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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 [Japan GAAP]

August 9, 2022

Company name	geechs inc.	Listing Market	TSE Prime Market
Securities code	7060	URL	https://geechs.com
Representative	President & CEO Naruhito Sonehara		
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Scheduled date of filing of quarterly report		:	August 9, 2022
Scheduled date of commencement of dividend payment		:	—
Preparation of supplementary materials for quarterly financial results		:	Yes
Holding of quarterly financial results briefing		:	—

(Figures are rounded down to the nearest million yen)

1. Consolidated Results for the First Quarter

(From April 1, 2022 to June 30, 2022)

(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, 2023	1,026	△4.8	△119	—	△118	—	△96	—
1st Quarter of Fiscal Year Ended March 31, 2022	1,077	54.1	51	△58.5	54	△49.2	28	△52.3

(Note) Comprehensive income

1st Quarter of Fiscal Year Ending March 31, 2023	△¥89 Million	—%
1st Quarter of Fiscal Year Ended March 31, 2022	¥25 Million	△57.6%

	Net Income Per Share	Diluted Net Income Per Share
1st Quarter of Fiscal Year Ending March 31, 2023	Yen △9.16	Yen —
1st Quarter of Fiscal Year Ended March 31, 2022	2.75	2.70

(Note) Diluted net income per share for the first quarter of the fiscal year ending March 31, 2023 is not presented because of a net loss per share, despite the existence of dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
1st Quarter of Fiscal Year Ending March 31, 2023	Millions of yen 5,835	Millions of yen 4,287	%
Fiscal Year Ended March 31, 2022	5,874	4,470	72.8
			75.7

(Reference) Shareholders' equity

1st Quarter of Fiscal Year Ending March 31, 2023	¥4,249 Million
Fiscal Year Ended March 31, 2022	¥4,444 Million

2. Dividends

	Dividend Per Share				
	1st Quarter-End	2nd Quarter-End	3rd Quarter-End	Year-End	Total
Fiscal Year Ended March 31, 2022	Yen —	Yen 0.00	Yen —	Yen 10.00	Yen 10.00
Fiscal Year Ending March 31, 2023	—				
Fiscal Year Ending March 31, 2023 (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, 2023 (From April 1, 2022 to March 31, 2023)

(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	5,800	7.6	800	△29.4	800	△29.6	480	△31.9	45.61

(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 - , Exclusion -

(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. : None

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, 2023	10,564,840 shares	Fiscal Year Ended March 31, 2022	10,564,840 shares
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② Number of treasury shares at the end of the period

1st Quarter of Fiscal Year Ending March 31, 2023	40,151 shares	Fiscal Year Ended March 31, 2022	40,151 shares
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③ Average number of shares during the period (cumulative from the beginning of the fiscal year)

1st Quarter of Fiscal Year Ending March 31, 2023	10,524,689 shares	1st Quarter of Fiscal Year Ended March 31, 2022	10,479,578 shares
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※ 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 from those in this document due to a variety of factors.

○ Contents of the attached materials

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1. Qualitative Information on 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 and human resources infrastructure such as the development of IT engineers who are active globally, proactively grasping the lifestyles of people and corporate behavior that are rapidly changing due to the spread of the Internet 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], [Seed Tech Business] and [x-Tech Business].

From the first quarter of the fiscal year ending March 31, 2023, the Group has changed its segment classification, and has conducted a comparative analysis using the reclassified figures for the same period of the previous fiscal year into the new segment classification.

During the first quarter of the current fiscal year (April 1, 2022 to June 30, 2022), the prospects of the Japanese economy remained uncertain under the prolonged impact of the new coronavirus infections, even though the warning levels have gradually been lowered by less restrictive measures on people flowing into Japan. We recognize the further increasing needs for IT personnel and individual IT skill enhancement due to the corporate attempt to utilize IT technology to build new lifestyles and its promotion of digital transformation in each industry.

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 ended March 31, 2022 to the fiscal year ending March 31, 2025). We have built a business structure to fulfill our role as a technology resource sharing platform by responding to the needs of companies pursuing digital shifts and individuals seeking new work styles.

Under these circumstances, the Group recorded net sales of ¥1,026 million (down 4.8% year on year), operating loss of ¥119 million (operating income of ¥51 million in the same period of the previous fiscal year), ordinary loss of ¥118 million (ordinary income of ¥54 million in the same period of the previous fiscal year), and net loss attributable to owners of parent of ¥96 million (net income attributable to owners of parent of ¥28 million in the same period of the previous fiscal year).

Results by business segment were as follows.

<IT Freelance Matching Business>

In the IT Freelance Matching Business, while the demand from companies continues to be high, there has been an increase in matching between the Tokyo metropolitan area and regional areas through remote work. In particular, the number of IT Freelancers at regional bases has been steadily increasing. The number of new client companies also increased continuously, partly because of the ongoing investment in corporate advertisement that has been expanding since the previous fiscal year.

As a result, net sales in this business segment for the first quarter of the current fiscal year were ¥516 million (up 24.0% year on year) and segment income was ¥277 million (up 22.6% year on year).

<Game Business>

In the Game Business, the Group operates six titles, including [IDOLiSH7] distributed by BANDAI NAMCO Online Inc. and [MY HERO ULTRA IMPACT] distributed by BANDAI NAMCO Entertainment Inc., while developing four new ones. During the first quarter of the fiscal year ending March 31, 2023, the Group rescheduled the timing of commencing operations for some titles. We have been focusing on appropriate resource control by utilizing freelance.

As a result, net sales in this business segment for the first quarter of the current fiscal year were ¥442 million (down 24.2% year on year) and segment loss was ¥246 million (segment loss of ¥69 million in the same period of the previous fiscal year).

<Seed Tech Business>

In the Seed Tech Business, from the first quarter of the fiscal year ending March 31, 2023, the Group commenced the SaaS-type DX/IT Human Resource Development Service [sodatech] for corporations, and also renewed and resumed the IT Study Abroad business in the Philippines, which had been temporarily suspended due to the new coronavirus infections. Together with the new

service [sodatech] and the offshore development consignment business, we have evolved our business centered on developing IT human resources.

As a result, net sales in this business segment for the first quarter of the current fiscal year were ¥25 million (down 23.7% year on year) and segment loss was ¥36 million (segment income of ¥3 million in 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 using [Technology x Data], by utilizing cutting-edge technologies and methods to provide digital marketing and D2C supports mainly in the sports field such as golf.

As a result, net sales in this business segment for the first quarter of the current fiscal year were ¥43 million (up 0.9% year on year), and segment income was ¥12 million (up 6.5% year on year).

(2) Explanation on the Financial Position

(Current Assets)

The balance of current assets at the end of the first quarter of the current fiscal year was ¥5,399 million, a decrease of ¥124 million compared to the end of the previous fiscal year. This was mainly due to decreases of ¥37 million in cash and cash equivalents and ¥95 million in trade receivables and contract assets, while there was an increase of ¥8 million in prepayments.

(Fixed Assets)

The balance of non-current assets at the end of the first quarter of the current fiscal year was ¥436 million, an increase of ¥86 million from the end of the previous fiscal year. This was mainly due to increases of ¥10 million in investment securities and ¥79 million in deferred tax assets, while lease assets (net) decreased by ¥3 million.

(Current Liabilities)

The balance of current liabilities at the end of the first quarter of the current fiscal year was ¥1,544 million, an increase of ¥146 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥13 million in trade payables, ¥18 million in other payables, and ¥124 million in contract liabilities, while income taxes payable decreased by ¥36 million.

(Non-current liabilities)

The balance of non-current liabilities at the end of the first quarter of the current fiscal year was ¥3 million, a decrease of ¥0.8 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥0.9 million in lease obligations.

(Net Assets)

The balance of net assets at the end of the first quarter of the current fiscal year was ¥4,287 million, a decrease of ¥183 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥201 million in retained earnings.

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

There are no changes to the consolidated financial results forecasts for the fiscal year ending March 31, 2023 that were announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2022" on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (As of March 31, 2022)	1st Quarter (As of June 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	3,357,198	3,320,127
Accounts Receivable and Contract Assets	2,027,272	1,931,920
Work in process	5,827	4,154
Supplies	467	433
Advance Payment	8,456	17,401
Prepaid expenses	78,283	67,840
Other	49,635	60,135
Allowance for doubtful accounts	△2,763	△2,586
Total current assets	5,524,378	5,399,426
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,097	2,259
Tools, furniture and fixtures, net	5,260	4,680
Lease assets, net	17,187	13,640
Net property, plant and equipment	24,545	20,579
Intangible assets		
Trademark Rights	-	1,500
Software	581	439
Total intangible assets	581	1,939
Investments and other assets		
Investment securities	129,782	140,374
Lease and guarantee deposits	112,759	112,138
Long-term prepaid expenses	3,028	3,125
Deferred tax assets	67,219	146,275
Other	12,000	12,000
Total investments and other assets	324,789	413,915
Total fixed assets	349,916	436,434
Total assets	5,874,294	5,835,860

(Thousands of yen)

	Previous fiscal year (As of March 31, 2022)	1st Quarter (As of June 30, 2022)
Liabilities		
Current liabilities		
Accounts Payable	1,033,545	1,046,589
Accounts Payable other	98,741	117,287
Accrued expenses	51,177	54,891
Income taxes payable	101,752	65,163
Accrued consumption taxes	54,407	57,452
Deposits received	34,906	45,480
Contract Liabilities	9,591	133,790
Lease obligations	14,255	11,667
Other	171	12,355
Total current liabilities	1,398,549	1,544,678
Long-term liabilities		
Lease obligations	3,252	2,282
Other	1,631	1,711
Total long-term liabilities	4,884	3,993
Total liabilities	1,403,433	1,548,672
Net assets		
Shareholders' Equity		
Paid-in Capital	1,101,531	1,101,531
Capital surplus	1,051,474	1,051,474
Retained earnings	2,314,803	2,113,197
Treasury stock	△21,252	△21,252
Total shareholders' equity	4,446,556	4,244,950
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	-	7,348
Foreign currency translation adjustments	△2,426	△3,026
Total accumulated other comprehensive income	△2,426	4,322
Subscription rights to shares	26,718	37,896
Non-controlling interests	12	18
Net assets	4,470,860	4,287,188
Total liabilities and net assets	5,874,294	5,835,860

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 Consolidated Statements of Income
 1st Quarter Consolidated Cumulative Period

	(Thousands of yen)	
	Previous 1st Quarter (From April 1, 2021 to June 30, 2021)	1st Quarter (From April 1, 2022 to June 30, 2022)
Net Sales	1,077,846	1,026,054
Cost of Sales	601,048	607,710
Gross Margin	476,798	418,344
Selling, general and administrative expenses	424,989	537,879
Operating income or loss (Δ)	51,809	Δ 119,534
Non-operating income		
Interest income	1	0
Subsidy income	1,330	-
Foreign exchange gain	2,402	1,457
Other	50	281
Total non-operating income	3,784	1,739
Non-operating expenses		
Interest expenses	36	23
Stock issuance expenses	25	-
Commitment Fee	596	279
Total non-operating expenses	658	303
Ordinary income or loss (Δ)	54,934	Δ 118,098
Net income or loss (Δ) before income taxes	54,934	Δ 118,098
Income taxes – current	43,519	59,909
Income taxes-deferred	Δ 17,345	Δ 81,655
Total income taxes	26,173	Δ 21,746
Net income or loss (Δ)	28,760	Δ 96,352
Net income or loss (Δ) attributable to non-controlling interests	Δ 10	6
Net income or loss (Δ) attributable to owners of parent	28,771	Δ 96,358

Consolidated Statement of Comprehensive Income
1st Quarter Consolidated Cumulative Period

(Thousands of yen)

	Previous 1st Quarter (From April 1, 2021 to June 30, 2021)	1st Quarter (From April 1, 2022 to June 30, 2022)
Net income or loss (Δ)	28,760	Δ 96,352
Other comprehensive income		
Net unrealized gains on available-for-sale securities	-	7,348
Foreign currency translation adjustments	Δ 3,149	Δ 599
Total other comprehensive income	Δ 3,149	6,749
Comprehensive income	25,611	Δ 89,602
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	25,621	Δ 89,608
Comprehensive income attributable to non-controlling interests	Δ 10	6

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

Effective from the first quarter of the fiscal year ending March 31, 2023, as a result of the change in operating and managing unit by the Group's management, the businesses that engage in apps and video production utilizing AR (augmented reality) and other technologies, have been changed from [x-Tech Business] to [Game Business]. In the same manner, the reportable segments for the first quarter have been changed from the previous fiscal year.

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

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

(Thousands of yen)

	Reportable Segments				Total	Adjustment (Note 1)	Quarter Consolidated Statements of Income (Note 2)
	IT Freelance Matching Business	Game Business	Seed Tech Business	x-Tech Business			
Net Sales							
Net Sales to External Customers	416,635	583,942	33,815	43,452	1,077,846	-	1,077,846
Inter-segment Net Sales or Transfer	-	-	-	-	-	-	-
Total	416,635	583,942	33,815	43,452	1,077,846	-	1,077,846
Segment income or loss (△)	226,494	△69,231	3,732	11,914	172,908	△121,099	51,809

(Note) 1. The adjustment for segment income or loss △¥121,099 thousand constituted △¥129,199 thousand of corporate expenses that were not allocated to each reportable segment and ¥8,100 thousand that was the elimination of inter-segment transactions.

2. The total of segment income or loss (△) and adjustments were included with the operating income in the quarterly consolidated statements of income.

1st Quarter (From April 1, 2022 to June 30, 2022)

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

(Thousands of yen)

	Reportable Segments				Total	Adjustment (Note 1)	Quarterly Consolidated Statements of Income (Note 2)
	IT Freelance Matching Business	Game Business	Seed Tech Business	x-Tech Business			
Net Sales							
Net Sales to External Customers	516,767	442,355	23,074	43,857	1,026,054	-	1,026,054
Inter-segment Net Sales or Transfer	-	-	2,739	-	2,739	△2,739	-
Total	516,767	442,355	25,813	43,857	1,028,793	△2,739	1,026,054
Segment income or loss (△)	277,694	△246,666	△36,715	12,683	6,996	△126,530	△119,534

(Note) 1. The adjustment for segment income or loss △¥126,530 thousand constituted △¥135,830 thousand of corporate expenses that were not allocated to each reportable segment and ¥9,300 thousand that was the elimination of inter-segment transactions.

2. The total of segment income or loss (△) and adjustments were included with the operating loss in the quarterly consolidated statements of income.