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

February 10, 2022

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 Scheduled date of filing of quarterly report : February 10, 2022
 Scheduled date of commencement of dividend payment : -
 Preparation of supplementary explanatory materials : Yes
 Results briefing to be held : None

(Figures are rounded down to the nearest million yen)

1. Consolidated Results for the Third Quarter (April 1, 2021 to December 31, 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	%
3rd Quarter of Fiscal Year Ending March 31, 2022	4,015	107.7	861	121.9	862	135.5	533	141.5
3rd Quarter of Fiscal Year Ended March 31, 2021	1,933	△29.2	388	△28.8	366	△33.1	221	△36.5

(Note) Comprehensive income

3rd Quarter of Fiscal Year Ending March 31, 2022 533 (Millions of yen) 140.2%
 3rd Quarter of Fiscal Year Ended March 31, 2021 221 (Millions of yen) △36.1%

	Net income per share	Diluted Earnings Per Share
	Yen	Yen
3rd Quarter of Fiscal Year Ending March 31, 2022	50.91	50.10
3rd Quarter of Fiscal Year Ended March 31, 2021	21.18	20.81

(2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	Millions of yen	Millions of yen	%
3rd Quarter of Fiscal Year Ending March 31, 2022	5,717	4,289	74.7
Fiscal Year Ended March 31, 2021	6,486	3,830	59.1

(Reference) Shareholders' equity

3rd Quarter of Fiscal Year Ending March 31, 2022 4,272 (Millions of yen)
 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
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2021	—	0.00	—	10.00	10.00
Fiscal Year Ending March 31, 2022	—	0.00	—		
Fiscal Year Ending March 31, 2022 (Forecast)				10.00	10.00

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

3. 2022 Consolidated Financial Results Forecast (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		Net income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,400	57.5	1,200	62.5	1,200	68.1	740	61.7	70.34

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

* Notes

(1) Changes in Significant Subsidiaries during the Period Under Review : 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)	3rd Quarter of Fiscal Year Ending March 31, 2022	10,560,640 shares	Fiscal Year Ended March 31, 2021	10,513,440 shares
② Number of treasury shares at the end of the period	3rd 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)	3rd Quarter of Fiscal Year Ending March 31, 2022	10,489,195 shares	3rd Quarter of Fiscal Year Ended March 31, 2021	10,438,455 shares

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

※ Explanation regarding the appropriate use of financial results forecasts and other special notes

The forward-looking statements in this document are based on information currently available to us and on certain assumptions that we believe to be reasonable. Actual results may differ materially due to a variety of factors.

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1. Qualitative Information Regarding Consolidated Results for the Period

(1) Explanation on the Results of Operation

The forward-looking statements in the text are based on our judgment as of the end of the current quarter consolidated accounting period.

1. The status of business performance

Under our Grand Vision "Make the biggest impression in the 21st century," we aim to continuously increase corporate value by leveraging our IT Freelance database, human resources infrastructure such as the development of IT engineers who are active globally, proactively grasping the lifestyles of people who are rapidly changing due to the spread of the Internet and corporate behavior, and continuing to grow through the creation and evolution of services that are responsive to change. The Group consists of four business segments, including three subsidiaries. Each business segment is classified into: [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 the previous [IT Human Resource Development Business] to the [Seed Tech Business]. The change in the segment name has no impact on segment information.

During the nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021), the outlook for the Japanese economy remained uncertain due to the spread of a new variant of the coronavirus, which had once calmed as a result of the progress in vaccination. With the rapid digital transformation amid the prolonged impact of the new coronavirus, we recognize that the need to strengthen IT skills among IT professionals and individuals is increasing further.

Under these circumstances, the Group continued to implement various measures based on the policies set forth in the Medium-Term Management Plan (G100) released on May 14, 2021 (from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2025). We have built a business structure that will enable us to capture the demand of companies promoting digital shifts and individuals searching for new ways of working, to fulfill our role as a technology resource sharing platform.

Under these circumstances, the Group recorded net sales of ¥4,015 million (up 107.7% year on year), operating income of ¥861 million (up 121.9%), ordinary income of ¥862 million (up 135.5%), and net income attributable to owners of parent of ¥533 million (up 141.5%).

[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 ¥705,988 thousand, while operating income, ordinary income, and income before income taxes increased by ¥148,797 thousand.

Results by business segment were as follows.

<IT Freelance Matching Business>

In the IT Freelance Matching Business, its performance increased considerably. More than 80% of IT Freelancers have introduced Remote Work, and the number of new IT Freelance registrations is steadily increasing as a result of an increase in matching between the Tokyo metropolitan area and regional bases. In addition, as a result of expanding corporate advertising, investment, and strengthening sales enablement, the number of new client companies is also trending upward.

As a result, net sales in this business segment for the first nine months of the fiscal year ending March 31, 2022 were ¥1,324 million (up 24.8% year on year) and segment income was ¥714 million (up 18.9%).

<Game Business>

In the Game Business, the Group operates five titles, including "IDOLiSH7", which is distributed by BANDAI NAMCO Online Inc., and "My Hero Academy ULTRA IMPACT", which is distributed by BANDAI NAMCO Entertainment Inc., and develops four new titles. During the third quarter of the fiscal year ending March

31, 2022, the Group delivered one new title and received an order for another title. In addition, the Group made preparations for overseas versions of its existing titles.

In the third quarter of the fiscal year ending March 31, 2022, it became possible to reasonably estimate the progress of fulfillment of performance obligations for one of the new titles under development which was previously recognized under the cost recovery method. Accordingly, revenue is recognized based on the degree of progress.

As a result, net sales in this business segment for the nine months ending December 31, 2022 were ¥2,351 million (up 300.4% year on year) and segment income was ¥472,103 thousand (up 1,000.9%).

<x-Tech Business>

In the x-Tech Business, the Group aims to become a technology partner for business model transformation using [Technology x Data] utilizing cutting-edge technologies and methods, and mainly conduct app and video production utilizing AR (augmented reality) and other technologies, as well as digital marketing support and D2C support in the sports field (e.g., golf).

As a result, net sales in this business segment for the first nine months of the fiscal year ending March 31, 2022 were ¥243 million (up 17.6% year on year) and segment income was ¥11 million (segment loss of ¥6 million for the first nine months of the previous fiscal year).

<Seed Tech Business>

In the Seed Tech Business, the Group provides on-demand programming school services and offshore development outsourcing business. In addition, we made preparations for the SaaS-type DX/IT Human Resource Development Service [sodatech] for corporations scheduled to launch next fiscal year.

As a result, for the nine months ended December 31, 2022, net sales in this business segment were ¥95,799 thousand (up 19.0% year on year) and the segment loss was ¥7,869 thousand (compared with a segment loss of ¥9,546 thousand in the same period of the previous fiscal year).

(2) Explanation on the Financial Position

(Current Assets)

The balance of current assets at the end of the third quarter of the current fiscal year was ¥5,387,947 thousand, a decrease of ¥527,543 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥1,116,670 thousand in work in process, while accounts receivable and contract assets increased by ¥413,713 thousand.

(Fixed Assets)

The balance of non-current assets at the end of the third quarter of the current fiscal year was ¥329,317 thousand, a decrease of ¥241,495 thousand from the end of the previous fiscal year. This was mainly due to decreases of ¥59,144 thousand in buildings and structures (net), ¥61,330 thousand in lease and guarantee deposits, and ¥171,519 thousand in deferred tax assets, while there was an increase of ¥49,950 thousand in investment securities.

(Current Liabilities)

The balance of current liabilities at the end of the third quarter of the current fiscal year was ¥1,392,971 thousand, a decrease of ¥1,253,696 thousand from the end of the previous fiscal year. This was mainly due to ¥1,125,380 thousand decrease in advances received.

(Non-current liabilities)

The balance of non-current liabilities at the end of the third quarter of the current fiscal year was ¥34,828 thousand, an increase of ¥25,689 thousand from the end of the previous fiscal year. This was mainly due to ¥25,931 thousand increase in deferred tax liabilities.

(Net Assets)

The balance of net assets at the end of the third quarter of the current fiscal year was ¥4,289,463

thousand, an increase of ¥458,967 thousand from the end of the previous fiscal year. This was mainly due to ¥429,229 thousand increase in retained earnings.

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

There are no changes to the consolidated financial results forecast for the fiscal year ending March 31, 2022 that was announced in the "Revision of Financial Results Forecast" on November 11, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Previous fiscal year (As of March 31, 2021)	3rd Quarter (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	3,149,695	3,172,073
Accounts receivable	1,518,823	-
Accounts Receivable and Contract Assets	-	1,932,536
Work in process	1,117,488	817
Supplies	410	444
Advance Payment	14	100
Prepaid expenses	81,789	119,513
Other	49,840	165,121
Allowance for doubtful accounts	△2,572	△2,659
Total current assets	5,915,490	5,387,947
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	60,687	1,542
Tools, furniture and fixtures, net	6,574	5,937
Lease assets, net	15,465	20,830
Net property, plant and equipment	82,726	28,310
Intangible assets		
Software	1,006	687
Total intangible assets	1,006	687
Investments and other assets		
Investment securities	109,912	159,862
Lease and guarantee deposits	169,202	107,872
Long-term prepaid expenses	7,338	3,477
Deferred tax assets	200,626	29,106
Total investments and other assets	487,080	300,319
Total fixed assets	570,813	329,317
Total assets	6,486,303	5,717,264

(Thousand yen)

	Previous fiscal year (As of March 31, 2021)	3rd Quarter (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts Payable	858,138	1,019,003
Accounts Payable other	35,514	108,389
Accrued expenses	28,235	87,412
Income taxes payable	337,593	53,240
Accrued consumption taxes	144,805	55,648
Deposits received	29,088	44,369
Advance received	1,125,380	-
Contract Liabilities	-	10,394
Unearned revenue	20,526	-
Asset retirement obligations	55,662	-
Lease obligations	11,721	14,337
Other	-	175
Total current liabilities	2,646,667	1,392,971
Long-term liabilities		
Lease obligations	7,101	6,821
Deferred tax liabilities	-	25,931
Other	2,037	2,075
Total long-term liabilities	9,139	34,828
Total liabilities	2,655,807	1,427,800
Net assets		
Shareholders' Equity		
Paid-in Capital	1,094,214	1,101,255
Capital surplus	1,044,157	1,051,198
Retained earnings	1,714,342	2,143,572
Treasury stock	△21,155	△21,252
Total shareholders' equity	3,831,559	4,274,773
Accumulated other comprehensive income		
Foreign currency translation adjustments	△1,073	△1,947
Total accumulated other comprehensive income	△1,073	△1,947
Subscription rights to shares	-	16,624
Non-controlling interests	10	13
Net assets	3,830,496	4,289,463
Total liabilities and net assets	6,486,303	5,717,264

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

3rd Quarter Consolidated Cumulative Period

(Thousand yen)

	Previous 3rd Quarter (From April 1, 2020) to December 31, 2020	3rd Quarter (From April 1, 2021) to December 31, 2021
Net Sales	1,933,687	4,015,547
Cost of Sales	568,612	1,928,512
Gross Margin	1,365,075	2,087,035
Selling, general and administrative expenses	976,912	1,225,632
Operating income	388,163	861,403
Non-operating income		
Interest income	49	19
Consignment revenue	-	350
Lecture fee income	100	-
Late charge	313	-
Subsidy income	-	1,840
Foreign exchange gain	-	34
Other	-	152
Total non-operating income	463	2,396
Non-operating expenses		
Interest expenses	-	100
Foreign exchange loss	4,951	-
Stock issuance expenses	51	452
Market Change Cost	15,859	-
Commitment Fee	1,697	1,199
Other	0	-
Total non-operating expenses	22,559	1,752
Ordinary income	366,067	862,047
Net income before income taxes	366,067	862,047
Income taxes - current	164,173	130,324
Income taxes-deferred	△18,993	197,756
Total income taxes	145,179	328,080
Net income	220,887	533,966
Net income (loss) attributable to non-controlling interests (△)	△207	3
Net income attributable to owners of parent	221,095	533,962

Consolidated Statement of Comprehensive Income
3rd Quarter Consolidated Cumulative Period

(Thousand yen)

	Previous 3rd Quarter (From April 1, 2020) to December 31, 2020	3rd Quarter (From April 1, 2021) to December 31, 2021
Net income	220,887	533,966
Other comprehensive income		
Foreign currency translation adjustments	1,064	△873
Total other comprehensive income	1,064	△873
Comprehensive income	221,952	533,092
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	222,153	533,090
Comprehensive income attributable to non- controlling interests	△201	2

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes on 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) Starting first quarter of the fiscal year ending March 31, 2022, the Company has applied the "Revenue Recognition Accounting Standard" and other standards, and recognizes revenue in 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. With regards to commissioned development sales in the Game Business, revenue was previously recognized on an acceptance basis. However, the Company changed its method to recognize revenue over a certain period based on the progress rate of fulfillment of performance obligations. In cases where it is not possible to reasonably estimate the progress of fulfillment of performance obligations, but it is expected that expenses incurred will be recovered, revenue is recognized on a cost recovery basis.

With regards to the application of the Revenue Recognition Standard, etc., in accordance with the transitional treatment stipulated in the provision of paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retroactively applying the new accounting policy from the beginning of the first quarter of the current fiscal year is adjusted to retained earnings at the beginning of the first quarter of the current fiscal year, and a new accounting policy is applied from the beginning of the current fiscal year.

As a result, net sales increased ¥705,988 thousand, cost of sales increased ¥557,190 thousand, operating income, ordinary income and income before income taxes increased ¥148,797 thousand, current assets decreased ¥750,852 thousand, and current liabilities decreased ¥899,650 thousand. This change has no impact on the beginning balance of retained earnings.

As the Accounting Standard for Revenue Recognition, etc. has been applied, from the first quarter of the current fiscal year, [Accounts Receivable] presented in [Current Assets] in the consolidated balance sheet for the previous fiscal year has been included in [Accounts Receivable and Contract Assets]. In addition, [Advance Received] and [Advance Received Revenue] presented in [Current Liabilities] in the consolidated balance sheet for the previous fiscal year are now included in [Contract Liabilities] from the first quarter of the current fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification have been made for the previous fiscal year using a 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), no information is presented that revenue breakdown arising from contracts with customers for the nine months ended December 31, 2021.

(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, and 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), it has decided to apply the new accounting policies stipulated in the Current Value Accounting Standard and other standards into the future. This change has no impact on the quarterly consolidated financial statements.

(Segment Information, etc.)

[Segment Information]

From the first quarter of the fiscal year ending March 31, 2021, the name of the former [IT Human Resource Development Business] segment 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 nine months of the previous fiscal year have been changed in the same manner.

Previous 3rd Quarter (April 1, 2020 - December 31, 2020)

1. Information on 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	1,061,481	587,432	207,002	77,771	1,933,687	-	1,933,687
Inter-segment Net Sales or Transfers	-	-	-	2,744	2,744	△2,744	-
Total	1,061,481	587,432	207,002	80,515	1,936,431	△2,744	1,933,687
Segment income or loss (△)	601,192	42,882	△6,860	△9,546	627,668	△239,505	388,163

(Note) 1. Adjustment of segment income (loss) △¥239,505 thousand is not allocated to each reportable segment includes corporate expenses of △¥256,722 thousand and inter-segment eliminations of ¥17,217 thousand.

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

3rd Quarter (April 1, 2021 - December 31, 2021)

1. Information on 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	1,324,435	2,351,946	243,366	95,799	4,015,547	-	4,015,547
Inter-segment Net Sales or Transfers	-	-	-	-	-	-	-
Total	1,324,435	2,351,946	243,366	95,799	4,015,547	-	4,015,547
Segment income or loss (△)	714,571	472,103	11,534	△7,869	1,190,340	△328,937	861,403

(Note) 1. The adjustment for segment income or loss △¥328,937 thousand is not allocated to each reportable segment includes corporate expenses of △¥352,637 thousand and inter-segment eliminations of ¥23,700 thousand.

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

2. Matters Related to Changes in Reportable Segments, etc.

As stated in Changes in Accounting Policies, the Company has applied the Revenue Recognition Accounting Standard and other standards and changed the accounting method for revenue recognition from the beginning of the first quarter of the current fiscal year. As a result, the method of calculating profit or loss for business segments has been changed in the same manner. Compared with the conventional method, net sales and segment income for the [Game Business] for the nine months ended December 31, 2021 increased by ¥705,988 thousand and ¥148,797 thousand, respectively.