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October 31, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (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 quarterly securities report: November 14, 2022
 Scheduled date to commence dividend payments: December 1, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(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	%
Six months ended								
September 30, 2022	15,927	53.1	1,199	(37.4)	1,215	(37.6)	780	(41.1)
September 30, 2021	10,402	25.0	1,918	18.9	1,948	18.4	1,324	17.8

Note: Comprehensive income For the six months ended September 30, 2022: ¥784 million [(40.7)%]
 For the six months ended September 30, 2021: ¥1,322 million [17.4%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	34.25	33.89
September 30, 2021	58.17	57.49

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	15,263	8,441	55.1
March 31, 2022	13,617	7,968	58.3

Reference: Equity
 As of September 30, 2022: ¥8,405 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	–	5.00			
Fiscal year ending March 31, 2023 (Forecast)			–	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
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 September 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 September 30, 2022	712,729 shares
As of March 31, 2022	712,697 shares

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

Six months ended September 30, 2022	22,778,095 shares
Six months ended September 30, 2021	22,770,797 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.

○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, 2022, the economic environment showed signs a recovery in business sentiment with continued normalization of economic activity due to the relaxation of restrictions on activities caused by the COVID-19 pandemic, but the outlook for the economic environment remained uncertain, 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 worked to strengthen sales of photo-voltaic systems for business use. 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 six months ended September 30, 2022 were as follows: net sales of ¥15,927 million (up 53.1% year on year), operating profit of ¥1,199 million (down 37.4% year on year), ordinary profit of ¥1,215 million (down 37.6% year on year), and profit attributable to owners of parent of ¥780 million (down 41.1% 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 ¥3,179 million (up 22.4% year on year), and segment profit was ¥1,360 million (up 18.3% 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 ¥2,251 million (up 3.7% year on year), and segment profit was ¥380 million (up 44.0% 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. We are hedging risks against higher procurement prices through measures such as the introduction of a proprietary cost adjustment system and the promotion of market linkage plans; however, the segment reported a loss for the six months ended September 30, 2022, due to significant soaring of the market price of electricity from late June to mid-September.

As a result, net sales were ¥10,496 million (up 86.3% year on year), and segment loss was ¥193 million (compared to segment profit of ¥860 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 second quarter of the current fiscal year are as follows.

Assets

Current assets as of September 30, 2022 were ¥11,617 million, an increase of ¥1,144 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥1,583 million in notes and accounts receivable - trade, and contract assets and ¥267 million in merchandise, despite a decrease of ¥910 million in cash and deposits. Non-current assets were ¥3,645 million, an increase of ¥501 million from the end of the previous fiscal year. This was mainly due to increases of ¥71 million in software in progress, ¥233 million in investment securities and ¥249 million in leasehold and guarantee deposits, despite decreases of ¥23 million in machinery and equipment and ¥22 million in deferred tax assets.

As a result, total assets were ¥15,263 million, an increase of ¥1,645 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of September 30, 2022 were ¥4,439 million, an increase of ¥29 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥109 million in notes and accounts payable - trade, ¥348 million in current portion of long-term borrowings and ¥139 million in accounts payable - other, despite decreases of ¥404 million in income taxes payable and ¥175 million in accrued consumption taxes. Non-current liabilities were ¥2,382 million, an increase of ¥1,142 million from the end of the previous fiscal year. This was mainly due to an increase of ¥1,004 million in long-term borrowings.

As a result, total liabilities were ¥6,821 million, an increase of ¥1,172 million from the end of the previous fiscal year.

Net assets

Net assets as of September 30, 2022 were ¥8,441 million, an increase of ¥473 million compared to the end of the previous fiscal year. This was mainly attributable to an increase of ¥784 million due to comprehensive income attributable to owners of parent, while there was a decrease of ¥318 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 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	5,517,147	4,606,856
Notes and accounts receivable - trade, and contract assets	4,057,122	5,640,326
Merchandise	351,979	619,203
Prepaid expenses	88,178	82,575
Income taxes refund receivable	3	–
Consumption taxes refund receivable	82,665	–
Other	389,419	685,824
Allowance for doubtful accounts	(13,330)	(16,811)
Total current assets	10,473,185	11,617,973
Non-current assets		
Property, plant and equipment		
Buildings, net	99,375	93,907
Machinery and equipment, net	759,949	736,071
Vehicles, net	21,127	25,680
Tools, furniture and fixtures, net	90,812	86,674
Land	123,877	123,877
Construction in progress	920	680
Total property, plant and equipment	1,096,062	1,066,890
Intangible assets		
Software	12,530	10,520
Software in progress	36,960	108,878
Total intangible assets	49,490	119,399
Investments and other assets		
Investment securities	1,540,722	1,773,809
Deferred tax assets	132,804	110,365
Leasehold and guarantee deposits	288,848	538,830
Other	36,328	36,141
Total investments and other assets	1,998,703	2,459,147
Total non-current assets	3,144,255	3,645,436
Total assets	13,617,441	15,263,410

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,406,380	2,515,951
Current portion of long-term borrowings	457,700	806,044
Accounts payable - other	405,236	545,120
Income taxes payable	825,555	421,015
Accrued consumption taxes	275,290	99,946
Contract liabilities	25,981	32,374
Deposits received	13,371	14,758
Asset retirement obligations	–	3,850
Other	257	40
Total current liabilities	4,409,774	4,439,102
Non-current liabilities		
Long-term borrowings	1,163,080	2,167,449
Asset retirement obligations	76,577	74,962
Other	–	140,093
Total non-current liabilities	1,239,657	2,382,504
Total liabilities	5,649,431	6,821,606
Net assets		
Shareholders' equity		
Share capital	640,874	640,874
Capital surplus	379,487	379,487
Retained earnings	7,409,768	7,871,070
Treasury shares	(482,249)	(482,304)
Total shareholders' equity	7,947,879	8,409,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8,562)	(19,962)
Deferred gains or losses on hedges	–	15,877
Total accumulated other comprehensive income	(8,562)	(4,085)
Share acquisition rights	28,693	36,761
Total net assets	7,968,010	8,441,803
Total liabilities and net assets	13,617,441	15,263,410

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

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	10,402,983	15,927,943
Cost of sales	6,601,482	12,941,512
Gross profit	3,801,500	2,986,431
Selling, general and administrative expenses	1,883,370	1,786,526
Operating profit	1,918,129	1,199,904
Non-operating income		
Interest income	36	21
Dividend income	–	7,878
Commission income	15,510	11,071
Subsidy income	20,852	407
Other	3,573	497
Total non-operating income	39,973	19,876
Non-operating expenses		
Interest expenses	2,965	2,559
Commission expenses	6,217	0
Other	748	1,424
Total non-operating expenses	9,931	3,985
Ordinary profit	1,948,171	1,215,796
Extraordinary income		
Gain on sale of non-current assets	35	553
Total extraordinary income	35	553
Extraordinary losses		
Loss on retirement of non-current assets	4,817	1,415
Loss on sale of non-current assets	605	272
Total extraordinary losses	5,423	1,687
Profit before income taxes	1,942,784	1,214,661
Income taxes - current	656,589	415,392
Income taxes - deferred	(38,345)	19,073
Total income taxes	618,244	434,466
Profit	1,324,540	780,195
Profit attributable to owners of parent	1,324,540	780,195

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,324,540	780,195
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,113)	(11,399)
Deferred gains or losses on hedges	–	15,877
Total other comprehensive income	(2,113)	4,477
Comprehensive income	1,322,426	784,672
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,322,426	784,672

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,942,784	1,214,661
Depreciation	54,349	58,352
Increase (decrease) in allowance for doubtful accounts	2,070	3,481
Share-based payment expenses	12,102	8,068
Interest and dividend income	(36)	(7,899)
Interest expenses	2,965	2,559
Loss (gain) on sale and retirement of non-current assets	5,387	1,134
Decrease (increase) in trade receivables	(150,267)	(1,583,204)
Decrease (increase) in inventories	49,920	(267,223)
Decrease (increase) in consumption taxes refund receivable	47,156	82,665
Increase (decrease) in trade payables	(1,303,344)	109,571
Increase (decrease) in accounts payable - other	(286,051)	140,843
Increase (decrease) in accrued consumption taxes	(42,704)	(175,362)
Other, net	93,287	(143,160)
Subtotal	427,619	(555,511)
Interest and dividends received	36	10,924
Interest paid	(2,851)	(2,990)
Income taxes paid	(331,184)	(795,860)
Net cash provided by (used in) operating activities	93,620	(1,343,438)
Cash flows from investing activities		
Purchase of investment securities	(600,000)	(900,000)
Proceeds from sale of investment securities	113,182	650,482
Purchase of property, plant and equipment	(30,598)	(29,289)
Purchase of intangible assets	–	(72,572)
Payments of leasehold and guarantee deposits	(158)	(250,120)
Proceeds from refund of leasehold and guarantee deposits	68,898	147
Other, net	(299)	526
Net cash provided by (used in) investing activities	(448,974)	(600,826)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	1,600,000
Repayments of long-term borrowings	(297,002)	(247,287)
Proceeds from exercise of employee share options	2	–
Purchase of treasury shares	–	(54)
Dividends paid	(272,926)	(318,684)
Net cash provided by (used in) financing activities	(569,925)	1,033,973
Net increase (decrease) in cash and cash equivalents	(925,279)	(910,291)
Cash and cash equivalents at beginning of period	8,206,608	5,517,147
Cash and cash equivalents at end of period	7,281,329	4,606,856

(4) 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

I Six months ended September 30, 2021 (from April 1, 2021 to September 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	2,597,391	2,172,558	5,633,033	10,402,983
Intersegment sales or transfers	–	–	–	–
Total	2,597,391	2,172,558	5,633,033	10,402,983
Segment profit	1,150,440	264,155	860,647	2,275,242

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	2,275,242
Corporate expenses (Note)	(357,112)
Operating profit on quarterly consolidated statement of income	1,918,129

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, 2022 (from April 1, 2022 to September 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	3,179,188	2,251,884	10,496,870	15,927,943
Intersegment sales or transfers	–	–	–	–
Total	3,179,188	2,251,884	10,496,870	15,927,943
Segment profit (loss)	1,360,558	380,504	(193,008)	1,548,053

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	1,548,053
Corporate expenses (Note)	(348,149)
Operating profit on quarterly consolidated statement of income	1,199,904

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.