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May 13, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

Company name: gremz, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 3150
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 Scheduled date of annual general meeting of shareholders: June 28, 2022
 Scheduled date to commence dividend payments: June 29, 2022
 Scheduled date to file annual securities report: June 29, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (Video streaming from Company's website)

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

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2022	23,252	20.4	2,450	48.5	2,514	44.1	2,158	92.6
March 31, 2021	19,311	24.7	1,650	(21.6)	1,745	(19.5)	1,120	(24.5)

Note: Comprehensive income For the fiscal year ended March 31, 2022: ¥2,152 million [92.1%]
 For the fiscal year ended March 31, 2021: ¥1,120 million [(24.4)%]

	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, 2022	94.81	93.66	31.0	19.0	10.5
March 31, 2021	49.45	48.74	20.1	16.2	8.5

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2022: —
 For the fiscal year ended March 31, 2021: —

Note: The Company conducted a two-for-one share split of its common shares on September 1, 2020. Thus, basic earnings per share and diluted earnings per share have been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(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, 2022	13,617	7,968	58.3	348.55
March 31, 2021	12,919	6,016	46.5	263.79

Reference: Equity

As of March 31, 2022: ¥7,939 million

As of March 31, 2021: ¥6,006 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, 2022	(619)	(1,145)	(924)	5,517
March 31, 2021	2,921	375	733	8,206

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, 2021	–	5.00	–	12.00	17.00	386	34.4	6.9
Fiscal year ended March 31, 2022	–	5.00	–	14.00	19.00	432	20.0	6.2
Fiscal year ending March 31, 2023 (Forecast)	–	5.00	–	14.00	19.00		24.1	

3. Forecast of consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2022	13,638	31.1	1,048	(45.3)	1,056	(45.8)	702	(47.0)	30.84
Fiscal year ending March 31, 2023	27,526	18.4	2,700	10.2	2,722	8.3	1,796	(16.8)	78.89

* **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: Yes
- (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, 2022	23,490,800 shares
As of March 31, 2021	23,490,800 shares

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

As of March 31, 2022	712,697 shares
As of March 31, 2021	721,052 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	22,771,881 shares
Fiscal year ended March 31, 2021	22,662,102 shares

Note: The Company conducted a two-for-one share split of its common shares on September 1, 2020. Thus, average number of shares outstanding during the period has been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2022	1,583	(0.7)	879	(1.0)	891	(2.6)	972	20.0
March 31, 2021	1,594	14.8	889	21.6	915	23.7	810	35.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2022	42.73	42.21
March 31, 2021	35.77	35.26

Note: The Company conducted a two-for-one share split of its common shares on September 1, 2020. Thus, basic earnings per share and diluted earnings per share have been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(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, 2022	5,207	3,334	63.5	145.15
March 31, 2021	5,057	2,735	53.9	119.68

Reference: Equity

As of March 31, 2022: ¥3,306 million
As of March 31, 2021: ¥2,725 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 pages 4 and 5.

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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, 2022 (current fiscal year), the economic environment in Japan and abroad remained uncertain due to the supply shortage of semiconductors, disruptions in the global supply chain, soaring fuel and raw material prices, and the impact of the situation in Ukraine, although there were signs of recovery in economic activities due to progress in administering vaccinations following stagnation caused by the COVID-19 pandemic.

Regarding the business of the grenz Group (the “Group”), as we deal with products and services that promote cost reduction and energy conservation, demand has been stable regardless of economic fluctuations. By proposing environmentally friendly products and services that meet social trends, such as promoting the use of renewable energy and decarbonization, we have been able to achieve strong orders received from both business clients and retail consumers. In addition, extraordinary income was recorded due to a gain on reimbursement from the imbalance settlement (settlement that must be paid as compensation for adjustments to the excess or shortage of electricity supplied by power producer and supplier (PPS) when they fail to achieve balance between planned and actual electric power supply/demand) incurred in the previous fiscal year due to soaring electricity transaction prices, as well as the sale of investment securities.

As a result of the above, the Groups’ business results for the fiscal year ended March 31, 2022 were as follows: net sales of ¥23,252 million (up 20.4% year on year), operating profit of ¥2,450 million (up 48.5% year on year), ordinary profit of ¥2,514 million (up 44.1% year on year), and profit attributable to owners of parent of ¥2,158 million (up 92.6% year on year). Net sales increased for the 17th consecutive year since the company’s establishment.

Business results for each business segment are as follows.

Energy Cost Solutions Business (ECS)

In the Energy Cost Solutions Business, to help business clients reduce costs and conserve energy, the Group promoted consulting services for lowering base electricity fees and sales of various energy-efficient appliances, and made proposals to customers for improving electricity operations and facilities. In addition, we expanded sales of photo-voltaic systems for business use and IoT devices, which we started selling from the previous fiscal year.

As a result, net sales in Energy Cost Solutions Business were ¥5,122 million (down 6.5% year on year), and segment profit was ¥2,079 million (down 0.9% year on year).

Smart House Project Business (SHP)

For the Smart House Project Business, the Group actively promoted sales of storage batteries, which are in firm demand due 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 ¥4,528 million (down 1.2% year on year) and segment profit of ¥629 million (down 15.5% year on year).

Electricity Retailing Business (ER)

In the Electricity Retailing Business, we steadily increased orders received, by proposing to customers improved procurement of electricity. In addition, we reduced the risk of fluctuations in electricity procurement prices by increasing the ratio of 1-on-1 individual contract agreements in electricity procurement.

As a result, net sales in the Electricity Retailing Business were ¥13,600 million (up 47.0% year on year), and segment profit was ¥445 million (compared with a loss of ¥486 million in the previous fiscal year), marking a new record high for sales.

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

(i) Assets, liabilities and net assets

Current assets

Current assets as of March 31, 2022 were ¥10,473 million, a decrease of ¥692 million compared to the end of the previous fiscal year. This was mainly due to decreases of ¥2,689 million in cash and deposits and ¥247 million in income taxes refund receivable, despite increases of ¥1,707 million in notes and accounts receivable - trade, and contract assets, ¥117 million in merchandise and ¥384 million in other.

Non-current assets

Non-current assets as of March 31, 2022 were ¥3,144 million, an increase of ¥1,390 million from the end of the previous fiscal year. This was mainly due to a ¥75 million increase in machinery and equipment and a ¥1,321 million increase in investment securities from fund management.

Current liabilities

Current liabilities as of March 31, 2022 were ¥4,409 million, a decrease of ¥795 million compared to the end of the previous fiscal year. This was mainly due to a ¥913 million decrease in notes and accounts payable - trade and a ¥182 million decrease in accounts payable - other, while income taxes payable increased by ¥333 million.

Non-current liabilities

Non-current liabilities as of March 31, 2022 were ¥1,239 million, a decrease of ¥457 million compared to the end of the previous fiscal year. This was mainly due to a ¥457 million decrease in long-term borrowings.

Net assets

Net assets as of March 31, 2022 were ¥7,968 million, an increase of ¥1,951 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥387 million in dividends of surplus, while there were increases of ¥165 million due to a change in accounting policy in connection with the application of the “Accounting Standard for Revenue Recognition” and ¥2,152 million due to comprehensive income attributable to owners of parent.

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

Cash and cash equivalents (“cash”) as of March 31, 2022 totaled ¥5,517 million, a decrease of ¥2,689 million compared to the end of the previous fiscal year.

Cash flows from operating activities

Net cash used in operating activities was ¥619 million in the fiscal year ended March 31, 2022, compared with ¥2,921 million provided in the previous fiscal year. This was mainly due to a decrease in cash resulting from gain on sale of investment securities of ¥367 million, an increase in trade receivables of ¥1,194 million, an increase in inventories of ¥117 million, a decrease in trade payables of ¥1,097 million, a decrease in accounts payable - other of ¥232 million, income taxes paid of ¥612 million, etc., despite an increase in cash resulting from profit before income taxes of ¥3,218 million and other factors.

Cash flows from investing activities

Net cash used in investing activities during the fiscal year ended March 31, 2022 totaled ¥1,145 million, compared with ¥375 million provided in the previous fiscal year. This was mainly due to a decrease in cash resulting from purchase of investment securities of ¥2,250 million, purchase of property, plant and equipment of ¥245 million, etc., while there was an increase in cash resulting from sale of investment securities of ¥1,286 million and other factors.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥924 million in the fiscal year ended March 31, 2022, compared with ¥733 million provided in the previous fiscal year. This was mainly due to a decrease in cash resulting from repayments of long-term borrowings of ¥537 million and dividends paid of ¥386 million.

(Reference) Trends in cash flow indicators

	FY2020	FY2021	FY2022
Equity-to-asset ratio (%)	59.4%	46.5%	58.3%
Equity-to-asset ratio based on market value (%)	261.2%	335.2%	376.7%
Interest-bearing debt to cash flow ratio (annual)	0.7	0.7	–
Interest coverage ratio (times)	302.1	682.3	–

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

With regard to the business environment surrounding the Group, there are concerns that soaring fuel prices and the accompanying surge in electricity procurement costs will negatively impact profitability of the Electricity Retailing Business. On the other hand, in the market we see expanding demand for electricity cost reduction along with greater utilization of renewable energy to realize the long-term goal of a decarbonized society, which we consider to provide increased opportunities for consulting for lowering base electricity fees, sales of energy-efficient appliances, and sales of photo-voltaic systems and storage batteries. Considering these business conditions, the Group will shift its growth strategies, which have been focused on expansion of the Electricity Retailing Business, to those focusing on the expansion of the Energy Cost Solutions Business with a mainstay business line of sales of photo-voltaic systems for business use. For that purpose, gremz energy, Inc. was established in April to serve as an operating company dedicated to sales of photo-voltaic systems for business use. Such investment of business resources into the photo-voltaic systems for business use will lead to overall growth for the Group.

For the Energy Cost Solutions Business, we will expand sales of the aforementioned photo-voltaic systems for business use. Leveraging our SME customer base of principally manufacturers and our knowhow of electricity cost reduction, which we have accumulated since our foundation, along with our knowhow of installing photo-voltaic systems, which we have gained through the Smart House Project Business, we will propose solutions for electricity cost reduction by reducing our customers' electricity purchasing through installation of photo-voltaic systems on their factory roofs and self-consumption of the electricity generated. To expand sales, we will actively seek out cooperation with other companies. Moreover, we will continue to promote consulting services to lower base electricity fee and sales of various energy-efficient appliances to offer electricity cost reductions.

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, although we will work to reduce the risk of fluctuations in electricity procurement prices by having a base of customers who are low voltage electricity consumers with low Load Factors (ratio of annual average consumed power compared with maximum power), we will also aim for stable earnings growth while hedging risks against the soaring electricity market prices by securing 1-on-1 individual contract agreements taking into account profitability, promoting market linkage plan, and introducing proprietary cost adjustment system (scheme of reflecting part of the electricity market procurement cost in electricity charges).

Based on the above, for the fiscal year ending March 31, 2023, we forecast consolidated net sales of ¥27,526 million (up 18.4% year on year), operating profit of ¥2,700 million (up 10.2% year on year), ordinary profit of ¥2,722 million (up 8.3% year on year), and profit attributable to owners of parent of ¥1,796 million (down 16.8% year on year).

For the fiscal year ending March 31, 2023, we forecast an interim dividend of ¥5 and a year-end dividend of ¥14, 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	8,206,608	5,517,147
Notes and accounts receivable - trade	2,349,392	–
Notes and accounts receivable - trade, and contract assets	–	4,057,122
Merchandise	234,237	351,979
Prepaid expenses	85,991	88,178
Income taxes refund receivable	247,283	3
Consumption taxes refund receivable	47,156	82,665
Other	4,988	389,419
Allowance for doubtful accounts	(10,184)	(13,330)
Total current assets	11,165,473	10,473,185
Non-current assets		
Property, plant and equipment		
Buildings, net	106,062	99,375
Machinery and equipment, net	684,135	759,949
Vehicles, net	23,837	21,127
Tools, furniture and fixtures, net	89,627	90,812
Land	123,877	123,877
Construction in progress	1,390	920
Total property, plant and equipment	1,028,930	1,096,062
Intangible assets		
Software	13,902	12,530
Software in progress	–	36,960
Total intangible assets	13,902	49,490
Investments and other assets		
Investment securities	219,219	1,540,722
Deferred tax assets	126,343	132,804
Leasehold and guarantee deposits	331,139	288,848
Other	34,169	36,328
Total investments and other assets	710,872	1,998,703
Total non-current assets	1,753,705	3,144,255
Total assets	12,919,179	13,617,441

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,319,662	2,406,380
Current portion of long-term borrowings	537,451	457,700
Accounts payable - other	588,162	405,236
Income taxes payable	492,027	825,555
Accrued consumption taxes	222,310	275,290
Contract liabilities	–	25,981
Deposits received	15,827	13,371
Other	29,413	257
Total current liabilities	5,204,854	4,409,774
Non-current liabilities		
Long-term borrowings	1,620,780	1,163,080
Asset retirement obligations	76,310	76,577
Other	257	–
Total non-current liabilities	1,697,348	1,239,657
Total liabilities	6,902,202	5,649,431
Net assets		
Shareholders' equity		
Share capital	640,874	640,874
Capital surplus	381,992	379,487
Retained earnings	5,473,295	7,409,768
Treasury shares	(487,831)	(482,249)
Total shareholders' equity	6,008,330	7,947,879
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,853)	(8,562)
Total accumulated other comprehensive income	(1,853)	(8,562)
Share acquisition rights	10,498	28,693
Total net assets	6,016,976	7,968,010
Total liabilities and net assets	12,919,179	13,617,441

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

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	19,311,987	23,252,073
Cost of sales	13,978,639	17,134,952
Gross profit	5,333,348	6,117,120
Selling, general and administrative expenses	3,682,453	3,666,179
Operating profit	1,650,894	2,450,941
Non-operating income		
Interest income	82	70
Interest on securities	–	1,910
Dividend income	24,038	12,613
Commission income	33,644	24,825
Subsidy income	52,392	36,130
Other	4,646	6,930
Total non-operating income	114,803	82,481
Non-operating expenses		
Interest expenses	4,282	5,461
Commission expenses	14,718	10,801
Other	960	2,379
Total non-operating expenses	19,962	18,642
Ordinary profit	1,745,736	2,514,780
Extraordinary income		
Gain on sale of investment securities	–	367,754
Gain on sale of non-current assets	26	406
Subsidy income	1,977	64,000
Gain on reimbursement from imbalance settlement	–	343,683
Total extraordinary income	2,004	775,845
Extraordinary losses		
Loss on valuation of investment securities	6,300	–
Loss on retirement of non-current assets	2,241	7,564
Loss on sale of non-current assets	541	1,348
Loss on tax purpose reduction entry of non-current assets	885	63,448
Total extraordinary losses	9,967	72,361
Profit before income taxes	1,737,774	3,218,264
Income taxes - current	655,182	1,150,555
Income taxes - deferred	(38,072)	(91,202)
Total income taxes	617,109	1,059,353
Profit	1,120,664	2,158,911
Profit attributable to owners of parent	1,120,664	2,158,911

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	1,120,664	2,158,911
Other comprehensive income		
Valuation difference on available-for-sale securities	(521)	(6,709)
Total other comprehensive income	(521)	(6,709)
Comprehensive income	1,120,142	2,152,201
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,120,142	2,152,201

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	599,249	341,951	4,680,345	(490,265)	5,131,281
Changes during period					
Issuance of new shares - exercise of share acquisition rights	41,625	41,625	-	-	83,250
Dividends of surplus	-	-	(327,715)	-	(327,715)
Profit attributable to owners of parent	-	-	1,120,664	-	1,120,664
Purchase of treasury shares	-	-	-	-	-
Disposal of treasury shares	-	(1,584)	-	2,434	850
Transfer of loss on disposal of treasury shares	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	41,625	40,041	792,949	2,434	877,049
Balance at end of period	640,874	381,992	5,473,295	(487,831)	6,008,330

(Thousands of yen)

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(1,331)	(1,331)	3,479	5,133,428
Changes during period				
Issuance of new shares - exercise of share acquisition rights	-	-	-	83,250
Dividends of surplus	-	-	-	(327,715)
Profit attributable to owners of parent	-	-	-	1,120,664
Purchase of treasury shares	-	-	-	-
Disposal of treasury shares	-	-	-	850
Transfer of loss on disposal of treasury shares	-	-	-	-
Net changes in items other than shareholders' equity	(521)	(521)	7,019	6,497
Total changes during period	(521)	(521)	7,019	883,547
Balance at end of period	(1,853)	(1,853)	10,498	6,016,976

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	640,874	381,992	5,473,295	(487,831)	6,008,330
Cumulative effects of changes in accounting policies	–	–	165,847	–	165,847
Restated balance	640,874	381,992	5,639,142	(487,831)	6,174,177
Changes during period					
Issuance of new shares - exercise of share acquisition rights	–	–	–	–	–
Dividends of surplus	–	–	(387,097)	–	(387,097)
Profit attributable to owners of parent	–	–	2,158,911	–	2,158,911
Purchase of treasury shares	–	–	–	(96)	(96)
Disposal of treasury shares	–	(3,693)	–	5,678	1,985
Transfer of loss on disposal of treasury shares	–	1,187	(1,187)	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	–	(2,505)	1,770,626	5,581	1,773,701
Balance at end of period	640,874	379,487	7,409,768	(482,249)	7,947,879

(Thousands of yen)

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(1,853)	(1,853)	10,498	6,016,976
Cumulative effects of changes in accounting policies	–	–	–	165,847
Restated balance	(1,853)	(1,853)	10,498	6,182,823
Changes during period				
Issuance of new shares - exercise of share acquisition rights	–	–	–	–
Dividends of surplus	–	–	–	(387,097)
Profit attributable to owners of parent	–	–	–	2,158,911
Purchase of treasury shares	–	–	–	(96)
Disposal of treasury shares	–	–	–	1,985
Transfer of loss on disposal of treasury shares	–	–	–	–
Net changes in items other than shareholders' equity	(6,709)	(6,709)	18,194	11,484
Total changes during period	(6,709)	(6,709)	18,194	1,785,186
Balance at end of period	(8,562)	(8,562)	28,693	7,968,010

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,737,774	3,218,264
Depreciation	112,849	111,694
Increase (decrease) in allowance for doubtful accounts	1,598	3,146
Share-based payment expenses	–	20,171
Interest and dividend income	(24,120)	(14,675)
Interest expenses	4,282	5,542
Loss (gain) on valuation of investment securities	6,300	–
Loss (gain) on sale of investment securities	–	(367,754)
Loss (gain) on sale and retirement of non-current assets	2,755	8,506
Loss on tax purpose reduction entry of non-current assets	885	63,448
Subsidy income	(1,977)	(64,000)
Decrease (increase) in trade receivables	(804,232)	(1,194,407)
Decrease (increase) in inventories	371,266	(117,742)
Decrease (increase) in consumption taxes refund receivable	(35,640)	(35,509)
Increase (decrease) in trade payables	2,481,451	(1,097,140)
Increase (decrease) in accounts payable - other	13,798	(232,653)
Increase (decrease) in accrued consumption taxes	18,520	23,037
Other, net	(154,876)	(343,943)
Subtotal	3,730,635	(14,015)
Interest and dividends received	27,210	11,651
Interest paid	(4,619)	(5,339)
Income taxes paid	(831,575)	(612,133)
Net cash provided by (used in) operating activities	2,921,650	(619,837)
Cash flows from investing activities		
Purchase of investment securities	(300,000)	(2,250,000)
Proceeds from sale of investment securities	700,482	1,286,581
Purchase of property, plant and equipment	(54,826)	(245,615)
Purchase of intangible assets	(4,118)	(40,531)
Payments for asset retirement obligations	(10,431)	–
Subsidies received	1,977	64,000
Payments of leasehold and guarantee deposits	(76,633)	(225,246)
Proceeds from refund of leasehold and guarantee deposits	118,246	267,562
Proceeds from collection of loans receivable	5,000	–
Other, net	(4,155)	(2,121)
Net cash provided by (used in) investing activities	375,540	(1,145,371)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,400,000	–
Repayments of long-term borrowings	(430,256)	(537,451)
Proceeds from issuance of shares	83,000	–
Proceeds from issuance of share acquisition rights	8,116	–
Proceeds from exercise of employee share options	3	8
Purchase of treasury shares	–	(96)
Dividends paid	(327,558)	(386,713)
Net cash provided by (used in) financing activities	733,305	(924,252)
Net increase (decrease) in cash and cash equivalents	4,030,497	(2,689,461)
Cash and cash equivalents at beginning of period	4,176,111	8,206,608
Cash and cash equivalents at end of period	8,206,608	5,517,147

(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: 3

Names of consolidated subsidiaries

GR consulting, Inc.

gremz power, 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. 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) 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.

(6) Other significant matters for preparing consolidated financial statements

Not applicable.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, Etc.

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result, the Group changed its method of accounting for retail electricity revenue and related network costs equivalents mainly in the Electricity Retailing Business.

In the Electricity Retailing Business, electricity sales volume is determined and electricity rates are calculated based on meter readings from electricity meters installed at each customer’s premises, and the procedures for finalized meter readings are performed on a cycle for each customer group divided by area, contract type, etc. Prior to the adoption of the “Accounting Standard for Revenue Recognition,” revenue was recognized when the billing amount was determined based on the metering data. However, with the adoption of the said standard, the Group recognizes revenue by calculating retail electricity revenue corresponding to the accounting period based on the supply of electricity, rather than when the billing amount is determined. Similarly, the Group recognizes expenses corresponding to the accounting period, not the metering period, for the amount of network costs equivalents.

The application of the Accounting Standard for Revenue Recognition is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting

policy had been applied to periods prior to the beginning of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the start of the beginning of the current fiscal year, were subject to the previous treatment by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the current fiscal year were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the current fiscal year.

As a result, net sales in the consolidated statement of income increased ¥267,304 thousand, cost of sales increased ¥246,445 thousand, operating profit, ordinary profit, and profit before income taxes each increased ¥20,858 thousand, and the balance of retained earnings in the consolidated statement of changes in equity at the beginning of the fiscal year ended March 31, 2022 increased ¥165,847 thousand, as the cumulative effect was reflected in net assets at the beginning of the current fiscal year.

In addition, “Notes and accounts receivable - trade” under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in “Notes and accounts receivable - trade, and contract assets” under current assets, and “Other” under current liabilities has been included in “Contract liabilities” and “Other” from the consolidated balance sheet as of the end of the current fiscal year. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. In addition, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the “Revenue Recognition Notes” for the previous fiscal year are not presented.

Application of Accounting Standard for Fair Value Measurement, Etc.

The Group has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Accounting Standard for Fair Value Measurement have been applied prospectively.

In addition, in the “Financial Instruments Notes,” the Group has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level. However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019) said notes are not presented for the previous fiscal year.

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 Solution Business is engaged in businesses related to energy cost reduction, such as consulting services for lowering base electricity fees and sales of energy-efficient appliances, mainly to corporate clients. The Smart House Project Business sells energy-related products such as residential photo-voltaic systems and storage batteries mainly for general household, and develops renewable energy. The Electricity Retailing Business is engaged in the retail sales of electricity, mainly to existing 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, 2021 (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Reportable segments			Total
	ECS	SHP	ER	
Net sales				
Sales to external customers	5,475,967	4,583,861	9,252,157	19,311,987
Intersegment sales or transfers	–	–	–	–
Total	5,475,967	4,583,861	9,252,157	19,311,987
Segment profit	2,097,756	745,265	(486,540)	2,356,480
Segment assets	3,080,251	2,504,455	3,715,172	9,299,878
Others				
Depreciation and amortization	20,444	69,832	503	90,781
Increase in property, plant and equipment and intangible assets	25,925	16,022	694	42,643

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segments			Total
	ECS	SHP	ER	
Net sales				
Sales to external customers	5,122,749	4,528,535	13,600,788	23,252,073
Intersegment sales or transfers	–	–	–	–
Total	5,122,749	4,528,535	13,600,788	23,252,073
Segment profit	2,079,270	629,453	445,883	3,154,607
Segment assets	2,837,153	2,012,059	5,507,905	10,357,119
Others				
Depreciation and amortization	16,585	70,049	461	87,096
Increase in property, plant and equipment and intangible assets	198,973	26,676	1,343	226,993

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, 2021	Fiscal year ended March 31, 2022
Reportable segments total	19,311,987	23,252,073
Intersegment transaction eliminations	–	–
Net sales in the consolidated financial statements	19,311,987	23,252,073

(Thousands of yen)

Income	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segments total	2,356,480	3,154,607
Corporate expenses (Note)	(705,585)	(703,665)
Operating profit in the consolidated financial statements	1,650,894	2,450,941

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

(Thousands of yen)

Assets	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segments total	9,299,878	10,357,119
Corporate assets (Note)	3,619,300	3,260,322
Total assets in the consolidated financial statements	12,919,179	13,617,441

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

(Thousands of yen)

Others	Reportable segments total		Adjustments		Consolidated financial statement amounts	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation and amortization	90,781	87,096	22,068	24,598	112,849	111,694
Increase in property, plant and equipment and intangible assets	42,643	226,993	18,609	60,005	61,252	286,999

- 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, 2021 (from April 1, 2020 to March 31, 2021)

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 occupying 10% or more of net sales reported in the consolidated statement of income.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

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 occupying 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, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

Information about amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

Information about gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

Per share information

(Yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net assets per share	263.79	348.55
Basic earnings per share	49.45	94.81
Diluted earnings per share	48.74	93.66

Notes: 1. The Company conducted a 2-for-1 share split of its common shares on September 1, 2020. Therefore, net assets per share, basic earnings per share and diluted earnings per share are calculated based on the assumption that such a share split was conducted at the beginning of the fiscal year ended March 31, 2021.

2. As stated in "Changes in accounting policies," the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. The impact of this change on net assets per share, earnings per share, and diluted earnings per share for the current fiscal year is negligible.

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

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	1,120,664	2,158,911
Value not attributable to shareholders of common shares (Thousands of yen)	—	—
Profit attributable to owners of parent related to common shares (Thousands of yen)	1,120,664	2,158,911
Average number of shares outstanding during the period (Shares)	22,662,102	22,771,881
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Thousands of yen)	—	—
Increase in common shares (Shares)	328,965	278,558
[Of the above, share acquisition rights (Shares)]	(328,965)	(278,558)
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 December 25, 2020 Resolution of the Board of Directors Number of the share acquisition rights: 147,100 shares (Common shares: 147,100 shares)	—

Subsequent events

Not applicable.