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May 15, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)

Company name: gremz, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3150
URL: https://www.gremz.co.jp/en/
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Scheduled date of annual general meeting of shareholders: June 26, 2024
Scheduled date to commence dividend payments: June 27, 2024
Scheduled date to file annual securities report: June 27, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (For institutional investors / Analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	29,908	(4.7)	5,217	44.9	5,268	42.9	3,540	43.6
March 31, 2023	31,392	35.0	3,600	46.9	3,687	46.6	2,465	14.2

Note: Comprehensive income For the fiscal year ended March 31, 2024: ¥3,608 million [50.9%]
For the fiscal year ended March 31, 2023: ¥2,390 million [11.1%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	153.83	153.32	31.0	27.1	17.4
March 31, 2023	108.19	107.04	27.6	23.9	11.5

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2024: –
For the fiscal year ended March 31, 2023: –

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	21,612	12,991	59.7	558.56
March 31, 2023	17,217	10,008	57.8	434.39

Reference: Equity
As of March 31, 2024: ¥12,903 million
As of March 31, 2023: ¥9,955 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	4,089	(1,787)	(52)	10,474
March 31, 2023	1,464	80	1,162	8,224

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	–	5.00	–	17.00	22.00	503	20.3	5.6
Fiscal year ended March 31, 2024	–	15.00	–	32.00	47.00	1,085	30.6	9.5
Fiscal year ending March 31, 2025 (Forecast)	–	20.00	–	37.00	57.00		30.5	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	16,500	3.5	3,250	1.6	3,304	2.2	2,190	0.6	94.80
Fiscal year ending March 31, 2025	34,000	13.7	6,500	24.6	6,570	24.7	4,320	22.0	187.00

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	23,814,800 shares
As of March 31, 2023	23,630,800 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2024	712,793 shares
As of March 31, 2023	712,763 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024	23,015,542 shares
Fiscal year ended March 31, 2023	22,785,366 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	2,409	13.1	1,741	28.7	1,792	27.8	1,459	27.6
March 31, 2023	2,130	34.5	1,352	53.7	1,403	57.4	1,144	17.6

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	63.41	63.20
March 31, 2023	50.22	49.68

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	7,554	4,956	64.5	210.75
March 31, 2023	6,878	4,121	59.1	177.49

Reference: Equity

As of March 31, 2024: ¥4,868 million

As of March 31, 2023: ¥4,067 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

  Forward-looking statements, including earnings forecasts, contained in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business results and other results may differ materially from the forward-looking statements due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please see “1. Overview of operating results and others, (4) Future outlook” of the attached material on page 4.

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1. Overview of operating results and others

(1) Overview of operating results for the current fiscal year

During the fiscal year ended March 31, 2024, the economic environment remained uncertain, with factors such as rising prices against the backdrop of a weakening yen and a stalling recovery in personal consumption, despite signs of a gradual recovery in the economy, including an improvement in the employment and income environment and corporate earnings, as well as a pickup in capital investment.

Regarding the gremz Group (the "Group"), amid soaring electricity costs, and the growing uptake of renewable energy which is bringing about the realization of GX (green transformation), the Group worked to expand sales with a core focus on the growth of photo-voltaic systems for business use. In addition, in the area of electricity retailing, we took steps to reduce the risk of fluctuations in electricity procurement prices by implementing the operation of the proprietary cost adjustment system (scheme of reflecting part of the electricity market procurement cost in electricity charges) for low voltage and promotion of market linkage plans for high voltage in addition to introducing new plans for low voltage ("value plan" and "simple plan") in response to the regulatory rate revisions of the major electric power companies. Furthermore, in the area of products and services related to cost reduction, energy conservation, and renewable energy, for which there is stable demand, orders were steady for both business clients and retail customers.

As a result of the above, the Group's business results for the fiscal year ended March 31, 2024 were as follows: net sales of ¥29,908 million (down 4.7% year on year), operating profit of ¥5,217 million (up 44.9% year on year), ordinary profit of ¥5,268 million (up 42.9% year on year), and profit attributable to owners of parent of ¥3,540 million (up 43.6% year on year). Each profit category reached record highs.

Business results for each business segment are as follows.

Energy Cost Solutions Business (ECS)

In the Energy Cost Solutions Business, the Group made proposals to customers for improving their electricity operations and facilities. These included photo-voltaic systems for business use that propose self-consumption of self-generated electricity as our core product, along with consulting services for reducing costs for business owners by lowering base electricity fees, and sales of various energy-efficient appliances, such as IoT devices, and commercial air conditioners and transformers for conserving energy.

As a result, net sales in the Energy Cost Solutions Business were ¥7,734 million (up 39.9% year on year), and segment profit was ¥3,030 million (up 45.7% year on year).

Smart House Project Business (SHP)

For the Smart House Project Business, the Group promoted sales of storage batteries, which are in demand due to the needs for reinforcement of household energy resilience, in addition to market conditions such as growing interest in renewable energy due to decarbonization and an increase in the number of post-FIT (feed-in tariff) matters as the 10-year FIT program for solar power generation comes to an end.

As a result, Smart House Project Business posted net sales of ¥4,440 million (up 10.6% year on year) and segment profit of ¥587 million (up 18.3% year on year).

Electricity Retailing Business (ER)

In the Electricity Retailing Business, while net sales declined due to lower electricity market prices, profit increased due to the effects of risk hedging measures and stable low electricity market prices.

As a result, net sales in the Electricity Retailing Business were ¥17,733 million (down 18.8% year on year), and segment profit was ¥2,267 million (up 25.9% year on year).

(2) Overview of financial position for the current fiscal year

(i) Assets, liabilities and net assets

Current assets

Current assets as of March 31, 2024 were ¥16,913 million, an increase of ¥2,745 million from the end of the previous fiscal year. This was mainly due to increases of ¥2,249 million in cash and deposits and ¥1,215 million in merchandise, despite a decrease of ¥678 million in notes and accounts receivable - trade, and contract assets.

Non-current assets

Non-current assets as of March 31, 2024 were ¥4,698 million, an increase of ¥1,649 million from the end of the previous fiscal year. This was mainly due to increases of ¥1,600 million in investment securities and ¥84 million in deferred tax assets, despite a decrease of ¥29 million in software.

Current liabilities

Current liabilities as of March 31, 2024 were ¥5,810 million, an increase of ¥1,147 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥79 million in notes and accounts payable-trade, ¥100 million in short-term borrowings, ¥283 million in current portion of long-term borrowings, ¥112 million in accounts payable - other, ¥412 million in income taxes payable, and ¥146 million in accrued consumption taxes.

Non-current liabilities

Non-current liabilities as of March 31, 2024 were ¥2,810 million, an increase of ¥264 million from the end of the previous fiscal year. This was mainly due to an increase of ¥224 million in long-term borrowings.

Net assets

Net assets as of March 31, 2024 were ¥12,991 million, an increase of ¥2,982 million from the end of the previous fiscal year. This was mainly attributable to an increase of ¥3,608 million due to comprehensive income attributable to owners of parent, while there was a decrease of ¥736 million due to dividends of surplus.

(3) Overview of cash flows for the current fiscal year

Cash and cash equivalents (“net cash”) as of March 31, 2024 totaled ¥10,474 million, an increase of ¥2,249 million compared to the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥4,089 million in the fiscal year ended March 31, 2024, compared with ¥1,464 million provided in the previous fiscal year. This was mainly due to an increase in net cash resulting from profit before income taxes of ¥5,218 million, depreciation of ¥189 million, a decrease in trade receivables of ¥678 million, etc., while there was a decrease in net cash resulting from an increase in inventories of ¥1,215 million, income taxes paid of ¥1,368 million, and other factors.

Cash flows from investing activities

Net cash used in investing activities in the fiscal year ended March 31, 2024 totaled ¥1,787 million, compared with ¥80 million provided in the previous fiscal year. This was mainly due to an increase in cash resulting from sale of investment securities of ¥600 million, etc., while there was a decrease in cash resulting from purchase of investment securities of ¥2,200 million and purchase of property, plant and equipment of ¥144 million, etc.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥52 million in the fiscal year ended March 31, 2024, compared with ¥1,162 million provided in the previous fiscal year. This was mainly due to an increase in net cash resulting from long-term borrowings of ¥1,500 million, etc., while there was a decrease in net cash resulting chiefly from repayments of long-term borrowings of ¥992 million and dividends paid of ¥735 million, etc.

(Reference) Trends in cash flow indicators

	FY2022	FY2023	FY2024
Equity-to-asset ratio (%)	58.3%	57.8%	59.7%
Equity-to-asset ratio based on market value (%)	376.7%	318.4%	239.2%
Interest-bearing debt to cash flow ratio (annual)	–	2.2	0.9
Interest coverage ratio (times)	–	171.8	313.8

Equity-to-asset ratio: Equity/Total assets
Equity-to-asset ratio based on market value: Total market capitalization/Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

Notes: 1. All figures are calculated based on consolidated financial data.
2. Total market capitalization is calculated based on the number of issued shares excluding treasury shares.
3. For the cash flow, the operating cash flows are used.
4. Interest-bearing debts include all of those debts reported on the consolidated balance sheet on which interest is paid.
5. Interest-bearing debt to cash flow ratio and interest coverage ratio for the fiscal year ended March 31, 2022 are not shown due to negative operating cash flow.

(4) Future outlook

In light of the current economic environment, including soaring electricity costs and the creation of a decarbonized society, the Group is working to improve lifetime value (customer lifetime value) by proposing ways to reduce electricity costs through the use of renewable energy and improvements in electricity operation, facilities, and procurement. Since the fiscal year ended March 31, 2023, we have adopted a growth strategy centered on expanding the Energy Cost Solutions Business, with photo-voltaic systems for business use as our core product. In the current fiscal year, against the backdrop of continued strong orders, we will further expand sales of photo-voltaic systems for business use, and in the Electricity Retailing Business, we will thoroughly hedge against the risks associated with fluctuations in business performance to make the business a stable source of recurring revenue, which will lead to growth for the entire Group.

For the Energy Cost Solutions Business, we will strive for sustainable expansion with a focus on the aforementioned photo-voltaic systems for business use. We will propose to customers that they install photo-voltaic systems on the roofs of their factories and consume the electricity they generate, thereby reducing their costs compared to purchasing electricity. The Group will differentiate itself by focusing on sales to low-voltage electricity consumers, where the Group has strengths, and will aim for stable orders and high profitability. In addition to investing human resources, we will actively promote partnerships with other companies.

For the Smart House Project Business, we will continue to promote sales of storage batteries in response to expected demand for renewable energy and an increase in the number of post-FIT matters.

For the Electricity Retailing Business, amid an environment such as the start of the capacity market, we are continuously working to reduce procurement price fluctuation risk by having a customer base of low-voltage electricity consumers with low load factors (ratio of annual average power consumption to maximum power consumption). We will also aim for stable earnings growth while thoroughly hedging against the risks of soaring electricity market prices by securing 1-on-1 individual contract agreements with profitability in mind, operating our proprietary cost adjustment system (scheme of reflecting part of the electricity market procurement cost in electricity charges), and utilizing derivatives transactions.

Based on the above, for the fiscal year ending March 31, 2025, we forecast consolidated net sales of ¥34,000 million (up 13.7% year on year), operating profit of ¥6,500 million (up 24.6% year on year), ordinary profit of ¥6,570 million (up 24.7% year on year), and profit attributable to owners of parent of ¥4,320 million (up 22.0% year on year).

For the fiscal year ending March 31, 2025, we forecast an interim dividend of ¥20 and a year-end dividend of ¥37, taking into consideration internal reserves and the return of profits to shareholders.

2. Basic rationale for selection of accounting standards

The Group applies generally accepted accounting principles in Japan (Japanese GAAP). With regard to future application of International Financial Reporting Standards (IFRS), we intend to continue studying the matter based on the status of application in Japan.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	8,224,617	10,474,017
Notes and accounts receivable - trade, and contract assets	4,313,972	3,635,167
Merchandise	1,261,023	2,476,369
Prepaid expenses	117,576	147,554
Income taxes refund receivable	28,919	827
Consumption taxes refund receivable	66,169	182,795
Other	201,112	54,797
Allowance for doubtful accounts	(44,935)	(58,041)
Total current assets	14,168,455	16,913,486
Non-current assets		
Property, plant and equipment		
Buildings, net	90,001	79,761
Machinery and equipment, net	1,022,351	1,052,295
Vehicles, net	23,744	20,599
Tools, furniture and fixtures, net	76,689	60,923
Land	123,877	123,877
Construction in progress	8,415	12,606
Total property, plant and equipment	1,345,080	1,350,064
Intangible assets		
Software	237,812	208,718
Software in progress	12,980	–
Total intangible assets	250,792	208,718
Investments and other assets		
Investment securities	778,100	2,378,814
Deferred tax assets	246,715	330,767
Leasehold and guarantee deposits	381,307	381,219
Other	47,509	49,337
Total investments and other assets	1,453,632	3,140,138
Total non-current assets	3,049,505	4,698,921
Total assets	17,217,961	21,612,408

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,063,894	2,143,052
Short-term borrowings	–	100,000
Current portion of long-term borrowings	909,074	1,192,190
Accounts payable - other	841,210	953,782
Income taxes payable	667,770	1,080,144
Accrued consumption taxes	102,620	249,175
Contract liabilities	65,418	63,174
Deposits received	12,866	27,875
Other	257	807
Total current liabilities	4,663,113	5,810,201
Non-current liabilities		
Long-term borrowings	2,248,337	2,472,809
Asset retirement obligations	78,820	79,105
Other	218,742	258,613
Total non-current liabilities	2,545,900	2,810,527
Total liabilities	7,209,014	8,620,729
Net assets		
Shareholders' equity		
Share capital	670,011	708,306
Capital surplus	408,624	446,919
Retained earnings	9,442,237	12,246,603
Treasury shares	(482,394)	(482,470)
Total shareholders' equity	10,038,479	12,919,359
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(16,650)	(15,486)
Deferred gains or losses on hedges	(66,367)	–
Total accumulated other comprehensive income	(83,018)	(15,486)
Share acquisition rights	53,485	87,806
Total net assets	10,008,947	12,991,679
Total liabilities and net assets	17,217,961	21,612,408

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	31,392,100	29,908,405
Cost of sales	23,883,357	20,650,654
Gross profit	7,508,743	9,257,750
Selling, general and administrative expenses	3,907,993	4,040,214
Operating profit	3,600,749	5,217,536
Non-operating income		
Interest income	43	81
Interest on securities	18,972	–
Dividend income	33,763	58,203
Commission income	40,919	15,788
Insurance fee income	3,376	12,082
Subsidy income	604	–
Other	1,788	5,259
Total non-operating income	99,468	91,416
Non-operating expenses		
Interest expenses	8,524	13,030
Depreciation	–	15,332
Other	4,093	11,818
Total non-operating expenses	12,617	40,181
Ordinary profit	3,687,600	5,268,770
Extraordinary income		
Gain on sale of non-current assets	558	44
Subsidy income	87,480	–
Total extraordinary income	88,038	44
Extraordinary losses		
Loss on retirement of non-current assets	5,777	3,678
Loss on sale of non-current assets	857	927
Loss on tax purpose reduction entry of non-current assets	87,480	–
Theft loss	–	45,943
Total extraordinary losses	94,114	50,550
Profit before income taxes	3,681,523	5,218,265
Income taxes - current	1,291,516	1,797,424
Income taxes - deferred	(75,245)	(119,661)
Total income taxes	1,216,270	1,677,763
Profit	2,465,253	3,540,502
Profit attributable to owners of parent	2,465,253	3,540,502

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	2,465,253	3,540,502
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,087)	1,164
Deferred gains or losses on hedges	(66,367)	66,367
Total other comprehensive income	(74,455)	67,531
Comprehensive income	2,390,797	3,608,033
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,390,797	3,608,033

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	640,874	379,487	7,409,768	(482,249)	7,947,879
Changes during period					
Issuance of new shares - exercise of share acquisition rights	29,137	29,137	–	–	58,275
Dividends of surplus	–	–	(432,783)	–	(432,783)
Profit attributable to owners of parent	–	–	2,465,253	–	2,465,253
Purchase of treasury shares	–	–	–	(144)	(144)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	29,137	29,137	2,032,469	(144)	2,090,599
Balance at end of period	670,011	408,624	9,442,237	(482,394)	10,038,479

(Thousands of yen)

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(8,562)	–	(8,562)	28,693	7,968,010
Changes during period					
Issuance of new shares - exercise of share acquisition rights	–	–	–	–	58,275
Dividends of surplus	–	–	–	–	(432,783)
Profit attributable to owners of parent	–	–	–	–	2,465,253
Purchase of treasury shares	–	–	–	–	(144)
Net changes in items other than shareholders' equity	(8,087)	(66,367)	(74,455)	24,792	(49,662)
Total changes during period	(8,087)	(66,367)	(74,455)	24,792	2,040,937
Balance at end of period	(16,650)	(66,367)	(83,018)	53,485	10,008,947

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	670,011	408,624	9,442,237	(482,394)	10,038,479
Changes during period					
Issuance of new shares - exercise of share acquisition rights	38,295	38,295	–	–	76,590
Dividends of surplus	–	–	(736,136)	–	(736,136)
Profit attributable to owners of parent	–	–	3,540,502	–	3,540,502
Purchase of treasury shares	–	–	–	(75)	(75)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	38,295	38,295	2,804,365	(75)	2,880,880
Balance at end of period	708,306	446,919	12,246,603	(482,470)	12,919,359

(Thousands of yen)

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(16,650)	(66,367)	(83,018)	53,485	10,008,947
Changes during period					
Issuance of new shares - exercise of share acquisition rights	–	–	–	–	76,590
Dividends of surplus	–	–	–	–	(736,136)
Profit attributable to owners of parent	–	–	–	–	3,540,502
Purchase of treasury shares	–	–	–	–	(75)
Net changes in items other than shareholders' equity	1,164	66,367	67,531	34,320	101,852
Total changes during period	1,164	66,367	67,531	34,320	2,982,732
Balance at end of period	(15,486)	–	(15,486)	87,806	12,991,679

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	3,681,523	5,218,265
Depreciation	124,184	189,697
Increase (decrease) in allowance for doubtful accounts	31,604	13,106
Share-based payment expenses	24,967	34,550
Interest and dividend income	(52,778)	(58,285)
Interest expenses	8,524	13,030
Loss (gain) on sale and retirement of non-current assets	6,076	4,561
Loss on tax purpose reduction entry of non-current assets	87,480	–
Subsidy income	(87,480)	–
Decrease (increase) in trade receivables	(256,850)	678,805
Decrease (increase) in inventories	(909,044)	(1,215,345)
Decrease (increase) in consumption taxes refund receivable	16,496	(116,625)
Increase (decrease) in trade payables	(342,485)	79,157
Increase (decrease) in accounts payable - other	415,999	96,659
Increase (decrease) in accrued consumption taxes	(167,427)	146,065
Other, net	297,289	329,528
Subtotal	2,878,079	5,413,172
Interest and dividends received	55,803	58,285
Interest paid	(8,726)	(13,237)
Income taxes paid	(1,460,414)	(1,368,903)
Net cash provided by (used in) operating activities	1,464,742	4,089,318
Cash flows from investing activities		
Purchase of investment securities	(900,000)	(2,200,000)
Proceeds from sale of investment securities	1,650,964	600,964
Purchase of property, plant and equipment	(459,421)	(144,790)
Purchase of intangible assets	(190,982)	(30,313)
Payments for asset retirement obligations	(3,990)	–
Subsidies received	87,480	–
Payments of leasehold and guarantee deposits	(250,165)	(150,259)
Proceeds from refund of leasehold and guarantee deposits	157,714	150,347
Other, net	(10,969)	(13,831)
Net cash provided by (used in) investing activities	80,629	(1,787,883)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	100,000
Proceeds from long-term borrowings	2,200,000	1,500,000
Repayments of long-term borrowings	(663,369)	(992,412)
Proceeds from issuance of shares	58,100	76,360
Purchase of treasury shares	(144)	(75)
Dividends paid	(432,489)	(735,906)
Net cash provided by (used in) financing activities	1,162,097	(52,034)
Net increase (decrease) in cash and cash equivalents	2,707,469	2,249,400
Cash and cash equivalents at beginning of period	5,517,147	8,224,617
Cash and cash equivalents at end of period	8,224,617	10,474,017

(5) Notes to consolidated financial statements

Notes on premise of going concern

Not applicable.

Basis of preparation of consolidated financial statements

1. Scope of consolidation

All subsidiaries are consolidated.

Number of consolidated subsidiaries: 4

Names of consolidated subsidiaries

GR consulting, Inc.
gremz power, Inc.
gremz energy, Inc.
gremz solar, Inc.

2. Application of equity method

Not applicable.

3. Fiscal year of consolidated subsidiaries

The fiscal year-end of all consolidated subsidiaries coincides with the consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and methods for significant assets

a. Securities

Available-for-sale securities

Other than stocks, etc. without market prices	Stated at fair value based on the market price on the fiscal year-end (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)
Stocks, etc. without market prices	Stated at cost determined by the moving average method

b. Derivatives — Market value method

c. Inventories

Merchandise	Stated at cost determined by the moving average method (balance sheet value is calculated by writing down the book value based on decreased profitability)

(2) Accounting methods for depreciation of significant depreciable assets

a. Property, plant and equipment — Straight-line method

b. Intangible assets — Straight-line method

Software for internal use is amortized using the straight-line method over its useful life as internally determined (five years).

(3) Accounting policy for significant provisions

Allowance for doubtful accounts

To prepare for credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(4) Accounting policy for significant revenue and expenses

The content of principal performance obligations in principal businesses regarding revenue from contracts with customers and the normal timing when those obligations are satisfied (normal timing when revenue is recognized) are described below.

a. Consulting services for lowering base electricity fees, and sales of energy-efficient appliances, photo-voltaic systems and storage batteries

For these transactions, as the installation of equipment such as electronic breakers is involved, the performance obligation is to provide such equipment to the customer and make them available for the customer to use, so revenue is recognized when the customer is able to use said equipment.

b. Electricity sales and electricity retailing

For these transactions, the performance obligation is the continuous supply of electric power over the contract period, and such obligation is deemed fulfilled over the passage of time, so revenue is recognized for the supply of electricity corresponding to the accounting period.

(5) Major hedge accounting methods

a. Hedge accounting method

Deferred hedge accounting is used.

b. Hedging instruments and hedged items

Hedging instruments: Electricity futures contracts

Hedged items: Anticipated transactions and relative transactions related to electricity procurement

c. Hedge method

In accordance with the Company's internal rules on derivatives transactions, the Company uses derivative instruments to hedge against price fluctuation risks related to electricity procurement within the scope of actual demand.

d. Method of evaluating hedge effectiveness

The Company compares the cumulative market fluctuations of the hedged items and the cumulative market fluctuations of the hedging instruments during the period from the start of hedging to the point at which effectiveness is assessed, and evaluates the hedge effectiveness based on the amount of fluctuation in both cases. However, the evaluation of effectiveness is omitted for electricity futures transactions where the material terms regarding the hedging instrument and the hedged assets and liabilities or scheduled transactions are identical.

(6) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities of three months or less from the acquisition date which are readily convertible into cash and are exposed to only insignificant risk of changes in value.

(7) Other significant matters for preparing consolidated financial statements

Not applicable.

Changes in accounting policies

Not applicable.

Segment information

Segment information

1. Overview of reportable segments

The Group's reportable segments are constituent units of the Company and its subsidiaries for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group is comprised of business segments by the products and services handled, and has three business segments: Energy Cost Solutions Business (ECS), Smart House Project Business (SHP), and Electricity Retailing Business (ER).

The Energy Cost Solutions Business is engaged in businesses related to energy cost reduction, such as consulting services for lowering base electricity fees and sales of photo-voltaic systems for business use and energy-efficient appliances, mainly to corporate clients. The Smart House Project Business sells residential photo-voltaic systems and storage batteries mainly for general households, and develops renewable energy. The Electricity Retailing Business is engaged in the retail sales of electricity, mainly to corporate customers.

2. Method for calculating amounts of net sales, profit or loss, assets and other items by reportable segment

The accounting method for the reportable operating segments is the same as described in "Basis of preparation of consolidated financial statements."

Profits of the reportable segments are amounts based on operating profit.

Intersegment sales or transfers are based on current market price.

3. Information on the amounts of net sales, profit or loss, assets and other items by reportable segment

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments			Total
	ECS	SHP	ER	
Net sales				
Sales to external customers	5,528,863	4,014,293	21,848,944	31,392,100
Intersegment sales or transfers	–	–	–	–
Total	5,528,863	4,014,293	21,848,944	31,392,100
Segment profit	2,079,918	496,977	1,801,839	4,378,736
Segment assets	4,474,289	2,357,663	6,524,432	13,356,384
Others				
Depreciation and amortization	26,189	73,672	571	100,433
Increase in property, plant and equipment and intangible assets	360,616	81,632	–	442,248

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segments			Total
	ECS	SHP	ER	
Net sales				
Sales to external customers	7,734,779	4,440,137	17,733,488	29,908,405
Intersegment sales or transfers	–	–	–	–
Total	7,734,779	4,440,137	17,733,488	29,908,405
Segment profit	3,030,594	587,887	2,267,628	5,886,110
Segment assets	6,143,442	2,130,697	7,377,364	15,651,503
Others				
Depreciation and amortization	35,242	83,019	993	119,255
Increase in property, plant and equipment and intangible assets	6,119	132,510	621	139,251

4. Difference between the aggregate amount of reportable segments and the consolidated financial statement amounts and major descriptions of such difference (difference adjustments and related matters)

(Thousands of yen)

Net sales	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segments total	31,392,100	29,908,405
Intersegment transaction elimination	–	–
Net sales in the consolidated financial statements	31,392,100	29,908,405

(Thousands of yen)

Income	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segments total	4,378,736	5,886,110
Corporate expenses (Note)	(777,986)	(668,574)
Operating profit in the consolidated financial statements	3,600,749	5,217,536

Note: Corporate expenses mainly consist of general and administrative expenses of the holding company not attributable to the reportable segments.

(Thousands of yen)

Assets	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segments total	13,356,384	15,651,503
Corporate assets (Note)	3,861,576	5,960,904
Total assets in the consolidated financial statements	17,217,961	21,612,408

Note: Corporate assets mainly consist of cash and deposits, non-current assets, etc. of the holding company not attributable to the reportable segments.

(Thousands of yen)

Others	Reportable segments total		Adjustments		Consolidated financial statement amounts	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Depreciation and amortization	100,433	119,255	23,751	70,442	124,184	189,697
Increase in property, plant and equipment and intangible assets	442,248	139,251	249,517	19,168	691,766	158,419

Notes: 1. The adjustment for depreciation and amortization mainly represents depreciation of property, plant and equipment and amortization of intangible assets of the holding company.
2. The adjustment of the increase in property, plant and equipment and intangible assets mainly represents the increase in property, plant and equipment and intangible assets of the holding company.

Related information

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Information by product and service

   The information is omitted because the same information is disclosed in “Segment information.”

2. Information by geographical area

   (1) Net sales

   The information is omitted because sales to external customers in Japan exceed 90% of net sales in the consolidated statement of income.

   (2) Property, plant and equipment

   The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information by main customer

   The information is omitted because there is no customer accounting for 10% or more of net sales reported in the consolidated statement of income.

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

1. Information by product and service

   The information is omitted because the same information is disclosed in “Segment information.”

2. Information by geographical area

   (1) Net sales

   The information is omitted because sales to external customers in Japan exceed 90% of net sales in the consolidated statement of income.

   (2) Property, plant and equipment

   The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information by main customer

   The information is omitted because there is no customer accounting for 10% or more of net sales reported in the consolidated statement of income.

Information about impairment loss of non-current assets by reportable segment

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Not applicable.

Information about amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Not applicable.

Information about gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Not applicable.

Per share information

(Yen)

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Net assets per share	434.39	558.56
Basic earnings per share	108.19	153.83
Diluted earnings per share	107.04	153.32

Note: The basis for calculation of the basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	2,465,253	3,540,502
Value not attributable to shareholders of common shares (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	2,465,253	3,540,502
Average number of shares outstanding during the period (Shares)	22,785,366	23,015,542
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Thousands of yen)	–	–
Increase in common shares (Shares)	245,181	77,010
[Of the above, share acquisition rights (Shares)]	(245,181)	(77,010)
Overview of potential shares not included in the calculation of the diluted earnings per share because of the lack of dilution effects	10th series of share acquisition rights Number of the share acquisition rights: 147,100 shares (Common shares: 147,100 shares)	–

Subsequent events

Not applicable.