COMPANY RESEARCH AND ANALYSIS REPORT

grems, Inc.

3150

Tokyo Stock Exchange Prime Market

25-Aug.-2026

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Summary

Aiming for further growth driven by full-scale launch of grid storage battery business

grems, Inc. <3150> (hereafter, also "the Company") has been listed on the Tokyo Stock Exchange (TSE)'s Prime Market and provides a wide range of products and services related to energy that cover all types of electricity, from low to high voltage, to a broad spectrum of customers from plants, offices, and other locations to ordinary households. Obtained through continuation of appropriate consulting that fits customer needs by sales employees who possess extensive proposal capabilities related to energy since the founding, Group strengths are "sales capabilities supported by an abundant customer base," "robust profitability achieved via differentiation from other companies," and "market environment and growth opportunities." In the Energy Solutions Business, the Company has achieved a high growth, high earnings model, and in the Electricity Retailing Business, it works to expand its scale as a stable recurring revenue source to continue high profit growth and pursue higher corporate value.

1. Overview of FY3/26 results

In FY3/26, the Company recorded increases in net sales and profits, with ¥33,936mn in net sales (up 1.8% year on year (YoY)), ¥7,152mn in operating profit (up 10.0%), ¥7,289mn in ordinary profit (up 9.7%), and ¥4,896mn in profit attributable to owners of parent (up 7.4%). Compared to initial forecasts, net sales were down by 5.2%, but operating profit was in line with forecasts, setting an all-time high, so performance was good. By segment, profits increased significantly in the Energy Solutions Business due to increased sales of photovoltaic systems for business use that offer electricity cost reductions based on self-consumption and storage batteries. Profits also increased in the Electricity Retailing Business due to an increase in the number of contracts and a decrease in cost of sales accompanying the drop in electricity market prices and the reduced burden of capacity market payment. The capital ratio was 68.0% (5.7 percentage points (pp) improvement YoY), maintaining a high level. The Company is maintaining a good financial foundation that is well above the market averages of the TSE Prime Market. Similarly, ROA and ROE both were well above the Prime Market average, so profitability is extremely high. On the back of strong financial results and based on the target payout ratio of 40%, it raised its per-share annual dividend to ¥85 (up ¥6 YoY) and may therefore be viewed as giving adequate consideration to returning profits to shareholders.

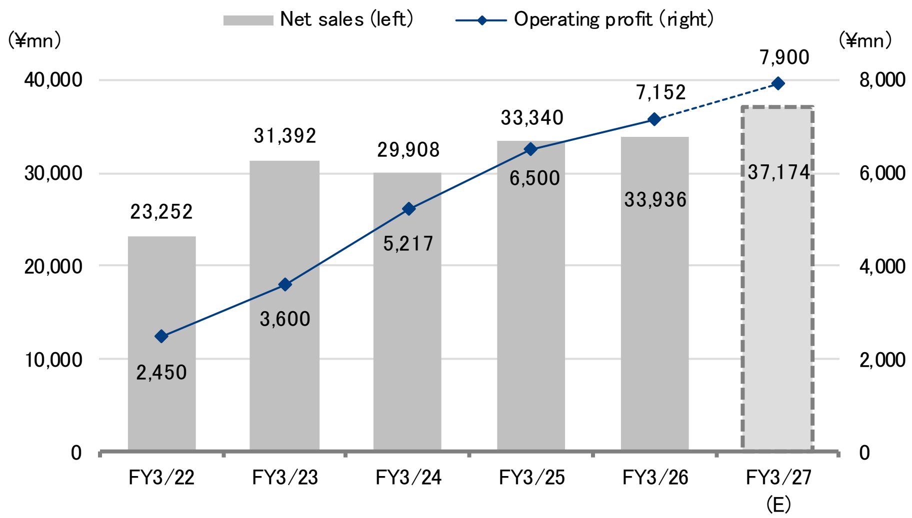
2. FY3/27 forecasts

In FY3/27, the Company is forecasting increases in sales and profits, with net sales of ¥37,174mn (up 9.5% YoY), operating profit of ¥7,900mn (up 10.5%), ordinary profit of ¥7,928mn (up 8.8%), and profit attributable to owners of parent of ¥5,376mn (up 9.8%), targeting record high net sales and operating profit as in the previous fiscal year. By segment, in the Energy Solutions Business, the Company will promote sales of photovoltaic systems to small- and medium-sized enterprises (SMEs) while strengthening cross-selling of storage batteries. With regard to large-scale grid storage batteries, it plans to gradually start operating six grid power storage stations and establish a recurring revenue base focused on revenue in the balancing market. In the Electricity Retailing Business, the Company has a business model that is likely to generate stable earnings, but it will strive for growth by increasing the number of contracts. It seems highly likely that full-year results will end up exceeding the Company's initial forecasts, which usually tend to be conservative. In addition, it plans on an annual dividend of ¥93 per share (¥8 increase YoY), as it continues to give adequate consideration to shareholder returns.

Key Points

- Provides a wide range of energy-related products and services under its Energy Solutions Business and Electricity Retailing Business
- In FY3/26, the Company recorded increases in sales and profits, with profits growing in both the Energy Solutions Business and the Electricity Retailing Business. Financial condition is sound and profitability is also at a high level. The Company raised its dividend by a large margin and is proactively pursuing shareholder returns
- In FY3/27 as well, increases in net sales and profits are expected, but the initial results forecasts are conservative. The Company will gradually start operating grid power storage stations with the aim of achieving further growth. Plans to significantly increase dividends and will maintain its policy of giving consideration to shareholder returns

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Comprehensive energy solutions company that provides all types of electricity from low to high voltage

1. Company profile

The Group has steadily grown through a variety of products and services to customers in the business domain of energy-saving, energy-creation, and energy storage. It currently operates the Energy Solutions Business and Electricity Retailing Business. As a holding company, it formulates and promotes Group management strategies and oversees management of business companies, as well as pursuing grid storage battery business. The four main group companies are GR consulting, Inc. and gremz energy, Inc., which sell photovoltaic systems for business use as their mainstay product and provide consulting on reduction of electricity costs, gremz power, Inc., which handles electricity retailing, and gremz solar, Inc., which sells residential photovoltaic systems, storage batteries, and other energy-related products and develops renewable energy. Through these companies, the Group delivers a wide range of products and services related to energy that covers all areas from the low-voltage electricity market that supplies power to ordinary households, small and mid-sized factories, and others (100V, 200V) to the high-voltage electricity market (6,600V or higher) that supplies power to factories, supermarkets, and buildings.

The Group name has its roots in “blog parts-type environmental contribution service that cultivates seedlings via a blog” that the Company previously operated. Furthermore, the Group’s corporate slogan is “delivers new energy to management,” and it has outlined its purpose as follows: “We resolve information disparities in the energy field and contribute to improvements in the management capabilities of our customers. Therefore, we will continue to increase the number of companies that demonstrate vitality and competitiveness.” It strives to listen to the needs of all customers, turn those needs into reality, and provide services that earn their approval and satisfaction. Going forward, it aims to be a company that continues enjoying the support of society by providing products and services that deliver even greater satisfaction to customers.

2. History

Masaomi Tanaka, the Group’s current President and Chief Executive Officer, founded the Company on July 4, 2005. While the Company initially started by selling electronic circuit breakers, it began sales of residential photovoltaic systems in April 2010, started selling LED lighting in December 2012, entered energy intermediation and began energy management system (EMS) sales in December 2013, started solar power plant operations in March 2014, and entered the electricity retailing business in December 2016. It has steadily broadened its business scope mainly around high-growth energy-related areas.

The Company switched to a holding company system in April 2011 accompanying business expansion and adopted its current company name. While it initially listed on the JASDAQ Stock Exchange (now, TSE Standard Market) in March 2009, it shifted to the TSE Second Section in June 2020 and ascended to the TSE First Section in November 2020. Following the change to new market classifications of the TSE in April 2022, the Group shifted to the Prime Market, which is populated by companies of large scale and expected to see active share trading by a large number of institutional investors. It had 367 consolidated employees as of March 31, 2026.

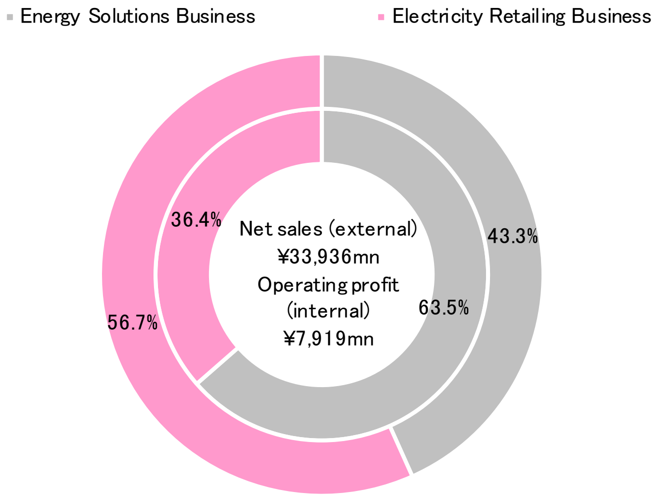
Business overview

Conducts business focused on energy-related products and services

The Group has developed businesses focused on energy-related products and services. It is one of the few comprehensive energy solutions companies that provides products and services to reduce electricity costs in all areas from low to high voltage. The Company has four Group companies: GR consulting, Inc., gremz energy, Inc., gremz power, Inc., and gremz solar, Inc.; and three business segments: the Energy Cost Solutions Business, the Smart House Project Business, and the Electricity Retailing Business, according to sales coverage (businesses, general consumers) and sales content (products, electricity). However, it switched its structure to two business segments from FY3/26. They are the Energy Solutions Business, which focuses on the sale of goods that generate non-recurring revenue and was created through integration of the Energy Cost Solutions Business and the Smart House Project Business to strengthen unified management by efficiently utilizing human capital, and the Electricity Retailing Business, which engages in retail electricity sales that generate recurring revenue.

Business segment results in FY3/26 show the Energy Solutions Business, which carries out consultations to reduce electric power costs and sells photovoltaic systems for business use and storage batteries as its mainstay products, had ¥14,693mn in net sales (43.3% of the Company's total) and ¥5,032mn in operating profit (63.5%) (before deduction of Companywide costs; same hereafter), and the Electricity Retailing Business, which engages in retail sales of electricity, had ¥19,242mn in net sales (56.7%) and ¥2,886mn (36.5%) in operating profit.

Net sales and operating profit for FY3/26 by segment



Note: Operating profit composition ratios are calculated prior to deducting Companywide costs.
Source: Prepared by FISCO from the Company's financial results

1. Energy Solutions Business

In this business, the Company proposes energy cost reductions to businesses mainly through subsidiaries GR consulting and gremz energy. Photovoltaic systems for business use and storage batteries are the core products in this business, which also provides consulting on electricity cost reductions and sells various energy-efficient appliances. With a high profit margin, it is an important pillar of the Group's earnings. Its main focus is on products with high profit margins, such as photovoltaic systems for business use, and its high profit margin is due to the Company's position with pricing power in niche markets targeting SMEs that use low-voltage electricity. The business is strongly expected to continue leading the Group's strong earnings going forward. In FY3/26, it integrated the Smart House Project Business.

GR consulting sells photovoltaic systems for business use, provides consulting on electricity cost reductions and sells various energy-efficient appliances to small and mid-sized businesses and other low-voltage electricity customers. Electricity cost reductions for low-voltage customers realize operational improvement by cutting fixed monthly base electricity fees while ensuring sufficient electricity supply via proposals to change the electricity contract type and install electronic circuit breakers. GR consulting sells electronic circuit breakers through lease and credit and conducts replacement sales after the leasing period finishes. There is also a rental option for customers who want to rent. Additionally, regarding facility improvement, it sells various energy-efficient appliances, such as LED lighting, commercial air conditioners, and transformers. It conducts sales activities nationwide from business sites in Tokyo, Osaka, and Nagoya.

gremz energy was established in April 2022 as a subsidiary selling photovoltaic systems for business use. These systems involve installation of a photovoltaic system on the factory roof or other such location of a small to mid-sized business, where they reduce electricity cost by allowing the customer to consume the generated electricity themselves in the factory. With a backdrop of rising electricity costs and wider use of renewable energy, the sales conditions are extremely favorable. The Group already has expertise in residential photovoltaic systems, and as there are no competitors in the market for small and mid-sized businesses, it has positioned this business as a central part of its growth strategy going forward. Moreover, gremz energy conducts sales of IoT devices and various energy-efficient appliances to high-voltage electricity customers such as office buildings and large-scale plants. In other words, the Company improves equipment by cross-selling IoT devices for monitoring and automatically controlling electricity usage and various energy-efficient appliances, such as transformers and capacitors.

The former Smart House Project Business, which was integrated with the Energy Solutions Business, sells energy-related products, such as residential photovoltaic systems and storage batteries, to general consumers and develops renewable energy with subsidiary gremz solar handling sales of a variety of products. It displayed actual photovoltaic systems, storage batteries and related equipment to customers using the event spaces in shopping centers throughout Japan, where families gather, and offered detailed explanations, later visiting customers who expressed an interest to provide an estimate of the amount of electricity they could generate and other explanations before making a sale. However, business targeting general consumers faces competition from other companies and is not expected to grow significantly, and given the costs associated with event-based sales, etc., the profit margin is low. Going forward, the Company therefore plans to scale back this business and apply its resources to sales aimed at corporate customers. In the renewable energy development business, the Company has recurring revenue sources from income generated by selling electricity from solar power plants (mainly mega solar sites owned in Gunma Prefecture and Shizuoka Prefecture). The business is expected to contribute to stable earnings going forward as the storage battery market scale is expanding.

Furthermore, in the grid storage battery business, where demand is growing in light of the expansion of renewable energy, the Energy Solutions Business plans to gradually start operating six grid power storage stations in FY3/27. Grid storage batteries refer to large-scale storage batteries connected directly to a transmission and distribution network (power grid) and installed to ensure stable operation of the entire grid, including smoothing renewable energy power variability and adjusting frequency. They are distinct from storage batteries for household use or co-located in renewable energy power plants, generating revenue via electricity market trading and grid operation services. The Group plans to establish a recurring revenue base focused on revenue in the electricity balancing market.

2. Electricity Retailing Business

This business started in December 2016 following the registration of the subsidiary gremz power as an electricity retailing business in November of the same year. In April 2025, GR consulting, which has strengths in selling electricity bundled with photovoltaic systems for business use, also entered this business. The Electricity Retailing Business involves selling electricity procured from an electric power exchange that is operated by general incorporated association Japan Electric Power Exchange (JEPX) through outsourcing to intermediary corporations, or electricity procured directly from power generating companies to consumers of low-voltage electricity, such as small and mid-sized factories, and high-voltage electricity, such as factories, supermarkets, and office buildings, and generating revenue from electricity fees obtained from customers every month. Customers can purchase electricity at a price that is comparatively cheaper than purchasing it from a general electric utility. However, the business is impacted by external factors such as electricity market prices, by limiting sales only to customers with low load factors (percentage of average annual electricity consumed to peak contracted electricity volume), and in low-voltage sales, the Company applies a proprietary cost adjustment system (scheme of reflecting part of the electricity market procurement cost in electricity charges), secures 1-on-1 individual contract agreements, and utilizes derivatives transactions, while in high-voltage sales, it has switched to market linkage plans. Through these and other measures to effectively hedge against the risk of rising electricity procurement prices, the Company has established the business as a stable base of recurring revenue.

Results trends

In FY3/26, good results for all-time highs in net sales and operating profit

1. Overview of FY3/26 results

In FY3/26, the economic environment showed a gradual recovery in business sentiment, with improved employment and income conditions and capital investment picking up. However, the outlook remained uncertain due to factors such as concern about the prolongation of the Middle East crisis and rising raw material prices. In light of this environment, the Group concentrated its management resources on photovoltaic systems for business use as its main driver of growth, leading to higher sales. In electricity retailing, the Company thoroughly hedged risks through initiatives such as the operation of proprietary cost adjustment system for low-voltage electricity and reducing the risk of electricity procurement price fluctuations by promoting market-linkage plans for high-voltage electricity, with the aim of increasing the number of contracts to establish a stable recurring revenue base.

As a result of the above, the Company recorded increased net sales and profits in its consolidated financial results for FY3/26, with net sales of ¥33,936mn (up 1.8% YoY), operating profit of ¥7,152mn (up 10.0%), ordinary profit of ¥7,289mn (up 9.7%), and profit attributable to owners of parent of ¥4,896mn (up 7.4%). Results were good, with net sales, operating profit, and profit attributable to owners of parent all reaching record highs. As a result, the operating profit margin rose from 19.5% in the previous fiscal year to 21.1%. The increase in the operating profit margin was due to gross profit significantly exceeding the increase in SG&A expenses and operating profit increasing. In the Energy Solutions Business, a drop in profitability is anticipated for sales of residential photovoltaic systems and storage batteries to general consumers due to factors such as increased event costs at large shopping malls. Since sales to general consumers will shrink going forward, the Company recorded an extraordinary loss of ¥111mn for business restructuring expenses, such as sales staff severance costs and impairment losses for office downsizing.

While net sales were 5.2% less than the initial forecast, profit at each line ended up in line with the forecast, as operating profit was 0.0% higher, ordinary profit was 1.3% higher, and profit attributable to owners of parent was 0.6% higher. This was because backorders* were pushed back to the next fiscal year since performance in the Energy Solutions Business was strong. These favorable financial results demonstrate the Group's ability to steadily deliver high profits by flexibly adapting to changes in the business environment.

* Revenue not recognized; backorders not yet posted as sales

FY3/26 consolidated income statement

(¥mn)

	FY3/25		FY3/26			YoY		vs. targets	
	Results	% of net sales	Forecast	Results	% of net sales	Change amount	% change	Change amount	% change
Net sales	33,340	100.0%	35,816	33,936	100.0%	595	1.8%	-1,880	-5.2%
Cost of sales	22,356	67.1%	-	22,184	65.4%	-172	-0.8%	-	-
Gross profit	10,984	32.9%	12,312	11,752	34.6%	767	7.0%	-560	-4.6%
SG&A expenses	4,484	13.4%	-	4,599	13.6%	115	2.6%	-	-
Operating profit	6,500	19.5%	7,150	7,152	21.1%	652	10.0%	1	0.0%
Ordinary profit	6,645	19.9%	7,195	7,289	21.5%	643	9.7%	93	1.3%
Profit attributable to owners of parent	4,558	13.7%	4,865	4,896	14.4%	338	7.4%	31	0.6%

Note: Forecasts are from initial guidance at the FY3/25 results announcement.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

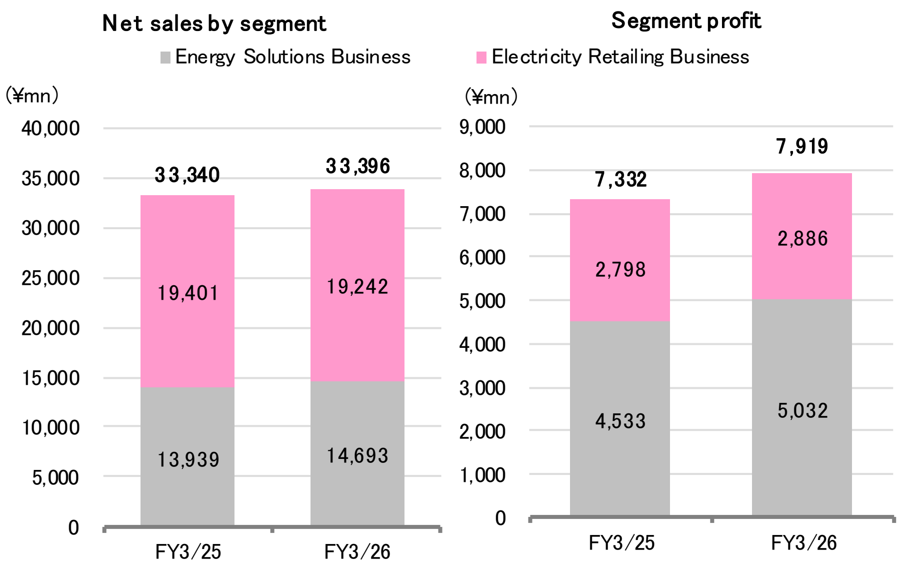
2. Performance trends by segment

In the Energy Solutions Business, the Company sold photovoltaic systems for business use that offer electricity cost reductions based on self-consumption and storage batteries as its core products and also sold products and services to reduce costs for business owners. Its first grid power storage station, Iga Battery Park, started operation in the wholesale electricity market in March 2026. As a result, net sales for the business were ¥14,693mn (up 5.4% YoY), operating profit (before deduction of Companywide costs; same hereafter) was ¥5,032mn (up 11.0%), and the operating profit margin was 34.2% (up 1.7pp).

The ¥754mn YoY increase in net sales in the Energy Solutions Business was due to a ¥1,400mn increase for photovoltaic systems for business use, offset by factors such as a ¥791mn decrease for residential photovoltaic systems and storage batteries caused by the Company's policy of scaling back sales targeting general consumers. Furthermore, the ¥498mn increase in operating profit was mainly attributable to a ¥665mn rise for photovoltaic systems for business use. Net sales were ¥653mn less than the initial forecast, which was due to factors such as a ¥559mn decrease for photovoltaic systems for business use caused by backorders being pushed back to the next fiscal year. Operating profit was ¥126mn less than forecast, owing to factors such as a ¥588mn decrease for photovoltaic systems for business use for the same reason mentioned above, offset by a ¥252mn increase for energy-efficient appliances, etc.

In the Electricity Retailing Business, the number of contracts increased by around 10,000 compared to the end of the previous fiscal year. Net sales decreased due to a drop in electricity market prices and a reduction in the amount passed on to customers associated with a decrease in capacity market contribution fees, but profits increased since the cost of sales decreased even more due to the impact of the same factors. As a result, net sales were ¥19,242mn (down 0.8% YoY), operating profit was ¥2,886mn (up 3.1%), and the operating profit margin was 15.0% (up 0.7pp).

The ¥158mn YoY decrease in Electricity Retailing Business net sales was due to the drop in electricity market prices and reduction in capacity contribution fees, but operating profit rose ¥87mn for the same reasons. Net sales were ¥1,226mn less than the initial forecast, which was due to decreases in electricity market prices and sales volume, while operating profit was ¥37mn less than the forecast for the same reasons. Since this business is impacted by external factors such as electricity market prices, it is establishing a stable recurring revenue base via thorough risk hedging measures against increases in electricity procurement prices.



Note: Segment profit values are calculated prior to deducting Companywide costs.
Source: Prepared by FISCO from the Company's financial results

Continued to secure high profitability and sound finances

3. Financial position and cash flow situation

Regarding the Company's financial position at the end of FY3/26, cash and deposits rose ¥2,472mn, while notes and accounts receivable - trade and contract assets decreased ¥281mn and merchandise decreased ¥256mn, which resulted in current assets increasing ¥2,239mn to ¥23,758mn. Non-current assets increased ¥392mn to ¥4,908mn, mainly due to an increase of ¥783mn in machinery and equipment and ¥968mn in construction in progress, offset by a ¥1,334mn decrease in investment securities for asset management. As a result of the above, total assets increased ¥2,632mn to ¥28,666mn.

In liabilities, notes and accounts payable – trade decreased by ¥322mn, current portion of long-term borrowings by ¥29mn, accounts payable – other by ¥132mn, and accrued consumption taxes by ¥188mn, while provision for bonuses increased ¥158mn, which resulted in current liabilities falling ¥585mn to ¥6,462mn. In addition, long-term borrowings decreased ¥3mn and so forth, resulting in non-current liabilities decreasing ¥31mn to ¥2,645mn. Total liabilities decreased by ¥617mn to ¥9,108mn. Of this, interest-bearing debt declined ¥33mn to ¥3,658mn. Total net assets rose by ¥3,249mn to ¥19,558mn as a result of comprehensive income attributable to owners of parent rising ¥5,149mn, but net assets declined by ¥1,940mn due to dividends of surplus and so forth.

As a result of these trends, the Company's capital ratio for FY3/26 was 68.0% (up 5.7pp YoY), a high level, confirming extremely strong financial soundness with the Company maintaining a good financial base. ROA was 26.7% (down 1.2pp) and ROE was 27.4% (down 3.9pp), maintaining extremely high profitability. In fact, according to the latest data compiled from financial summaries of listed corporations by Japan Exchange Group <8697>, the Group's figures were well above the capital ratio of 34.25%, ROA of 4.72%, and ROE of 9.44% of listed companies on the Prime Market (all industries) for FY3/26 settlement.

Consolidated balance sheets and management indicators

(¥mn)

	End-FY3/25	End-FY3/26	Change amount
Current assets	21,518	23,758	2,239
Cash and deposits	13,850	16,323	2,472
Notes and accounts receivable - trade, and contract assets	4,705	4,424	-281
Merchandise	2,563	2,306	-256
Non-current assets	4,516	4,908	392
Tangible fixed assets	1,449	3,290	1,841
Intangible fixed assets	175	126	-49
Investments and other assets	2,891	1,491	-1,399
Total assets	26,034	28,666	2,632
Current liabilities	7,048	6,462	-585
Non-current liabilities	2,676	2,645	-31
Total liabilities	9,725	9,108	-617
Interest-bearing debt	3,691	3,658	-33
Total net assets	16,309	19,558	3,249
Soundness			
Capital ratio	62.3%	68.0%	5.7pp
Profitability			
ROA (Ordinary profit to total assets ratio)	27.9%	26.7%	-1.2pp
ROE (Return on equity)	31.3%	27.4%	-3.9pp

Source: Prepared by FISCO from the Company's financial results and supplementary materials

Looking at cash flows for FY3/26, net cash provided by operating activities was ¥5,099mn (¥4,648mn provided in the previous fiscal year). The main inflow was net income before income taxes of ¥7,183mn, while the main outflow was ¥2,298mn in income taxes paid. Net cash used on investing activities totaled ¥703mn (¥3mn provided in the previous fiscal year). The main inflow was proceeds from sale of investment securities of ¥1,334mn, while the main outflow was purchase of tangible fixed assets of ¥1,959mn. Net cash used in financing activities totaled ¥1,923mn (¥1,274mn used in the previous fiscal year). The main outflow was payment of dividends of ¥1,939mn.

As a result of the above, in FY3/26 cash and cash equivalents increased ¥2,472mn to ¥16,323mn compared to the end of the previous fiscal year. In addition, free cash flow, which is cash that can be freely used by the Group to expand business, pay back borrowings, or pay dividends to shareholders, etc., was ¥4,395mn, remaining at a high level.

Cash flow statement

(¥mn)

	FY3/25	FY3/26
Cash flows from operating activities (a)	4,648	5,099
Cash flows from investing activities (b)	3	-703
Cash flows from financing activities	-1,274	-1,923
Free cash flow (a) + (b)	4,651	4,395
Cash and cash equivalents at end of period	13,850	16,323

Source: Prepared by FISCO from the Company's financial results

Outlook

Forecasts record highs for net sales and operating profit again in FY3/27

1. FY3/27 forecasts

Based on the current economic environment, marked by surging electricity costs and building a decarbonized society, the Group proposes reducing electricity costs through the use of renewable energy in an effort to enhance lifetime value (for customers). Since FY3/23, the Company has adopted a growth strategy centered on expanding sales of photovoltaic systems for business use, and will further expand sales of the systems and storage batteries in the current fiscal year, backed by continued strong orders. In the Electricity Retailing Business, the Company intends to thoroughly hedge risks associated with fluctuations in business performance and expand the scale of the business as a stable source of recurring revenue earnings, which will lead to the growth of the Group as a whole. In the grid storage battery business, it also plans to establish a new recurring revenue source by operating six grid power storage stations.

Based on the above assumptions, in consolidated results for FY3/27, net sales are expected to be ¥37,174mn (up 9.5% YoY), operating profit to be ¥7,900mn (up 10.5%), ordinary profit to be ¥7,928mn (up 8.8%), and profit attributable to owners of parent to be ¥5,376mn (up 9.8%), so net sales and operating profit are expected to reach record highs again this fiscal year. The Group expects the market environment to be marked by continued strong growth. In addition, FISCO believes it is highly likely that full-year results will end up exceeding the Company's initial forecasts, which tend to be conservative.

FY3/27 consolidated results outlook

(¥mn)

	FY3/26		FY3/27		YoY	
	Results	% of net sales	Forecast	% of net sales	Change amount	% change
Net sales	33,936	100.0%	37,174	100.0%	3,237	9.5%
Gross profit	11,752	34.6%	11,871	31.9%	119	1.0%
Operating profit	7,152	21.1%	7,900	21.3%	747	10.5%
Ordinary profit	7,289	21.5%	7,928	21.3%	638	8.8%
Profit attributable to owners of parent	4,896	14.4%	5,376	14.5%	479	9.8%

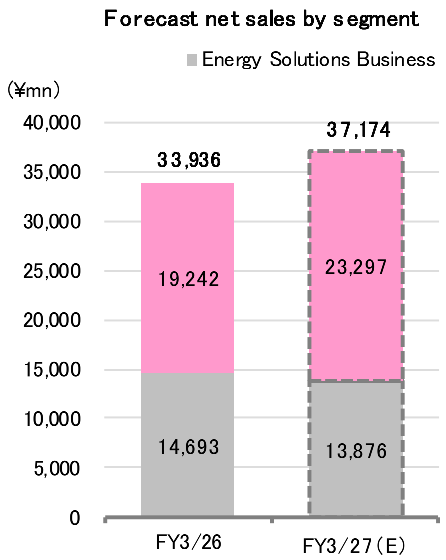
Source: Prepared by FISCO from the Company's financial results and results briefing materials

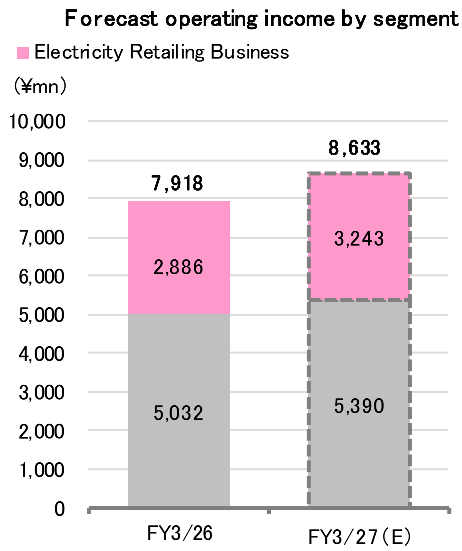
2. Results forecast by segment

In the Energy Solutions Business, the Company's forecast for FY3/27 is net sales of ¥13,876mn (down 5.6% YoY), operating profit (before deduction of Companywide costs; same hereafter) of ¥5,390mn (up 7.1%), and an operating profit margin of 38.8% (up 4.6pp). It mainly looks to install photovoltaic systems on the roofs of the plants of SMEs, enabling them to reduce their electricity costs by using the electricity they generate at their own plants. It will strive for steady growth by increasing the lifetime value offered to customers by strengthening cross-selling of storage batteries. In the grid storage battery business, where demand is increasing in light of the growth of renewable energy, it plans to gradually start operating six grid power storage stations, establishing a recurring revenue base focused on revenue in the balancing market. The projected decrease in net sales is due to the Company's withdrawal from business targeting general consumers. The impact of this will be a ¥3,025mn decrease, but on the other hand, it expects to improve the profit margin and achieve higher profits by shifting to corporate-focused business, which has a high profit margin.

In the Electricity Retailing Business, the Company forecasts net sales of ¥23,297mn (up 21.1% YoY), operating profit of ¥3,243mn (up 12.4%), and an operating profit margin of 13.9% (down 1.1pp). While there is uncertainty around electricity market price trends, the Company has been able to replicate the risk hedging measures that it implemented based on its proprietary cost adjustment system and 1-on-1 individual contracts, and expects that stable recurring revenue can be obtained. Furthermore, it looks to accelerate growth in the number of supply contracts from the previous year by proactively investing in human resources, with a view to growth over the medium term.

Its first strategy aimed at generating stable recurring revenue in the Electricity Retailing Business is to "selectively receive orders from customers with low load factors." This is designed to improve profitability, as the base electricity fee per kWh will increase since the base electricity fee's share of the overall electricity bill will rise. Its second strategy is to "implement highly reproducible risk hedging measures." As in the previous fiscal year, the Company has hedged risk with futures and a higher percentage of 1-on-1 individual contract agreements than agreements for which the Company is taking on risk without passing it on to customers. Therefore, sales growth will exceed growth in the cost of sales even if market prices surge, and the sales decline will be narrower than decline in the cost of sales even if market prices fall. As for the market environment in FY3/27, market prices are soaring due to the Middle East crisis, but the Company has already implemented risk hedging measures for the full year.





Note: Segment profit values are calculated prior to deducting Companywide costs.
Source: Prepared by FISCO from the Company's results briefing materials

Aims for strong earnings and strong growth for Energy Solutions Business and stable growth for Electricity Retailing Business

3. Growth strategy

The Group is planning the following growth strategy.

(1) Energy Solutions Business

In the Energy Solutions Business, the Company will achieve high profitability and high growth by promoting its unique proposal-based sales approach with high customer satisfaction. This involves installing photovoltaic power systems on the roofs of the plants of small and medium-sized customers and having the electricity used that is produced at the plants (self-consumption). The proposal lowers the cost compared to purchasing electricity. The Group distinguishes itself by making SMEs its main target, which is an area of strength and aims for stable orders and high profitability. In addition, it will commit human resources and actively promote coordination with other companies. Moreover, going forward, it plans to promote sales of the systems together with storage batteries in order to make effective use of surplus electricity.

With regards to the targeting strategy for photovoltaic systems for business use, given that the Company forecasts significant future expansion of photovoltaic power for self-consumption, in line with the targets in Japan's 7th Strategic Energy Plan, it plans to achieve unique growth in the low-voltage market by targeting SMEs. This is because there are likely few companies that possess strong expertise and extensive experience in solar power and also excel in sales to SMEs, like the Group does. Another factor that differentiates the Company is that large corporations, in accordance with Japanese business customs, use agency systems and the like rather than engaging in direct retail sales. Furthermore, the Group plans to pursue alliances with companies that have an SME customer base but lack expertise in the area of solar power.

Targeting strategy for photovoltaic systems for business use

In terms of the underlying reasons why the Company expects photovoltaic systems for business use to grow, electricity prices have remained high since the Great East Japan Earthquake and the economic benefits for customers deploying solar power are generally growing. It expects photovoltaic systems for business use that significantly cut electricity costs for SMEs to drive its earnings growth over the long term. Namely, low-voltage electricity customers pay ¥40/kWh or more if they purchase electricity, but they can generate energy for around ¥10–15/kWh by installing photovoltaic systems for business use, enabling them to sharply reduce their electricity costs. Since the Company's target is low-voltage electricity customers, the economic benefits for customers are significant and customer satisfaction is considered to be high.

Regarding the latent market for photovoltaic systems for business use, the Group thinks as follows. The Group's target is SMEs mainly in manufacturing (plants, etc.), but the scope of SMEs is large and latent demand is enormous. Low-voltage (200V) electric power contracts primarily contracted by business operators total approximately 6 million, and nearly all of these are estimated to be SMEs. Assuming based on the roof shape and other factors that around 20% of these 6 million contracts are selection eligible and further assuming that half of these are customer candidates, the total is approx. 600,000 contracts. The Group currently has contracted around 6,300 companies, while the market development ratio remains at just 1.0% of customer candidates. There is no competition with major companies, and the Group is considered to occupy a leading position, there is a great deal of room to expand its share. Based on the above, photovoltaic systems for business use are expected to drive the Group's results over the long term.

Business model of Grid Storage Battery Business

A new development in the Company's growth strategy is the pursuit of the grid storage battery business. With renewable energy such as photovoltaic power, the amount of power generated fluctuates significantly depending on factors such as the weather and time of day, making stabilizing power supply an issue. Grid storage batteries are large storage batteries connected to the power grid that enable flexible power supply by charging when there is excess power and discharging when there is not enough power. Since they can therefore help to stabilize electricity supply and demand and promote uptake of renewable energy, grid batteries are expected to expand in the future. As for the business model, the Company will engage in battery operations in markets where it can generate higher revenue within the balancing market where stable electricity supply and frequency adjustment services are provided, the wholesale electricity market where earnings are generated by procuring power when prices are low and selling when prices are high in the power trading market, and the capacity market where the electricity supply for the future is provided. The grid storage battery business is a good match with the Electricity Retailing Business. In the short term, the Company looks to promptly recoup its investment, focusing on the balancing market, and over the medium to long term, synergies in hedging power procurement and other risks look promising.

The balancing market was created in 2021, but trading of frequency containment reserve—for which the advantages of storage batteries deliver particularly high added value—only began in FY2024, so at present, the bid volume falls short of the volume being solicited. However, in the future, as uptake of renewable energy becomes more widespread, demand for grid storage batteries to stabilize supply and demand is expected to increase. The Group is pursuing the construction of six high-voltage power storage stations for grid storage batteries across Japan, with all expected to make a full contribution in FY3/27. Furthermore, it is considering the construction of more power storage stations in the next fiscal year and beyond, with the intention of expanding the business, which is expected to further contribute to revenue. Given the possibility of interest rates rising in the future, the Company's ability to fund its capital investments with its own ample funds gives it an edge over competitors that must rely on borrowing.

(2) Electricity Retailing Business

In the Electricity Retailing Business, the Company has established a business model that avoids negative spread risk to realize stable growth.

Furthermore, in the Group, GR consulting, which has strengths in bundled sales with photovoltaic systems for business use, began providing service in April 2025. gremz power specializes in electricity retailing business, and has strengths in building Groupwide expertise and developing customers through electricity services. Also, GR consulting is efficiently developing customers through alternative channels by engaging in photovoltaic systems for business use alongside electricity retailing business.

As described above, the Group has established a model for strong growth and strong earnings in the Energy Solutions Business as a company that occupies a leading position in sales of photovoltaic systems for business use to SMEs. Meanwhile, it envisions profit growth alongside expansion of number of customers and in scale through the stable recurring revenue business model in the Electricity Retailing Business, and going forward, it anticipates a synergy effect with the strengthening of the recurring revenue base due to starting operation in the new grid storage battery business.

The Group previously updated the medium-term management plan every year up until FY3/20 and announced a new plan annually. Since FY3/21, it has not announced an updated plan because of uncertainty related to the COVID-19 pandemic. Meanwhile, despite a large number of companies not disclosing earnings forecasts during the COVID-19 pandemic, the Group should be credited for continuing to announce forecasts. However, it may be meaningful to officially announce a medium-term management plan in order to clarify management policy as a company and share its future vision with investors and employees of the Group.

Sustainability

The Group is actively working on sustainability, which refers to continuing to maintain economic activities in consideration of the global environment. That is to say, the Group will continue to grow by providing environmentally friendly products and services in the business fields of energy-saving, energy-creation, and energy storage, and contribute to the construction and sustainable development of a prosperous and secure society. Specifically, the Group contributes to improved energy efficiency through the sale of high-performance energy-saving products. Moreover, the Group contributes to building a decarbonized society through the sale of renewable energy-related products such as photovoltaic systems and storage batteries. Furthermore, by providing products and services that are consciously designed to meet social needs, the Company aims to develop constantly together with society. A growing number of institutional investors are making ESG investments (investing in stocks that emphasize the environment, social, and governance aspects) both globally and in Japan in recent years. The Company's stock is likely to attract increased attention from investors from this perspective as well.

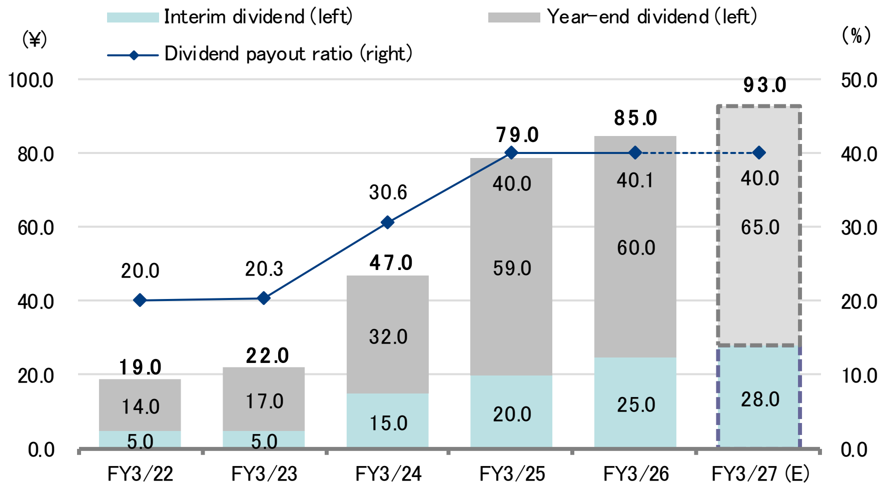
Shareholder return policy

Plans to increase dividends for the 11th consecutive fiscal year based on the target payout ratio of 40%

The Group pays dividends as a shareholder return measure and has a basic policy related to profit distribution of stably returning profits to shareholders after comprehensive assessment of ensuring sufficient profit retention to bolster the business foundation and enhance enterprise value and allocate earnings to shareholders in accordance with income trends.

Beginning in FY3/25, the Company raised its payout ratio for the full year from the previous target of 30% to 40% in light of strong results and ample cash and deposits. As a result, in FY3/26, it paid an interim dividend of ¥25.0 and a year-end dividend of ¥60.0 for a total dividend of ¥85.0 (increase of ¥6.0 YoY), raising dividends for a 10th consecutive fiscal year. For FY3/27, it plans to increase dividends for an 11th consecutive year with an interim dividend of ¥28.0 and a year-end dividend of ¥65.0 for a total dividend of ¥93.0 (increase of ¥8.0). Its forecast target payout ratio of 40.0% is much higher than the 35.24% average for Prime Market listed companies in FY3/26, which is the latest data. This demonstrates that the Group is also giving adequate consideration to shareholder returns. The Company is aiming for sustained earnings growth, and dividend increases each fiscal year are expected to continue going forward.

Dividend per share and dividend payout ratio



Source: Prepared by FISCO from the Company's financial results

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