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November 14, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: gremz, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 3150
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 Scheduled date to file quarterly securities report: November 14, 2023
 Scheduled date to commence dividend payments: December 1, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (For institutional investors / Analysts)

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

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2023	15,944	0.1	3,197	166.5	3,231	165.8	2,177	179.1
September 30, 2022	15,927	53.1	1,199	(37.4)	1,215	(37.6)	780	(41.1)

Note: Comprehensive income For the six months ended September 30, 2023: ¥2,241 million [185.7%]
 For the six months ended September 30, 2022: ¥784 million [(40.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	94.97	94.30
September 30, 2022	34.25	33.89

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	19,772	11,947	60.1
March 31, 2023	17,217	10,008	57.8

Reference: Equity
 As of September 30, 2023: ¥11,884 million
 As of March 31, 2023: ¥9,955 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, 2023	–	5.00	–	17.00	22.00
Fiscal year ending March 31, 2024	–	15.00			
Fiscal year ending March 31, 2024 (Forecast)			–	22.00	37.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

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
Fiscal year ending March 31, 2024	32,144	2.4	4,320	20.0	4,350	18.0	2,826	14.7	122.36

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: None
 - (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, 2023	23,814,800 shares
As of March 31, 2023	23,630,800 shares

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

As of September 30, 2023	712,793 shares
As of March 31, 2023	712,763 shares

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

Six months ended September 30, 2023	22,929,077 shares
Six months ended September 30, 2022	22,778,095 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, 2023, the economic environment showed a mild recovery in business sentiment with personal consumption and capital investment rebounding amid an improving employment and income environment. On the other hand, the outlook remained uncertain with factors such as concerns about deteriorating economic activity overseas, increases in the price of goods against a backdrop of depreciation of the yen, volatility in financial and capital markets.

Regarding the grenz Group (the “Group”), amid soaring electricity costs, and the growing uptake of renewable energy which is bringing about the realization of GX (green transformation), the Group worked to expand sales with a core focus on the growth of photo-voltaic systems for business use. In addition, in the area of electricity retailing, we took steps to reduce the risk of fluctuations in electricity procurement prices by implementing the operation of the proprietary cost adjustment system (scheme of reflecting part of the electricity market procurement cost in electricity charges) for low voltage and promotion of market linkage plans for high voltage in addition to introducing new plans for low voltage (“value plan” and “simple plan”) in response to the regulatory rate revisions of the major electric power companies. Furthermore, in the area of products and services related to cost reduction, energy conservation, and renewable energy, for which there is stable demand, orders were steady for both business clients and retail customers.

As a result of the above, the Groups’ business results for the six months ended September 30, 2023 were as follows: net sales of ¥15,944 million (up 0.1% year on year), operating profit of ¥3,197 million (up 166.5% year on year), ordinary profit of ¥3,231 million (up 165.8% year on year), and profit attributable to owners of parent of ¥2,177 million (up 179.1% year on year).

Business results for each business segment are as follows.

Energy Cost Solutions Business (ECS)

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

As a result, net sales were ¥4,390 million (up 38.1% year on year), and segment profit was ¥1,940 million (up 42.6% year on year).

Smart House Project Business (SHP)

In 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 ¥2,523 million (up 12.1% year on year), and segment profit was ¥444 million (up 16.8% year on year).

Electricity Retailing Business (ER)

In the Electricity Retailing Business, although we worked to keep procurement prices down by shifting to more stable electricity market prices, our sales declined as a result of a decrease in sales of high voltage electricity.

As a result, net sales were ¥9,030 million (down 14.0% year on year), and segment profit was ¥1,133 million (compared to segment loss of ¥193 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, 2023 were ¥15,511 million, an increase of ¥1,343 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥950 million in cash and deposits and ¥391 million in merchandise. Non-current assets were ¥4,261 million, an increase of ¥1,211 million from the end of the previous fiscal year. This was mainly due to increases of ¥1,196 million in investment securities and ¥100 million in leasehold and guarantee deposits, despite decreases of ¥26 million in deferred tax assets, ¥22 million in machinery and equipment and ¥21 million in software.

As a result, total assets were ¥19,772 million, an increase of ¥2,554 million from the end of the previous fiscal year.

Liabilities

Current liabilities as of September 30, 2023 were ¥5,672 million, an increase of ¥1,009 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥779 million in notes and accounts payable - trade, ¥416 million in income taxes payable, ¥122 million in accrued consumption taxes and ¥121 million in provision for bonuses, despite a decrease of ¥379 million in accounts payable - other. Non-current liabilities were ¥2,152 million, a decrease of ¥392 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥429 million in long-term borrowings.

As a result, total liabilities were ¥7,825 million, an increase of ¥616 million from the end of the previous fiscal year.

Net assets

Net assets as of September 30, 2023 were ¥11,947 million, an increase of ¥1,938 million compared to the end of the previous fiscal year. This was mainly attributable to an increase of ¥2,241 million due to comprehensive income attributable to owners of parent and increases of ¥38 million for each of share capital and capital surplus resulting from exercise of share acquisition rights, while there was a decrease of ¥389 million due to dividends of surplus.

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

No changes have been made to the financial results forecast announced on May 15, 2023.

Revisions have been made to the forecast of cash dividends announced on May 15, 2023. The details are provided in “Notice Regarding Change in Dividend Policy, Decision on Dividends of Surplus (Interim Dividend), and Revision to Year-End Dividend Forecast” announced today (November 14, 2023).

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	8,224,617	9,175,067
Notes and accounts receivable - trade, and contract assets	4,313,972	4,406,982
Merchandise	1,261,023	1,652,563
Prepaid expenses	117,576	91,247
Income taxes refund receivable	28,919	–
Consumption taxes refund receivable	66,169	62,518
Other	201,112	167,120
Allowance for doubtful accounts	(44,935)	(44,002)
Total current assets	14,168,455	15,511,497
Non-current assets		
Property, plant and equipment		
Buildings, net	90,001	83,757
Machinery and equipment, net	1,022,351	999,719
Vehicles, net	23,744	21,717
Tools, furniture and fixtures, net	76,689	69,663
Land	123,877	123,877
Construction in progress	8,415	10,005
Total property, plant and equipment	1,345,080	1,308,740
Intangible assets		
Software	237,812	215,920
Software in progress	12,980	12,980
Total intangible assets	250,792	228,900
Investments and other assets		
Investment securities	778,100	1,974,465
Deferred tax assets	246,715	220,575
Leasehold and guarantee deposits	381,307	481,392
Other	47,509	47,312
Total investments and other assets	1,453,632	2,723,745
Total non-current assets	3,049,505	4,261,386
Total assets	17,217,961	19,772,883

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,063,894	2,843,733
Current portion of long-term borrowings	909,074	873,494
Accounts payable - other	841,210	462,081
Income taxes payable	667,770	1,083,984
Accrued consumption taxes	102,620	224,826
Contract liabilities	65,418	30,213
Deposits received	12,866	32,060
Provision for bonuses	–	121,842
Other	257	292
Total current liabilities	4,663,113	5,672,528
Non-current liabilities		
Long-term borrowings	2,248,337	1,818,755
Asset retirement obligations	78,820	78,962
Other	218,742	255,270
Total non-current liabilities	2,545,900	2,152,988
Total liabilities	7,209,014	7,825,517
Net assets		
Shareholders' equity		
Share capital	670,011	708,306
Capital surplus	408,624	446,919
Retained earnings	9,442,237	11,230,162
Treasury shares	(482,394)	(482,470)
Total shareholders' equity	10,038,479	11,902,918
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(16,650)	(18,838)
Deferred gains or losses on hedges	(66,367)	–
Total accumulated other comprehensive income	(83,018)	(18,838)
Share acquisition rights	53,485	63,286
Total net assets	10,008,947	11,947,366
Total liabilities and net assets	17,217,961	19,772,883

(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, 2022	Six months ended September 30, 2023
Net sales	15,927,943	15,944,776
Cost of sales	12,941,512	10,821,403
Gross profit	2,986,431	5,123,373
Selling, general and administrative expenses	1,786,526	1,925,846
Operating profit	1,199,904	3,197,527
Non-operating income		
Interest income	21	37
Dividend income	7,878	20,771
Commission income	11,071	5,571
Insurance claim income	141	9,595
Subsidy income	407	–
Other	356	4,378
Total non-operating income	19,876	40,354
Non-operating expenses		
Interest expenses	2,559	5,954
Other	1,425	98
Total non-operating expenses	3,985	6,052
Ordinary profit	1,215,796	3,231,829
Extraordinary income		
Gain on sale of non-current assets	553	29
Total extraordinary income	553	29
Extraordinary losses		
Loss on retirement of non-current assets	1,415	1,779
Loss on sale of non-current assets	272	640
Total extraordinary losses	1,687	2,420
Profit before income taxes	1,214,661	3,229,439
Income taxes - current	415,392	1,059,898
Income taxes - deferred	19,073	(7,990)
Total income taxes	434,466	1,051,908
Profit	780,195	2,177,530
Profit attributable to owners of parent	780,195	2,177,530

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	780,195	2,177,530
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,399)	(2,187)
Deferred gains or losses on hedges	15,877	66,367
Total other comprehensive income	4,477	64,179
Comprehensive income	784,672	2,241,710
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	784,672	2,241,710

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,214,661	3,229,439
Depreciation	58,352	92,492
Increase (decrease) in allowance for doubtful accounts	3,481	(933)
Increase (decrease) in provision for bonuses	–	121,842
Share-based payment expenses	8,068	10,030
Interest and dividend income	(7,899)	(20,808)
Interest expenses	2,559	5,954
Loss (gain) on sale and retirement of non-current assets	1,134	2,390
Decrease (increase) in trade receivables	(1,583,204)	(93,009)
Decrease (increase) in inventories	(267,223)	(391,539)
Decrease (increase) in consumption taxes refund receivable	82,665	3,651
Increase (decrease) in trade payables	109,571	779,839
Increase (decrease) in accounts payable - other	140,843	(358,372)
Increase (decrease) in accrued consumption taxes	(175,362)	120,321
Other, net	(143,160)	197,012
Subtotal	(555,511)	3,698,308
Interest and dividends received	10,924	20,808
Interest paid	(2,990)	(5,815)
Income taxes paid	(795,860)	(629,402)
Net cash provided by (used in) operating activities	(1,343,438)	3,083,899
Cash flows from investing activities		
Purchase of investment securities	(900,000)	(1,700,000)
Proceeds from sale of investment securities	650,482	500,482
Purchase of property, plant and equipment	(29,289)	(32,810)
Purchase of intangible assets	(72,572)	(22,732)
Payments of leasehold and guarantee deposits	(250,120)	(100,181)
Proceeds from refund of leasehold and guarantee deposits	147	96
Other, net	526	45
Net cash provided by (used in) investing activities	(600,826)	(1,355,099)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,600,000	–
Repayments of long-term borrowings	(247,287)	(465,162)
Proceeds from issuance of shares	–	76,360
Purchase of treasury shares	(54)	(75)
Dividends paid	(318,684)	(389,471)
Net cash provided by (used in) financing activities	1,033,973	(778,349)
Net increase (decrease) in cash and cash equivalents	(910,291)	950,449
Cash and cash equivalents at beginning of period	5,517,147	8,224,617
Cash and cash equivalents at end of period	4,606,856	9,175,067

(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.

Segment information

I 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.

II Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information on the amounts of net sales, profit or loss by reportable segment

(Thousands of yen)

	Reportable segments			Total
	ECS	SHP	ER	
Net sales				
Sales to external customers	4,390,437	2,523,982	9,030,357	15,944,776
Intersegment sales or transfers	–	–	–	–
Total	4,390,437	2,523,982	9,030,357	15,944,776
Segment profit	1,940,286	444,416	1,133,638	3,518,341

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

(Thousands of yen)

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

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

3. Information about impairment loss of non-current assets or goodwill by reportable segment

Not applicable.

Subsequent events

Not applicable.