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August 9, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: gremz, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3150
URL: https://www.gremz.co.jp/en/
Representative: Masaomi Tanaka, President and Chief Executive Officer
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	7,653	1.9	1,663	(10.7)	1,709	(9.4)	1,155	(9.5)
June 30, 2023	7,507	9.1	1,863	240.6	1,886	239.8	1,277	259.8

Note: Comprehensive income For the three months ended June 30, 2024: ¥1,154 million [(13.3)%]
For the three months ended June 30, 2023: ¥1,331 million [344.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	50.04	50.03
June 30, 2023	55.75	55.34

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	21,361	13,413	62.4
March 31, 2024	21,612	12,991	59.7

Reference: Equity
As of June 30, 2024: ¥13,319 million
As of March 31, 2024: ¥12,903 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	15.00	–	32.00	47.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		20.00	–	37.00	57.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

Note: Revisions to the forecast of consolidated financial results most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

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

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of June 30, 2024	23,814,800 shares
As of March 31, 2024	23,814,800 shares

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

As of June 30, 2024	712,793 shares
As of March 31, 2024	712,793 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	23,102,007 shares
Three months ended June 30, 2023	22,918,027 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* Proper use of earnings forecasts, and other special matters

Please note that the forecast figures presented above are outlooks based on information currently available. Actual business results may differ from the forecast figures due to changes in business conditions and other factors.

○Attached Materials

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1. Qualitative information regarding financial results for the period under review

(1) Information regarding operating results

During the three months ended June 30, 2024, the economic environment showed a gradual recovery in business sentiment with factors such as better conditions for the employment and income environment and capital investment due to improving corporate earnings. However, the outlook has remained uncertain, mainly because of downside risks in the overseas economy related to the impact of global monetary tightening, and increases in the price of goods against the backdrop of a weakening yen.

The situation surrounding the energy industry was characterized by continual rises in the cost of electricity, igniting expectations for a growing uptake of renewable energy which is bringing about the realization of GX (green transformation), and for the gremz Group (the "Group"), our efforts to concentrate business resources on making photo-voltaic systems for business use the main axis of growth led to expanded sales. In electricity retailing, we are thoroughly hedging against risks by employing measures to reduce the risk of fluctuations in electricity procurement prices, such as 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 the promotion of market linkage plans for high voltage, and while aiming to increase the number of contracts, we are striving to generally strengthen the revenue base to provide a stable base of recurring revenue. 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 Groups' business results for the three months ended June 30, 2024 were as follows: net sales of ¥7,653 million (up 1.9% year on year), operating profit of ¥1,663 million (down 10.7% year on year), ordinary profit of ¥1,709 million (down 9.4% year on year), and profit attributable to owners of parent of ¥1,155 million (down 9.5% year on year).

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 were ¥2,574 million (up 15.9% year on year), and segment profit was ¥1,138 million (up 16.7% year on year).

Smart House Project Business (SHP)

For the Smart House Project Business, the Group promoted sales of storage batteries targeting demand for self-consumption of onsite renewable energy production, the 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, and the needs to reinforce household energy resilience.

As a result, net sales were ¥1,140 million (down 11.8% year on year), and segment profit was ¥142 million (down 47.7% year on year).

Electricity Retailing Business (ER)

In the Electricity Retailing Business, although we recorded stable revenue, fuel cost adjustment was lower compared with the first quarter of the previous fiscal year due to the impact of a fall in electricity market prices, which led to a decrease in net sales and profit year on year.

As a result, net sales were ¥3,938 million (down 1.4% year on year), and segment profit was ¥652 million (down 17.3% year on year).

(2) Explanation of financial position

The positions of assets, liabilities, and net assets at the end of the first quarter of the current fiscal year are as follows.

Assets

Current assets as of June 30, 2024 were ¥16,766 million, a decrease of ¥147 million compared to the end of the previous fiscal year. This was mainly due to decreases of ¥65 million in cash and deposits and ¥274 million in merchandise, despite increases of ¥46 million in notes and accounts receivable - trade, and contract assets, and ¥48 million in consumption taxes refund receivable. Non-current assets were ¥4,594 million, a decrease of ¥104 million from the end of the previous fiscal year. This was mainly due to decreases of ¥13 million in machinery and equipment, ¥13 million in software, and ¥166 million in deferred tax assets, despite an increase of ¥98 million in investment securities.

As a result, total assets were ¥21,361 million, a decrease of ¥251 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of June 30, 2024 were ¥5,199 million, a decrease of ¥611 million compared to the end of the previous fiscal year. This was mainly due to decreases of ¥261 million in accounts payable - other and ¥684 million in income taxes payable, despite increases of ¥180 million in notes and accounts payable - trade, and ¥120 million in deposits received. Non-current liabilities were ¥2,749 million, a decrease of ¥61 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥69 million in long-term borrowings.

As a result, total liabilities were ¥7,948 million, a decrease of ¥672 million from the end of the previous fiscal year.

Net assets

Net assets as of June 30, 2024 were ¥13,413 million, an increase of ¥421 million compared to the end of the previous fiscal year. This was mainly attributable to an increase of ¥1,154 million due to comprehensive income attributable to owners of parent, while there was a decrease of ¥739 million due to dividends of surplus.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

No changes have been made to the financial results forecast announced on May 15, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	10,474,017	10,408,623
Notes and accounts receivable - trade, and contract assets	3,635,167	3,681,837
Merchandise	2,476,369	2,201,915
Prepaid expenses	147,554	145,982
Income taxes refund receivable	827	1,130
Consumption taxes refund receivable	182,795	231,074
Other	54,797	152,862
Allowance for doubtful accounts	(58,041)	(57,215)
Total current assets	16,913,486	16,766,209
Non-current assets		
Property, plant and equipment		
Buildings, net	79,761	76,636
Machinery and equipment, net	1,052,295	1,038,981
Vehicles, net	20,599	18,505
Tools, furniture and fixtures, net	60,923	56,170
Land	123,877	123,877
Construction in progress	12,606	12,606
Total property, plant and equipment	1,350,064	1,326,776
Intangible assets		
Software	208,718	195,557
Total intangible assets	208,718	195,557
Investments and other assets		
Investment securities	2,378,814	2,477,734
Deferred tax assets	330,767	164,410
Leasehold and guarantee deposits	381,219	381,193
Other	49,337	49,239
Total investments and other assets	3,140,138	3,072,577
Total non-current assets	4,698,921	4,594,911
Total assets	21,612,408	21,361,121

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,143,052	2,323,397
Short-term borrowings	100,000	–
Current portion of long-term borrowings	1,192,190	1,251,040
Accounts payable - other	953,782	692,462
Income taxes payable	1,080,144	395,304
Accrued consumption taxes	249,175	235,647
Contract liabilities	63,174	63,498
Deposits received	27,875	148,066
Provision for bonuses	–	86,271
Other	807	3,380
Total current liabilities	5,810,201	5,199,068
Non-current liabilities		
Long-term borrowings	2,472,809	2,403,084
Asset retirement obligations	79,105	79,177
Other	258,613	266,784
Total non-current liabilities	2,810,527	2,749,045
Total liabilities	8,620,729	7,948,114
Net assets		
Shareholders' equity		
Share capital	708,306	708,306
Capital surplus	446,919	446,919
Retained earnings	12,246,603	12,663,255
Treasury shares	(482,470)	(482,470)
Total shareholders' equity	12,919,359	13,336,010
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15,486)	(16,068)
Deferred gains or losses on hedges	–	(871)
Total accumulated other comprehensive income	(15,486)	(16,940)
Share acquisition rights	87,806	93,936
Total net assets	12,991,679	13,413,007
Total liabilities and net assets	21,612,408	21,361,121

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	7,507,934	7,653,513
Cost of sales	4,673,821	4,836,595
Gross profit	2,834,112	2,816,918
Selling, general and administrative expenses	970,876	1,153,890
Operating profit	1,863,235	1,663,028
Non-operating income		
Dividend income	12,724	32,986
Commission income	3,659	13,197
Insurance claim income	6,155	–
Other	3,650	9,815
Total non-operating income	26,190	55,999
Non-operating expenses		
Interest expenses	3,078	4,072
Depreciation	–	3,075
Other	4	2,031
Total non-operating expenses	3,083	9,178
Ordinary profit	1,886,342	1,709,848
Extraordinary income		
Gain on sale of non-current assets	4	4
Total extraordinary income	4	4
Extraordinary losses		
Loss on retirement of non-current assets	1,162	957
Loss on sale of non-current assets	360	446
Total extraordinary losses	1,523	1,403
Profit before income taxes	1,884,823	1,708,449
Income taxes - current	550,935	385,557
Income taxes - deferred	56,246	166,976
Total income taxes	607,182	552,534
Profit	1,277,641	1,155,915
Profit attributable to owners of parent	1,277,641	1,155,915

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,277,641	1,155,915
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,063)	(582)
Deferred gains or losses on hedges	55,359	(871)
Total other comprehensive income	54,295	(1,453)
Comprehensive income	1,331,936	1,154,462
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,331,936	1,154,462

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Notes on changes in accounting policies

Application of the "Accounting Standard for Current Income Taxes" and other relevant ASBJ regulations

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the fiscal year ending March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Application Guidance of 2022"). These changes in accounting policies have no impact on the quarterly consolidated financial statements.

In addition, regarding the revisions related to revised treatment in the consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares of subsidiaries, etc. between consolidated companies, the Company has applied the Revised Application Guidance of 2022 from the beginning of the fiscal year ending March 31, 2025. Although these changes in accounting policies have been applied retrospectively, and the new accounting policies are reflected in the quarterly consolidated financial statements for the same period of the previous fiscal year and in the consolidated financial statements for the previous fiscal year, these changes have no impact on the aforementioned financial statements for the aforementioned periods.

Notes on quarterly consolidated statement of cash flows

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 is not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) for the three months ended June 30, 2024 is as follows.

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	46,180	49,268

Notes on segment information

Segment information

I Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on the amounts of net sales, profit or loss by reportable segment

(Thousands of yen)

	Reportable segments			Total
	ECS	SHP	ER	
Net sales				
Sales to external customers	2,222,134	1,292,413	3,993,385	7,507,934
Intersegment sales or transfers	–	–	–	–
Total	2,222,134	1,292,413	3,993,385	7,507,934
Segment profit	976,013	271,656	788,967	2,036,637

2. Difference between the aggregate amount of profit or loss by reportable segments and the quarterly consolidated financial statement amounts and major descriptions of such difference (difference adjustments and related matters)

(Thousands of yen)

Income	Amount
Reportable segments total	2,036,637
Corporate expenses (Note)	(173,401)
Operating profit on quarterly consolidated statement of income	1,863,235

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

3. Information about impairment loss of non-current assets or goodwill by reportable segment

Not applicable.

II Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information on the amounts of net sales, profit or loss by reportable segment

(Thousands of yen)

	Reportable segments			Total
	ECS	SHP	ER	
Net sales				
Sales to external customers	2,574,793	1,140,453	3,938,266	7,653,513
Intersegment sales or transfers	–	–	–	–
Total	2,574,793	1,140,453	3,938,266	7,653,513
Segment profit	1,138,618	142,015	652,768	1,933,403

2. Difference between the aggregate amount of profit or loss by reportable segments and the quarterly consolidated financial statement amounts and major descriptions of such difference (difference adjustments and related matters)

(Thousands of yen)

Income	Amount
Reportable segments total	1,933,403
Corporate expenses (Note)	(270,375)
Operating profit on quarterly consolidated statement of income	1,663,028

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

3. Information about impairment loss of non-current assets or goodwill by reportable segment

Not applicable.

Subsequent events

Not applicable.