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May 15, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (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, 2023
 Scheduled date to commence dividend payments: June 29, 2023
 Scheduled date to file annual securities report: June 29, 2023
 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 fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	31,392	35.0	3,600	46.9	3,687	46.6	2,465	14.2
March 31, 2022	23,252	20.4	2,450	48.5	2,514	44.1	2,158	92.6

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥2,390 million [11.1%]
 For the fiscal year ended March 31, 2022: ¥2,152 million [92.1%]

	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, 2023	108.19	107.04	27.6	23.9	11.5
March 31, 2022	94.81	93.66	31.0	19.0	10.5

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023: —
 For the fiscal year ended March 31, 2022: —

(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, 2023	17,217	10,008	57.8	434.39
March 31, 2022	13,617	7,968	58.3	348.55

Reference: Equity
 As of March 31, 2023: ¥9,955 million
 As of March 31, 2022: ¥7,939 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, 2023	1,464	80	1,162	8,224
March 31, 2022	(619)	(1,145)	(924)	5,517

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, 2022	–	5.00	–	14.00	19.00	432	20.0	6.2
Fiscal year ended March 31, 2023	–	5.00	–	17.00	22.00	503	20.3	5.6
Fiscal year ending March 31, 2024 (Forecast)	–	5.00	–	17.00	22.00		17.8	

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2023	15,798	(0.8)	2,533	111.2	2,546	109.5	1,652	111.9	72.12
Fiscal year ending March 31, 2024	32,144	2.4	4,320	20.0	4,350	18.0	2,826	14.7	123.33

* **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, 2023	23,630,800 shares
As of March 31, 2022	23,490,800 shares

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

As of March 31, 2023	712,763 shares
As of March 31, 2022	712,697 shares

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

Fiscal year ended March 31, 2023	22,785,366 shares
Fiscal year ended March 31, 2022	22,771,881 shares

[Reference] Overview of non-consolidated financial results

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

(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, 2023	2,130	34.5	1,352	53.7	1,403	57.4	1,144	17.6
March 31, 2022	1,583	(0.7)	879	(1.0)	891	(2.6)	972	20.0

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	50.22	49.68
March 31, 2022	42.73	42.21

(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, 2023	6,878	4,121	59.1	177.49
March 31, 2022	5,207	3,334	63.5	145.15

Reference: Equity

As of March 31, 2023: ¥4,067 million
As of March 31, 2022: ¥3,306 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 page 4.

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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, 2023, the economic environment showed signs of 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. On the other hand, the outlook remained uncertain with factors such as surges in the prices of raw materials and energy and increases in commodity prices due to concerns about the prolonged situation in Ukraine.

Regarding the business of the grenz 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 flexibly operating the system and promoting market linkage plans. 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 Group’s business results for the fiscal year ended March 31, 2023 were as follows: net sales of ¥31,392 million (up 35.0% year on year), operating profit of ¥3,600 million (up 46.9% year on year), ordinary profit of ¥3,687 million (up 46.6% year on year), and profit attributable to owners of parent of ¥2,465 million (up 14.2% year on year). Net sales increased for the 18th consecutive year since the company’s establishment. In addition, each profit category reached record highs.

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 offer customers the ability to generate and consume their own electricity, and sales of various energy-efficient appliances, such as IoT devices, and commercial air conditioners, transformers, capacitors, etc. for conserving energy.

As a result, net sales in the Energy Cost Solutions Business were ¥5,528 million (up 7.9% year on year), and segment profit was ¥2,079 million (flat at 0.0% 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, Smart House Project Business posted net sales of ¥4,014 million (down 11.4% year on year) and segment profit of ¥496 million (down 21.0% year on year).

Electricity Retailing Business (ER)

In the Electricity Retailing Business, we increased orders received, by proposing to customers improved procurement of electricity. In addition, due to the effects of measures to hedge against rising electricity procurement prices, such as the introduction of a proprietary cost adjustment system, the promotion of market linkage plans, and the use of derivatives transactions, profits increased significantly.

As a result, net sales in the Electricity Retailing Business were ¥21,848 million (up 60.6% year on year), and segment profit was ¥1,801 million (up 304.1% year on year).

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

(i) Assets, liabilities and net assets

Current assets

Current assets as of March 31, 2023 were ¥14,168 million, an increase of ¥3,695 million from the end of the previous fiscal year. This was mainly due to increases of ¥2,707 million in cash and deposits and ¥909 million in merchandise.

Non-current assets

Non-current assets as of March 31, 2023 were ¥3,049 million, a decrease of ¥94 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥262 million in machinery and equipment, ¥225 million in software, ¥113 million in deferred tax assets, and ¥92 million in leasehold and guarantee deposits, despite decreases of ¥23 million in software in progress and ¥762 million in investment securities.

Current liabilities

Current liabilities as of March 31, 2023 were ¥4,663 million, an increase of ¥253 million compared to the end of the previous fiscal year. This was mainly due to decreases of ¥342 million in notes and accounts payable - trade, ¥157 million in income taxes payable, and ¥172 million in accrued consumption taxes, despite increases of ¥451 million in current portion of long-term borrowings, ¥435 million in accounts payable - other, and ¥39 million in contract liabilities.

Non-current liabilities

Non-current liabilities as of March 31, 2023 were ¥2,545 million, an increase of ¥1,306 million from the end of the previous fiscal year. This was mainly due to an increase of ¥1,085 million in long-term borrowings.

Net assets

Net assets as of March 31, 2023 were ¥10,008 million, an increase of ¥2,040 million from the end of the previous fiscal year. This was mainly due to an increase of ¥2,390 million in comprehensive income attributable to owners of parent, while there was a decrease of ¥432 million in dividends of surplus.

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

Cash and cash equivalents (“net cash”) as of March 31, 2023 totaled ¥8,224 million, an increase of ¥2,707 million compared to the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥1,464 million in the fiscal year ended March 31, 2023, compared with ¥619 million used in the previous fiscal year. This was mainly due to an increase in net cash resulting from profit before income taxes of ¥3,681 million, etc., while there was a decrease in net cash resulting from an increase in inventories of ¥909 million, income taxes paid of ¥1,460 million, and other factors.

Cash flows from investing activities

Net cash provided by investing activities in the fiscal year ended March 31, 2023 totaled ¥80 million, compared with ¥1,145 million used in the previous fiscal year. This was mainly due to an increase in net cash resulting from sale of investment securities of ¥1,650 million, etc., while there was a decrease in net cash resulting from the purchase of investment securities of ¥900 million, purchase of property, plant and equipment of ¥459 million, payments of leasehold and guarantee deposits of ¥250 million, etc.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,162 million in the fiscal year ended March 31, 2023, compared with ¥924 million used in the previous fiscal year. This was mainly due to an increase in net cash resulting from long-term borrowings of ¥2,200 million, while there was a decrease in net cash resulting from repayments of long-term borrowings of ¥663 million and dividends paid of ¥432 million.

(Reference) Trends in cash flow indicators

	FY2021	FY2022	FY2023
Equity-to-asset ratio (%)	46.5%	58.3%	57.8%
Equity-to-asset ratio based on market value (%)	335.2%	376.7%	318.4%
Interest-bearing debt to cash flow ratio (annual)	0.7	–	2.2
Interest coverage ratio (times)	682.3	–	171.8

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

Regarding the economic environment surrounding the Group, although electricity market prices have begun to show signs of stabilizing, soaring electricity procurement costs continue to be a risk factor for the Electricity Retailing Business. On the other hand, we believe that opportunities to expand our business in energy cost reduction consulting, sales of energy-efficient appliances, and sales of photo-voltaic systems and storage batteries continue to increase due to the steady demand for power cost reduction and the current trend of increasing the use of renewable energy to promote a decarbonized society. Since the previous fiscal year, given the environment of soaring electricity costs, we have adopted a growth strategy centered on expanding the Energy Cost Solutions Business, with photo-voltaic systems for business use as our core product. In the current fiscal year, we will further expand sales of photo-voltaic systems for business use, and in the Electricity Retailing Business, we will take measures to hedge against the risks associated with fluctuations in business performance to make the business a stable source of recurring revenue, which will lead to growth for the entire Group.

For the Energy Cost Solutions Business, we will expand sales of the aforementioned photo-voltaic systems for business use. We will propose to customers that they install photo-voltaic systems on the roofs of their factories and consume the electricity they generate, thereby reducing their costs compared to purchasing electricity. In addition to investing human resources, we will actively promote partnerships with other companies. Moreover, we will continue to promote consulting services for lowering base electricity fees 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. By conducting efficient sales activities, we aim to improve our operating profit margin.

For the Electricity Retailing Business, although we are working to reduce procurement price fluctuation risk by having a customer base of low-voltage electricity consumers with low load factors (ratio of annual average power consumption to maximum power consumption), we will also aim for stable earnings growth while hedging against the risks of soaring electricity market prices by securing 1-on-1 individual contract agreements with profitability in mind, operating our proprietary cost adjustment system (scheme of reflecting part of the electricity market procurement cost in electricity charges), and utilizing derivatives transactions.

Based on the above, for the fiscal year ending March 31, 2024, we forecast consolidated net sales of ¥32,144 million (up 2.4% year on year), operating profit of ¥4,320 million (up 20.0% year on year), ordinary profit of ¥4,350 million (up 18.0% year on year), and profit attributable to owners of parent of ¥2,826 million (up 14.7% year on year).

For the fiscal year ending March 31, 2024, we forecast an interim dividend of ¥5 and a year-end dividend of ¥17, 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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	5,517,147	8,224,617
Notes and accounts receivable - trade, and contract assets	4,057,122	4,313,972
Merchandise	351,979	1,261,023
Prepaid expenses	88,178	117,576
Income taxes refund receivable	3	28,919
Consumption taxes refund receivable	82,665	66,169
Other	389,419	201,112
Allowance for doubtful accounts	(13,330)	(44,935)
Total current assets	10,473,185	14,168,455
Non-current assets		
Property, plant and equipment		
Buildings, net	99,375	90,001
Machinery and equipment, net	759,949	1,022,351
Vehicles, net	21,127	23,744
Tools, furniture and fixtures, net	90,812	76,689
Land	123,877	123,877
Construction in progress	920	8,415
Total property, plant and equipment	1,096,062	1,345,080
Intangible assets		
Software	12,530	237,812
Software in progress	36,960	12,980
Total intangible assets	49,490	250,792
Investments and other assets		
Investment securities	1,540,722	778,100
Deferred tax assets	132,804	246,715
Leasehold and guarantee deposits	288,848	381,307
Other	36,328	47,509
Total investments and other assets	1,998,703	1,453,632
Total non-current assets	3,144,255	3,049,505
Total assets	13,617,441	17,217,961

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,406,380	2,063,894
Current portion of long-term borrowings	457,700	909,074
Accounts payable - other	405,236	841,210
Income taxes payable	825,555	667,770
Accrued consumption taxes	275,290	102,620
Contract liabilities	25,981	65,418
Deposits received	13,371	12,866
Other	257	257
Total current liabilities	4,409,774	4,663,113
Non-current liabilities		
Long-term borrowings	1,163,080	2,248,337
Asset retirement obligations	76,577	78,820
Other	–	218,742
Total non-current liabilities	1,239,657	2,545,900
Total liabilities	5,649,431	7,209,014
Net assets		
Shareholders' equity		
Share capital	640,874	670,011
Capital surplus	379,487	408,624
Retained earnings	7,409,768	9,442,237
Treasury shares	(482,249)	(482,394)
Total shareholders' equity	7,947,879	10,038,479
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8,562)	(16,650)
Deferred gains or losses on hedges	–	(66,367)
Total accumulated other comprehensive income	(8,562)	(83,018)
Share acquisition rights	28,693	53,485
Total net assets	7,968,010	10,008,947
Total liabilities and net assets	13,617,441	17,217,961

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

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	23,252,073	31,392,100
Cost of sales	17,134,952	23,883,357
Gross profit	6,117,120	7,508,743
Selling, general and administrative expenses	3,666,179	3,907,993
Operating profit	2,450,941	3,600,749
Non-operating income		
Interest income	70	43
Interest on securities	1,910	18,972
Dividend income	12,613	33,763
Commission income	24,825	40,919
Subsidy income	36,130	604
Other	6,930	5,164
Total non-operating income	82,481	99,468
Non-operating expenses		
Interest expenses	5,461	8,524
Commission expenses	10,801	1
Other	2,379	4,091
Total non-operating expenses	18,642	12,617
Ordinary profit	2,514,780	3,687,600
Extraordinary income		
Gain on sale of investment securities	367,754	–
Gain on sale of non-current assets	406	558
Subsidy income	64,000	87,480
Gain on reimbursement from imbalance settlement	343,683	–
Total extraordinary income	775,845	88,038
Extraordinary losses		
Loss on retirement of non-current assets	7,564	5,777
Loss on sale of non-current assets	1,348	857
Loss on tax purpose reduction entry of non-current assets	63,448	87,480
Total extraordinary losses	72,361	94,114
Profit before income taxes	3,218,264	3,681,523
Income taxes - current	1,150,555	1,291,516
Income taxes - deferred	(91,202)	(75,245)
Total income taxes	1,059,353	1,216,270
Profit	2,158,911	2,465,253
Profit attributable to owners of parent	2,158,911	2,465,253

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	2,158,911	2,465,253
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,709)	(8,087)
Deferred gains or losses on hedges	–	(66,367)
Total other comprehensive income	(6,709)	(74,455)
Comprehensive income	2,152,201	2,390,797
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,152,201	2,390,797

(3) Consolidated statement of changes in equity

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	Deferred gains or losses on hedges	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

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	640,874	379,487	7,409,768	(482,249)	7,947,879
Changes during period					
Issuance of new shares - exercise of share acquisition rights	29,137	29,137	-	-	58,275
Dividends of surplus	-	-	(432,783)	-	(432,783)
Profit attributable to owners of parent	-	-	2,465,253	-	2,465,253
Purchase of treasury shares	-	-	-	(144)	(144)
Disposal of treasury shares	-	-	-	-	-
Transfer of loss on disposal of treasury shares	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	29,137	29,137	2,032,469	(144)	2,090,599
Balance at end of period	670,011	408,624	9,442,237	(482,394)	10,038,479

(Thousands of yen)

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	(8,562)	-	(8,562)	28,693	7,968,010
Changes during period					
Issuance of new shares - exercise of share acquisition rights	-	-	-	-	58,275
Dividends of surplus	-	-	-	-	(432,783)
Profit attributable to owners of parent	-	-	-	-	2,465,253
Purchase of treasury shares	-	-	-	-	(144)
Disposal of treasury shares	-	-	-	-	-
Transfer of loss on disposal of treasury shares	-	-	-	-	-
Net changes in items other than shareholders' equity	(8,087)	(66,367)	(74,455)	24,792	(49,662)
Total changes during period	(8,087)	(66,367)	(74,455)	24,792	2,040,937
Balance at end of period	(16,650)	(66,367)	(83,018)	53,485	10,008,947

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,218,264	3,681,523
Depreciation	111,694	124,184
Increase (decrease) in allowance for doubtful accounts	3,146	31,604
Share-based payment expenses	20,171	24,967
Interest and dividend income	(14,675)	(52,778)
Interest expenses	5,542	8,524
Loss (gain) on sale of investment securities	(367,754)	–
Loss (gain) on sale and retirement of non-current assets	8,506	6,076
Loss on tax purpose reduction entry of non-current assets	63,448	87,480
Subsidy income	(64,000)	(87,480)
Decrease (increase) in trade receivables	(1,194,407)	(256,850)
Decrease (increase) in inventories	(117,742)	(909,044)
Decrease (increase) in consumption taxes refund receivable	(35,509)	16,496
Increase (decrease) in trade payables	(1,097,140)	(342,485)
Increase (decrease) in accounts payable - other	(232,653)	415,999
Increase (decrease) in accrued consumption taxes	23,037	(167,427)
Other, net	(343,943)	297,289
Subtotal	(14,015)	2,878,079
Interest and dividends received	11,651	55,803
Interest paid	(5,339)	(8,726)
Income taxes paid	(612,133)	(1,460,414)
Net cash provided by (used in) operating activities	(619,837)	1,464,742
Cash flows from investing activities		
Purchase of investment securities	(2,250,000)	(900,000)
Proceeds from sale of investment securities	1,286,581	1,650,964
Purchase of property, plant and equipment	(245,615)	(459,421)
Purchase of intangible assets	(40,531)	(190,982)
Payments for asset retirement obligations	–	(3,990)
Subsidies received	64,000	87,480
Payments of leasehold and guarantee deposits	(225,246)	(250,165)
Proceeds from refund of leasehold and guarantee deposits	267,562	157,714
Other, net	(2,121)	(10,969)
Net cash provided by (used in) investing activities	(1,145,371)	80,629
Cash flows from financing activities		
Proceeds from long-term borrowings	–	2,200,000
Repayments of long-term borrowings	(537,451)	(663,369)
Proceeds from issuance of shares	–	58,100
Proceeds from exercise of employee share options	8	–
Purchase of treasury shares	(96)	(144)
Dividends paid	(386,713)	(432,489)
Net cash provided by (used in) financing activities	(924,252)	1,162,097
Net increase (decrease) in cash and cash equivalents	(2,689,461)	2,707,469
Cash and cash equivalents at beginning of period	8,206,608	5,517,147
Cash and cash equivalents at end of period	5,517,147	8,224,617

(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: 4

Names of consolidated subsidiaries

GR consulting, Inc.

gremz power, Inc.

gremz energy, Inc.

gremz solar, Inc.

Since gremz energy, Inc. was newly established, it is included in the scope of consolidation from the current fiscal year.

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. Derivatives

Market value method

c. 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) Major hedge accounting methods

- a. Hedge accounting method

Deferred hedge accounting is used.

- b. Hedging instruments and hedged items

Hedging instruments: Electricity futures contracts

Hedged items: Anticipated transactions and relative transactions related to electricity procurement

- c. Hedge method

In accordance with the Company's internal rules on derivatives transactions, the Company uses derivative instruments to hedge against price fluctuation risks related to electricity procurement within the scope of actual demand.

- d. Method of evaluating hedge effectiveness

The Company compares the cumulative market fluctuations of the hedged items and the cumulative market fluctuations of the hedging instruments during the period from the start of hedging to the point at which effectiveness is assessed, and evaluates the hedge effectiveness based on the amount of fluctuation in both cases. However, the evaluation of effectiveness is omitted for electricity futures transactions where the material terms regarding the hedging instrument and the hedged assets and liabilities or scheduled transactions are identical.

(6) 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.

(7) Other significant matters for preparing consolidated financial statements

Not applicable.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Group has applied the “Implementation 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

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 Solutions Business is engaged in businesses related to energy cost reduction, such as consulting services for lowering base electricity fees and sales of photo-voltaic systems for business use and energy-efficient appliances, mainly to corporate clients. The Smart House Project Business sells residential photo-voltaic systems and storage batteries mainly for general households, and develops renewable energy. The Electricity Retailing Business is engaged in the retail sales of electricity, mainly to 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, 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

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments			Total
	ECS	SHP	ER	
Net sales				
Sales to external customers	5,528,863	4,014,293	21,848,944	31,392,100
Intersegment sales or transfers	–	–	–	–
Total	5,528,863	4,014,293	21,848,944	31,392,100
Segment profit	2,079,918	496,977	1,801,839	4,378,736
Segment assets	4,474,289	2,357,663	6,524,432	13,356,384
Others				
Depreciation and amortization	26,189	73,672	571	100,433
Increase in property, plant and equipment and intangible assets	360,616	81,632	–	442,248

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, 2022	Fiscal year ended March 31, 2023
Reportable segments total	23,252,073	31,392,100
Intersegment transaction elimination	–	–
Net sales in the consolidated financial statements	23,252,073	31,392,100

(Thousands of yen)

Income	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segments total	3,154,607	4,378,736
Corporate expenses (Note)	(703,665)	(777,986)
Operating profit in the consolidated financial statements	2,450,941	3,600,749

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

(Thousands of yen)

Assets	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segments total	10,357,119	13,356,384
Corporate assets (Note)	3,260,322	3,861,576
Total assets in the consolidated financial statements	13,617,441	17,217,961

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

(Thousands of yen)

Others	Reportable segments total		Adjustments		Consolidated financial statement amounts	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation and amortization	87,096	100,433	24,598	23,751	111,694	124,184
Increase in property, plant and equipment and intangible assets	226,993	442,248	60,005	249,517	286,999	691,766

- 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, 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 accounting for 10% or more of net sales reported in the consolidated statement of income.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

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 accounting for 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, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

Information about amortization and unamortized balance of goodwill by reportable segment

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

Not applicable.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

Information about gain on bargain purchase by reportable segment

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

Not applicable.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

Per share information

(Yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net assets per share	348.55	434.39
Basic earnings per share	94.81	108.19
Diluted earnings per share	93.66	107.04

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

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	2,158,911	2,465,253
Value not attributable to shareholders of common shares (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	2,158,911	2,465,253
Average number of shares outstanding during the period (Shares)	22,771,881	22,785,366
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (Thousands of yen)	–	–
Increase in common shares (Shares)	278,558	245,181
[Of the above, share acquisition rights (Shares)]	(278,558)	(245,181)
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 Number of the share acquisition rights: 147,100 shares (Common shares: 147,100 shares)

Subsequent events

Not applicable.