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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022 [Japan GAAP]



August 6, 2021

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 Scheduled date of filing of quarterly report : August 6, 2021
 Scheduled date of commencement of dividend payment : -
 Preparation of supplementary materials for quarterly financial results : Yes
 Holding of quarterly financial results meeting : None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter (April 1, 2021 to June 30, 2021) of FY3/22

(1) Consolidated Results of Operation (Percentages indicate year-on-year changes)

	Net Sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Quarter of Fiscal Year Ending March 31, 2022	1,077	54.1	51	△58.5	54	△49.2	28	△52.3
1st Quarter of Fiscal Year Ended March 31, 2021	699	△42.4	124	△54.5	108	△61.0	60	△66.3

(Note) Comprehensive income

1st Quarter of Fiscal Year Ending March 31, 2022 25 Millions of yen △57.6%)
 1st Quarter of Fiscal Year Ended March 31, 2021 60 Millions of yen △65.2%)

	Per share Net income	Diluted Per share Net income
	Yen	Yen
1st Quarter of Fiscal Year Ending March 31, 2022	2.75	2.70
1st Quarter of Fiscal Year Ended March 31, 2021	5.78	5.67

(2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	Millions of yen	Millions of yen	%
1st Quarter of Fiscal Year Ending March 31, 2022	5,109	3,755	73.5
Fiscal Year Ended March 31, 2021	6,486	3,830	59.1

(Reference) Shareholders' equity

1st Quarter of Fiscal Year Ending March 31, 2022 3,755 Millions of yen
 1st Quarter of Fiscal Year Ended March 31, 2021 3,830 Millions of yen

2. Dividends

	Dividend per share				
	1st Quarter-End	2nd Quarter-End	3rd Quarter-End	Year-End	Total
Fiscal Year Ended March 31, 2021	Yen —	Yen 0.00	Yen —	Yen 10.00	Yen 10.00
Fiscal Year Ending March 31, 2022	—				
Fiscal Year Ending March 31, 2022 (Forecast)		0.00	—	10.00	10.00

(Note) Revisions to the most recently announced dividend forecast : None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes)

	Net Sales		Operating income		Ordinary income		Net income attributable to owners of parent		Per share Net income
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,000	45.9	1,000	35.4	1,000	40.1	600	31.1	57.22

(Note) Revisions to the most recently announced financial results forecast : None

* Notes

(1) Changes in Significant Subsidiaries during the Period : None

(Changes in Specified Subsidiaries Resulting in Changes in the Scope of Consolidation)

Newly added — 、 Excluded —

(2) Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements : None

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Corrections

- ① Changes in accounting policies due to revisions to accounting standards, etc. : Yes
- ② Changes in accounting policies due to other reasons : None
- ③ Changes in accounting estimates : None
- ④ Restatement of prior period financial statements after error corrections : None

(4) Number of shares outstanding (common stock)

① Number of shares outstanding at the end of the period (including treasury stock)	1st Quarter of Fiscal Year Ending March 31, 2022	10,526,600 shares	Fiscal Year Ended March 31, 2021	10,513,440 shares
② Number of treasury stock at the end of the period	1st Quarter of Fiscal Year Ending March 31, 2022	40,149 shares	Fiscal Year Ended March 31, 2021	40,104 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year)	1st Quarter of Fiscal Year Ending March 31, 2022	10,479,578 shares	1st Quarter of Fiscal Year Ended March 31, 2021	10,432,939 shares

※ This quarterly financial report is exempt from quarterly review by certified public accountants or auditing firms.

※ Cautionary statement with respect to financial forecasts

The financial forecasts as presented in this report are based on information currently available to us and on certain assumptions that we believe reasonable. Actual results may differ materially from the forecasts due to a variety of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operation

The forward-looking statements in this report are based on our judgment as of the end of the current quarter.

(1) Status of business performance

Under the Group's Grand Vision of "Make the biggest impression in the 21st century," we will leverage our IT Freelancers database and our human resources infrastructure, including the development of IT engineers who are active globally, to proactively grasp the lifestyles of people and corporate behavior that are rapidly changing due to the spread of the Internet, and leverage our ability to respond to change to constantly grow through the creation and evolution of services, with the aim of continually increasing corporate value. The Group consists of four business segments, including three subsidiaries. The four business segments are: "IT Freelance Matching Business," "Game Business," "x-Tech Business," and "Seed Tech Business."

From the first quarter of the current fiscal year, the name of the segment has been changed from "IT Human Resource Development Business" to "Seed Tech Business". The change in the segment name has no impact on segment information.

During the three months ended June 30, 2021 (April 1, 2021 to June 30, 2021), the impact of the global expansion of new coronavirus infections has been prolonged. The Japanese economy has also continued to face an extremely severe situation, as economic activities have been restrained by priority measures such as preventing the spread of such incidents and by issuing numerous orders to declare a state of emergency. Vaccination is progressing in various countries, and while there are signs that the situation is coming to an end, the future outlook remains uncertain.

Under these circumstances, the Group continued to implement various measures based on the policies set forth in the "G100" Medium-Term Management Plan (from the fiscal year ending March 2022 to the fiscal year ending March 2025) released on May 14, 2021. We have built a business structure that will enable us to serve as a technology resource sharing platform by capturing the demand of companies promoting digital shifts and individuals searching for new ways of working.

Under these circumstances, the Group recorded net sales of ¥1,077 million (up 54.1% year on year), operating income of ¥51 million (down 58.5%), ordinary income of ¥54 million (down 49.2%), and net income attributable to owners of parent of ¥28 million (down 52.3%).

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) As a result of the adoption of the "Revenue Recognition Accounting Standard" and other standards, net sales increased by ¥289 million, which had no impact on operating income, ordinary income and net income attributable to owners of parent.

Results by business segment were as follows.

<IT Freelance Matching Business>

In the IT Freelance Matching Business, the business environment was favorable. Due to the prolonged Corona Crisis, more than 80% of IT Freelancers have adopted remote work as a result of the establishment of a system for accepting remote work at each company, and there have been major changes in existing work styles. To respond to these changes in the business environment, the Group expanded its support system, conducted detailed communication with companies and IT Freelancers, expanded the "Furinove" benefit program for IT Freelancers, and conducted various online seminars.

As a result, net sales in this business segment for the three months ended June 30, 2021 were ¥416 million (up 16.3% year on year) and segment income was ¥226 million (up 10.6%).

<Game Business>

In the Game Business, the Game Business performed strongly, with no effect of new coronaviral infections. We operate four titles and develop three new titles, including "MY HERO ACADEMIA ULTRA IMPACT" distributed by BANDAI NAMCO Entertainment Inc. and "IDOLiSH7" distributed by BANDAI NAMCO Online Inc.

As a result, net sales in this business segment for the three months ended June 30, 2021 were ¥555 million (up 116.9% year on year) and segment loss was ¥59 million (segment income of ¥14 million for the same period of the previous fiscal year).

<x-Tech Business>

In the x-Tech Business, the Group aims to become a technology partner for business model transformation by leveraging cutting-edge technologies and methods using "Technology × Data," mainly providing apps and video production utilizing cutting-edge AR (augmented reality) and other technologies, as well as digital marketing support and D2C support in the sports field.

As a result, net sales in this business segment for the first quarter of the fiscal year ending March 31, 2022 were ¥71 million (up 36.6% year on year) and segment income was ¥1 million (segment loss of ¥8 million in the same period of the previous fiscal year).

<Seed Tech Business>

In the seed tech business, Seed Tech Inc. the subsidiary established in the previous fiscal year, commenced full-scale operations from the first quarter of the fiscal year, promoting the on-demand programming school service and offshore development outsourcing business.

As a result, net sales in this business segment for the three months ended June 30, 2021 were ¥33 million (down 4.5% year on year) and segment income was ¥3 million (segment loss of ¥2 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Current Assets)

The balance of current assets at the end of the first quarter of the current fiscal year was ¥4,508 million, a decrease of ¥1,406 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥1,114 million in work in process.

(Fixed Assets)

The balance of non-current assets at the end of the first quarter of the current fiscal year was ¥600 million, an increase of ¥29 million from the end of the previous fiscal year. This was mainly due to increases of ¥56 million in lease and guarantee deposits and ¥18 million in deferred tax assets, while there was a decrease of ¥43 million in buildings and structures (net).

(Current liabilities)

The balance of current liabilities at the end of the first quarter of the current fiscal year was ¥1,345 million, a decrease of ¥1,300 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥1,125 million in advances received.

(Non-current liabilities)

The balance of non-current liabilities at the end of the first quarter of the current fiscal year was ¥8 million, a decrease of ¥843 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥957 thousand in lease obligations.

(Net Assets)

Net assets as of June 30, 2021 were ¥3,755 million, a decrease of ¥75 million compared to the end of the previous fiscal year. This was mainly due to a decrease of ¥75 million in retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

There are no changes to the consolidated financial results forecast for the fiscal year ending March 31, 2022, which was announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2021" on May 14, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous consolidated fiscal year (As of March 31, 2021)	1st Quarter (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	3,149,695	2,736,033
Accounts receivable	1,518,823	-
Accounts receivable and contract assets	-	1,651,748
Work in process	1,117,488	3,066
Supplies	410	623
Advance payment	14	119
Prepaid expenses	81,789	85,072
Other	49,840	34,623
Allowance for doubtful accounts	△2,572	△2,492
Total current assets	5,915,490	4,508,795
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	60,687	16,857
Tools, furniture and fixtures, net	6,574	7,372
Lease assets, net	15,465	17,168
Property, plant and equipment, net	82,726	41,398
Intangible assets		
Software	1,006	899
Total intangible assets	1,006	899
Investments and other assets		
Investment securities	109,912	109,912
Lease and guarantee deposits	169,202	226,005
Long-term prepaid expenses	7,338	3,622
Deferred tax assets	200,626	218,888
Total investments and other assets	487,080	558,428
Total fixed assets	570,813	600,726
Total assets	6,486,303	5,109,522

(Thousand yen)

	Previous consolidated fiscal year (As of March 31, 2021)	1st Quarter (As of June 30, 2021)
Liabilities		
Current liabilities		
Accounts payable	858,138	891,367
Accounts payable other	35,514	79,076
Accrued expenses	28,235	36,961
Income taxes payable	337,593	50,034
Accrued consumption taxes	144,805	52,039
Deposits received	29,088	35,341
Advance received	1,125,380	-
Contract liabilities	-	105,918
Unearned revenue	20,526	18,611
Asset retirement obligations	55,662	55,742
Lease obligations	11,721	13,501
Other	-	7,318
Total current liabilities	2,646,667	1,345,912
Long-term liabilities		
Lease obligations	7,101	6,144
Other	2,037	2,150
Total long-term liabilities	9,139	8,295
Total liabilities	2,655,807	1,354,207
Net assets		
Shareholders' equity		
Paid-in capital	1,094,214	1,096,210
Capital surplus	1,044,157	1,046,153
Retained earnings	1,714,342	1,638,381
Treasury stock	△21,155	△21,208
Total shareholders' equity	3,831,559	3,759,537
Accumulated other comprehensive income		
Foreign currency translation adjustments	△1,073	△4,223
Total accumulated other comprehensive income	△1,073	△4,223
Non-controlling interests	10	-
Total net assets	3,830,496	3,755,314
Total liabilities and net assets	6,486,303	5,109,522

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

1st Quarter Consolidated Cumulative Period

(Thousand yen)

	Previous 1st Quarter Consolidated Cumulative Period From April 1, 2020 to June 30, 2020	1st Quarter From April 1, 2021 to June 30, 2021
Net sales	699,635	1,077,846
Cost of sales	229,599	601,048
Gross profit	470,035	476,798
Selling, general and administrative expenses	345,220	424,989
Operating income	124,815	51,809
Non-operating income		
Interest income	17	1
Lecture fee income	100	-
Subsidy income	-	1,330
Foreign exchange gains	-	2,402
Other	-	50
Total non-operating income	117	3,784
Non-operating expenses		
Interest expenses	-	36
Foreign exchange losses	787	-
Stock issuance expenses	15	25
Market change costs	15,859	-
Commitment fee	184	596
Total non-operating expenses	16,847	658
Ordinary income	108,085	54,934
Income before income taxes	108,085	54,934
Income taxes - current	84,841	43,519
Income taxes - deferred	△36,955	△17,345
Total income taxes	47,886	26,173
Net income	60,198	28,760
Net loss attributable to non-controlling interests (△)	△70	△10
Net income attributable to owners of parent	60,269	28,771

Consolidated Statements of Comprehensive Income
1st Quarter Consolidated Cumulative Period

(Thousand yen)

	Previous 1st Quarter Consolidated Cumulative Period From April 1, 2020 to June 30, 2020	1st Quarter From April 1, 2021 to June 30, 2021
Net income	60,198	28,760
Other comprehensive income		
Foreign currency translation adjustments	237	△3,149
Total other comprehensive income	237	△3,149
Comprehensive income	60,435	25,611
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	60,505	25,621
Comprehensive income attributable to non- controlling interests	△69	△10

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company has adopted the "Accounting Standard for Revenue Recognition" and other standards. Under this standard, revenue is recognized at the amount that is expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. As a result, in respect of commissioned development sales in the Game Business, which revenue was previously recognized on an acceptance basis, recognition is on a cost recovery basis as it is not possible to reasonably estimate the progress of the fulfillment of the obligation but it is expected that the costs incurred will be recovered.

With regard to the application of the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment stipulated in the provision of paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been adjusted to retained earnings at the beginning of the first quarter of the current fiscal year, and a new accounting policy has been applied from the beginning of the current fiscal year.

As a result, net sales and cost of sales increased by ¥289 million, while current assets and current liabilities decreased by ¥1,112 million, respectively. This change had no impact on operating income, ordinary income, income before income taxes, or retained earnings at the beginning of the year.

As a result of the application of the Accounting Standard for Revenue Recognition, "Accounts receivable", which had been presented as "current assets" in the consolidated balance sheet for the previous fiscal year, has been included in "Accounts receivable and contract assets" for the first quarter of the fiscal year. In addition, "Advance received", which was included in "Current Liabilities" in the consolidated balance sheet for the previous fiscal year, has been included in "Contract liabilities" for the first quarter of the fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not reclassified the previous fiscal year using the new method of presentation. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements (ASBJ Statement No. 12, March 31, 2020), information of revenue breakdown arising from contracts with customers for the first quarter of the previous fiscal year is not stated.

(Application of Accounting Standard for Calculation of Market Value, etc.)

Accounting Standard for Calculation of Market Value (ASBJ Statement No. 30, July 4, 2019) The Company has applied the "Current Value Accounting Standard" and other standards from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 19 of the Current Value Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policies stipulated in the Current Value Accounting Standard will be applied prospectively. This change has no impact on the quarterly consolidated financial statements.

(Segment Information)

[Segment Information]

Effective from the first quarter of the fiscal year ending March 31, 2022, the name of the former “IT Human Resource Development Business” has been changed to “Seed Tech Business”, and the order of presentation of reportable segments has been changed. As a result, the name and the order of listing of the reportable segments for the first quarter of the previous fiscal year have been changed in the same manner.

Previous 1st Quarter (From April 1, 2020 to June 30, 2020)

1. Net Sales and Income (Loss) by Reportable Segment

(Thousand yen)

	Reportable segments				Total	Adjustment (Note 1)	Quarter Consolidated Statements of Income (Note 2)
	IT Freelance Matching Business	Game Business	x-Tech Business	Seed Tech Business			
Net Sales							
Net Sales to External Customers	358,286	256,174	52,493	32,680	699,635	-	699,635
Inter-segment Net Sales or Transfer	-	-	-	2,744	2,744	△2,744	-
Total	358,286	256,174	52,493	35,424	702,379	△2,744	699,635
Segment income or loss (△)	204,826	14,298	△8,040	△2,938	208,146	△83,331	124,815

(Note) 1. Adjustment of segment income (loss) △¥83 million includes corporate expenses of △¥86 million that are not allocated to each reportable segment and inter-segment eliminations of ¥3 million.

2. The total of segment income (loss) and adjustments are adjusted with operating income in the quarterly consolidated statements of income.

1st Quarter (From April 1, 2021 to June 30, 2021)

1. Net Sales and Income (Loss) by Reportable Segment

(Thousand yen)

	Reportable segments				Total	Adjustment (Note 1)	Quarter Consolidated Statements of Income (Note 2)
	IT Freelance Matching Business	Game Business	x-Tech Business	Seed Tech Business			
Net Sales							
Net Sales to External Customers	416,635	555,692	71,702	33,815	1,077,846	-	1,077,846
Inter-segment Net Sales or Transfer	-	-	-	-	-	-	-
Total	416,635	555,692	71,702	33,815	1,077,846	-	1,077,846
Segment income or loss (△)	226,494	△59,067	1,749	3,732	172,908	△121,099	51,809

(Note) 1. Adjustment of segment income or loss △¥121 million is corporate expenses △129 million yen that are not allocated to each reportable segment and 8 million yen for elimination of inter-segment transactions are included.

2. The total of segment income (loss) and adjustments are adjusted to operating income in the quarterly consolidated statements of income.

2. Matters Related to Changes in Reportable Segments

As stated in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition and other standards from the beginning of the first quarter of the current fiscal year, and changed the accounting method for revenue recognition. As a result, the method of calculating profit or loss for business segments has been changed. As a result of this change, net sales in the Game Business for the three months ended June 30, 2021 increased by ¥289 million compared with the previous method, but there was no impact on segment loss.