**	**11.60**	**14.20**	**15.80**
OP margin (%)	5.8	9.5	12.7	14.1	14.5
Gain on remeasurement to fair value of pre-existing interest in business combination	4.4	1.7	-	-	-
Gain on remeasurement to fair value of option	-	1.2	-	-	-
Loss on remeasurement to fair value of option	(0.3)	-	-	-	-
Finance income	1.6	1.9	1.7	1.8	1.8
Finance expenses	(5.9)	(7.2)	(6.6)	(6.9)	(6.7)
Pre-tax profit	**3.90**	**5.86**	**6.79**	**9.14**	**10.86**
Tax	(0.46)	(1.24)	(1.12)	(1.72)	(1.92)
Effective tax rate (%)	11.8	21.2	16.5	18.9	17.7
Net income	**3.44**	**4.62**	**5.67**	**7.41**	**8.94**
Non-controlling NI	0.75	1.31	1.31	1.31	1.31
Parent attributable NI	**2.69**	**3.31**	**3.52**	**6.10**	**7.63**
Sales growth YoY (%)	+57.0	+24.7	+4.5	+10.3	+8.2
OP growth YoY (%)	-19.0	+103.7	+40.0	+22.4	+11.3
Pre-tax profit YoY (%)	-67.1	+50.3	+15.8	+34.6	+18.9
NI growth YoY (%)	-69.7	+23.1	+6.4	+73.4	+25.0

Balance sheet (¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
Cash & equivalents	**23.93**	**23.08**	**31.01**	**34.95**	**41.61**
Accounts receivables	14.73	12.07	12.61	13.91	15.05
Inventory	2.38	2.58	2.66	2.93	3.17
Other	69.73	68.39	71.48	78.82	85.29
Current assets	**110.76**	**106.13**	**117.76**	**130.61**	**145.13**
Tangible assets	224.96	232.21	226.24	221.61	217.18
Goodwill	0.24	0.24	0.24	0.24	0.24
Intangible assets	33.72	32.23	29.81	27.63	25.41
Long-term investments	11.44	7.83	7.83	7.83	7.83
Other	148.93	232.83	232.83	232.83	232.83
Fixed assets	**419.29**	**505.34**	**496.95**	**490.14**	**483.49**
Total assets	**530.05**	**611.46**	**614.71**	**620.74**	**628.62**
Short-term borrowing	38.09	32.40	32.40	32.40	32.40
Trade payables	14.51	14.11	14.31	14.21	14.26
Other	2.71	2.15	2.43	2.29	2.36
Current liabilities	**55.30**	**48.67**	**49.14**	**48.91**	**49.02**
Long-term borrowing	287.84	308.39	308.39	308.39	308.39
Other LT liabilities	53.49	68.53	68.53	68.53	68.53
Long-term liabilities	**341.33**	**376.92**	**376.92**	**376.92**	**376.92**
Shareholder's equity	89.11	122.85	134.98	136.57	146.67
Share acquisition rights	0	0	0	0	0
Non-controlling interests	44.32	63.03	53.67	58.35	56.01
Total net assets	**133.42**	**185.88**	**188.65**	**194.92**	**202.68**
Total liabilities & net assets	**530.05**	**611.46**	**614.71**	**620.74**	**628.62**

Cash flow statement (¥bn)	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
Profit before tax	**3.90**	**5.86**	**6.79**	**9.14**	**10.86**
Depreciation/amortization	16.51	17.80	18.60	20.51	22.20
Changes in working capital	16.57	8.78	(2.49)	(7.36)	(6.17)
Other non-cash items	(2.78)	(2.11)	(2.44)	(2.27)	(2.36)
Tax paid	(2.71)	(2.06)	(1.12)	(1.72)	(1.92)
Cash from Operating Activities	**31.50**	**28.27**	**19.34**	**18.29**	**22.61**
Capex	(8.73)	(5.93)	(6.49)	(9.59)	(11.11)
Acquisitions/increase stakes	(2.45)	(0.97)	(0.97)	(0.97)	(0.97)
Other investing cash flow	(5.33)	(4.73)	(5.03)	(4.88)	(4.96)
Cash from Investing Activities	**(16.52)**	**(11.62)**	**(12.49)**	**(15.44)**	**(17.03)**
Total cash dividends paid	-	-	-	-	-
Debt issuance/(retirement)	(12.89)	(18.52)	-	-	-
Equity financing/(buybacks)	17.34	(0.08)	-	-	-
Other	(12.73)	1.16	1.16	1.16	1.16
Cash from Financing Activities	**(8.29)**	**(17.44)**	**1.16**	**1.16**	**1.16**
FX impact	(0.09)	(0.06)	(0.08)	(0.07)	(0.07)
Net cash flow	**6.60**	**(0.85)**	**7.93**	**3.94**	**6.67**
Free cash flow	**22.77**	**22.35**	**12.84**	**8.70**	**11.50**
EBITDA	**23.31**	**30.53**	**37.12**	**47.98**	**53.79**
EBITDA margins (%)	33.2	34.8	40.5	47.5	49.2
Free cash flow margin (%)	32.4	25.5	14.0	8.6	10.5
Free cash flow conversion (%)	583.7	381.2	189.3	95.2	105.9
Capex/sales (%)	141.1	171.5	7.1	9.5	10.2
Capex/depreciation (%)	52.9	33.3	34.9	46.8	50.1
CFO margin (%)	44.8	32.3	21.1	18.1	20.7

Key metrics	FY 3/25	FY 3/26	FY 3/27E	FY 3/28E	FY 3/29E
Profitability					
Operating margin (%)	5.8	9.5	12.7	14.1	14.5
Net margin (%)	3.8	3.8	3.8	6.0	7.0
ROA (%)	0.5	0.6	0.6	1.0	1.2
ROE (%)	3.4	3.1	2.7	4.5	5.4
ROCE (%)	0.9	1.5	2.1	2.5	2.7
ROIC (%)	0.9	1.5	2.1	2.4	2.7
Liquidity					
Current ratio (x)	2.0	2.2	2.4	2.7	3.0
Quick ratio (x)	2.0	2.1	2.3	2.6	2.9
Leverage					
Debt/Equity ratio (x)	3.7	2.8	2.5	2.5	2.3
Net Debt/Equity ratio (x)	3.4	2.6	2.3	2.2	-
Equity ratio (x)	0.2	0.2	0.2	0.2	0.2
Interest cover (x)	(0.7)	(1.1)	(1.8)	(2.1)	(2.3)
Net Debt/EBITDA (x)	13.0	10.4	8.3	6.4	-
Valuation					
EPS reported (¥)	29.85	36.59	38.93	67.52	84.42
PER (x)	**32.7**	**26.7**	**25.1**	**14.5**	**11.6**
Diluted PER (x)	**32.7**	**26.7**	**25.1**	**14.5**	**11.6**
DPS (¥)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Free cash flow yield (%)	**25.5**	**25.1**	**14.4**	**9.8**	**12.9**
Diluted FCF yield (%)	**25.5**	**25.1**	**14.4**	**9.8**	**12.9**
PBR (x)	**1.0**	**0.7**	**0.7**	**0.7**	**0.6**
EV/sales (x)	6.2	5.0	4.8	4.3	4.0
EV/EBITDA (x)	18.7	14.3	11.7	9.1	8.1
EV/EBIT (x)	107.1	52.6	37.5	30.7	27.6
EV/FCF (x)	19.1	19.5	33.9	50.1	37.9

Source: Company, Astris Advisory (estimates)

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