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

May 12, 2023

Company name: GEECHS Inc. Listing: Tokyo Stock Exchange
 Securities code: 7060 URL: <https://geechs.com>
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 Scheduled date of the Ordinary General Meeting of Shareholders: June 27, 2023
 Scheduled date to commence payment of dividends: June 13, 2023
 Scheduled date to file annual securities report: June 27, 2023
 Preparation of supplementary materials for financial results : Yes
 Holding of financial results presentation meeting : Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022, to March 31, 2023)

(1) Consolidated operating results (Percentages denote year-on-year changes)

	Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/23	15,997	11.6	589	(48.0)	567	(50.0)	244	(65.4)
FY3/22	14,340	318.4	1,133	53.5	1,135	59.1	705	54.1

Note: Comprehensive income FY3/23 239 million yen (-65.9%) FY3/22 703 million yen (53.7%)

	Net income per share	Diluted net income per share	Shareholders' equity Net profit margin	Total assets Ordinary profit margin	Sales Operating margin
	Yen	Yen	%	%	%
FY3/23	23.20	22.99	5.6	6.7	3.7
FY3/22	67.18	66.17	17.0	19.3	7.9

Reference: Equity in net income of affiliates FY3/23 —million yen FY3/22 —million yen

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net income per share
	Million yen	Million yen	%	Yen
FY3/23	8,451	4,439	50.8	416.94
FY3/22	5,874	4,470	75.7	422.26

Reference: Shareholders' equity FY3/23 4,295 million yen FY3/22 4,444 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/23	688	(1,560)	1,274	3,755
FY3/22	369	(68)	(91)	3,357

2. Dividends

	Annual dividends					Total dividends (Total)	Payout ratio (Consolidated)	Net assets Dividend ratio (Consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/22	—	0.00	—	10.00	10.00	105	14.9	2.4
FY3/23	—	0.00	—	10.00	10.00	103	43.1	2.3
FY3/24 (forecast)	—	0.00	—	15.00	15.00		42.9	

3. Consolidated financial results forecast for the fiscal year ending March 31, 2024 (from April 1, 2023, to March 31, 2024)

(Percentages denote year-on-year changes)

	Sales		EBITDA		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	28,000	75.0	900	38.2	700	18.8	680	19.7	360	47.4	34.94

* EBITDA = Operating income + Depreciation + Amortization of goodwill + Stock-based compensation expenses

Notes:

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the change in scope of consolidation) : None

New: None

Excluded: None

(2) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to the application of new or revised accounting standards : None

(ii) Changes in accounting policies other than (i) above : None

(iii) Changes in accounting estimates : None

(iv) Restatements : None

(3) Number of shares issued (common stock)

(i) Number of shares issued at end of period (including treasury shares)

FY3/23	10,604,880 shares	FY3/22	10,564,840 shares
FY3/23	301,451 shares	FY3/22	40,151 shares
FY3/23	10,524,644 shares	FY3/22	10,497,369 shares

(ii) Number of treasury shares at end of period

(iii) Average number of shares during period

Reference: Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022, to March 31, 2023)

(1) Non-consolidated operating results

(Percentages denote year-on-year changes)

	Sales		Operating income		Ordinary income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/23	12,946	16.9	581	6.7	596	3.3	323	(11.2)
FY3/22	11,070	547.2	545	18.4	577	23.1	364	11.8
	Net income per share		Diluted net income per share					
	Yen		Yen					
FY3/23	30.73		30.46					
FY3/22	34.68		34.16					

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net income per share
	Million yen	Million yen	%	Yen
FY3/23	6,671	3,591	52.8	341.64
FY3/22	4,854	3,604	73.7	339.92

Reference: Shareholders' equity FY3/23 3,520 Million yen FY3/22 3,577 Million yen

Note: This financial results report is not subject to audit by certified public accountants or auditing firms.

Note: Explanation of the proper use of financial results forecasts and other notes:

The forward-looking statements contained in this material are based on information currently available to the Company and certain assumptions deemed reasonable. Accordingly, actual results may differ materially due to a number of different factors.

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1. Overview of business results

(1) Overview of operating results

Under the Group's grand vision to make the biggest impression in the 21st century, GEECHS is using its human resources infrastructure, such as the development of IT engineers who are active globally and its database of IT freelancers, to proactively understand corporate behaviors and lifestyles of people that are rapidly changing with more widespread use of the Internet. With our strength in responding to these changes, we aim to perpetually increase our corporate value by constantly growing through the creation and evolution of the services we provide. The Group consists of four business segments, including six subsidiaries. The business segments are classified into the IT Freelance Matching Business, the Game Business, the Seed Tech Business, and the x-Tech Business.

Segment classifications were changed from the current consolidated fiscal year. The figures for the previous year have been adjusted in line with the segment reclassification for comparative analysis.

In the fiscal year ended March 31, 2023, although there were some downside risks to the economy, such as the rise in prices associated with the increased cost of raw materials, Japan's economy did show signs of a gradual recovery thanks to a resurgence in the movement of people following the end of the pandemic. Amid the transition to life with COVID-19, there is now an ever greater need to strengthen the IT skills of individuals and IT freelancers with advances in digital transformation and initiatives utilizing IT skills taking place to create new ways of doing things in all sectors.

Under these circumstances, the Group has been continuously implementing various measures based on the policies set forth in the G100 medium-term management plan (running from fiscal 2022 to 2025) announced on May 14, 2021.

In the fiscal year under review, Launch Group Holdings Pty Ltd, which is developing the IT human resource service business in Australia, and its subsidiary Launch Recruitment Pty Ltd, became consolidated subsidiaries of the Group. Additionally, SEED TECH PHILIPPINES INC., a new company that undertakes offshore development, was established in the Philippines for further Group business overseas. As such, we have built a business structure that enables us to become a company that solves the shortage of IT workers in Japan through the sharing of technical resources and services to develop IT freelancers.

As a result, the Group recorded end of year consolidated sales of ¥15,997 million (up 11.6% year-on-year), operating income of ¥589 million (down 48.0% year-on-year), ordinary income of ¥567 million (down 50.0% year-on-year), and profit attributable to owners of parent of ¥244 million (down 65.4% year-on-year).

Results by business segment are as follows.

IT Freelance Matching Business

Business performed well in this segment. Both the number of newly registered IT freelancers and the number of new business partners are steadily increasing. As a result of aggressive investment in advertising for the purposes of branding, which included cabs, the Tokyo Metro and other transport-related advertising, inquiries from major companies outside the IT sector increased. We have also increased the number of personnel in order to strengthen our organization and have focused on building a system to respond to strong demand.

As a result, sales in this business segment at the end of the year were ¥12,762 million (up 18.5% year-on-year) with a segment profit of ¥1,060 million (up 6.4% year-on-year).

Game Business

In the Game Business, the Group operates seven titles, including IDOLiSH7, distributed by Bandai Namco Online Inc., and My Hero Academia: Ultra Impact distributed by Bandai Namco Entertainment Inc. We are also developing three new titles. Utilizing freelancers, we are focusing on controlling our resources appropriately as the game development situation unfolds.

As a result, sales in this business segment at the end of the year were ¥2,896 million (down 10.9% year-on-year) with a segment profit of ¥121 million (down 78.5% year-on-year).

Seed Tech Business

With bases in Japan and the Philippines, the Seed Tech Business is developing its business through strong collaboration between bases with a focus on the development of IT freelancers. The segment provides sodatech, a SaaS-type digital transformation/IT freelancer development service, as well as an IT study abroad business and an offshore outsourcing development business on the island of Cebu in the Philippines.

As a result, sales in this business segment at the end of the year were ¥176 million (up 51.5% year-on-year) with a segment loss of ¥31.6 million (segment loss of ¥26.8 million in the previous fiscal year).

x-Tech Business

In the x-Tech Business, we aim to be a technology partner for business model transformation by utilizing cutting-edge technologies and methods to bring together technology with data. In this segment we provide digital marketing and direct-to-consumer support mainly in the field of sports, such as in the golf industry.

As a result, sales in this business segment at the end of the year were ¥183 million (down 11.1% year-on-year) with a segment profit of ¥39.6 million (up 8.4% year-on-year).

(2) Overview of financial position

Assets

The balance of current assets at the end of the year increased by ¥884 million from the end of the previous fiscal year to ¥6,409 million. This was mainly due to an increase of ¥397 million in cash and deposits and an increase of ¥447 million in accounts receivable and contract assets.

The balance of fixed assets at the end of the year increased by ¥1,692 million from the end of the previous fiscal year to ¥2,042 million. This was mainly due to an increase of ¥1,524 million in goodwill.

As a result, total assets were ¥8,451 million, an increase of ¥2,577 million from the end of the previous fiscal year.

Liabilities

The balance of current liabilities at the end of the year increased by ¥978 million from the end of the previous fiscal year to ¥2,376 million. This was mainly due to increases in accrued expenses of ¥172 million, consumption taxes payable of ¥173 million, and long-term borrowings repayable within one year of ¥172 million.

The balance of fixed liabilities at the end of the year increased by ¥1,631 million from the end of the previous fiscal year to ¥1,635 million. This was mainly due to an increase of ¥1,504 million in long-term borrowings.

As a result, total liabilities were ¥4,012 million, an increase of ¥2,609 million from the end of the previous fiscal year.

Net assets

The balance of net assets at the end of the year decreased by ¥31.7 million from the end of the previous fiscal year to ¥4,439 million. This was mainly due to an increase of ¥138 million in retained earnings, an increase of ¥72.1 million in non-controlling interests, and an increase of ¥299 million in treasury shares.

As a result, the capital adequacy ratio was 50.8% (75.7% at the end of the previous fiscal year).

(3) Overview of cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the year increased by ¥397 million from the end of the previous fiscal year to ¥3,755 million.

Cash flow from operating activities

The increase in funds from operating activities was ¥688 million. This was mainly due to an increase of ¥102 million in accounts payable and a decrease of ¥60.3 million in accounts receivable and contract assets.

Cash flow from investing activities

Funds spent on investment activities amounted to ¥1,560 million (¥68.6 million in the previous year). This was mainly due to expenditure from the purchase of subsidiary shares of ¥1,554 million.

Cash flow from financing activities

Increased funds from financing activities amounted to ¥1,274 million (expenditure of ¥91.3 million in the previous fiscal year). This was

mainly due to proceeds from long-term borrowings of ¥1,720 million and expenditure from purchase of treasury shares of ¥299 million.

(4) Future outlook

Although the outlook for the economy remained uncertain for a long time, economic activity began to show signs of picking up as the pandemic came to an end. With this environment, the demand for IT freelancers in domestic companies is expected to remain stable and high.

In the fiscal year ending March 31, 2024, we expect further growth in the IT Freelance Matching Business, which benefits from collaboration among Group companies operating globally to share highly skilled freelancers with companies facing a shortage in IT workers. We also expect further growth in our IT Freelancer Development Business, which encourages the training of IT workers within an organization through reskilling services. We will continue to strategically develop our business to become a company that solves the shortage of IT workers in Japan.

For the next fiscal year, we forecast sales of ¥28,000 million (up 75.0% year-on-year), operating income of ¥700 million (up 18.8% year-on-year), and ordinary income of ¥680 million (up 19.7% year-on-year). Profit attributable to owners of parent is expected to be ¥360 million (up 47.4% year-on-year).

(Thousand yen)

	FY3/23 (Results)	FY3/24 (Forecast)	YoY Change (%)
Sales	15,997,838	28,000,000	75.0%
IT Freelance Matching Business (Japan)	12,762,853	15,000,000	17.5%
IT Freelance Matching Business (Overseas)*1	—	10,000,000	—
Seed Tech Business	176,053	300,000	70.4%
G2 Studios Business*2	2,896,010	2,550,000	(11.9%)
Other*3	183,346	150,000	(18.2)
Adjustment	(20,425)	—	—
Operating income	589,410	700,000	18.8%
IT Freelance Matching Business (Japan)	1,060,457	1,140,000	7.5%
IT Freelance Matching Business (Overseas)*1	—	0	—
Seed Tech Business	(31,652)	(30,000)	—
G2 Studios Business*2	121,198	100,000	(17.5%)
Other*3	39,688	30,000	(24.4%)
Corporate expenses and adjustments	(600,280)	(540,000)	—
EBITDA	651,393	900,000	38.2%
Ordinary income	567,920	680,000	19.7%
Profit attributable to owners of parent	244,215	360,000	47.4%

Notes: 1. The results of the IT Freelance Matching Business (Overseas) are converted into Japanese yen at an assumed exchange rate of 85 yen to the Australian dollar.

2. From the fiscal year ending March 31, 2024, the name of the existing Game Business will be changed to G2 Studios Business.

3. From the fiscal year ending March 31, 2024, the existing x-Tech Business will be changed to the Other segment.

(5) Significant events related to the premise of going concern

Not applicable.

2. Basic approach to selecting accounting standards

Taking into account the comparability of consolidated financial statements between periods and among companies, for the time being our policy is to prepare consolidated financial statements under Japanese generally accepted accounting principles (GAAP).

3. Consolidated financial statements and major notes

(1) Consolidated balance sheet

(Thousand yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	3,357,198	3,755,033
Accounts receivable and contract assets	2,027,272	2,475,031
Work in process	5,827	4,139
Supplies	467	340
Advances	8,456	11,274
Prepaid expenses	78,283	80,420
Other	49,635	97,429
Allowance for doubtful accounts	(2,763)	(14,354)
Total current assets	5,524,378	6,409,315
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	2,097	11,205
Vehicle and delivery equipment (net)	-	805
Furniture, fixtures, and equipment (net)	5,260	9,695
Leased assets (net)	17,187	105,095
Total tangible fixed assets	24,545	126,800
Intangible fixed assets		
Trademarks	-	1,450
Software	581	866
Goodwill	-	1,524,413
Total intangible fixed assets	581	1,526,729
Investments and other assets		
Investment securities	129,782	80,425
Lease and guarantee deposits	112,759	126,595
Long-term prepaid expenses	3,028	2,212
Deferred tax assets	67,219	86,425
Other	12,000	93,431
Total investments and other assets	324,789	389,090
Total fixed assets	349,916	2,042,621
Total assets	5,874,294	8,451,936

(Thousand yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable	1,033,545	1,139,927
Trade payables	98,741	250,135
Accrued expenses	51,177	223,910
Income taxes payable	101,752	193,675
Consumption taxes payable	54,407	227,814
Deposits received	34,906	68,901
Contract liabilities	9,591	23,675
Lease obligations	14,255	54,009
Long-term borrowings repayable within one year	-	172,008
Other	171	22,887
Total current liabilities	1,398,549	2,376,945
Fixed liabilities		
Lease obligations	3,252	121,996
Long-term borrowings	-	1,504,990
Deferred tax liabilities	-	1,619
Asset retirement obligations	-	3,949
Other	1,631	3,357
Total fixed liabilities	4,884	1,635,913
Total liabilities	1,403,433	4,012,858
Net assets		
Shareholders' equity		
Capital	1,101,531	1,109,972
Capital surplus	1,051,474	1,059,915
Retained earnings	2,314,803	2,453,772
Treasury stock	(21,252)	(321,184)
Total shareholders' equity	4,446,556	4,302,476
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	7,348
Foreign currency translation adjustment	(2,426)	(13,938)
Total accumulated other comprehensive income	(2,426)	(6,589)
Stock acquisition rights	26,718	71,007
Non-controlling interests	12	72,183
Total net assets	4,470,860	4,439,078
Total liabilities and net assets	5,874,294	8,451,936

(2) Consolidated statements of income and comprehensive income

Consolidated income statement

(Thousand yen)

	Previous fiscal year (April 1, 2021, to March 31, 2022)	Current fiscal year (April 1, 2022, to March 31, 2023)
Sales	14,340,774	15,997,838
Cost of sales	11,557,310	12,999,123
Gross margin	2,783,463	2,998,714
Selling, general and administrative expenses	1,649,767	2,409,304
Operating income	1,133,696	589,410
Non-operating income		
Interest income	43	40
Outsourcing revenue	500	600
Subsidy income	2,540	-
Foreign exchange gains	1,054	-
Other	338	399
Total non-operating income	4,475	1,039
Non-operating expenses		
Interest expenses	127	2,405
Foreign exchange losses	-	19,844
Stock issuance costs	842	-
Commitment fees	1,495	279
Total non-operating expenses	2,465	22,529
Ordinary income	1,135,706	567,920
Extraordinary losses		
Loss on valuation of investment securities	30,080	59,949
Total extraordinary losses	30,080	59,949
Profit before income tax	1,105,626	507,970
Income taxes – current	266,029	227,826
Income taxes – deferred	134,400	35,869
Total income taxes	400,429	263,695
Net income	705,197	244,275
Profit attributable to non-controlling interests	3	59
Profit attributable to owners of parent	705,194	244,215

Consolidated statement of comprehensive income

(Thousand yen)

	Previous fiscal year (April 1, 2021, to March 31, 2022)	Current fiscal year (April 1, 2022, to March 31, 2023)
Net income	705,197	244,275
Other comprehensive income		
Valuation difference on available-for-sale securities	-	7,348
Foreign currency translation adjustment	(1,353)	(11,881)
Total other comprehensive income	(1,353)	(4,533)
Comprehensive income	703,843	239,743
(Breakdown)		
Comprehensive income attributable to owners of parent	703,842	240,054
Comprehensive income attributable to non-controlling interests	1	(311)

(3) Consolidated statement of changes in shareholders' equity

Previous fiscal year (April 1, 2021, to March 31, 2022)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation adjustment	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	1,094,214	1,044,157	1,714,342	(21,155)	3,831,559	(1,073)	-	(1,073)	-	10	3,830,496
Changes during period											
Issuance of new shares	7,317	7,317			14,634						14,634
Dividend of surplus			(104,733)		(104,733)						(104,733)
Profit attributable to owners of parent			705,194		705,194						705,194
Acquisition of treasury shares				(97)	(97)						(97)
Issuance of stock acquisition rights									29,875		29,875
Expiration of stock acquisition rights									(3,156)		(3,156)
Changes during period of items other than shareholders' equity (net)					-	(1,353)	-	(1,353)	-	1	(1,351)
Total changes during period	7,317	7,317	600,460	(97)	614,997	(1,353)	-	(1,353)	26,718	1	640,364
Balance at end of period	1,101,531	1,051,474	2,314,803	(21,252)	4,446,556	(2,426)	-	(2,426)	26,718	12	4,470,860

Current fiscal year (April 1, 2022, to March 31, 2023)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income			Stock acquisition rights	Non-controlling interests	Total net assets
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation adjustment	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	1,101,531	1,051,474	2,314,803	(21,252)	4,446,556	(2,426)	-	(2,426)	26,718	12	4,470,860
Changes during period											
Issuance of new shares	8,441	8,441			16,883						16,883
Dividend of surplus			(105,246)		(105,246)						(105,246)
Profit attributable to owners of parent			244,215		244,215						244,215
Acquisition of treasury shares				(299,931)	(299,931)						(299,931)
Issuance of stock acquisition rights									50,116		50,116
Expiration of stock acquisition rights									(5,828)		(5,828)
Changes during period of items other than shareholders' equity (net)					-	(11,511)	7,348	(4,162)		72,171	68,008
Total changes during period	8,441	8,441	138,968	(299,931)	(144,079)	(11,511)	7,348	(4,162)	44,288	72,171	(31,782)
Balance at end of period	1,109,972	1,059,915	2,453,772	(321,184)	4,302,476	(13,938)	7,348	(6,589)	71,007	72,183	4,439,078

(4) Consolidated statement of cash flows

(Thousand yen)

	Previous fiscal year (April 1, 2021, to March 31, 2022)	Current fiscal year (April 1, 2022, to March 31, 2023)
Cash flow from operating activities		
Profit before income tax	1,105,626	507,970
Depreciation	66,485	17,695
Stock-based compensation expenses	26,718	44,288
Loss (gain) on valuation of investment securities	30,080	59,949
Increase (decrease) in allowance for doubtful accounts	190	10,823
Interest and dividend income	(43)	(40)
Interest expenses	127	2,405
Subsidy income	(2,540)	-
Stock issuance costs	842	-
Foreign exchange loss (gain)	-	19,844
Decrease (increase) in trade receivables and contract assets	(507,949)	60,396
Decrease (increase) in inventories	1,111,603	1,815
Increase (decrease) in accounts payable	174,691	102,043
Increase (decrease) in contract liabilities	(1,137,077)	13,096
Increase (decrease) in accrued consumption taxes	(90,398)	41,650
Other	122,650	2,511
Subtotal	901,008	884,451
Interest and dividends received	43	40
Interest paid	(127)	(2,539)
Corporate tax reimbursed (paid)	(534,256)	(193,913)
Other	2,540	-
Cash flow from operating activities	369,207	688,038
Cash flow from investing activities		
Expenditure from purchase of investment securities	(49,950)	-
Expenditure from purchase of property, plant and equipment	(23,103)	(6,483)
Expenditure from purchase of intangible assets	-	(1,500)
Proceeds from collection of lease and guarantee deposits	144,072	2,414
Expenditure from payment of lease and guarantee deposits	(87,753)	(1,294)
Expenditure from fulfillment of asset retirement obligations	(39,920)	-
Expenditure from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,554,330)
Other	(12,000)	299
Cash flow from investing activities	(68,653)	(1,560,893)
Cash flow from financing activities		
Proceeds from long-term borrowings	-	1,720,000
Expenditure from repayment of long-term borrowings	-	(43,002)
Expenditure from repayment of lease obligations	(1,314)	(14,571)
Proceeds from issuance of shares	14,634	16,883
Expenditure from purchase of treasury shares	(97)	(299,931)
Dividends paid	(104,561)	(104,927)
Cash flow from financing activities	(91,339)	1,274,450
Effect of exchange rate change on cash and cash equivalents	(1,711)	(3,759)
Increase (decrease) in cash and cash equivalents	207,502	397,835
Cash and cash equivalents at beginning of period	3,149,695	3,357,198
Cash and cash equivalents at end of period	3,357,198	3,755,033

(5) Notes to consolidated financial statements

Note on going concern assumption

Not applicable.

Changes in accounting policies

Not applicable.

Company merger

Current fiscal year (April 1, 2022, to March 31, 2023)

Company merger through business acquisition

It was resolved at the Board of Directors meeting held on November 10, 2022, to acquire a 70% stake in the Australian-based IT human resources service business, Launch Group Holdings Pty Ltd (hereinafter referred to as “Launch”), and to make Launch and its subsidiary Launch Recruitment Pty Ltd a consolidated subsidiary of the Company. A share transfer agreement was concluded on the same day. Pursuant to this agreement, the shares were acquired on January 16, 2023.

(1) Overview of company merger

(i) Name of acquired company and details of its business

Company name: Launch Group Holdings Pty Ltd (holding company)

Business description: Staffing business specializing in IT workers

MSP business (provides a comprehensive management system for a series of processes from HR procurement to management for its clients)

(ii) Main reasons for merger

With our grand vision to make the biggest impression in the 21st century, we are developing an IT freelance recruitment business, and a next-generation engineer education business in collaboration with our subsidiary in the Philippines, to become a technical resource sharing platform in the field of IT freelancers.

And in our G100 medium-term management plan (FY2022–2025) formulated in the fiscal year ended March 2022, we have declared that mergers and acquisitions aimed at creating business synergies will be a key strategy for the Group to achieve medium- to long-term growth.

Founded in 2006, Launch operates an IT staffing business and MSP business (a comprehensive management system for a series of processes from HR procurement to management for its clients) in Australia. The company continues to grow by having a continuous track record and greater dealings with major clients.

Under these circumstances, the acquisition of shares will enable the GEECHS Group to carry out cross-border matching and IT freelancer development business within the APAC (Asia Pacific) region in pursuit of accelerated business expansion. This merger and acquisition is in line with the Group’s strategy of expanding and evolving as a technical resource sharing platform dedicated to IT freelancers. As such, GEECHS has decided to acquire shares in Launch as it will help to enhance the Group’s corporate value.

(iii) Date of merger

January 16, 2023 (deemed acquisition date: January 1, 2023)

(iv) Legal form of merger

Cash consideration payment for shares

(v) Name of company after merger

No change to company name.

(vi) Ratio of voting rights acquired

70.0%

(vii) Main grounds for deciding on acquired company

This is to acquire shares for the Company in consideration of cash.

(2) Period of financial results of the acquired company included in the consolidated financial statements

The deemed acquisition date of the acquired company was January 1, 2023. Since only the balance sheet has been consolidated for the current consolidated fiscal year, the financial results of the acquired company have not been included.

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition (cash and deposits):	¥1,701,357 thousand
Acquisition cost:	¥1,701,357 thousand

(4) Details and amount of major acquisition-related expenses

Advisory expenses, etc.: ¥119,149 thousand

(5) Goodwill, cause of goodwill, amortization method and period

(i) Amount of goodwill incurred:

¥1,524,413 thousand

Since the time from the date of the merger to the closing date was short, identifiable assets and liabilities, and calculation of market value, were not specified on the date of the merger. As the acquisition costs were not allocated, the above amount has been provisionally calculated based on reasonable information available at the time.

(ii) Cause of goodwill

Mainly owing to future excess profitability expected from future business development.

(6) Assets and liabilities assumed on date of merger and main breakdown (Thousand yen)

Current assets:	694,005
Fixed assets:	240,334
Total assets:	934,339
Current liabilities:	570,276
Fixed liabilities:	123,697
Total liabilities:	693,973

(7) Estimated amount and calculation method of the impact on the consolidated income statement at the end of the current consolidated fiscal year assuming merger was completed on the beginning date of the current consolidated fiscal year

Not stated given the difficulty in calculating the approximate amount for the current consolidated fiscal year.

Segment information

1. Overview of reportable segments

(1) Method of determining reportable segments

The reportable segments of the Group are the units for which separate financial information is available and which are regularly reported to the Board of Directors for the purpose of deciding how to allocate resources and to evaluate performance.

The Group consists of four business segments, including six subsidiaries. The four reportable segments are the IT Freelance Matching Business, the Game Business, the Seed Tech Business, and the x-Tech Business.

(2) Types of services belonging to each reportable segment

The IT Freelance Business mainly provides matching services for IT freelancers and companies. The Game Business mainly develops and operates smartphone games on a consignment basis. The Seed Tech Business mainly conducts on-demand programming school services and offshore consigned development. The x-Tech Business provides digital marketing support with a focus on sports such as golf.

(3) Matters relating to changes in reportable segments

Following revisions made to business segments from the first quarter of the fiscal year ended March 31, 2023, all related business that produce applications and videos which make use of augmented reality have been moved from the x-Tech business to the Game business. Accordingly, the reportable segment classification for the previous fiscal year has been similarly changed.

2. Methods of calculating the amounts of net sales, income or loss, assets, liabilities, and other items by reportable segment

Reportable segment profits are based on operating income. Internal sales or transfers between segments are based on third-party transaction prices.

3. Information on the amounts of net sales, income or loss, assets, liabilities, and other items by reportable segment

Previous fiscal year (April 1, 2021, to March 31, 2022)

(Thousand yen)

	Reportable Segments				Total	Adjustment *1	Consolidated income statement *2
	IT Freelance Matching Business	Game Business	Seed Tech Business	x-Tech Business			
Sales							
Sales to external customers	10,766,569	3,251,697	116,194	206,313	14,340,774	-	14,340,774
Internal sales or transfers between segments	-	-	-	-	-	-	-
Total	10,766,569	3,251,697	116,194	206,313	14,340,774	-	14,340,774
Segment profit (loss)	996,534	562,443	(26,880)	36,627	1,568,725	(435,029)	1,133,696

Notes: 1. Adjustments for segment profit of -¥435,029 thousand include -¥466,529 thousand in Group-wide expenses not allocated to each reportable segment and ¥31,500 thousand for the elimination of transactions between segments.

2. The total of segment profit/loss and adjustments are reconciled with operating income in the consolidated statement of income.

3. Amounts for segment assets and liabilities are not disclosed as they are not allocated to business segments.

Current fiscal year (April 1, 2022, to March 31, 2023)

(Thousand yen)

	Reportable Segments				Total	Adjustment *1	Consolidated income statement *2
	IT Freelance Matching Business	Game Business	Seed Tech Business	x-Tech Business			
Sales							
Sales to external customers	12,755,089	2,896,010	163,391	183,346	15,997,838	-	15,997,838
Internal sales or transfers between segments	7,763	-	12,662	-	20,425	(20,425)	-
Total	12,762,853	2,896,010	176,053	183,346	16,018,263	(20,425)	15,997,838
Segment profit (loss)	1,060,457	121,198	(31,652)	39,688	1,189,690	(600,280)	589,410

Notes: 1. Adjustments for segment profit of -¥600,280 thousand include -¥637,480 thousand in Group-wide expenses not allocated to each reportable segment and ¥37,200 thousand for the elimination of transactions between segments.

2. The total of segment profit/loss and adjustments are reconciled with operating income in the consolidated statement of income.

3. Amounts for segment assets and liabilities are not disclosed as they are not allocated to business segments.

Per share information

	Previous fiscal year (April 1, 2021, to March 31, 2022)	Current fiscal year (April 1, 2022, to March 31, 2023)
Net assets per share	¥422.26	¥416.94
Net income per share	¥67.18	¥23.20
Diluted net income per share	¥66.17	¥22.99

Note: 1. The basis for calculating net income per share and diluted net income per share is as follows.

	Previous fiscal year (April 1, 2021, to March 31, 2022)	Current fiscal year (April 1, 2022, to March 31, 2023)
Net income per share		
Profit attributable to owners of parent (thousand yen)	705,194	244,215
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent related to common stock (thousand yen)	705,194	244,215
Average number of shares during period	10,497,369	10,524,644
Diluted net income per share		
Adjustments to profit attributable to owners of parent (thousand yen)	705,194	244,215
Increase in number of common stock	159,793	95,803
(of which stock acquisition rights)	(159,793)	(95,803)
Overview of diluted shares not included in calculation of diluted net income per share since they do not have a dilutive effect	Two types of stock acquisition rights by resolution of the Board of Directors held on August 26, 2021 (Number of stock acquisition rights: 1,270)	Two types of stock acquisition rights by resolution of the Board of Directors held on August 26, 2021 (Number of stock acquisition rights: 1,170) One type of stock acquisition rights by resolution of the Board of Directors held on January 26, 2023 (Number of stock acquisition rights: 650)

2. The basis for calculating net assets per share is as follows.

	Previous fiscal year (April 1, 2021, to March 31, 2022)	Current fiscal year (April 1, 2022, to March 31, 2023)
Total amount of net assets (thousand yen)	4,470,860	4,439,078
Amount to be deducted from total net assets (thousand yen)	26,730	143,190
(of which stock acquisition rights (thousand yen))	(26,718)	(71,007)
(of which non-controlling interests (thousand yen))	(12)	(72,183)
Net assets at end of period related to common stock (thousand yen)	4,444,129	4,295,887
Number of shares of common stock at end of period used to calculate net assets per share	10,524,689	10,303,429

Significant subsequent events

Cancellation of treasury stock

At the Board of Directors meeting held on April 25, 2023, the Company resolved to cancel treasury stock pursuant to Article 178 of the Companies Act.

1. Type of shares to be canceled
Common stock of the Company

2. Total number of shares to be canceled
301,451
(2.84% of the total number of issued shares before cancellation)

3. Planned cancellation date
May 31, 2023

Reference:

Total number of issued shares after depreciation: 10,303,429

Number of treasury stock after cancellation: 0

* The number of shares above is calculated based on the total number of issued shares and the number of treasury stock as of March 31, 2023.