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Consolidated Cumulative Financial Results for the Third Quarter of the Fiscal year Ending March 31, 2021 [Japan GAAP]

February 10, 2021

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Scheduled date of filing of quarterly report: February 10, 2021
Scheduled date of commencement of dividend payment —
Preparation of supplementary materials for quarterly financial results : Yes
Holding of quarterly financial results briefing : None

(Figures are rounded down to the nearest million yen)

1. Consolidated Results for the Nine-Month Period Ended December 31, 2020 (April 1, 2020 - December 31, 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	%
3rd Quarter of Fiscal Year Ending March 31, 2021	1,933	△29.2	388	△28.8	366	△33.1	221	△36.5
3rd Quarter of Fiscal Year Ended March 31, 2020	2,730	15.6	545	13.8	546	15.6	347	△12.2

(Note) Comprehensive income
3rd Quarter of Fiscal Year Ending March 31, 2021 221Millions of yen △36.1 (%)
3rd Quarter of Fiscal Year Ended March 31, 2020 347Millions of yen △10.0 (%)

	Net income per share	Diluted Net income per share
	Yen	Yen
3rd Quarter of Fiscal Year Ending March 31, 2021	21.18	20.81
3rd Quarter of Fiscal Year Ended March 31, 2020	33.74	32.73

(Note) 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	%
3rd Quarter of Fiscal Year Ending March 31, 2021	6,029	3,584	59.4
Fiscal Year Ended March 31, 2020	4,700	3,356	71.4

(Reference) Shareholders' equity
3rd Quarter of Fiscal Year Ending March 31, 2021 3,584 Millions of yen
Fiscal Year Ended March 31, 2020 3,356 Millions of yen

2. Dividends

	Dividend per share				
	1st Quarter-End	2nd Quarter-End	3rd Quarter-End	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2020	—	0.00	—	0.00	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	38.30

(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 — 、Excluded —

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

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Correction of Errors

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 Restatements from prior period adjustments and correction of errors : None

(4) Number of shares outstanding (common stock)

① Number of shares outstanding at the end of the period (including treasury stock)	3rd Quarter of Fiscal Year Ending March 31, 2021	10,485,000shares	Fiscal Year ended March 31, 2020	10,462,960shares
② Number of treasury stock at the end of the period	3rd Quarter of Fiscal Year Ending March 31, 2021	40,031shares	Fiscal Year ended March 31, 2020	40,000shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year)	3rd Quarter of Fiscal Year Ending March 31, 2021	10,438,455shares	3rd Quarter of Fiscal Year Ended March 31, 2020	10,354,659shares

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 report are based on information currently available to us and on certain assumptions that we believe reasonable. Actual results may differ materially from the forecasts 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 the behavior of companies that are rapidly changing due to the spread of the internet, and leverage our ability to respond to change through the creation and evolution of services. We aim to continuously increase our corporate value by growing constantly. 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 first quarter of the fiscal year ending March 31, 2021, the Company has changed the classification of its business segments and its reportable segments from the "Video Production Business" and "Internet Business" to the "x-Tech Business." The comparative analysis with the same period of the previous fiscal year is based on the new business segments.

During the nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020), the drastic deterioration of the Japanese economy due to the spread of the new coronavirus infections has been prolonged, and the extremely severe situation has continued. As the spread of infectious diseases continues, there are growing concerns that the economy may fall further, and the uncertainty surrounding the future continues to increase.

At the same time, we recognize that the role that the Group should play will become more important in responding to the challenges faced by companies pursuing digital shifts, and individuals seeking new lifestyles and working methods 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 ¥1,933 million (down 29.2% year-on-year), operating income of ¥388 million (down 28.8%), ordinary income of ¥366 million (down 33.1%), and net income attributable to owners of parent of ¥221 million (down 36.5%).

Results by business segment were as follows.

<IT Freelance Matching Business>

In the IT Freelance Matching Business, there was a trend of recovery on the demand for recruitment of human resources from companies that had been temporarily restrained due to the effects of the new coronavirus infectious disease. This is partly because of the stabilization of the shift of client companies to the remote work system.

While keeping down costs to attract customers, the Group worked to strengthen its support system by promoting DX, which develops the digitization of existing operations and provides optimal services; and by further expanding Frinove, a welfare services for IT Freelancers.

As a result, net sales in this business segment for the nine months ended December 31, 2020 were ¥1,061 million (up 9.4% year on year) and Segment income was ¥601 million (up 14.7%).

<IT Human Resource Development Business>

In the IT Human Resource Development Business, IT Study Abroad is a key feature ,which enables students to learn programming and English on an on-site basis. However, the impact of the new coronavirus infectious disease has made it difficult to travel from Japan since April 2020, and this has had a significant effect on our business. Under these circumstances, the Group worked to minimize its impact by providing online classes launched as a new service and focusing on offshore development.

As a result, net sales in this business segment for the nine months ended December 31, 2020 were ¥80 million (down 56.7% year on year) and segment loss was ¥9 million (segment income of ¥16 million in the same period of the previous fiscal year).

<Game Business>

The business remained strong, not only due to the strong consumption trend by staying home caused by the effects of the new coronaviral infectious disease, but also due to the strong sales of operating titles. In this business segment, we are managing three titles, including “IDOLiSH7”, which we developed on a consignment basis from BANDAI NAMCO Online Inc., and developing five new titles. As the number of developed titles are increasing, we are focusing on appropriate resource control according to the situation.

As a result, net sales in this business segment for the nine months ended December 31, 2020 were ¥587 million (down 58.6% year on year) and segment income was ¥42 million (down 83.9%).

<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 nine months ended December 31, 2020 were ¥207 million (up 30.1% year on year) and segment loss was ¥6 million (segment loss of ¥17 million for the same period of the previous fiscal year).

(2) Financial Position

(Current Assets)

The balance of current assets at the end of the third quarter of the current fiscal year was ¥5,521 million, an increase of ¥1,240 million from the end of the previous fiscal year. This was mainly due to a ¥1,011 million increase in work in process.

(Fixed Assets)

The balance of non-current assets at the end of the third quarter of the current fiscal year was ¥508 million, an increase of ¥89 million from the end of the previous fiscal year. This was mainly due to an increase of ¥79 million in investment securities.

(Current liabilities)

The balance of current liabilities at the end of the third quarter of the current fiscal year was ¥2,389 million, an increase of ¥1,104 million from the end of the previous fiscal year. This was mainly due to a ¥1,075 million increase in advances received.

(Non-current liabilities)

The balance of non-current liabilities at the end of the third quarter of the current fiscal year was ¥55 million, a decrease of ¥3 million from the end of the previous fiscal year. This was mainly due to a ¥3 million decrease in lease obligations.

(Net Assets)

The balance of net assets at the end of the third quarter of the current fiscal year was ¥3,584 million, an increase of ¥227 million from the end of the previous fiscal year. This was mainly due to increases of ¥6 million in common stock and additional paid-in capital and ¥221 million in retained earnings.

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

With regard to the consolidated financial results forecast for the fiscal year ending March 31, 2021, there are no changes to the full-year financial results forecast announced in the ″Notice Concerning Differences between the Consolidated Financial Results Forecast for the Six Months Ending March 31, 2021 and Revisions to the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021″ issued 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)	3rd Quarter (As at December 31, 2020)
Assets		
Current assets		
Cash and deposits	2,559,268	2,860,505
Accounts receivable	1,280,365	1,111,297
Merchandise	66	-
Work in process	364,943	1,376,906
Supplies	423	427
Advance payment	927	-
Prepaid expenses	65,295	98,675
Other	18,888	76,777
Allowance for doubtful accounts	△8,970	△3,167
Total current assets	4,281,208	5,521,422
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	113,344	91,849
Tools, furniture and fixtures, net	14,131	9,137
Lease assets, net	-	7,266
Total property, plant and equipment, net	127,475	108,252
Intangible assets		
Software	584	1,135
Total intangible assets	584	1,135
Investments and other assets		
Investment securities	30,080	109,912
Lease and guarantee deposits	221,794	221,673
Long-term prepaid expenses	1,774	10,911
Deferred tax assets	37,390	56,434
Total investments and other assets	291,040	398,932
Total fixed assets	419,100	508,320
Total assets	4,700,309	6,029,742

(Thousand yen)

	Previous consolidated fiscal year (As at March 31, 2020)	3rd Quarter (As at December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable	811,911	802,076
Accounts payable- other	33,113	30,398
Accrued expenses	28,130	52,084
Income taxes payable	90,533	72,799
Accrued consumption taxes	39,145	76,794
Deposits received	27,914	41,510
Advance received	203,471	1,279,267
Unearned revenue	25,734	23,447
Asset retirement obligations	12,248	-
Lease obligations	13,152	11,552
Total current liabilities	1,285,357	2,389,931
Long-term liabilities		
Lease obligations	3,214	-
Asset retirement obligations	55,504	55,623
Total long-term liabilities	58,719	55,623
Total liabilities	1,344,076	2,445,554
Net assets		
Shareholders' equity		
Paid-in capital	1,086,015	1,089,034
Capital surplus	1,035,958	1,038,977
Retained earnings	1,256,587	1,477,682
Treasury stock	△21,000	△21,040
Total shareholders' equity	3,357,560	3,584,655
Accumulated other comprehensive income		
Foreign currency translation adjustments	△1,495	△431
Total accumulated other comprehensive income	△1,495	△431
Non-controlling interests	167	△35
Total net assets	3,356,232	3,584,188
Total liabilities and net assets	4,700,309	6,029,742

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

Consolidated Statements of Income

3rd Quarter Consolidated Cumulative Period

(Thousand yen)

	Previous 3rd Quarter Consolidated Cumulative Period (April 1, 2019 to December 31, 2019)	3rd Quarter Consolidated Cumulative Period (April 1, 2020 to December 31, 2020)
Net sales	2,730,488	1,933,687
Cost of sales	1,179,618	568,612
Gross profit	1,550,869	1,365,075
Selling, general and administrative expenses	1,005,843	976,912
Operating income	545,026	388,163
Non-operating income		
Interest income	56	49
Lecture fee income	-	100
Gain on transfer of content rights	4,500	-
Late charge	-	313
Other	180	-
Total non-operating income	4,736	463
Non-operating expenses		
Interest expenses	201	-
Foreign exchange losses	1,155	4,951
Stock issuance expenses	1,568	51
Market change costs	-	15,859
Commitment fee	-	1,697
Other	-	0
Total non-operating expenses	2,925	22,559
Ordinary income	546,837	366,067
Income before income taxes	546,837	366,067
Income taxes - current	147,416	164,173
Income taxes - deferred	51,396	△18,993
Total income taxes	198,813	145,179
Net income	348,024	220,887
Net income (loss) attributable to non-controlling interests (△)	42	△207
Net income attributable to owners of parent	347,981	221,095

Consolidated Statements of Comprehensive Income

3rd Quarter Consolidated Cumulative Period

(Thousand yen)

	Previous 3rd Quarter Consolidated Cumulative Period (April 1, 2019 to December 31, 2019)	3rd Quarter Consolidated Cumulative Period (April 1, 2020 to December 31, 2020)
Net income	348,024	220,887
Other comprehensive income		
Foreign currency translation adjustments	△827	1,064
Total other comprehensive income	△827	1,064
Comprehensive income	347,196	221,952
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	347,158	222,153
Comprehensive income attributable to non-controlling interests	37	△201

(3) 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 nine months ended December 31, 2020, the Group decided to cancel a portion of its head office, and therefore reviewed the useful lives of fixed assets that are not expected to be used after its cancellation. In addition, 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 nine months ended December 31, 2020 each decreased by ¥23 million.

(Segment Information)

Previous 3rd Quarter (From April 1, 2019 to December 31, 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	970,060	181,362	1,419,950	159,115	2,730,488	-	2,730,488
Inter-segment Net Sales or Transfer	-	4,777	-	-	4,777	△ 4,777	-
Total	970,060	186,139	1,419,950	159,115	2,735,265	△ 4,777	2,730,488
Segment income Or loss (△)	524,177	16,176	267,048	△ 17,624	789,778	△ 244,751	545,026

(Note) (1) The adjustment for segment income (loss) △ 244 million yen includes corporate expenses of △263 million yen that are not allocated to each reportable segment and elimination of inter-segment transactions of 18 million yen.

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

3rd Quarter (From April 1, 2020 to December 31, 2020)

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

(Thousand yen)

	Reportable segments				Total	Adjustment (Note 1)	Quarter Consolidated Statements of Income (Note 2)
	IT Freelance Matching Business	IT Human Resource Development Business	Game Business	x-Tech Business			
Net Sales							
Net Sales to External Customers	1,061,481	77,771	587,432	207,002	1,933,687	-	1,933,687
Inter-segment Net Sales or Transfer	-	2,744	-	-	2,744	△2,744	-
Total	1,061,481	80,515	587,432	207,002	1,936,431	△2,744	1,933,687
Segment income Or loss (△)	601,192	△9,546	42,882	△6,860	627,668	△239,505	388,163

(Note) (1) The adjustment of segment income or loss △ 239 million yen includes corporate expenses of △256 million yen that are not allocated to each reportable segment and elimination of inter-segment transactions of 17 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” due to changes in our internal organization. Segment information for the first nine months of the fiscal year ended March 31, 2020 is prepared based on the segment classification after the change.