

COMPANY RESEARCH AND ANALYSIS REPORT

grems, Inc.

3150

Tokyo Stock Exchange Prime Market

20-Aug.-2025

FISCO Ltd. Analyst

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FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

Sustained strong growth, driven by sales of photovoltaic systems for business use and the Electricity Retailing Business

gremz, 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 ordinary households to plants, offices, and other locations. 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 Cost Solutions Business (from FY3/26, this business was integrated with the Smart House Project Business and renamed 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 FY3/25 results

In FY3/25, the Company recorded significant increases in net sales and profits, with ¥33,340mn in net sales (up 11.5% year on year (YoY)), ¥6,500mn in operating profit (up 24.6%), ¥6,645mn in ordinary profit (up 26.1%) and ¥4,558mn in profit attributable to owners of parent (up 28.7%). Compared to initial forecasts, net sales were down by 1.9%, but operating profit was in line with forecasts, setting an all-time high, so performance was good. By segment, the Energy Cost Solutions Business drove strong results, thanks to increased sales of photovoltaic systems for business use that offer self-consumption of electricity, as well as increased sales volume, higher unit sales prices, and lower procurement costs in the Electricity Retailing Business. The capital ratio was 62.3% (2.6 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, it raised its target payout ratio from its previous 30% in FY3/25 to 40%, and it significantly raised its per-share annual dividend from the initial forecast of ¥57 to ¥79 (up ¥32 YoY), showing that it also gives adequate consideration to returning profits to shareholders.

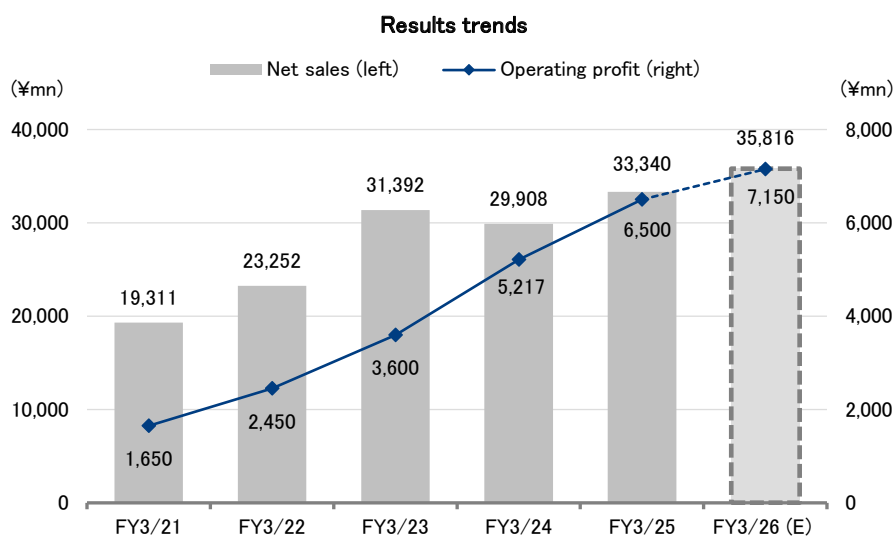
Summary

2. FY3/26 forecasts

In FY3/26, the Company is forecasting increases in sales and profits, with net sales of ¥35,816mn (up 7.4% YoY), operating profit of ¥7,150mn (up 10.0%), ¥7,195mn in ordinary profit (up 8.3%) and ¥4,865mn in profit attributable to owners of parent (up 6.7%), targeting a record high net sales and operating profit as in the previous fiscal year. It expects the market environment to be marked by continued strong growth, but its profit growth to be weaker than before in connection with stepped-up investment in human resources including triple the new graduate hiring of a normal year. FISCO believes full-year results will probably end up exceeding the Company's initial forecasts, which usually tend to be conservative. From FY3/26, the Company switched from three to two business segments. They are the Energy Solutions Business, which focuses on the sale of goods that generate non-recurring revenue, and the Electricity Retailing Business, which engages in retail electricity sales that generate recurring revenue. 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. In the Electricity Retailing Business, the Company has a business model that is likely to generate stable earnings, and will strive for growth by increasing the number of contracts. As for new developments in the Energy Solutions Business, the Company has deployed an AI image recognition system in telemarketing of photovoltaic systems for business use, plans to enter the grid storage battery business, and otherwise laying the foundation for further growth. In addition, it plans on an annual dividend of ¥85 per share (¥6 increase YoY), demonstrating 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 FY3/25, the Company recorded significant increases in sales and profits. The Energy Cost Solutions Business and Electricity Retailing Business led the increase in profit. Financial condition is sound and profitability is high. The Company is raising its dividend by a large margin and proactively pursuing shareholder returns
- In FY3/26 as well, high net sales and profits are expected, but the initial results forecasts are conservative. Stepping up investment in human resources targeting future growth. Plans to increase dividends, continued consideration to shareholder returns



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. 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 for businesses, gremz power, Inc., which handles electricity retailing, and gremz solar, Inc., which sells household 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 –) 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. The Group has a management philosophy of “filling the world with inspiration and joy” and aims to realize a group of companies that are always appreciated and given support in a changing environment and are capable of permanently coexisting with society. It strives to remove information disparity, spread high value, and contribute to building a society that facilitates a prosperous and reassuring life.

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 household photovoltaic systems in April 2010, started selling LED lighting in December 2012, entered energy intermediation and began energy management system 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) 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 346 consolidated employees as of March 31, 2025.

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3150 Tokyo Stock Exchange Prime Market | <https://www.gremz.co.jp/en/highlights.html>

Company profile

History

Date	Main historical events
July 2005	The Company was founded with a view towards reducing energy costs as well as environmental load. Started sales of electronic circuit breakers.
July 2007	Started sales of fully electric appliances (EcoCute and induction heating cooking heaters).
March 2009	Listed on the JASDAQ Securities Exchange (currently, the Tokyo Stock Exchange Standard Market).
April 2010	Started sales of household photovoltaic systems.
April 2011	Renamed the company grems, Inc. and established it as a holding company. Founded gremz solar, Inc. and GR consulting, Inc.
December 2012	Founded GF lightec, Inc. Started sales of LED lighting systems.
December 2013	Concluded a comprehensive contract with ENERES Co., Ltd., which handles electricity management and other services, and started conducting energy intermediation and sales of energy management systems.
March 2014	Started operating a solar power plant as a renewable energy development business.
September 2014	Formed a capital alliance with ENERES Co., Ltd.
May 2015	gremz solar, Inc. began the operation of a solar power plant in Tsumagoi.
February 2016	Renamed GF lightec, Inc. as gremz power, Inc. due to business reorganization.
April 2016	Separated the energy intermediation and energy management system sales business from GR consulting, Inc. and transferred it to gremz power, Inc.
May 2016	gremz solar, Inc. began the operation of a solar power plant in Futokoroyama.
November 2016	Registered gremz power, Inc. as an electricity retailing company.
December 2016	gremz power, Inc. entered the electricity retailing business.
April 2020	Started sales of photovoltaic systems for business use.
June 2020	Changed stock market listing to the Tokyo Stock Exchange Second Section.
November 2020	Ascended to the Tokyo Stock Exchange First Section.
April 2022	Founded gremz energy, Inc. which conducts sales of photovoltaic systems for business use. Shifted to the new Prime Market classification on the Tokyo Stock Exchange.

Source: Prepared by FISCO from the Company's webpage and securities report

Business overview

Conducts business focused on energy-related products and services

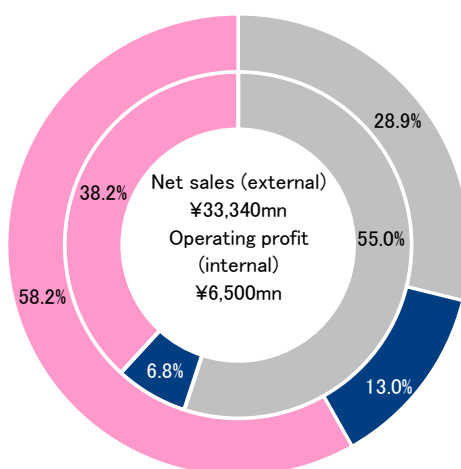
The Group has developed businesses focused on energy-related products and services. It is a rare comprehensive energy solutions company that provides products and services to reduce electricity costs in all areas from low to high voltage. The Company has four Group companies: GR consulting, Inc., gremz 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 overview

Business segment results in FY3/25 show the Energy Cost Solutions Business, which carries out consultations to reduce electric power costs, had ¥9,620mn in net sales (28.9% of the Company's total) and ¥4,035mn (55.0%) in operating profit (before deduction of Companywide costs, same hereafter), the Smart House Project Business, which sells storage batteries and household photovoltaic systems, had ¥4,319mn in net sales (13.0%) and ¥497mn in operating profit (6.8%), and the Electricity Retailing Business, which engages in retail sales of electricity, had ¥19,401mn in net sales (58.2%) and ¥2,798mn in operating profit (38.2%). The operating margin was highest in the Energy Cost Solutions Business, which is expected to continue acting as a growth driver for the Company.

Net sales and operating profit for FY3/25 by segment

■ Energy Cost Solutions Business ■ Smart House Project Business ■ Electricity Retailing Business



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

1. Energy Cost 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. The Energy Cost Solutions Business has the highest profit margin of the Group's three businesses and is an important pillar of its earnings. The high profit margin is due to the main focus on products with high profit margins, such as photovoltaic systems for business use, and, and its high profit margin is due to the Company's price leadership position in niche markets targeting small and medium-sized businesses that use low-voltage electricity. The business is strongly expected to continue leading the Group's strong earnings going forward. From FY3/26, it was integrated with 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.

Business overview

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 household 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.

2. Smart House Project Business

This business sells energy-related products, such as household photovoltaic systems and storage batteries, to general consumers and develops renewable energy with subsidiary gremz solar handling sales of a variety of products. The Company displays actual photovoltaic systems, storage batteries and related equipment to customers using the event spaces in shopping centers throughout Japan, where families gather, and offers detailed explanations, later visiting customers who express an interest to provide an estimate of the amount of electricity they could generate and other explanations before making a sale. Furthermore, the Company also makes sales through introductions made by homebuilders and other companies that are business partners. 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. From FY3/26, it was integrated with the Energy Cost Solutions Business.

3. 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. The Electricity Retailing Business involves selling electricity procured from an electric power exchange that is operated by public interest incorporated organization 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-size 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.

Business trends

In FY3/25, good results for an all-time high in operating profit

1. Overview of FY3/25 results

In FY3/25, the economic environment showed a gradual recovery in business sentiment with personal consumption and capital investment picking up and better employment and income conditions due to improvement in corporate earnings. However, the outlook remained uncertain with inflation due to factors such as fluctuation in foreign exchange rates and surging raw material prices, and downside risk to the economy from U.S. trade policy. The Group expanded sales based on growth in photovoltaic systems for business use against a backdrop of rising electricity costs and increased utilization of renewable energy aimed at realizing green transformation (GX). In electricity retailing, the Company thoroughly hedged risks through initiatives such as the operation of its own fuel rate for low-voltage electricity and reducing the risk of electricity procurement price fluctuations by promoting market-linkage plan for high-voltage electricity, and aimed to expand stable recurring revenue. Additionally, sales were strong for products and services related to cost reduction, energy saving, and renewable energy.

As a result of the above, the Company recorded significant increases in net sales and profits in its consolidated financial results for FY3/25, with net sales of ¥33,340mn (up 11.5% YoY), operating profit of ¥6,500mn (up 24.6%), ordinary profit of ¥6,645mn (up 26.1%), and profit attributable to owners of parent of ¥4,558mn (up 28.7%). Net sales were 1.9% below but operating profit was in line with the Company's forecast. In addition, net sales and profit at all lines reached record highs, so results were good. As a result, the operating margin rose from 17.4% in the previous fiscal year to 19.5%.

Net sales trailed and operating profit was only in line with the Company's initial forecast because backorders* in the Energy Cost Solutions Business and the Smart House Project Business were pushed back to the next fiscal year since performance in the Electricity Retailing Business was strong. Also, the operating margin increased YoY because gross profit in the Energy Cost Solutions Business and the Electricity Retailing Business significantly exceeded growth in SG&A expenses. These favorable financial results demonstrate the Group's ability to steadily deliver high profits by adapting its business focus to changes in the economic environment.

* Revenue not recognized; backorders not yet posted as sales

FY3/25 consolidated income statement

	FY3/24		FY3/25			YoY		vs. targets	
	Results	% of net sales	Forecast	Results	% of net sales	Change amount	% change	Change amount	% change
Net sales	29,908	100.0%	34,000	33,340	100.0%	3,432	11.5%	-659	-1.9%
Cost of sales	20,650	69.0%	-	22,356	67.1%	1,706	8.3%	-	-
Gross profit	9,257	31.0%	11,200	10,984	32.9%	1,726	18.6%	-216	-1.9%
SG&A expenses	4,040	13.5%	-	4,484	13.4%	443	11.0%	-	-
Operating profit	5,217	17.4%	6,500	6,500	19.5%	1,282	24.6%	0	0.0%
Ordinary profit	5,268	17.6%	6,570	6,645	19.9%	1,376	26.1%	74	1.1%
Profit attributable to owners of parent	3,540	11.8%	4,320	4,558	13.7%	1,017	28.7%	237	5.5%

Note: Forecasts are from initial guidance at the FY3/24 results announcement.

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

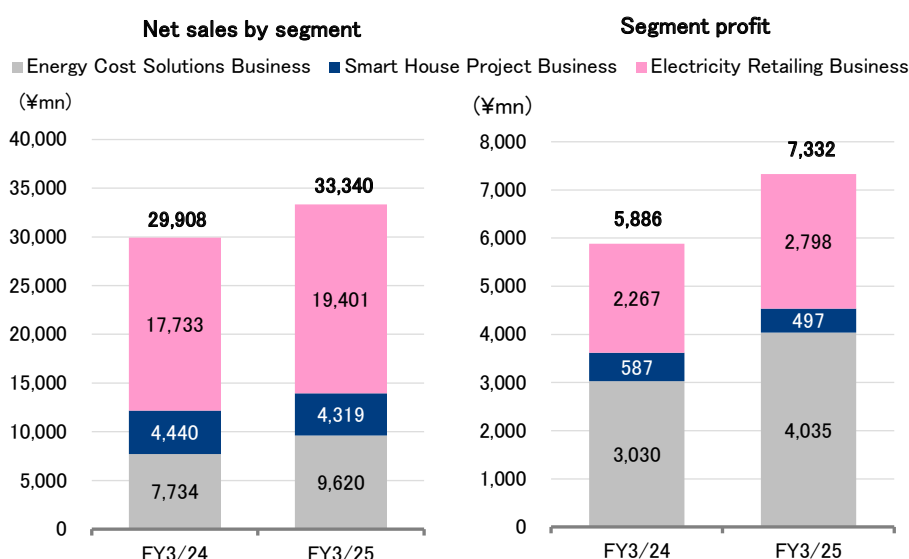
Business trends

2. Performance trends by segment

In the Energy Cost Solutions Business, the Company advanced sales of various products to reduce costs for business owners, with storage batteries and photovoltaic systems for business use for self-consumption as its core products, and steadily expanded the scale of power purchase agreements (PPAs, agreements for installation of photovoltaic equipment and supply of electricity to the contracted company). As a result, the segment posted net sales of ¥9,620mn (up 24.4% YoY) and operating profit (before deduction of Companywide costs, same hereafter) of ¥4,035mn (up 33.2%). However, net sales trailed initial plan by 11.8% and operating profit by 11.8% as well. This is because backorders in the Energy Cost Solutions Business were pushed back to the next fiscal year since strong earnings in the Electricity Retailing Business became clear in 4Q. Operating profit was the highest among the three businesses, as profitability improved with the expansion of sales of photovoltaic systems for business use, and operating margin increased from 39.2% in the same period of the previous fiscal year to 42.0%, the highest profit margin among the three segments, making this segment a supporting pillar of earnings for the Group.

In the Smart House Project Business, the Company aggressively promoted sales of storage batteries in response to strong demand that included self-consumption from renewable energy, an increase in photovoltaic power post-FIT projects that have completed application of the 10-year fixed price purchase program, and needs for increasing household energy resilience. As a result, the segment posted net sales of ¥4,319mn (down 2.7% YoY) and operating profit of ¥497mn (down 15.3%). Compared to the initial plan, net sales exceeded the plan by 0.2%, but operating profit was 13.6% lower. This was due to backorders in the Smart House Project Business being pushed back to the next term due to the strong performance of the Electricity Retailing Business becoming clear in 4Q. The operating margin declined from 13.2% in the previous fiscal year to 11.5%.

In the Electricity Retailing Business, net sales and profit grew as electricity sales volume increased alongside a rise in number of contracts, the unit sales price increased due to impact from higher electricity market prices, and procurement prices were kept down through risk hedging measures such as securing 1-on-1 individual contract agreements. As a result, the segment posted net sales of ¥19,401mn (up 9.4% YoY) and operating profit of ¥2,798mn (up 23.4%). Net sales exceeded initial plan by 3.3% and operating profit by a large 34.4%. Net sales were the highest among the three businesses, and operating profit was second behind the Energy Cost Solutions Business. The operating margin improved from 12.8% the previous term to 14.4%.



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 condition and cash flow situation

Regarding the Company's financial condition at the end of FY3/25, cash and deposits rose ¥3,376mn and notes and accounts receivable - trade, and contract assets increased ¥1,070mn, which resulted in current assets increasing ¥4,605mn YoY to ¥21,518mn. Non-current assets decreased ¥182mn to ¥4,516mn, mainly due to a decrease of ¥296mn in investment securities for asset management. As a result of the above, total assets increased ¥4,422mn to ¥26,034mn. In liabilities, notes and accounts payable – trade rose ¥649mn, current portion of long-term borrowings increased ¥157mn, income taxes payable increased ¥199mn, and accrued consumption taxes rose ¥282mn, which resulted in current liabilities rising ¥1,238mn to ¥7,048mn. In addition, long-term borrowings decreased ¥130mn, resulting in non-current liabilities decreasing ¥133mn to ¥2,676mn. Total liabilities increased by ¥1,104mn to ¥9,725mn. Of this, interest-bearing debt declined ¥73mn to ¥3,691mn. Total net assets rose by ¥3,317mn to ¥16,309mn as a result of comprehensive income attributable to owners of parent rising ¥4,512mn, but net assets declined by ¥1,201mn due to dividends of surplus.

As a result of these trends, the Company's capital ratio for FY3/25 was 62.3% (2.6pp improvement YoY), a high level, confirming extremely strong financial soundness with the Company maintaining a good financial base. ROA was 27.9% (up 0.8pp) and ROE 31.3% (up 0.3pp), exhibiting 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 33.63%, ROA of 4.54%, and ROE of 9.44% of listed companies on the Prime Market (all industries) for FY3/25 settlement.

Consolidated balance sheets and management indicators

	(¥mn)		
	End-FY3/24	End-FY3/25	% change
Current assets	16,913	21,518	4,605
Cash and deposits	10,474	13,850	3,376
Notes and accounts receivable - trade, and contract assets	3,635	4,705	1,070
Merchandise	2,476	2,563	86
Fixed assets	4,698	4,516	-182
Tangible fixed assets	1,350	1,449	98
Intangible fixed assets	208	175	-33
Investments and other assets	3,140	2,891	-248
Total assets	21,612	26,034	4,422
Current liabilities	5,810	7,048	1,238
Non-current liabilities	2,810	2,676	-133
Total liabilities	8,620	9,725	1,104
Interest-bearing debt	3,764	3,691	-73
Total net assets	12,991	16,309	3,317
Soundness			
Capital ratio	59.7%	62.3%	2.6pp
Profitability			
ROA (Ordinary profit to total assets ratio)	27.1%	27.9%	0.8pp
ROE (Return on equity)	31.0%	31.3%	0.3pp

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

Business trends

Looking at cash flows for FY3/25, net cash provided by operating activities was ¥4,648mn (¥4,089mn provided in the same period of the previous fiscal year). The main inflow was net income before income taxes of ¥6,641mn, while the main outflows were increases in notes and accounts receivable - trade of ¥1,070mn and a decrease in funds, including income taxes paid of ¥1,887mn.

Net cash provided by investing activities totaled ¥3mn (¥1,787mn used in the same period of the previous fiscal year). The main inflow was proceeds from sale of investment securities of ¥1,596mn, while the main outflow was purchase of investment securities of ¥1,300mn.

Net cash used in financing activities totaled ¥1,274mn (¥52mn used in the same period of the previous fiscal year). This was due to outflows including repayments of long-term borrowings of ¥1,273mn and dividends paid of ¥1,201mn, which exceeded inflows including ¥1,300mn in proceeds from long-term borrowings.

As a result of the above, in FY3/25 cash and cash equivalents increased ¥3,376mn to ¥13,850mn 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., increased significantly from ¥2,302mn in the previous fiscal year to ¥4,651mn.

Cash flow statement

	(¥mn)	
	FY3/24	FY3/25
Cash flows from operating activities (a)	4,089	4,648
Cash flows from investing activities (b)	-1,787	3
Cash flows from financing activities	-52	-1,274
Free cash flow (a) + (b)	2,302	4,651
Cash and cash equivalents at end of period	10,474	13,850

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

■ Outlook

Forecasts another record high of operating profit for FY3/26, with increased sales and profits

1. FY3/26 forecasts

Based on the current economic environment, marked by surging electricity costs and building a decarbonized society, the Group proposes utilizing renewable energy and reducing electricity costs 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.

Outlook

Based on the above assumptions, in consolidated results for FY3/26, net sales are expected to be ¥35,816mn (up 7.4% YoY), operating profit to be ¥7,150mn (up 10.0%), ordinary profit to be ¥7,195mn (up 8.3%), and profit attributable to owners of parent to be ¥4,865mn (up 6.7%), so net sales and operating profit are expected to reach record highs again this fiscal year. Although it expects the Group's market environment to be marked by continued strong growth, the Company forecasts profit growth on the weak side compared to the strong growth before. This is because it envisions an increase in SG&A expenses with higher personnel expenses from more aggressive investment in human resources targeting further growth, including triple the new graduate hiring of a normal year. In addition, FISCO believes full-year results will probably end up exceeding the Company's initial forecasts, which tend to be conservative.

FY3/26 consolidated forecast

	FY3/25		FY3/26		YoY	
	Results	% of net sales	Forecast	% of net sales	Change amount	% change
Net sales	33,340	100.0%	35,816	100.0%	2,475	7.4%
Gross profit	10,984	32.9%	12,312	34.4%	1,327	12.1%
Operating profit	6,500	19.5%	7,150	20.0%	649	10.0%
Ordinary profit	6,645	19.9%	7,195	20.1%	549	8.3%
Profit attributable to owners of parent	4,558	13.7%	4,865	13.6%	306	6.7%

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

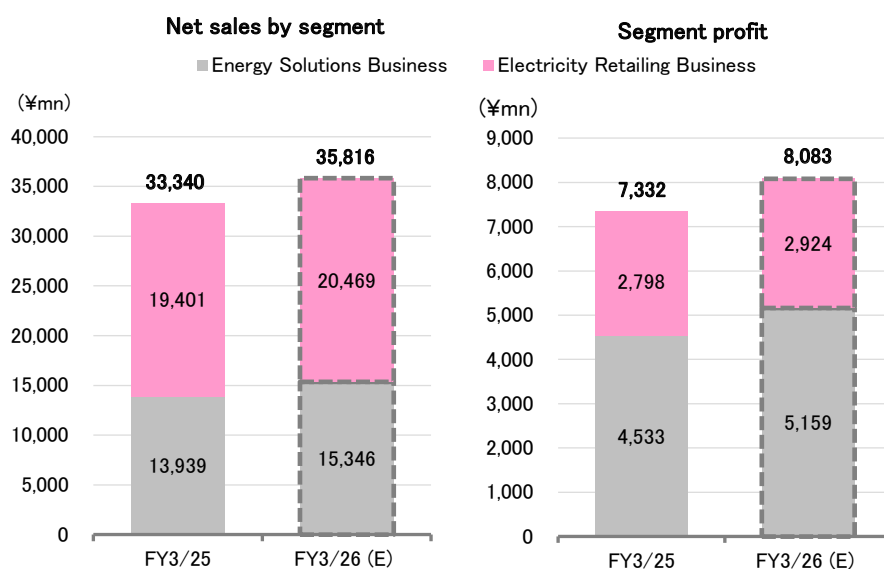
2. Results forecast by segment

From FY3/26, the Company integrated the Energy Cost Solutions Business and the Smart House Project Business into the new Energy Solutions Business to strengthen unified management by efficiently utilizing human capital. As a result, it switched from three to two business segments. They are the Energy Solutions Business, which focuses on the sale of goods that generate non-recurring revenue, and the Electricity Retailing Business, which engages in retail electricity sales that generate recurring revenue. Since the former Energy Cost Solutions Business and Smart House Project Business had both handled photovoltaic systems and storage batteries, the Company aims for efficient use of human resources through their integration. In the Energy Solutions Business, the Company will promote sales of photovoltaic systems to SMEs, while strengthening cross-selling of storage batteries going forward. Also, in the Electricity Retailing Business, which has a business model that is likely to generate stable earnings, it targets further growth by promoting an increase in the number of contracts by actively investing in human resources.

In the Energy Solutions Business, the Company's forecast for FY3/26 is net sales of ¥15,346mn (up 10.1% YoY), gross profit of ¥8,478mn (up 13.0%), operating profit (before deduction of Companywide costs, same hereafter) of ¥5,159mn (up 13.8%), and an operating margin of 33.6% (up 1.1pp). 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. In addition, it will strive for steady growth by increasing the lifetime value of customers by strengthening cross-selling of storage batteries to business sites where it has already installed photovoltaic systems (its cumulative track record is 4,500 installations). For instance, it aims to increase cost savings for customers by selling them multiple products and services, linking sales of photovoltaic systems to new customers to sales of storage batteries and additionally to electricity retailing.

Outlook

In the Electricity Retailing Business, the Company forecasts net sales of ¥20,469mn (up 5.5% YoY), gross profit of ¥3,834mn (up 10.1%), operating profit of ¥2,924mn (up 4.5%), and an operating margin of 14.3% (down 0.1pp). It expects to generate stable recurring revenue since it has been able to replicate the risk hedging measures that it implemented in the previous fiscal year, and the market environment is slightly better than in the previous fiscal year. Its first strategy is to “selectively receive orders from customers with low load factors.” This is designed to increase the sales unit price as the base electricity fee per kWh will increase since the base electricity fees’ 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 FY3/26, the Company expects 1-on-1 individual contract agreement prices to be higher than in the previous fiscal year, but overall conditions are improving slightly. In the Electricity Retailing Business, 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.



Note: Segment profit values are calculated prior to deducting Companywide costs.

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

Strong earnings and strong growth for Energy Solutions Business, 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.

The Group is promoting the Energy Solutions Business in this way partly because 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, customers 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.

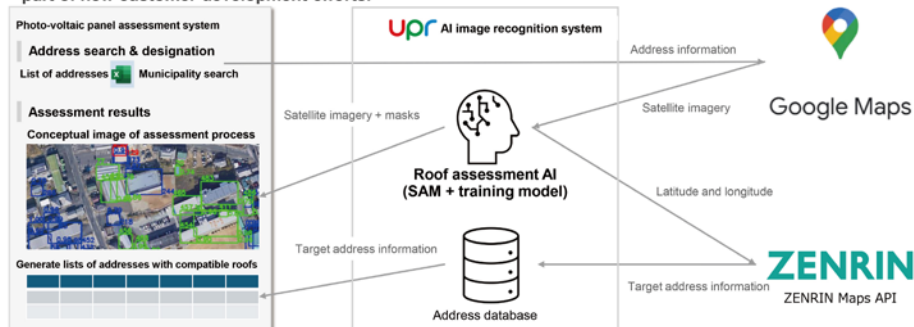
Regarding the latent market in the Energy Solutions Business, the Group thinks as follows. The Group's target is SMEs mainly in manufacturing (plants, etc.), but the scope of SMEs is large and latent demand is enormous. Low-voltage (200V) electric power contracts primarily contracted by business operators 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 4,500 companies, and the market development ratio remains at just 0.8% of customer candidates. There is no competition from major companies, and although the Group is considered to be the market leader, there is a great deal of room to expand its share. Based on the above, the Energy Solutions Business is expected to drive the Group's results over the long term.

As a new growth strategy initiative, the Company deployed UPR Corporation's AI image recognition system in 4Q FY3/25. When telemarketing photovoltaic systems for business use, sales personnel have checked roof configurations using satellite images to determine whether installing solar panels is possible. By using image recognition AI to automate that work, productivity can be significantly increased. In new customer development as well, the Company has successfully generated lists of prospective customers based on satellite images. It started collaborating with UPR in December 2020, expanding sales of remote monitoring service for which demand rose during the COVID-19 pandemic to establish a track record in areas such as promoting contactless processes and labor-saving within factories.

Outlook

Promotion of marketing DX via deployment of image recognition AI

- We have adopted UPR Corp.'s AI image recognition system. This system automates the process of checking satellite images to determine whether the customer's roof configuration is compatible with the installation of photo-voltaic systems for business use. Previously, sales representatives used to perform this task, so automation has led to improved productivity.
- With the system, we have successfully generated lists of prospective customers based on satellite imagery as part of new customer development efforts.



Source: The Company's financial results supplementary materials

(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.

In terms of new developments for the growth strategy, firstly, the Company will promote a multiple license strategy for the Electricity Retailing Business. GR consulting, which has strengths in bundled sales with photovoltaic systems for business use, obtained an electricity retailing business license, and started providing service from April 2025. gremz power specializes in electricity retaining business, and has strengths in building Groupwide expertise and developing customers through electricity services. Also, GR consulting plans to efficiently develop customers through alternative channels by engaging in photovoltaic systems for business use alongside electricity retailing business.

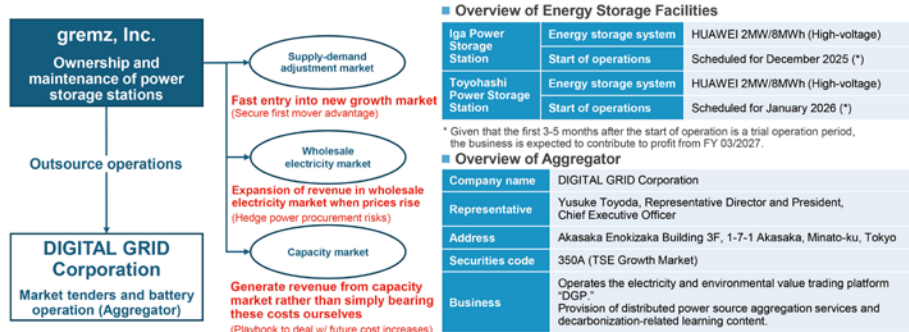
Further, the Company announced entry into the grid storage battery business in May 2025. At the same time, it concluded an agreement regarding the operation of grid storage batteries with DIGITAL GRID Corporation, and a grid storage battery installation construction work contract with Sun Village Co., Ltd. The Group has expanded business focused on sales of equipment such as photovoltaic systems for business use as well as electricity retailing. However, it is entering the grid storage battery business through capital investment using its ample cash and deposits as a new business development initiative aimed at creating a new earnings source. Specifically, it plans to start operations at two power storage station locations in the future and continue to consider building power storage stations thereafter looking to business expansion. Its ability to fund its own capital investments gives it an edge over competitors that must rely on borrowing, given the possibility of interest rates rising in the future.

Outlook

The amount of solar and other renewable energy 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 grid battery operations in markets where it can generate higher revenue within the supply-demand adjustment 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 electricity supply for the future is provided. As such, 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 electricity supply-demand adjustment market. Over the medium to long term, synergies in hedging power procurement and other risks look promising.

Entry into grid storage battery business

- We will enhance our corporate value by using our own funds to invest in infrastructure and create a new source of revenue.
- The grid storage battery business is highly complementary to the Electricity Retailing Business. In the short term, we will focus on the electricity supply and demand adjustment market and seek to recoup our initial investment as soon as possible. In the medium and long term, we expect to unlock synergies in hedging power procurement risks.
- Collaboration with DIGITAL GRID Corporation.



Source: The Company's financial results supplementary materials

As described above, the Group has established a model for strong growth and strong earnings in the Energy Solutions Business as a leader in sales of photovoltaic systems for business use to SMEs. Meanwhile, it envisions profit growth alongside expansion of customer numbers and scale through the stable recurring revenue business model in the Electricity Retailing Business. It plans on continued growth through advancement of both businesses, seeking to raise its corporate value.

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, FISCO thinks it is 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 carbon-free 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 investments are making ESG investments (investing in stocks that emphasize the environment, social, and governance aspects) both globally and in Japan as well in recent years. We think the Group's stock also deserves attention from this perspective.

Shareholder return policy

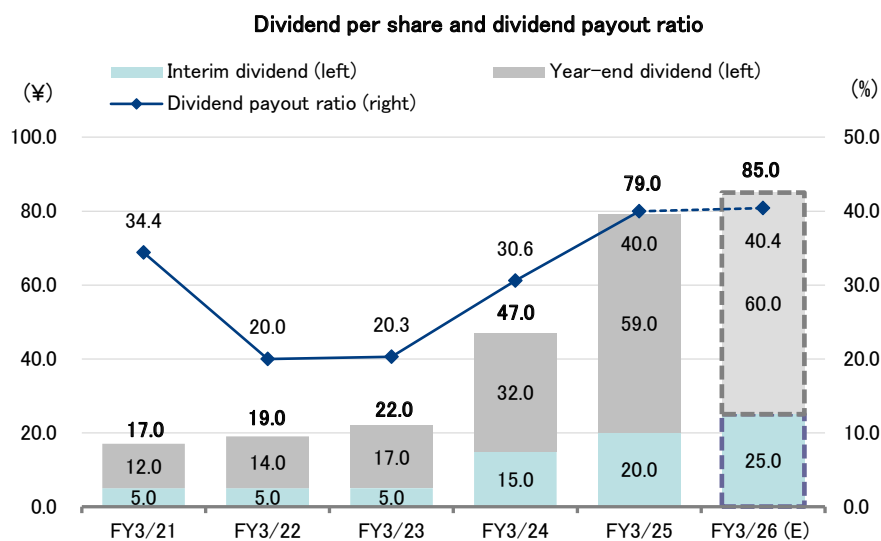
In FY3/25, dividend payout ratio target raised to 40% and the dividend was substantially increased

The Company shifted to the TSE Prime Market in April 2022. It was assessed as sufficiently meeting the listing standards defined by the TSE of having market cap (liquidity) suited to selection as an investment by many institutional investors, conducting robust governance and engaging in constructive dialogue with investors, and proactively pursuing sustainable growth and longer-term enhancement of enterprise value.

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. It implements stock splits too for the purpose of increasing the liquidity of its shares and broadening the investor segment through reduction of the value per investment unit. The Group conducted a 1-to-2 stock split on September 1, 2020 in FY3/21. Furthermore, it has paid interim dividends since introducing them in FY3/18.

For FY3/25, the Company initially planned to increase dividends to an interim dividend of ¥20.0 and a year-end dividend of ¥37.0 for a total dividend of ¥57.0 (increase of ¥10.0 YoY), but significantly raised its target payout ratio from 30% to 40% in light of strong results and ample cash and deposits. As a result, it paid an interim dividend of ¥20.0 and a year-end dividend of ¥59.0 for a total dividend of ¥79.0 (increase of ¥32.0 YoY). Thus, it raised dividends substantially for a ninth consecutive year. For FY3/26, it plans to increase dividends for a tenth consecutive year with 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). Its target payout ratio of 40.4% is much higher than the 34.65% average for Prime Market listed companies in FY3/25, 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 continued dividend increases each fiscal year are anticipated going forward.

Shareholder return policy



Note: The FY3/21 interim dividend includes a ¥2.5 commemorative dividend for the move to the TSE Second Section and a ¥2.5 commemorative dividend marking the stock's designation as the TSE First Section listing in the year-end dividend.
Source: Prepared by FISCO from the Company's financial results

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