



## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 [Japan GAAP]

August 10, 2023

Company name: GEECHS Inc.	Listing: Tokyo Stock Exchange
Securities code: 7060	URL: <a href="https://geechs.com">https://geechs.com</a>
Representative: Naruhito Sonehara, President & CEO	
Contact: Daisuke Sakuma, CFO	TEL: +81-50-1741-6928
Scheduled date to file quarterly report	: August 10, 2023
Scheduled date to commence payment of dividends	: —
Preparation of supplementary materials for quarterly financial results	: Yes
Holding of quarterly financial results presentation meeting	: None

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the first quarter of the fiscal year ending March 30, 2024 (from April 1, 2023, to June 30, 2023)

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

	Sales		EBITDA*		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FY3/24	5,945	68.7	100	—	29	—	27	—	4	—
Q1 of FY3/23	3,524	10.5	—	—	(119)	—	(118)	—	(96)	—

Note: Comprehensive income Q1 of FY3/24 88 million yen ( —%) Q1 of FY3/23 (89) million yen ( —%)

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

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q1 of FY3/24	0.46	0.45
Q1 of FY3/23	(9.16)	—

Note: Diluted quarterly net income per share in Q1 of FY3/23 is not listed despite the existence of dilutive shares as there was a net loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
Q1 of FY3/24	8,967	4,692	47.8
FY3/23	8,999	4,687	47.7

Reference: Shareholders' equity Q1 of FY3/24 4,284 million yen FY3/23 4,295 million yen

Note: As the provisional accounting treatments for corporate consolidation were finalized in the consolidated Q1 fiscal period, the figures for the previous consolidated fiscal year reflect the finalized provisional accounting treatments.

## 2. Dividends

	Annual dividends				
	Q1-end	Q2-end	Q3-end	Year-end	Total
FY3/23	Yen —	Yen 0.00	Yen —	Yen 10.00	Yen 10.00
FY3/24	—				
FY3/24 (forecast)		0.00	—	15.00	15.00

Note: Revisions from the most recently announced dividends forecast : None

## 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	34.87

Note: Revisions from the most recently announced earnings forecast : None

\*Notes:

(1) Changes in significant subsidiaries during the current first quarter consolidated cumulative period : None  
 (Changes in specified subsidiaries resulting in the change in scope of consolidation)

New: None Excluded: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements : None

(3) 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

(4) Number of shares issued (common stock)

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

FY3/24 Q1	10,322,629	FY3/23	10,604,880
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(ii) Number of treasury shares at end of period

FY3/24 Q1	—	FY3/23	301,451
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(iii) Average number of shares during period  
 (cumulative from beginning of fiscal year)

FY3/24 Q1	10,316,511	FY3/23 Q1	10,524,689
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\*This quarterly financial results report is not subject to quarterly review procedures by certified public accountants or auditing firms.

\*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. Qualitative information on quarterly financial results

### (1) Explanation of operating results

Forward-looking statements in the document are based on our judgments as of the end of the first quarter of the current consolidated accounting period.

Further, as the provisional accounting treatments of the merger with Launch Group Holdings Pty Ltd on January 16, 2023 (deemed acquisition date January 1, 2023) were finalized in the consolidated Q1 fiscal period, the comparative analysis with the previous consolidated fiscal year contained herein use the revised post-finalization figures.

#### (i) 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 the corporate behavior 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 five business segments, including six subsidiaries. The business segments are classified into the IT Freelance Matching Businesses (Japan and Overseas), the G2 Studios Business, the Seed Tech Business, and the Other Businesses.

Segment classifications were changed from the first quarter of the current consolidated accounting period. The figures for the same quarter of the previous year have been adjusted in line with the segment reclassification for comparative analysis.

During the first quarter consolidated cumulative period (April 1, 2023 - June 30, 2023), the Japanese economy showed signs of gradual recovery, mainly due to an increase in the movement of people movement following the reclassification of COVID-19 to Class 5 infectious disease. On the other hand, the economic outlook remains uncertain due to factors such as global monetary tightening and rising prices.

As we transition to life with COVID-19, digital transformation and other initiatives that utilize IT are being increasingly promoted. We recognize that this is driving an increased need for IT freelancers, as well as the need to improve their individual IT skills.

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.

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.

Against this backdrop, the Group recorded end of first quarter consolidated sales of ¥5,945,647 thousand (up 68.7% year-on-year), operating income of ¥29,235 thousand (operating loss of ¥119,534 thousand in the previous fiscal year), ordinary income of ¥27,989 thousand (ordinary loss of ¥118,098 thousand in the previous fiscal year), and profit attributable to owners of parent of ¥4,708 thousand (loss attributable to owners of parent a loss of ¥96,358 thousand in the previous fiscal year).

Results by business segment are as follows.

#### <IT Freelance Matching Business, Japan>

In the IT Freelance Matching Business, Japan, demand from client companies remained high, and the unit price of orders increased significantly. Thanks in part to investments in branding advertising, which have been ongoing since the previous consolidated fiscal year, the number of new business partners is also increasing favorably.

As a result, sales in this business segment at the end of the first quarter were ¥3,460,652 thousand (up 14.8% year-on-year) with a segment profit of ¥282,780 thousand (up 1.8% year-on-year).

#### <IT Freelance Matching Business, Overseas>

In the IT Freelance Matching Business, Overseas, the statements of income of Launch Group Holdings Pty Ltd, which is engaged in IT freelance matching services in Australia and became a consolidated subsidiary on January 16, 2023 (deemed acquisition date January 1, 2023), is included in the consolidated results.

As a result, sales in this business segment at the end of the first quarter were ¥1,840,012 thousand with a segment loss of ¥21,735 thousand.

#### <G2 Studios Business>

In the G2 Studios Business, the Group operates six 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 two 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 first quarter were ¥561,645 thousand (up 27.0% year-on-year) with a segment loss of ¥74,500 thousand (segment loss of ¥246,666 thousand in the previous fiscal 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 human resource. The segment provides sodatech, a SaaS-type digital transformation/IT human resource 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 first quarter were ¥52,787 thousand (up 104.5% year-on-year) with a segment loss of ¥9,717 thousand (segment loss of ¥36,715 thousand in the previous fiscal year).

#### <Other>

In Other Businesses, which includes GEECHS' x-Tech Business, 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 first quarter were ¥33,190 thousand (down 24.3% year-on-year) with a segment profit of ¥3,993 thousand (down 68.5% year-on-year).

## (2) Explanation of financial position

### (Current assets)

The balance of current assets at the end of the first quarter decreased by ¥72,182 thousand from the end of the previous fiscal year to ¥6,337,133 thousand. This was mainly due to a decrease of ¥190,323 thousand in cash and deposits, despite an increase of ¥93,867 thousand in accounts receivable and contract assets.

### (Fixed assets)

The balance of fixed assets at the end of the first quarter increased by ¥40,629 thousand from the end of the previous fiscal year to ¥2,630,692 thousand. This was mainly due to an increase of ¥116,424 thousand in investment securities, which was offset by a decrease of ¥17,238 thousand in goodwill and ¥21,582 thousand in customer-related assets.

### (Current liabilities)

The balance of current liabilities at the end of the first quarter increased by ¥38,529 thousand from the end of the previous fiscal year to ¥2,415,474 thousand. This was mainly due to a decrease of ¥81,965 thousand in income taxes payable, despite an increase of ¥68,568 thousand in accrued expenses and ¥43,930 thousand in deposits received.

### (Fixed liabilities)

The balance of fixed liabilities at the end of the first quarter decreased by ¥74,672 thousand from the end of the previous fiscal year to ¥1,860,275 thousand. This was mainly due to a decrease of ¥21,766 thousand in lease obligations, ¥43,002 thousand in long-term borrowings, and ¥10,224 thousand in deferred tax liabilities.

### (Net assets)

The balance of net assets at the end of the first quarter increased by ¥4,589 thousand from the end of the previous fiscal year to ¥4,692,075 thousand. This was mainly due to an increase of ¥80,774 thousand in valuation difference on available-for-sale securities.

## (3) Explanation of future forecast information such as consolidated earnings forecasts

The consolidated earnings forecast for the fiscal year ending March 31, 2024 has not been changed from the forecast announced in the Consolidated Financial Results for FY2023 on May 12, 2023.

## 2. Quarterly consolidated financial statements and major notes

### (1) Quarterly consolidated balance sheet

(Thousand yen)

	Previous fiscal year (as of March 31, 2023)	Current first quarter (as of June 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	3,755,033	3,564,710
Accounts receivable and contract assets	2,475,031	2,568,899
Work in process	4,139	2,806
Supplies	340	336
Advances	11,274	7,781
Prepaid expenses	80,420	112,046
Other	97,429	96,724
Allowance for doubtful accounts	(14,354)	(16,172)
Total current assets	6,409,315	6,337,133
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	11,205	10,881
Vehicle and delivery equipment (net)	805	748
Furniture, fixtures, and equipment (net)	9,695	9,017
Leased assets (net)	105,095	90,576
Total tangible fixed assets	126,800	111,223
Intangible fixed assets		
Goodwill	944,794	927,556
Customer-related assets	1,182,894	1,161,311
Other	2,316	3,032
Total intangible fixed assets	2,130,006	2,091,899
Investments and other assets		
Investment securities	80,425	196,849
Lease and guarantee deposits	126,595	126,812
Long-term prepaid expenses	2,212	2,282
Deferred tax assets	30,591	13,529
Other	93,431	88,096
Total investments and other assets	333,256	427,569
Total fixed assets	2,590,063	2,630,692
Total assets	8,999,379	8,967,826

(Thousand yen)

	Previous fiscal year (as of March 31, 2023)	Current first quarter (as of June 30, 2023)
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,139,927	1,160,638
Trade payables	250,135	239,520
Accrued expenses	223,910	292,478
Income taxes payable	193,675	111,710
Consumption taxes payable	227,814	194,723
Deposits received	68,901	112,831
Contract liabilities	23,675	28,810
Lease obligations	54,009	69,428
Long-term borrowings repayable within one year	172,008	172,008
Other	22,887	33,324
<b>Total current liabilities</b>	<b>2,376,945</b>	<b>2,415,474</b>
Fixed liabilities:		
Lease obligations	121,996	100,230
Long-term borrowings	1,504,990	1,461,988
Deferred tax liabilities	300,654	290,429
Asset retirement obligations	3,949	3,953
Other	3,357	3,674
<b>Total fixed liabilities</b>	<b>1,934,947</b>	<b>1,860,275</b>
<b>Total liabilities:</b>	<b>4,311,892</b>	<b>4,275,750</b>
Net assets		
Shareholders' equity		
Capital	1,109,972	1,111,532
Capital surplus	1,059,915	1,061,475
Retained earnings	2,453,772	2,034,262
Treasury stock	(321,184)	-
<b>Total shareholders' equity</b>	<b>4,302,476</b>	<b>4,207,271</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,348	88,123
Foreign currency translation adjustment	(13,938)	(10,780)
<b>Total accumulated other comprehensive income</b>	<b>(6,589)</b>	<b>77,343</b>
Stock acquisition rights	71,007	86,074
Non-controlling interests	320,591	321,386
<b>Total net assets</b>	<b>4,687,486</b>	<b>4,692,075</b>
<b>Total liabilities and net assets</b>	<b>8,999,379</b>	<b>8,967,826</b>



(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated income statement

First quarter consolidated cumulative period

(Thousand yen)

	Previous first quarter consolidated cumulative period (April 1, 2022 - June 30, 2022)	Current first quarter consolidated cumulative period (April 1, 2023 to June 30, 2023)
Sales	3,524,255	5,945,647
Cost of sales	3,105,910	4,901,998
Gross margin	418,344	1,043,649
Selling, general and administrative expenses	537,879	1,014,414
Operating income (loss)	(119,534)	29,235
Non-operating income		
Interest income	0	761
Rent received	-	1,655
Proceeds from sale of investment securities	-	999
Foreign exchange gains	1,457	-
Other	281	150
Total non-operating income	1,739	3,567
Non-operating expenses		
Interest expenses	23	4,738
Foreign exchange losses	-	74
Commitment fees	279	-
Total non-operating expenses	303	4,813
Ordinary income (loss)	(118,098)	27,989
Profit (loss) before income tax	(118,098)	27,989
Income taxes – current	59,909	51,701
Income taxes – deferred	(81,655)	(28,895)
Total income taxes	(21,746)	22,806
Net income (loss)	(96,352)	5,182
Profit attributable to non-controlling interests	6	473
Profit (loss) attributable to owners of parent	(96,358)	4,708

Profit attributable to owners of parent  
 First quarter consolidated cumulative period

(Thousand yen)

	Previous first quarter consolidated cumulative period (April 1, 2022 - June 30, 2022)	Current first quarter consolidated cumulative period (April 1, 2023 to June 30, 2023)
Net income (loss)	(96,352)	5,182
Other comprehensive income		
Valuation difference on available-for-sale securities	7,348	80,774
Foreign currency translation adjustment	(599)	3,478
Total other comprehensive income	6,749	84,253
Comprehensive income	(89,602)	89,436
(Breakdown)		
Comprehensive income attributable to owners of parent	(89,608)	88,641
Comprehensive income attributable to non-controlling interests	6	794

### (3) Notes to quarterly consolidated financial statements

(Note on going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

On May 31, 2023, the Company cancelled 301,451 treasury shares in accordance with a resolution at the Board of Directors meeting held on April 25, 2023. As a result, retained earnings and treasury shares decreased by ¥321,184 thousand, respectively, in current first quarter consolidated cumulative period.

(Segment information)

Changes to reportable segments

As part of a revision of the business segments, starting from the current first quarter consolidated cumulative period, the Game Business segment was renamed the G2 Studios Business. Meanwhile, the x-Tech Business, which provides digital marketing and direct-to-consumer support mainly in the field of sports, such as in the golf industry, was moved to the Other Businesses segment.

Further, following the acquisition of Launch Group Holdings Pty Ltd as a consolidated subsidiary, the number reportable business segments have been changed from three to four. Their listing order has also been changed. OLD: IT Freelance Matching Business (Japan), G2 Studios Business, Seed Tech Business NEW: IT Freelance Matching Business (Japan), IT Freelance Matching Business (Overseas), G2 Studios Business, Seed Tech Business Accordingly, the names and listing order of the reportable segments for the previous first quarter consolidated cumulative period has been similarly changed.

Previous first quarter consolidated cumulative period (April 1, 2022 - June 30, 2022)

1. Information related to sales and profit/loss by reportable segment

(Thousand yen)

	Reportable Segments					Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated income statement (Note 3)
	IT Freelance Matching Business, Japan	IT Freelance Matching Business, Overseas	G2 Studios Business	Seed Tech Business	Total				
Sales									
Sales to external customers	3,014,968	-	442,355	23,074	3,480,397	43,857	3,524,255	-	3,524,255
Internal sales or transfers between segments	-	-	-	2,739	2,739	-	2,739	(2,739)	-
Total	3,014,968	-	442,355	25,813	3,483,136	43,857	3,526,994	(2,739)	3,524,255
Segment profit (loss)	277,694	-	(246,666)	(36,715)	(5,687)	12,683	6,996	(126,530)	(119,534)

(Notes)1. The Other Businesses segment, which is not included in the reportable segments, includes GEECHS' x-Tech Business.

2. Adjustments for segment profit (loss) of (¥126,530 thousand) include (¥135,830 thousand) in Group-wide expenses not allocated to each reportable segment and ¥9,300 thousand for the elimination of transactions between segments.

3. The total of segment profit(loss) and adjustments are reconciled with the operating loss in the quarterly consolidated statement of income.

2. Information on sales by major regions

(Thousand yen)

	Reportable Segments					Other	Total
	IT Freelance Matching Business, Japan	IT Freelance Matching Business, Overseas	G2 Studios Business	Seed Tech Business	Total		
Sales							
Japan	3,014,968	-	442,355	23,034	3,480,358	43,857	3,524,215
Other	-	-	-	39	39	-	39
Sales to external customers	3,014,968	-	442,355	23,074	3,480,397	43,857	3,524,255

(Note) Sales to external customers are based on the location of customers and are classified by country or region.

Current first quarter consolidated cumulative period (April 1, 2023 to June 30, 2023)

1. Information related to sales and profit/loss by reportable segment

(Thousand yen)

	Reportable Segments					Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated income statement (Note 3)
	IT Freelance Matching Business, Japan	IT Freelance Matching Business, Overseas	G2 Studios Business	Seed Tech Business	Total				
Sales									
Sales to external customers	3,460,652	1,840,012	561,645	50,147	5,912,457	33,190	5,945,647	-	5,945,647
Internal sales or transfers between segments	-	-	-	2,640	2,640	-	2,640	(2,640)	-
Total	3,460,652	1,840,012	561,645	52,787	5,915,097	33,190	5,948,287	(2,640)	5,945,647
Segment profit (loss)	282,780	(21,735)	(74,500)	(9,717)	176,827	3,993	180,821	(151,586)	29,235

(Notes) 1. The Other Businesses segment, which is not included in the reportable segments, includes GEECHS' x-Tech Business.

2. Adjustments for segment profit (loss) of (¥151,586 thousand) include (¥164,186 thousand) in Group-wide expenses not allocated to each reportable segment and ¥12,600 thousand for the elimination of transactions between segments.

3. The total of segment profit(loss) and adjustments are reconciled with operating income in the quarterly consolidated statement of income.

2. Information on sales by major regions

(Thousand yen)

	Reportable Segments					Other	Total
	IT Freelance Matching Business, Japan	IT Freelance Matching Business, Overseas	G2 Studios Business	Seed Tech Business	Total		
Sales							
Japan	3,460,652	-	561,645	50,147	4,072,444	33,190	4,105,635
Australia	-	1,840,012	-	-	1,840,012	-	1,840,012
Sales to external customers	3,460,652	1,840,012	561,645	50,147	5,912,457	33,190	5,945,647

(Note) Sales to external customers are based on the location of customers and are classified by country or region.

(Company mergers, etc.)

(Finalization of provisional accounting treatment of company merger)

While the merger with Launch Group Holdings Pty Ltd on January 16, 2023 was subject to provisional accounting treatments during the previous fourth quarter consolidated fiscal period, these treatments were finalized in the current consolidated first quarter fiscal period.

Accordingly, the comparative information included in the current first quarter consolidated financial statements reflects a significant revision in the initial allocation of acquisition costs.

As a result, the tentatively calculated amount of goodwill decreased by ¥579,618 thousand from ¥1,524,413 thousand to ¥944,794 thousand.

Further, deferred tax assets at the end of the previous consolidated fiscal year decreased by ¥55,833 thousand, while customer-related assets, deferred tax liabilities, and non-controlling interests increased by ¥1,182,894 thousand, ¥299,034 thousand, and ¥248,407 thousand, respectively.

In addition, goodwill and customer-related assets will be amortized on a straight-line basis over 13 years.