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## Consolidated Cumulative Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 [Japan GAAP]



November 12, 2020

Company name geechs Inc. Listing Market First Section of Tokyo Stock Exchange  
 Code Number 7060 URL <https://geechs.com>  
 Representative President and CEO Naruhito Sonehara  
 Contact Director CFO Daisuke Sakuma (TEL) +81-3-6690-6928  
 Scheduled date of filing November 12, 2020 Scheduled date of commencement of dividend payment —  
 Preparation of supplementary materials for quarterly financial results : Yes  
 Holding of quarterly financial results briefing: Yes (For institutional investors and analysts )

(Figures are rounded down to the nearest million yen)

### 1. Consolidated Results for the Six-Month Period Ended September 30, 2020

(April 1, 2020 to September 30, 2020)

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

	Net Sales		Operating income		Ordinary income		Net income attributable to owners of parent Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2 <sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2021	1,348	△31.8	272	△34.2	251	△39.3	133	△50.1
2 <sup>nd</sup> Quarter of Fiscal Year Ended March 31, 2020	1,978	—	414	—	415	—	267	—

(Note) Comprehensive 2<sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2021 134 Millions of yen (△52.0%)  
 income 2<sup>nd</sup> Quarter of Fiscal Year Ended March 31, 2020 279 Millions of yen (—%)

	Net income per share	Diluted Net income per share
	Yen	Yen
2 <sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2021	12.78	12.55
2 <sup>nd</sup> Quarter of Fiscal Year Ended March 31, 2020	26.01	25.15

(Note) 1. As no quarterly financial statements have been prepared for the six months ended September 30, 2019, the year-on-year change for the 2<sup>nd</sup> Quarter of Fiscal Year Ended March 31, 2020 is not presented.

2. We conducted a 2-for-1 stock split of common stock on September 1, 2019. Accordingly, net income per share and fully diluted net income per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity Ratio
	Millions of yen	Millions of yen	%
2 <sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2021	5,721	3,494	61.1
Fiscal Year Ended March 31, 2020	4,700	3,356	71.4

(Reference) Shareholders' equity 2<sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2021 3,494 Millions of yen  
 Fiscal Year Ended March 31, 2020 3,356 Millions of yen

## 2. Dividends

	Annual Dividends				
	1st Quarter End	2nd Quarter End	3 <sup>rd</sup> Quarter End	Year-end	Total
Fiscal Year Ended March 31, 2020	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal Year Ending March 31, 2021	—	0.00			
Fiscal Year Ending March 31, 2021 (Forecast)			—	0.00	0.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes)

	Net Sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,450	△2.7	700	2.3	675	△0.1	400	2.4	38.31

(Note) Revisions to the most recently announced financial results forecast : Yes

\* Notes

(1) Changes in Significant Subsidiaries during the Period : None  
 (Changes in Specified Subsidiaries Resulting in Changes in the Scope of Consolidation)

Newly added — (Company Name) — 、 Exclusion — (Company Name) —

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

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

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 : Yes

④ Restatement of prior period financial statements : None

(4) Number of shares outstanding (common stock)

① Number of shares outstanding at the end of the period (including treasury stock)

2 <sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2021	10,481,840 shares	Fiscal Year Ended March 31, 2020	10,462,960 shares
② Number of treasury stock at the end of the period	40,031 shares	Fiscal Year Ended March 31, 2020	40,000 shares
③ Average number of shares during the period (Cumulative total for the quarter)	10,436,751 shares	2 <sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2020	1,027,798 shares

We conducted a 2-for-1 stock split of common stock on September 1, 2019. Accordingly, the number of shares outstanding (including treasury stock) at the end of the period, the number of treasury stock at the end of the period, and the average number of shares during the period have been calculated assuming that such stock split was implemented at the beginning of the previous fiscal year.

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

※ Cautionary statement with respect to financial forecasts

The financial forecasts as presented in this 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.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Consolidated Results of Operation

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

Effective from the first quarter of the fiscal year ending March 31, 2021, the Company has revised the classification of its business segments and changed its reportable segments from the "Video Production Business" and "Internet Business" to the x-Tech Business. Comparative analysis with the same period of the previous fiscal year has been prepared using the new business segments.

During the six months ended September 30, 2020 (April 1, 2020 to September 30, 2020), although the State of Emergency Declaration associated with the coronavirus infection was lifted, Japanese economic situation remains extremely severe without any indication of settlement. The deterioration in corporate profits caused by this has been prolonged, and the future outlook continues to be uncertain.

At the same time, we recognize that the role that the Group should play will become even more important in responding to the challenges faced by companies pursuing digital shifts and individuals seeking new ways of working amid the dramatic changes in the working environment itself, including efforts by companies to adapt to new lifestyles and the promotion of work style reforms.

Under these circumstances, the Group recorded net sales of ¥1,348 million (down 31.8% year-on-year), operating income of ¥272 million (down 34.2%), ordinary income of ¥251 million (down 39.3%), and net income attributable to shareholders of the parent company of ¥133 million (down 50.1%).

Results by business segment were as follows.

#### <IT Freelance Matching Business>

In the IT Freelance Matching Business, demand declined due to restrained recruitment of new employees by companies caused by the effects of the coronavirus infection. Accordingly, the Group carefully managed to control costs by, for example, controlling expenses related to attracting engineers. While keeping down costs, the Group worked to strengthen its support structure by promoting DX to digitize existing operations and provide optimal services, thereby strengthening its links with existing IT Freelancers.

As a result, net sales in this business segment for the six months ended September 30, 2020 were ¥701 million (up 12.1% year on year) and segment income was ¥399 million (up 21.4%).

#### <IT Human Resource Development Business>

In the IT Human Resource Development Business, IT Study Abroad is a key feature that enables students to learn programming and English on an on-site basis. However, the impact of the coronavirus infection has made it difficult to travel from Japan since April 2020, and this has had a major impact on our business. Under these circumstances, we have begun offering online classes as a new service and have worked to minimize the impact by focusing on offshore development.

As a result, net sales in this business segment for the six months ended September 30, 2020 were ¥58 million (down 48.1% year on year) and segment loss was ¥3 million (segment income of ¥2 million for the same period of the previous fiscal year).

#### <Game Business>

The Game Business performed steadily due to high demand for gaming consumption caused by the effects of the coronavirus infection, as well as the strong performance of anniversary events for the Company's titles. In this environment, we are managing four titles, including "IDOLiSH7", which we developed on a consignment basis from BANDAI NAMCO Online Inc., and developing four new titles.

As a result, net sales in this business segment for the six months ended September 30, 2020 were ¥459 million (down 59.8% year on year) and segment income was ¥37 million (down 85.5% year on year).

#### <x-Tech Business>

In the x-Tech Business, the Group is engaged in the production of video content utilizing cutting-edge technologies such as VR (virtual reality), AR (augmented reality), MR (Mixed Reality), and 3D hologram, as well as the management of the "Gridge" golf media and supporting the IT adoption and diffusion by companies in the sports field, including golf.

As a result, net sales in this business segment for the six months ended September 30, 2020 were ¥130 million (up 28.8% year on year) and the segment loss was ¥534,174 (compared with a segment loss of ¥12 million in the same period of the previous fiscal year).

## (2) Financial Position

### Assets, Liabilities and Shareholders' Equity

#### (Current Assets)

The balance of current assets at the end of the second quarter of the current fiscal year was ¥5,119 million, an increase of ¥838 million from the end of the previous fiscal year. This was mainly due to a ¥602 million increase in work in process.

#### (Fixed Assets)

The balance of non-current assets at the end of the second quarter of the current fiscal year was ¥601 million, an increase of ¥182 million from the end of the previous fiscal year. This was mainly due to a ¥113 million increase in deferred tax assets.

#### (Current liabilities)

The balance of current liabilities at the end of the second quarter of the current fiscal year was ¥2,169 million, an increase of ¥884 million from the end of the previous fiscal year. This was mainly due to a ¥746 million increase in advances received.

#### (Non-current liabilities)

The balance of non-current liabilities at the end of the second quarter of the current fiscal year was ¥56 million, a decrease of ¥2 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥2 million in lease obligations.

#### (Net Assets)

The balance of net assets at the end of the second quarter of the current fiscal year was ¥3,494 million, an increase of ¥138 million from the end of the previous fiscal year. This was mainly due to increases of ¥2 million in common stock and additional paid-in capital and ¥133 million in retained earnings.

## (2) Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter of the fiscal year ending March 31, 2021 was ¥2,851 million, an increase of ¥292 million from the end of the previous fiscal year.

#### (Net cash provided by (used in) operating activities)

Net cash provided by operating activities was ¥390 million for the six months ended September 30, 2020, an increase of ¥486 million from the same period of the previous fiscal year. This was mainly due to ¥163 million decrease in income before income taxes, a ¥1,091 million increase in advances received, and a ¥757

million increase in inventories.

(Net Cash Provided by (Used in) Investing Activities)

Net cash used in investing activities was ¥72 million (compared with ¥2 million used in the same period of the previous fiscal year). This was mainly due to purchase of investment securities of ¥69 million.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities was ¥22 million (Net cash used in the same period of the previous fiscal year was ¥14 million). This was mainly attributable to ¥15 million of market change expenses.

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

With regards to the consolidated financial results forecast for the fiscal year ending March 31, 2021, the Company has revised the full-year consolidated financial results forecast for the fiscal year ending March 31, 2021, which was released in the "Financial Report for the Fiscal Year Ending March 31, 2021" on May 21, 2020. For details, please refer to the "Notice Regarding Difference Between Forecasts and Actual Results of the Second of the Fiscal Year and Revisions of Full-Year Earnings Forecasts" announced on November 12, 2020.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous consolidated fiscal year (As at March 31, 2020)	2 <sup>nd</sup> Quarter (As at September 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	2,559,268	2,851,332
Accounts receivable	1,280,365	1,121,152
Merchandise	66	-
Work in process	364,943	967,353
Supplies	423	555
Advance payment	927	618
Prepaid expenses	65,295	123,593
Other	18,888	59,393
Allowance for doubtful accounts	△8,970	△4,143
Total current assets	4,281,208	5,119,856
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	113,344	97,269
Tools, furniture and fixtures, net	14,131	9,990
Lease assets, net	-	3,831
Property, plant and equipment, net	127,475	111,092
Intangible fixed assets		
Software	584	540
Total intangible assets	584	540
Investments and other assets		
Investment securities	30,080	99,912
Lease and guarantee deposits	221,794	222,693
Long-term prepaid expenses	1,774	15,716
Deferred tax assets	37,390	151,344
Total investments and other assets	291,040	489,666
Total fixed assets	419,100	601,299
Total assets	4,700,309	5,721,155



(Thousand yen)

	Previous consolidated fiscal year (As at March 31, 2020)	2 <sup>nd</sup> Quarter (As at September 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	811,911	753,034
Accounts payable - other	33,113	33,913
Accrued expenses	28,130	41,385
Income taxes payable	90,533	244,888
Accrued consumption taxes	39,145	72,327
Deposits received	27,914	32,479
Advances received	203,471	949,963
Unearned income	25,734	20,563
Asset retirement obligations	12,248	12,280
Lease obligations	13,152	8,747
Total current liabilities	1,285,357	2,169,584
Long-term liabilities		
Lease obligations	3,214	1,071
Asset retirement obligations	55,504	55,583
Total long-term liabilities	58,719	56,655
Total liabilities	1,344,076	2,226,239
<b>Net assets</b>		
Shareholders' equity		
Paid-in capital	1,086,015	1,088,238
Capital surplus	1,035,958	1,038,181
Retained earnings	1,256,587	1,389,949
Treasury stock	△21,000	△21,040
Total shareholders' equity	3,357,560	3,495,328
Accumulated other comprehensive income		
Foreign currency translation adjustments	△1,495	△443
Total accumulated other comprehensive income	△1,495	△443
Non-controlling interests	167	30
Total net assets	3,356,232	3,494,916
Total liabilities and net assets	4,700,309	5,721,155

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

Consolidated Statements of Income

2nd Quarter Consolidated Cumulative Period

(Thousand yen)

	2 <sup>nd</sup> Quarter Consolidated Cumulative Period (April 1, 2019 to September 30, 2019)	2 <sup>nd</sup> Quarter Consolidated Cumulative Period (April 1, 2020 to September 30, 2020)
Net sales	1,978,263	1,348,314
Cost of sales	910,755	401,796
Gross profit	1,067,507	946,518
Selling, general and administrative expenses	653,376	674,101
Operating income	414,131	272,416
Non-operating income		
Interest income	36	44
Gain on transfer of content rights	4,500	-
Lecture fee income	-	100
Others	65	146
Total non-operating income	4,601	290
Non-operating expenses		
Interest expenses	201	-
Foreign exchange losses	1,803	3,951
Stock issuance expenses	1,435	36
Market change costs	-	15,859
Commitment fee	-	941
Other	-	0
Total non-operating expenses	3,440	20,788
Ordinary income	415,292	251,919
Income before income taxes	415,292	251,919
Income taxes - current	73,572	232,636
Income taxes-deferred	74,492	△113,937
Total income taxes	148,064	118,699
Net income	267,228	133,219
Net loss attributable to non-controlling interests (△)	△43	△142
Net income attributable to owners of parent	267,271	133,362

Quarterly Consolidated Statements of Comprehensive Income

2<sup>nd</sup> Quarter Consolidated Cumulative Period

(Thousand yen)

	Previous 2 <sup>nd</sup> Quarter Consolidated Cumulative Period (April 1, 2019 to September 30, 2019)	2 <sup>nd</sup> Quarter Consolidated Cumulative Period (April 1, 2020 to September 30, 2020)
Net income	267,228	133,219
Other comprehensive income		
Foreign currency translation adjustments	12,715	1,052
Total other comprehensive income	12,715	1,052
Comprehensive income	279,944	134,272
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	279,911	134,408
Comprehensive income attributable to non- controlling interests	32	△136

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	2 <sup>nd</sup> Quarter Consolidated Cumulative Period (April 1, 2019 to September 30, 2019)	2 <sup>nd</sup> Quarter Consolidated Cumulative Period (April 1, 2020 to September 30, 2020)
Net cash provided by (used in) operating activities		
Income before income taxes	415,292	251,919
Depreciation and amortization	22,223	29,652
Increase (decrease) in allowance for doubtful accounts ( $\Delta$ indicates decrease)	3,153	$\Delta$ 4,827
Interest and dividend income	$\Delta$ 36	$\Delta$ 44
Interest expenses	201	-
Stock issuance expenses	1,435	36
Market change costs	-	15,859
Foreign exchange gains (losses) ( $\Delta$ indicates gains)	$\Delta$ 91	3,951
(Increase) decrease in -trade and other receivables ( $\Delta$ indicates increase)	$\Delta$ 19,553	159,136
(Increase) decrease in inventories ( $\Delta$ indicates increase)	154,668	$\Delta$ 602,475
Increase (decrease) in -trade and other payables ( $\Delta$ indicates decrease)	38,469	$\Delta$ 58,484
Increase (decrease) in advances received ( $\Delta$ indicates decrease)	$\Delta$ 349,202	742,524
Increase (decrease) in unearned revenue ( $\Delta$ indicates decrease)	11,800	$\Delta$ 5,172
Increase (decrease) in accrued consumption taxes ( $\Delta$ indicates decrease)	$\Delta$ 63,043	33,181
Others	$\Delta$ 109,515	$\Delta$ 100,124
Subtotal	105,801	465,130
Interest and dividend income received	36	44
Interest paid	$\Delta$ 137	-
Income taxes paid	$\Delta$ 206,357	$\Delta$ 75,018
Others	4,500	-
Net cash provided by (used in) operating activities	$\Delta$ 96,156	390,157
Net cash provided by (used in) investing activities		
Purchase of investment securities	-	$\Delta$ 69,832
Purchase of property, plant and equipment	$\Delta$ 1,164	$\Delta$ 777
Purchase of intangible assets	$\Delta$ 496	$\Delta$ 144
Payment for lease and guarantee deposits	$\Delta$ 763	$\Delta$ 1,314
Net cash provided by (used in) investing activities	$\Delta$ 2,424	$\Delta$ 72,067
Net cash provided by (used in) financing activities		
Repayment of long-term debt	$\Delta$ 225,218	-
Repayment of lease obligations	$\Delta$ 9,320	$\Delta$ 11,146
Proceeds from issuance of common stock	220,158	4,410
Market change expenses	-	$\Delta$ 15,859
Purchase of treasury stock	-	$\Delta$ 40
Net cash provided by (used in) financing activities	$\Delta$ 14,379	$\Delta$ 22,637
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$\Delta$ 141	$\Delta$ 3,388
Net increase (decrease) in cash and cash equivalents ( $\Delta$ indicates decrease)	$\Delta$ 113,102	292,064
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,615,535	2,559,268
Cash and cash equivalents at end of period	2,502,432	2,851,332

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Changes in Accounting Estimates)

(Changes in useful lives)

During the six months ended September 30, 2020, the Group decided to cancel a portion of its head office, and therefore reviewed the useful lives of the fixed assets that are not expected to be used after cancellation. In addition, the method for the expected period of use of asset retirement obligations, which had been recorded as an obligation to restore properties to their original state under the real estate lease agreement for the head office, was changed. As a result, compared with the previous method, operating income, ordinary income and income before income taxes for the six months ended September 30, 2020 each decreased by ¥20 million.

## (Segment Information)

First Half of the Fiscal Year Ended March 31, 2020 (From April 1, 2019 to September 30, 2019)

## 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	IT Human Resource Development Business	Game Business	x-Tech Business			
Net Sales							
Net Sales to External Customers	626,206	107,411	1,142,923	101,721	1,978,263	-	1,978,263
Inter-segment Net Sales or Transfer	-	4,777	-	-	4,777	△ 4,777	-
Total	626,206	112,188	1,142,923	101,721	1,983,040	△ 4,777	1,978,263
Segment income Or loss (△)	329,373	2,438	260,183	△12,665	579,330	△ 165,199	414,131

(Note) (1) The adjustment for segment income (loss) △165 million yen includes corporate expenses of △178 million yen that are not allocated to each reportable segment and inter-segment eliminations of 13 million yen.

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

First Half of the Fiscal Year Ended March 31, 2021 (From April 1, 2020 to September 30, 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	IT Human Resource Development Business	Game Business	x-Tech Business			
Net Sales							
Net Sales to External Customers	701,978	55,475	459,882	130,978	1,348,314	-	1,348,314
Inter-segment Net Sales or Transfer	-	2,744	-	-	2,744	△2,744	-
Total	701,978	58,219	459,882	130,978	1,351,058	△2,744	1,348,314
Segment income Or loss (△)	399,830	△3,847	37,699	△534	433,147	△160,730	272,416

(Note) (1) Adjustment of segment income (loss) △160 million yen includes corporate expenses of 171 million yen that are not allocated to each reportable segment and elimination of inter-segment transactions of 10 million yen.

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

## 2. Matters Related to Changes in Reportable Segments

Effective from the first quarter of the fiscal year ending March 31, 2021, the former Video Production Business and Internet Business have been merged to x-Tech Business. Segment information for the first half of the fiscal year ended March 31, 2020 is prepared based on the segment classification after the change.