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Notice Regarding Introduction of Stock Compensation Plan for the Company's Directors, etc.

RENOVA, Inc. (hereinafter the "Company") announces that at a meeting of the Board of Directors held today, it resolved to introduce a stock compensation plan (hereinafter the "Plan") as a new incentive plan for its Directors (including the External Directors) and Executive Officers (hereinafter the "Directors, etc.") and to submit a proposal of the Plan to the 19th Annual General Meeting of Shareholders that is due to be held on August 29, 2018 (hereinafter the "Shareholders' Meeting").

1. Introduction of the Plan

(1) Our mission is "to create green and sustainable energy systems for a better world," and our vision is "to become Asia's renewable energy leader."

The Company will introduce the Plan as a performance-based stock compensation plan using a trust (but a non-performance-based plan for the External Directors) as an incentive plan for the Directors, etc.

In order to realize our vision, the Plan aims at clarifying the linkage between compensation for the Directors, etc. and the stock value of the Company, and promoting motivation in contributing to enhancement of medium- to long-term business performance of the Company and an increase in its stock value.

(2) The Plan is a stock compensation plan using a scheme of a share delivery trust and an incentive plan for the Directors, etc. based on the Performance Share Plan and the Restricted Stock Plan.

The Company will deliver or pay (hereinafter "Deliver, etc.") its shares acquired through the share delivery trust and money equivalent to the converted value of such shares (hereinafter the "Company's Shares, etc.") to the Directors (excluding the External Directors) and the Executive Officers in accordance with their ranks and the level of achievement of their performance targets after the Company's performance evaluation has been fixed. It will also Deliver, etc. a set number of the Company's Shares, etc. to the External Directors every fiscal year irrespective of the level of achievement of the performance targets in light of securing proper and objective audit and supervisory function on the validity of business execution.

(3) The introduction of the Plan is subject to the adoption of a resolution to approve compensation for the Directors at the Shareholders' Meeting.

2. Policies for Directors' compensation

(1) Basic policies

The Company's compensation plan for its Directors is operated under the basic policies as described below with a view to achieving our mission and our vision above.

- i) Developing an environment that facilitates the promotion of human resources with professional skills in each area.
- ii) Establishing a compensation plan that easily enables the Company to attract and retain excellent human resources suitable for an executive position.
- iii) Making a commitment to realizing the medium- to long-term growth of the Company by focusing on it.
- iv) Achieving a compensation level worthy of the performance scale at the time when the medium- to long-term business performance of the Company is achieved.
- v) Ensuring the flexible and speedy operation to enable the Company to recruit appropriate human resources for appropriate positions and respond to their retention needs.
- vi) Ensuring the objectivity and transparency of the compensation decision process to build the foundation for external accountability.

(2) Framework of the compensation level

The compensation level for the Directors etc., is determined with reference to the compensation level of companies with a similar business performance scale as its benchmark based on the external compensation database, taking into account the Company's business performance scale when its medium- to long-term business performance is achieved.

(3) Composition of compensation

Compensation for the Directors (excluding the External Directors) and the Executive Officers consists of the basic compensation (monetary compensation) and stock compensation that are linked to the medium- to long-term business performance of the Company (hereinafter the "Performance-linked Stock Compensation"), and the ratio of the Performance-linked Stock Compensation to the basic compensation is from 0% to 100%. In addition, the Company adopts EBITDA (operating profit before depreciation and amortization) (*1) as an indicator that the Company puts importance on in its performance-linked evaluation.

Meanwhile, compensation for the External Directors consists of the basic compensation (monetary compensation) and stock compensation that are not linked to the business performance of the Company at all (hereinafter the "Non-performance-linked Stock Compensation") in order to fully secure the neutral and objective audit and supervisory function over management, and the ratio of the Non-performance-linked Stock Compensation to the basic compensation is set at 20% across the board.

(*1) Ordinary profit + net interest expenses + depreciation + amortization of long-term prepaid expenses (amortization of grid connection costs and amortization of deferred consumption taxes) + amortization of goodwill + amortization of deferred assets (amortization of business commencement expenses and amortization of deferred organization expenses)

(4) Compensation governance

The Company has established the Nomination and Compensation Committee (voluntary organization) as an advisory body for the Board of Directors to ensure the objectivity and transparency of the compensation decision process for the Directors, etc. and the adequacy of the content of their compensation. The Nomination and Compensation Committee is chaired by the Chief Independent External Director, and the majority of the members are Independent External Directors.

In addition, the Company uses an external consultant with a wealth of information and expertise and expert knowledge about the development of a global compensation plan in order to consider the compensation plan by taking into account global industry trends and business conditions, and utilizing various data.

The introduction of the Plan was recommended by the Nomination and Compensation Committee through sufficient discussions with support from the external consultant. It has been deliberated and determined by the Board of Directors based on the recommendation.

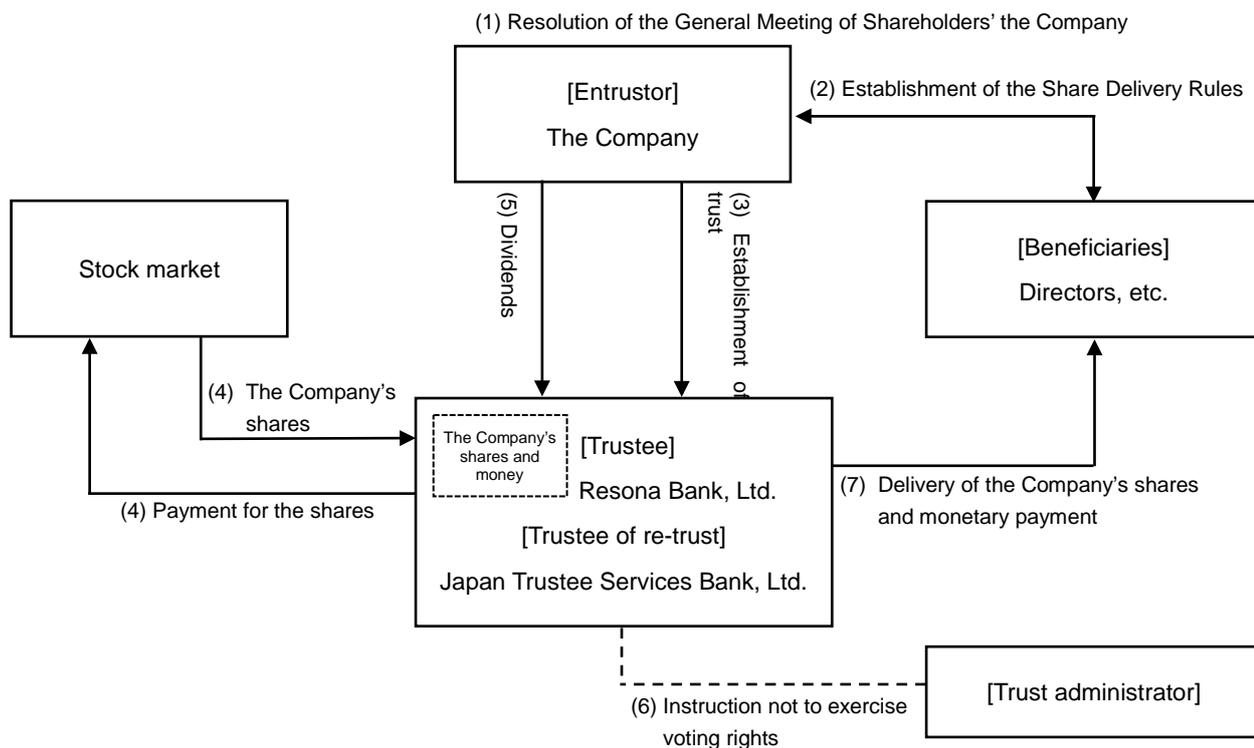
3. Details of the Plan

(1) Overview of the Plan

The Plan is a stock compensation plan in which a trust to be established by the Company with money contributed by the Company (hereinafter the “Trust”) acquires the Company’s shares and delivers the number of the Company’s Shares, etc. corresponding to the number of points to be granted to each Director, etc. via the Trust as compensation for the Directors, etc. based on the Stock Delivery Rules to be established by the Company. The Directors (excluding the External Directors) and the Executive Officers receive the Delivery, etc. of the Company’s Shares, etc. after the Company’s performance evaluation for the fiscal year following the end of each coverage period has been fixed(*1), in principle. It is each fiscal year for the External Directors.

(*1) The coverage period of the Plan will be the period established every four fiscal years. Details are as defined in (4) Coverage period of the Plan.

(Structure of the Plan)



- (1) The Company will obtain a resolution to approve the Directors' compensation in relation to the introduction of the Plan at its General Meeting of Shareholders'.
- (2) The Company will establish the Share Delivery Rules for the Delivery, etc. of the Company's shares at a meeting of the Board of Directors.

- (3) The Company will contribute money within the range approved by the General Meeting of Shareholders' in (1) above and establish a trust (the Trust) with the persons eligible for the Plan as the candidates for beneficiaries. The Company may contribute additional money within the range above.
- (4) The Trust will acquire the Company's shares from the stock market by using the money entrusted under (3) above in accordance with instructions from the trust administrator.
- (5) Dividends will also be paid for the Company's shares in the Trust in the same manner as for the Company's other shares.
- (6) Voting rights of the Company's shares in the Trust will not be exercised across the board during the trust period.
- (7) During the trust period, points will be granted to the Directors (excluding the External Directors) and the Executive Officers every fiscal year in accordance with their ranks and the level of achievement of the performance targets in accordance with the Share Delivery Rules in (2) above, and the number of the Company's Shares, etc. corresponding to the points granted will be Delivered, etc. to those who have met certain beneficiary requirements defined in the Share Delivery Rules after the Company's performance evaluation for the fiscal year following the end of each coverage period has been fixed. In addition, a set number of points will be granted to the External Directors every fiscal year irrespective of the level of achievement of the performance targets, and the number of the Company's Shares, etc. corresponding to the points granted will be Delivered, etc. to those who have met certain beneficiary requirements defined in the Share Delivery Rules.

(2) Resolution of the Shareholders' Meeting on the introduction of the Plan

The maximum amount to be contributed to the Trust and other necessary matters will be resolved at the Shareholders' Meeting.

(3) Persons eligible for the Plan

The Directors (including the External Directors) and the Executive Officers

(4) Coverage period of the Plan

The initial coverage period of the Plan will be four fiscal years from the fiscal year beginning on June 1, 2018. Similarly thereafter, the coverage period of the Plan will be every four fiscal years, and the next coverage period of the Plan will begin after four fiscal years have passed since the beginning of each coverage period of the Plan. The Company plans to submit a proposal to the Shareholders' Meeting to partially amend the Articles of Incorporation to the effect that the fiscal year will be one year between April 1 of each year and March 31 of the following year, and if this proposal is approved, the fiscal year end will change from the current May 31 to March 31. In this case, the initial coverage period of the Plan will be from June 1, 2018 to March 31, 2022.

(5) Trust period

The trust period will continue from October 2018 (planned) until the end of the Trust (the Trust will continue as long as the Plan continues without any specific expiration date).

The Plan will terminate due to the delisting of the Company's shares or the abolition, etc. of the Share Delivery Rules.

(6) Amount of funds to be entrusted and number of shares to be acquired

Subject to the approval of the introduction of the Plan at the Shareholders' Meeting, the Company will establish the Trust by contributing the funds necessary for the Trust to acquire the number of shares that is reasonably expected to become necessary to Deliver, etc. the Shares, etc. in advance for a certain period in accordance with the procedures in (8) and (9) below. The Trust will acquire the Company's shares by using the funds contributed by the Company.

More specifically, if the introduction of the Plan is approved at the Shareholders' Meeting, the Company will contribute up to 166 million yen for the Directors (of which 45 million yen will be for the External Directors) (*1) as funds for acquiring the shares to make the Delivery, etc. based on the Plan for the initial coverage period of four fiscal years beginning on June 1, 2018. This amount has been determined by comprehensively taking into account the current payment level of compensation for the Directors of the Company and the trends and future outlook of the number of Directors, etc., and the Company has determined that this is reasonable.

Subsequently until the Trust ends, when each coverage period of the Plan begins, the Company will, in principle, contribute additional funds that are deemed necessary for the Trust to acquire the number of shares that is reasonably expected to become necessary to Deliver, etc. the Shares, etc. to the Directors based on the Plan in advance for four fiscal years in each coverage period of the Plan, but the funds to be contributed may not exceed the amount above. However, when making such additional contribution, if there are remaining shares of the Company (excluding the Company's shares corresponding to the number of points granted to the Directors that have yet to be Delivered, etc. to the Directors) and remaining money (hereinafter collectively the "Remaining Shares, etc.") in the Trust assets on the day before the beginning of the coverage period of the Plan, the Company will calculate the amount of the additional contribution for the relevant coverage period of the Plan after taking the Remaining Shares, etc. into account.

(*1) As a reference, the maximum funds to be contributed to the Trust as funds for acquiring the shares to make the Delivery, etc. based on the Plan will be 414 million yen for the Executive Officers for the initial coverage period of the Plan. The amount of the contribution for the Executive Officers for each subsequent coverage period of the Plan will be determined within a reasonable range, comprehensively taking into account the business performance of the Company, the economic conditions at the time and so forth.

(7) Acquisition method and number of the Company's shares to be acquired by the Trust

The Trust will initially acquire the Company's shares from the stock market within the range of funds for acquiring the shares specified in (6) above, and new shares will not be issued. Accordingly, the total number of issued shares will not increase upon the acquisition of the Company's shares by the Trust, and dilution will not occur.

The Company will determine the details of the acquisition method after the Shareholders' Meetings and disclose them.

For reference, if the Company's shares are acquired at the closing price of 1,358 yen on July 4, 2018, using 580 million, which is the total maximum amount of funds to be contributed for acquiring the shares for the initial coverage period of the Plan, the number of shares to be acquired will be 427,098, which accounts for 1.15% of the total number of issued shares.

(8) Calculation method and maximum number of the Company's Shares, etc. to be Delivered, etc. to each Director, etc.

The Company will grant points to the Directors (excluding the External Directors) and the Executive Officers in accordance with their ranks and the level of achievement of the performance targets every fiscal year in

accordance with the Share Delivery Rules to be established by its Board of Directors after the Shareholders' Meeting and Deliver, etc. the number of the Company's Shares, etc. corresponding to the points granted to those who have met certain beneficiary requirements defined in the Share Delivery Rules after the Company's performance evaluation for the fiscal year following the end of each coverage period has been fixed. In addition, the Company will grant a set number of points to the External Directors every fiscal year irrespective of the level of achievement of the performance targets and Deliver, etc. the number of the Company's Shares, etc. corresponding to the points granted to those who have met certain beneficiary requirements defined in the Share Delivery Rules.

The points to be granted to the Directors, etc. will be converted to the common shares of the Company at a rate of one share for every one point at the time of the Delivery, etc. of the Shares, etc. as mentioned in (9) below (however, if a share split, the allotment of shares without contribution or the consolidation of shares, etc. is conducted for the Company's shares after the resolution of approval at the Shareholders' Meeting, the conversion rate will be adjusted reasonably according to the rate in the share split, the allotment of shares without contribution or the consolidation of shares, etc.).

(9) Delivery, etc. of the Company's Shares, etc. to each Director, etc.

The Company's Shares, etc. corresponding to the total number of points granted to the Directors (excluding the External Directors) and the Executive Officers in each coverage period of the Plan will be Delivered, etc. to them in accordance with prescribed procedures for determining the beneficiaries after the Company's performance evaluation for the fiscal year following the end of each coverage period of the Plan has been fixed.

The Company's Shares, etc. corresponding to the total number of points granted to the External Directors every fiscal year will be Delivered, etc. to them in the fiscal year in accordance with the prescribed procedures for determining the beneficiaries.

(10) Exercise of voting rights of the Company's shares in the Trust

The voting rights of the Company's shares in the Trust (that is, the Company's shares before they are Delivered, etc. to the Directors, etc. of the Company in accordance with the procedures in (9) above) will not be exercised during the trust period to ensure neutrality over management.

(11) Handling of dividends for the Company's shares in the Trust

The Trust will receive dividends for the Company's shares in the Trust and appropriate them as funds for acquiring the shares and trust expenses such as trust fees.

(12) Treatment after the end of the trust period

Of the residual assets in the Trust when the Trust ends, all the Company's shares will be acquired by the Company without compensation and cancelled by a resolution of the Board of Directors.

Of the residual assets in the Trust when the Trust ends, money will be paid to the persons eligible for the Plan who are incumbent at that time in proportion to their respective points accumulated.

[Outline of the Trust]

Name: Share Delivery Trust for Directors, etc.
Entruster: The Company
Trustee: Resona Bank, Ltd.
Resona Bank, Ltd. will conclude a specified comprehensive trust agreement with Japan Trustee Services Bank, Ltd., and Japan Trustee Services Bank, Ltd. will become the trustee of re-trust.
Beneficiaries: Those persons eligible for the Plan who have met the beneficiary requirements
Trust administrator: Third party with no interest in the Company
Date of conclusion of the trust agreement: Mid-October 2018 (planned)
Date when money is entrusted: Mid-October 2018 (planned)
Trust period: From mid-October 2018 (planned) to the end of the Trust (the Trust will continue as long as the Plan continues without any specific date of expiration)

[For inquiries about this release]

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