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July 29, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 3150
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 Scheduled date to file quarterly securities report: August 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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, 2022 (from April 1, 2022 to June 30, 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	%
Three months ended								
June 30, 2022	6,884	39.3	547	(45.3)	555	(45.2)	355	(48.9)
June 30, 2021	4,940	16.9	999	(1.0)	1,013	(0.8)	694	3.4

Note: Comprehensive income For the three months ended June 30, 2022: ¥299 million [(56.8)%]
 For the three months ended June 30, 2021: ¥693 million [3.1%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	15.59	15.43
June 30, 2021	30.52	30.18

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	12,963	7,952	61.1
March 31, 2022	13,617	7,968	58.3

Reference: Equity
 As of June 30, 2022: ¥7,920 million
 As of March 31, 2022: ¥7,939 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, 2022	–	5.00	–	14.00	19.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		5.00	–	14.00	19.00

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, 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

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

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): 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, 2022	23,490,800 shares
As of March 31, 2022	23,490,800 shares

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

As of June 30, 2022	712,697 shares
As of March 31, 2022	712,697 shares

(iii) Average number of shares outstanding during the period

Three months ended June 30, 2022	22,778,103 shares
Three months ended June 30, 2021	22,769,748 shares

* Quarterly financial results reports are exempt from quarterly 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.

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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, 2022, (the first quarter) the economic environment showed signs a recovery in business sentiment with continued normalization of economic activity, but downside risks to the economy warrant attention, with factors such as concerns of a prolonged situation in Ukraine, surges in the prices of raw materials and energy, and exchange rate fluctuations.

Regarding the business of the gremz Group (the “Group”), in a market environment characterized by high electricity costs and expanding use of renewable energy for promoting a decarbonized society, the Group established gremz energy, Inc. in April as an operating company dedicated to sales of photo-voltaic systems for business use, aiming to strengthen sales of such systems. In addition, in the area of electricity retailing, we introduced the proprietary cost adjustment system (scheme of reflecting part of the electricity market procurement cost in electricity charges) and took steps to reduce the risk of fluctuations in electricity procurement prices by promoting market linkage plans. Furthermore, in the area of products and services related to cost reduction, energy conservation, and renewable energy, for which demand is stable, 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, 2022 were as follows: net sales of ¥6,884 million (up 39.3% year on year), operating profit of ¥547 million (down 45.3% year on year), ordinary profit of ¥555 million (down 45.2% year on year), and profit attributable to owners of parent of ¥355 million (down 48.9% year on year).

Business results for each business segment are as follows.

Energy Cost Solutions Business (ECS)

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

As a result, net sales were ¥1,422 million (up 4.0% year on year), and segment profit was ¥576 million (down 5.5% 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 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 ¥1,113 million (down 4.3% year on year), and segment profit was ¥190 million (up 15.3% 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 response to high electricity procurement prices, which have continued since last year, we are hedging risks through measures such as the introduction of a proprietary cost adjustment system and the promotion of market linkage plans; however, their effect will appear mainly from the second quarter onward, and the segment reported a loss for the first quarter.

As a result, net sales were ¥4,348 million (up 80.4% year on year), and segment loss was ¥40 million (compared to segment profit of ¥401 million in the same period of the previous fiscal 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, 2022 were ¥9,457 million, a decrease of ¥1,015 million compared to the end of the previous fiscal year. This was mainly due to decreases of ¥1,723 million in cash and deposits and ¥13 million in merchandise, despite increases of ¥390 million in notes and accounts receivable - trade, and contract assets, and ¥327 million in other. Non-current assets were ¥3,506 million, an increase of ¥362 million from the end of the previous fiscal year. This was mainly due to an increase of ¥342 million in investment securities and an increase of ¥49 million in leasehold and guarantee deposits, while deferred tax assets decreased by ¥29 million.

As a result, total assets were ¥12,963 million, a decrease of ¥653 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of June 30, 2022 were ¥3,832 million, a decrease of ¥577 million compared to the end of the previous fiscal year. This was mainly due to decreases of ¥62 million in accounts payable - other, ¥681 million in income taxes payable and ¥118 million in accrued consumption taxes, despite increases of ¥166 million in accounts payable - trade, ¥47 million in deposits received and ¥76 million in other. Non-current liabilities were ¥1,178 million, a decrease of ¥61 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥110 million in long-term borrowings, despite an increase of ¥49 million in other.

As a result, total liabilities were ¥5,010 million, a decrease of ¥638 million from the end of the previous fiscal year.

Net assets

Net assets as of June 30, 2022 were ¥7,952 million, a decrease of ¥15 million compared to the end of the previous fiscal year. This was mainly attributable to a decrease of ¥318 million due to dividends of surplus, while there was an increase of ¥299 million due to comprehensive income attributable to owners of parent.

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

No changes have been made to the financial results forecast announced on May 13, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	5,517,147	3,793,371
Notes and accounts receivable - trade, and contract assets	4,057,122	4,447,652
Merchandise	351,979	338,103
Prepaid expenses	88,178	90,782
Income taxes refund receivable	3	1,495
Consumption taxes refund receivable	82,665	82,665
Other	389,419	716,651
Allowance for doubtful accounts	(13,330)	(13,342)
Total current assets	10,473,185	9,457,380
Non-current assets		
Property, plant and equipment		
Buildings, net	99,375	96,911
Machinery and equipment, net	759,949	745,728
Vehicles, net	21,127	23,725
Tools, furniture and fixtures, net	90,812	89,090
Land	123,877	123,877
Construction in progress	920	–
Total property, plant and equipment	1,096,062	1,079,333
Intangible assets		
Software	12,530	11,849
Software in progress	36,960	53,735
Total intangible assets	49,490	65,584
Investments and other assets		
Investment securities	1,540,722	1,882,863
Deferred tax assets	132,804	103,583
Leasehold and guarantee deposits	288,848	338,824
Other	36,328	36,240
Total investments and other assets	1,998,703	2,361,512
Total non-current assets	3,144,255	3,506,430
Total assets	13,617,441	12,963,810

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,406,380	2,572,939
Current portion of long-term borrowings	457,700	452,690
Accounts payable - other	405,236	342,705
Income taxes payable	825,555	143,632
Accrued consumption taxes	275,290	156,639
Contract liabilities	25,981	26,528
Deposits received	13,371	60,595
Other	257	76,628
Total current liabilities	4,409,774	3,832,358
Non-current liabilities		
Long-term borrowings	1,163,080	1,052,780
Asset retirement obligations	76,577	76,645
Other	–	49,050
Total non-current liabilities	1,239,657	1,178,475
Total liabilities	5,649,431	5,010,834
Net assets		
Shareholders' equity		
Share capital	640,874	640,874
Capital surplus	379,487	379,487
Retained earnings	7,409,768	7,446,011
Treasury shares	(482,249)	(482,249)
Total shareholders' equity	7,947,879	7,984,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8,562)	(13,847)
Deferred gains or losses on hedges	–	(50,026)
Total accumulated other comprehensive income	(8,562)	(63,874)
Share acquisition rights	28,693	32,727
Total net assets	7,968,010	7,952,975
Total liabilities and net assets	13,617,441	12,963,810

(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, 2021	Three months ended June 30, 2022
Net sales	4,940,943	6,884,098
Cost of sales	2,979,165	5,434,838
Gross profit	1,961,778	1,449,259
Selling, general and administrative expenses	961,840	902,223
Operating profit	999,938	547,036
Non-operating income		
Dividend income	–	5,597
Commission income	6,020	3,655
Subsidy income	11,162	407
Other	1,750	77
Total non-operating income	18,934	9,738
Non-operating expenses		
Interest expenses	1,507	1,098
Commission expenses	3,310	–
Other	214	564
Total non-operating expenses	5,033	1,663
Ordinary profit	1,013,839	555,111
Extraordinary income		
Gain on sale of non-current assets	20	19
Total extraordinary income	20	19
Extraordinary losses		
Loss on retirement of non-current assets	3,731	713
Loss on sale of non-current assets	605	121
Total extraordinary losses	4,336	834
Profit before income taxes	1,009,523	554,295
Income taxes - current	329,818	141,151
Income taxes - deferred	(15,216)	58,007
Total income taxes	314,601	199,159
Profit	694,921	355,136
Profit attributable to owners of parent	694,921	355,136

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	694,921	355,136
Other comprehensive income		
Valuation difference on available-for-sale securities	(990)	(5,284)
Deferred gains or losses on hedges	–	(50,026)
Total other comprehensive income	(990)	(55,311)
Comprehensive income	693,931	299,824
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	693,931	299,824

(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.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Group has applied the “Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter the “Guidance on Fair Value Measurement”) from the beginning of the current fiscal year, and in accordance with the transitional treatment prescribed in paragraph 27-2 of the Guidance on Fair Value Measurement, the new accounting policies set forth in the Guidance on Fair Value Measurement have been applied prospectively.

Segment information*Segment information*

I Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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	1,367,673	1,163,434	2,409,835	4,940,943
Intersegment sales or transfers	–	–	–	–
Total	1,367,673	1,163,434	2,409,835	4,940,943
Segment profit	609,491	165,375	401,724	1,176,591

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	1,176,591
Corporate expenses (Note)	(176,653)
Operating profit on quarterly consolidated statement of income	999,938

Note: Corporate expenses mainly consist of general and administrative expenses of 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, 2022 (from April 1, 2022 to June 30, 2022)

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	1,422,166	1,113,843	4,348,088	6,884,098
Intersegment sales or transfers	–	–	–	–
Total	1,422,166	1,113,843	4,348,088	6,884,098
Segment profit (loss)	576,099	190,624	(40,490)	726,233

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	726,233
Corporate expenses (Note)	(179,196)
Operating profit on quarterly consolidated statement of income	547,036

Note: Corporate expenses mainly consist of general and administrative expenses of 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.