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November 14, 2024

Consolidated Financial Results for the Six Months Ended September 30, 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 to file semi-annual securities report: November 14, 2024
Scheduled date to commence dividend payments: December 2, 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 six months ended September 30, 2024 (from April 1, 2024 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	16,778	5.2	3,372	5.5	3,450	6.8	2,334	7.2
September 30, 2023	15,944	0.1	3,197	166.5	3,231	165.8	2,177	179.1

Note: Comprehensive income For the six months ended September 30, 2024: ¥2,344 million [4.6%]
For the six months ended September 30, 2023: ¥2,241 million [185.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	101.05	101.01
September 30, 2023	94.97	94.30

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	23,626	14,603	61.4
March 31, 2024	21,612	12,991	59.7

Reference: Equity
As of September 30, 2024: ¥14,509 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	–	20.00			
Fiscal year ending March 31, 2025 (Forecast)			–	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
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 semi-annual 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 September 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 September 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)

Six months ended September 30, 2024	23,102,007 shares
Six months ended September 30, 2023	22,929,077 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* 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 six months ended September 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 unstable international situation, and increases in the price of goods against the backdrop of a weakening yen.

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 Groups' business results for the six months ended September 30, 2024 were as follows: net sales of ¥16,778 million (up 5.2% year on year), operating profit of ¥3,372 million (up 5.5% year on year), ordinary profit of ¥3,450 million (up 6.8% year on year), and profit attributable to owners of parent of ¥2,334 million (up 7.2% 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 ¥4,914 million (up 11.9% year on year), and segment profit was ¥2,143 million (up 10.5% 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, net sales were ¥2,234 million (down 11.5% year on year), and segment profit was ¥260 million (down 41.4% year on year).

Electricity Retailing Business (ER)

In the Electricity Retailing Business, net sales and profit increased year on year mainly because electricity sales volume increased, the sales unit price rose due to the effect of higher electricity market prices, and procurement prices were controlled by risk hedging measures such as securing 1-on-1 individual contract agreements.

As a result, net sales were ¥9,629 million (up 6.6% year on year), and segment profit was ¥1,406 million (up 24.0% year on year).

(2) Explanation of financial position

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

Assets

Current assets as of September 30, 2024 were ¥18,890 million, an increase of ¥1,976 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥691 million in cash and deposits and ¥1,468 million in notes and accounts receivable - trade, and contract assets, despite a decrease of ¥182 million in consumption taxes refund receivable. Non-current assets were ¥4,736 million, an increase of ¥37 million from the end of the previous fiscal year. This was mainly due to increases of ¥100 million in investment securities and ¥99 million in leasehold and guarantee deposits, despite decreases of ¥33 million in machinery and equipment, ¥26 million in software, and ¥99 million in deferred tax assets.

As a result, total assets were ¥23,626 million, an increase of ¥2,014 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of September 30, 2024 were ¥6,570 million, an increase of ¥760 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥980 million in notes and accounts payable - trade, and ¥166 million in provision for bonuses despite a decrease of ¥366 million in accounts payable - other. Non-current liabilities were ¥2,452 million, a decrease of ¥357 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥363 million in long-term borrowings.

As a result, total liabilities were ¥9,023 million, an increase of ¥402 million from the end of the previous fiscal year.

Net assets

Net assets as of September 30, 2024 were ¥14,603 million, an increase of ¥1,611 million compared to the end of the previous fiscal year. This was mainly attributable to an increase of ¥2,344 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. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	10,474,017	11,165,953
Notes and accounts receivable - trade, and contract assets	3,635,167	5,104,064
Merchandise	2,476,369	2,412,549
Prepaid expenses	147,554	121,568
Income taxes refund receivable	827	–
Consumption taxes refund receivable	182,795	–
Other	54,797	146,628
Allowance for doubtful accounts	(58,041)	(60,653)
Total current assets	16,913,486	18,890,110
Non-current assets		
Property, plant and equipment		
Buildings, net	79,761	73,511
Machinery and equipment, net	1,052,295	1,018,987
Vehicles, net	20,599	17,460
Tools, furniture and fixtures, net	60,923	51,567
Land	123,877	123,877
Construction in progress	12,606	13,520
Total property, plant and equipment	1,350,064	1,298,924
Intangible assets		
Software	208,718	182,405
Software in progress	–	14,300
Total intangible assets	208,718	196,705
Investments and other assets		
Investment securities	2,378,814	2,479,672
Deferred tax assets	330,767	230,988
Leasehold and guarantee deposits	381,219	481,160
Other	49,337	49,141
Total investments and other assets	3,140,138	3,240,963
Total non-current assets	4,698,921	4,736,593
Total assets	21,612,408	23,626,703

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,143,052	3,123,947
Short-term borrowings	100,000	–
Current portion of long-term borrowings	1,192,190	1,232,050
Accounts payable - other	953,782	587,149
Income taxes payable	1,080,144	1,039,880
Accrued consumption taxes	249,175	332,430
Contract liabilities	63,174	61,609
Deposits received	27,875	22,391
Provision for bonuses	–	166,998
Other	807	4,342
Total current liabilities	5,810,201	6,570,799
Non-current liabilities		
Long-term borrowings	2,472,809	2,109,609
Asset retirement obligations	79,105	78,725
Other	258,613	264,353
Total non-current liabilities	2,810,527	2,452,687
Total liabilities	8,620,729	9,023,487
Net assets		
Shareholders' equity		
Share capital	708,306	708,306
Capital surplus	446,919	446,919
Retained earnings	12,246,603	13,841,732
Treasury shares	(482,470)	(482,470)
Total shareholders' equity	12,919,359	14,514,488
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15,486)	(14,557)
Deferred gains or losses on hedges	–	9,348
Total accumulated other comprehensive income	(15,486)	(5,208)
Share acquisition rights	87,806	93,936
Total net assets	12,991,679	14,603,216
Total liabilities and net assets	21,612,408	23,626,703

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income

Semi-annual consolidated statement of income

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	15,944,776	16,778,468
Cost of sales	10,821,403	11,156,766
Gross profit	5,123,373	5,621,701
Selling, general and administrative expenses	1,925,846	2,249,126
Operating profit	3,197,527	3,372,575
Non-operating income		
Interest income	37	851
Dividend income	20,771	57,298
Commission income	5,571	13,709
Insurance claim income	9,595	6,632
Other	4,378	12,024
Total non-operating income	40,354	90,518
Non-operating expenses		
Interest expenses	5,954	7,863
Depreciation	–	3,075
Other	98	2,035
Total non-operating expenses	6,052	12,974
Ordinary profit	3,231,829	3,450,118
Extraordinary income		
Gain on sale of non-current assets	29	19
Total extraordinary income	29	19
Extraordinary losses		
Loss on retirement of non-current assets	1,779	1,586
Loss on sale of non-current assets	640	1,255
Total extraordinary losses	2,420	2,842
Profit before income taxes	3,229,439	3,447,296
Income taxes - current	1,059,898	1,017,422
Income taxes - deferred	(7,990)	95,481
Total income taxes	1,051,908	1,112,903
Profit	2,177,530	2,334,392
Profit attributable to owners of parent	2,177,530	2,334,392

Semi-annual consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	2,177,530	2,334,392
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,187)	929
Deferred gains or losses on hedges	66,367	9,348
Total other comprehensive income	64,179	10,278
Comprehensive income	2,241,710	2,344,671
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,241,710	2,344,671

(3) Semi-annual consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,229,439	3,447,296
Depreciation	92,492	98,477
Increase (decrease) in allowance for doubtful accounts	(933)	2,612
Increase (decrease) in provision for bonuses	121,842	166,998
Share-based payment expenses	10,030	6,129
Interest and dividend income	(20,808)	(58,150)
Interest expenses	5,954	7,863
Loss (gain) on sale and retirement of non-current assets	2,390	2,822
Decrease (increase) in trade receivables	(93,009)	(1,468,896)
Decrease (increase) in inventories	(391,539)	63,819
Decrease (increase) in consumption taxes refund receivable	3,651	182,795
Increase (decrease) in trade payables	779,839	980,895
Increase (decrease) in accounts payable - other	(358,372)	(329,796)
Increase (decrease) in accrued consumption taxes	120,321	83,023
Other, net	197,012	(52,177)
Subtotal	3,698,308	3,133,712
Interest and dividends received	20,808	58,150
Interest paid	(5,815)	(7,845)
Income taxes paid	(629,402)	(1,064,820)
Net cash provided by (used in) operating activities	3,083,899	2,119,196
Cash flows from investing activities		
Purchase of investment securities	(1,700,000)	(200,000)
Proceeds from sale of investment securities	500,482	100,482
Purchase of property, plant and equipment	(32,810)	(31,038)
Purchase of intangible assets	(22,732)	(14,424)
Payments of leasehold and guarantee deposits	(100,181)	(100,034)
Proceeds from refund of leasehold and guarantee deposits	96	93
Other, net	45	(19,955)
Net cash provided by (used in) investing activities	(1,355,099)	(264,877)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(100,000)
Proceeds from long-term borrowings	–	300,000
Repayments of long-term borrowings	(465,162)	(623,340)
Proceeds from issuance of shares	76,360	–
Purchase of treasury shares	(75)	–
Dividends paid	(389,471)	(739,042)
Net cash provided by (used in) financing activities	(778,349)	(1,162,382)
Net increase (decrease) in cash and cash equivalents	950,449	691,936
Cash and cash equivalents at beginning of period	8,224,617	10,474,017
Cash and cash equivalents at end of period	9,175,067	11,165,953

(4) Notes to semi-annual 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 semi-annual 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 semi-annual 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 segment information

Segment information

I Six months ended September 30, 2023 (from April 1, 2023 to September 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	4,390,437	2,523,982	9,030,357	15,944,776
Intersegment sales or transfers	–	–	–	–
Total	4,390,437	2,523,982	9,030,357	15,944,776
Segment profit	1,940,286	444,416	1,133,638	3,518,341

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

(Thousands of yen)

Income	Amount
Reportable segments total	3,518,341
Corporate expenses (Note)	(320,814)
Operating profit on semi-annual consolidated statement of income	3,197,527

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 Six months ended September 30, 2024 (from April 1, 2024 to September 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	4,914,327	2,234,578	9,629,562	16,778,468
Intersegment sales or transfers	–	–	–	–
Total	4,914,327	2,234,578	9,629,562	16,778,468
Segment profit	2,143,806	260,553	1,406,277	3,810,636

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

(Thousands of yen)

Income	Amount
Reportable segments total	3,810,636
Corporate expenses (Note)	(438,061)
Operating profit on semi-annual consolidated statement of income	3,372,575

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.