GEECHS | 7060

TSE Standard

A clear shift toward higher-value upstream processes work

Summary

■ Q1 FY2027/3 results review　Overseas IT HRM Biz recovers faster than expected

On August 7, Geechs Inc. (hereafter, "the Company") announced its Q1 FY2027/3 (Apr-Jun) earnings results. Net sales rose 9% YoY to JPY 6,968 mn, EBITDA rose 20% YoY to JPY 237 mn, and operating profit rose 11% YoY to JPY 204 mn. Growth in the core Japan IT Human Resources Matching Business (hereafter, "Japan IT HRM Biz") and efficiency gains from generative AI, together with an improved profit structure in IT Human Resources Matching Business, Overseas (hereafter, "Overseas IT HRM Biz") contributed to results. Although the Japan IT HRM Biz is in a transitional phase of its model change, Q1 results reached roughly 60% of the H1 operating-profit forecast of JPY 335 mn, indicating that the renewed GEECHS, which is fully committing to DX/AX and FDE Expansion, has made a generally strong start.

■ Clear shift to a problem-solving solutions model

From this fiscal year the Company refreshed its corporate mission to “Updating Japan through DX and AX”, and signaled a strategic move toward directly proposing DX/AX solutions. The focus is expanding service scope into the Forward Deployed Engineer (FDE) domain, in which engineers work closely on-site with customers and provide end-to-end support from identifying business issues to implementing, operating, and embedding AI-based technologies.

■ Outlook for FY2027/3　Advancing the transition to a sustainably high-profit structure

The Company left its FY2027/3 guidance unchanged — operating profit of JPY 1,000 mn (+14% YoY) and net profit of JPY 630 mn (-2% YoY). The Company views this fiscal year as one of business-model redefinition. It expects a temporary profit decline in H1 due to upfront investments in hiring, training, and AI initiatives, with profit expansion accelerating from H2 onward. Given the momentum of the man-months worked (which surpassed 20,000 man-months), SIR assesses the probability of achieving these targets as high.

■ Share price insights

Under SIR’s DDM, the current share price can only be justified under a negative perpetual growth rate. Even assuming 1% long-term growth, the DDM yields a theoretical value of JPY 767. With a dividend yield of approximately 5.3%, and considering the feasibility of the Company’s growth strategy to convert to a sustainably high-profit structure, SIR believes the current share price to carry a substantial margin of safety.

JPY mn	Net sales	YoY (%)	EBITDA *	YoY (%)	Op. Profit	YoY (%)	Ordi. Profit	YoY (%)	Net Profit	YoY (%)	EPS (JPY)	DPS (JPY)
2024/3	23,739	48.4	362	(44.4)	90	(84.6)	82	(85.5)	(1,473)	N.M.	(142.75)	10.00
2025/3	25,162	6.0	625	72.8	495	445.4	494	499.6	49	N.M.	4.82	10.00
2026/3	26,375	4.8	975	55.8	875	76.7	842	70.4	643	-	62.73	30.00
2027/3 CE	**28,300**	7.3	**1,090**	11.8	**1,000**	14.2	**970**	15.1	**630**	(2.0)	**62.01**	**32.00**
2026/3 Q1	6,373	9.4	197	84.2	183	127.9	180	114.7	114	94.0	11.05	
2027/3 Q1	**6,968**	9.3	**237**	20.1	**204**	11.2	**164**	(9.2)	**86**	(24.6)	**8.47**	
2026/3 H1	12,891	5.8	476	85.8	437	126.2	427	114.5	343	109.2	33.32	10.00
2027/3 H1 CE	**13,600**	5.5	**380**	(20.2)	**335**	(23.5)	**320**	(25.2)	**208**	(39.5)	**20.47**	**15.00**

*EBITDA: Operating Profit + Depreciation + Amortization of goodwill + Stock-based compensation expenses+ Retirement benefit expenses　Note: figures may differ from the Company’s material due to differences in SIR’s financial data processing and the Company’s reporting standards.　Source: Complied by SIR from the Company IR material.

Q1 Follow-up

GEECHS

Focus Point

- Largest company in Japan that handles only freelancers specializing in IT engineers.
- With the structural tailwind of a growing shortage of IT engineers every year, the Company's business performance can be calculated to a certain extent.
- Transform the business model to shift growth into a higher gear.

Key Indicators	
Share price (8/24)	600
52W/H (25/8/25)	713
52W/L (26/1/30)	488
10Y/H (19/4/2)	2,715
10Y/L (24/8/5)	327
Shrs out. (1K shrs)	10,160
Mkt cap (JPY mn)	6,096
EV (JPY mn)	4,391
CY26/6 Equity ratio	37.8%
FY26/3 ROE (act)	22.2%
CY26/6 P/B (act)	2.11x
FY27/3 P/E (CE)	9.7x
FY27/3 EV/EBITDA(CE)	4.03x
FY27/3 DY (CE)	5.33%

Daily Stock Price Chart (One year)

Source: Trading view

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Q1 FY2027/3 Results Review

* **Man-month** is one of the units of work volume, the volume of work that one person can complete each month. Man-month unit price is the order price in terms of price per man-month.

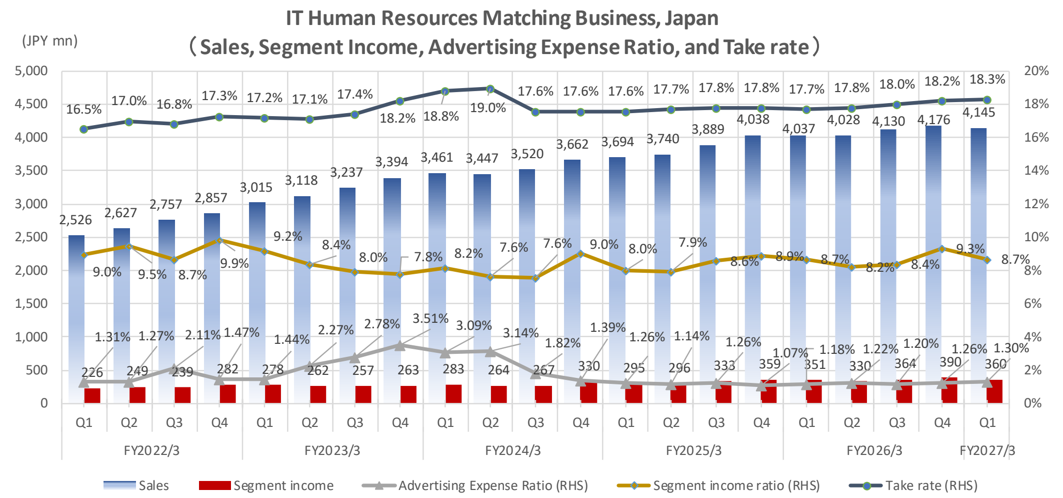
Man-months worked is the product of the number of freelancers working on a job and the duration (months) each freelancer is engaged in the project.

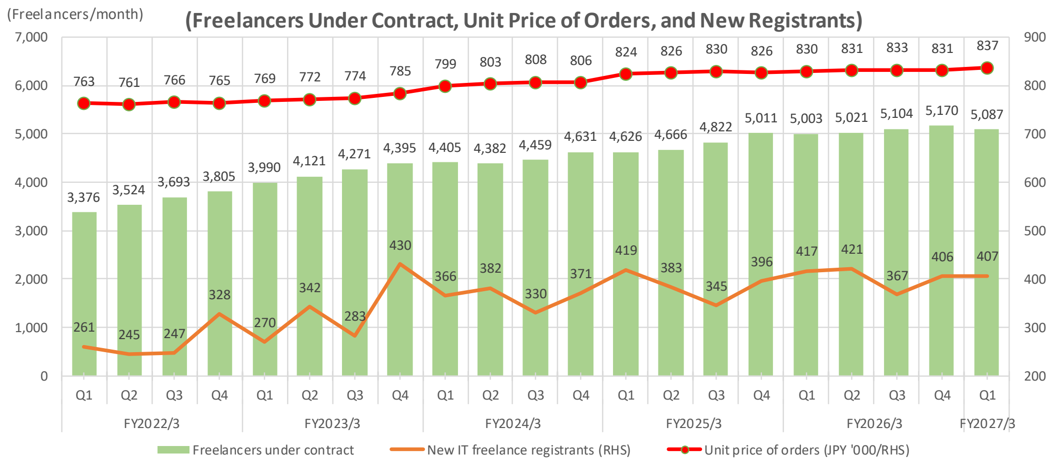
The volume of work that requires 1 person to work 1 month is 1 man-month, and the volume of work that requires 5 people to work 6 months is 30 man-months (5 x 6) .

■ Japan IT HRM Biz in a transitional period of model change

In the Company's **Japan IT HRM Biz**, its primary growth driver, the Company is shifting away from the traditional "man-month unit price × utilization" model toward "a high-value, premium-pricing" model tailored for the generative-AI era. SIR believes Q1 FY2027/3 was a transitional period in the Company's business model change.

- Sales in the Japan IT HRM Biz represent the amount earned by matching IT freelancers with work requests from customer companies—that is price of work orders = transaction value. The transaction value for the Japan IT HRM Biz is calculated as man-months worked* x monthly unit price of orders (one man-month is the amount of work one IT freelancer does in one month).
- In the Q1 FY2027/3, **man-months worked** came to 5,087 (+1.7% YoY). The Company expects that generative-AI–driven coding automation will reduce demand for downstream work (implementation), while demand will rise for upstream tasks such as issue definition and requirements definition, which typically command higher fees. To meet that shift, it is selectively matching IT freelancers who possess the appropriate skills. As a result, the slowdown in volume was broadly within expectations.
- Thanks to a qualitative improvement in the project mix and sales efforts — including price negotiations to reflect rising wages — the **monthly unit price of orders** has trended upward. At the same time, the Company's active pursuit of regional projects, which exert downward pressure on rates, offset some of that gain; on average the monthly unit price of orders rose 0.8% YoY to JPY 837,000.
- This translated to a transaction value of JPY 4,258 mn. This is close to the JPY 4,144 mn (+2.7% YoY) that the Company reports as its net sales.





Source: Compiled by SIR from the Company IR materials

- **New registrants** totaled 407 in Q1, decreasing from 417 in Q1 last year. The Company has strengthened its selective recruitment, focusing on professionals with AI skills and upstream-process experience, and its talent-pool formation (for example, seminar recruitment) remains robust. In Q1 FY2027/3 alone, the Company brought in 40 **new customer companies**, bringing the total to 2,025 as of the end of June 2026.
- The number of freelance project listings from these companies on the Company's **geechs job** (https://geechs-job.com/) had surpassed 10,100 listings as of August 25.
- **The take rate***, which had been hovering in the high 17% range since the invoice system began in October 2023, edged up to 18.3% in Q1. Alongside the shift toward upstream project content, the Company is encouraging IT freelancers to register as qualified invoice-issuing businesses under the new invoice system; roughly 40% of active contractors have already done so. IT Freelancers have accepted that compensation for their increased tax burden will be largely eliminated during the H2 of the current fiscal year, so the Company expects the take rate to rise gradually going forward. As a result, in Q1 FY2027/3, of total net sales of JPY 4,144 mn, approximately JPY 758 mn remained as gross profit (JPY 715 mn in Q1 of the prior year).

* GEECHS gross profit (net revenue) is the agent fee, net sales minus compensation paid to IT freelancers, and the **take rate** is gross profit divided by net sales.

On the cost side, the Company hired about 10 new graduates in April and has kept advertising expenses at an appropriate level of 1.3% of net sales. Consequently, operating profit rose 2.7% YoY to JPY 360 mn. The Company assesses that it secured profit smoothly, including through internal efficiency measures.

■ Overseas IT HRM Biz recovers faster than expected

Under the **Overseas IT HRM Biz**, the Company operates a HR service business that specializes in casually employed workers and freelancers and MSP* business, mainly in Sydney and Melbourne through its consolidated subsidiary, Launch Group Holdings Pty Ltd.

* **Managed service providers** offer comprehensive services for a range of process, from finding human resources for customers to contracts. Having built a firm customer foundation, the Company expects stable growth for the business.

- Against the full-year plan of net sales JPY 10 bn (+8.2% YoY) and OP profit JPY 60 mn, Q1 (local Jan–Mar) OP profit of JPY 27 mn strongly progressed 46.2% (50.9% on an AUD basis), the largest contributor to Q1's overall profit increase. The Company attributes the faster-than-expected recovery to the success of its strategic shift and reorganization.
- By broadening its focus beyond large corporate clients and intensifying development of the SME market—where securing talent is more difficult—the Company has won more higher-margin dispatch and placement contracts.
- Supported by a robust IT sector in Sydney and accelerating IT investment projects for manufacturing and construction in Melbourne, the Company has refreshed its in-house consulting team and built a leaner organization, establishing a stable revenue base with lower downside risk.

Segment Information

Segment	Business	(JPY mn)	FY2026/3	FY2027/3 CE	YoY (%)	FY2026/3 Apr-Jun	FY2027/3 Apr-Jun	YoY (%)
Japan	IT engineer and customer company matching business in Japan	Net Sales	16,731	17,300	3.4	4,037	4,144	2.7
		Op. Profit	1,434	1,550	8.1	350	360	2.7
		OP Margin	8.6%	9.0%		8.7%	8.7%	
Overseas	IT engineer and customer company matching business in Australia	Net Sales	9,243	10,000	8.2	2,163	2,660	23.0
		Op. Profit	33	60	77.2	(4)	27	T.B.
		OP Margin	0.4%	0.6%		-0.2%	1.0%	
Seed Tech	Human resources development tool sales, IT study abroad program, and offshore development	Net Sales	852	1,000	17.2	188	184	(1.9)
		Op. Profit	(2)	20	T.B.	(10)	(25)	
		OP Margin	-0.2%	2.0%		-5.3%	-13.6%	
Tolal		Net Sales	26,375	28,300	7.3	6,373	6,968	9.3
		Op. Profit	875	1,000	14.2	183	204	11.2

Source: Complied by SIR from the company IR materials.

* **Digishoku** is a service that dispatches digital business professionals trained under the Sodatech program to serve as advisors to SME management. These professionals lead and execute digital transformation initiatives at client companies, providing one stop support from planning and system implementation through to maintenance and operations.

In the **Seed Tech business**—which provides "Sodatech," the SaaS-type IT/DX/AI human resource development service for reskilling non-engineers, offers "Digishoku*," a digital talent provision service for SMEs, and operates a digital study-abroad program in Cebu, Philippines.

In April 2026, the Company carried out an internal Group reorganization in which its consolidated subsidiary Seed Tech absorbed Alive Inc**. By consolidating its full-time employee resources, it will pursue high-margin contract development projects and the early launch of Digishoku, while strengthening the earnings base of the Group as a whole.

- In Q1, net sales fell 1.9% YoY to JPY 184 mn with operating loss of JPY 25 mn. The sales decline was mainly due to a temporary drop in utilization at Alive Inc. Meanwhile, Digishoku is generating leads steadily, but the Company reports that decision cycles at SMEs are longer than expected, causing extended lead-to-order timelines. The Management noted that inbound interest remains strong and that it will patiently pursue the current deals.
- The digital study-abroad program is proceeding on schedule this year.

Company Forecasts for FY2027/3

** As a result of this reorganization, Alive Inc.'s earnings, which had been included in the Japan IT HRM Biz through FY2026/3, have been reclassified to the Seed Tech business from the beginning of FY2027/3.

The year-on-year comparisons described in this report have been retrospectively restated on this new classification basis.

■ Advancing the transition to a sustainably high-profit structure

In FY2027/3, the Company projects net sales of JPY 28,300 mn (+7.3% YoY) and operating profit of JPY 1,000 mn (+14.2% YoY), positioning the year as the start of a further growth phase. It expects H1 operating profit to remain at JPY 335 mn, as upfront investments will be concentrated in service infrastructure development for Digishoku, including recruitment and training, and in AI utilization strategies under the new business strategy. In H2, it expects these investments to begin generating returns and contributing to earnings in earnest, with operating profit projected to accelerate sharply to JPY 665 mn.

The Company expects net profit to come in at JPY 630 mn (-2.0% YoY). If achieved, it should maintain ROE of around 20%. Projected EPS is JPY 62.01, and based on its target dividend payout ratio of around 50%, the Company plans to raise its annual dividend by JPY 2 to JPY 32 (interim dividend of JPY 15 and year-end dividend of JPY 17).

- For the **Japan IT HRM Biz** under the new segment classification, the Company forecasts full-year net sales of JPY 17,300 mn (+5.7% YoY) and segment profit of JPY 1,550 mn (+8.1% YoY) with the segment profit margin expected to improve to 9.0%. Continued increases in the unit price of orders and the take rate should feed directly into higher sales, and the business will also begin offering the AI solutions described earlier.
- For the **Seed Tech business**, the Company forecasts full-year net sales of JPY 1,000 mn (+17.2% YoY) and segment profit of JPY 20 mn, after factoring in goodwill amortization for Alive Inc. While continuing to expand its order pipeline and invest in infrastructure and the service framework for Digishoku, it intends to maintain growth in the offshore development and education businesses and steadily increase both sales and profit. The pipeline for Digishoku has been growing recently, and the Company says it is seeing a positive response from higher orders and upselling this fiscal year.
- For the **Overseas IT HRM Biz,** the Company targets full-year net sales of JPY 10,000 mn (+8.2% YoY) and a recovery in segment profit to JPY 60 mn, roughly 1.8x the previous year. The business will narrow its focus to high-quality industries with strong pricing power and steady demand, such as telecommunications, financial services, technology, and government-related fields. The aim is to strengthen new client acquisition and expand share among existing customers. To reinforce margins, it will thoroughly pursue a strategy of selectively winning high-margin projects from SMEs and government-related customers, where talent acquisition is difficult. In addition, the Company will begin full-scale APAC-wide synergy initiatives from FY2027/3 by leveraging shared Group assets. Specifically, high price local projects won by Launch in Australia will be linked to Seed Tech's offshore development lab in Cebu, Philippines, with development work handled by teams that offer strong cost advantages.

New Developments in Japan IT HRM Biz

*** "GEECHS Project-to-Freelance Ratio Report" gives demand trends in the IT freelance market—Analysis of the Rising Share of AI Projects Across All Listings**

https://www.geechs.com/newsrelease/20260807_ankenbairitsu/
(Only in Japanese)

- **PM:** Project Manager
The person effectively responsible for a project, making final decisions and formulating strategy.

- **PMO:** Project Management Office
A function that supports on-site PMs and handles administrative work, data analysis, coordination, and related tasks.

**** GEECHS JOB, One of Japan's Largest IT Freelancer Agents, Declares Its Evolution into an AX Support Platform**

https://www.geechs.com/newsrelease/20260601_geechsjob_ax/
(Only in Japanese)

- **DX: Digital transformation**
- **AX: AI transformation**

■ The "GEECHS Project-to-Freelance Ratio Report" signals shift toward upstream work

GEECHS also announces its projects-to-freelancer ratio (ratio of projects that the Company handles to number of registered IT freelancers searching for projects) in its quarterly "GEECHS Project-to-Freelance Ratio Report"*.

According to this report, the quarterly cumulative ratio for April-June 2026 was at 5.09x, nearly 80% level of a year ago, which has been gradually trending downward. The report attributes this to changes at development sites driven by the spread of generative AI, which is increasingly replacing implementation work—especially coding.

Accordingly, the Company has concluded that the traditional indicator of demand by programming language (Java, PHP, etc.) no longer accurately reflects market reality. It plans to reclassify listings by role and function—areas where demand is rising—such as IT consulting, development PM, PMO, AI-driven development, and FDE.

The first output of this shift is the newly disclosed "AI Project Ratio Trend" chart (lower right), which shows that the seven AI-project categories defined by the Company accounted for 13.6% of its distributed listings in the most recent April-June period—more than three times the exposure in the same period last year.

Going forward, the report says the Company is considering highlighting role-specific demand multipliers for the fastest-growing fields, and that the "geechs job" search interface will likely be redesigned to reflect the qualitative shift in the Company's database.

■ Strategic significance of the "FDE Training Program" for IT freelancers

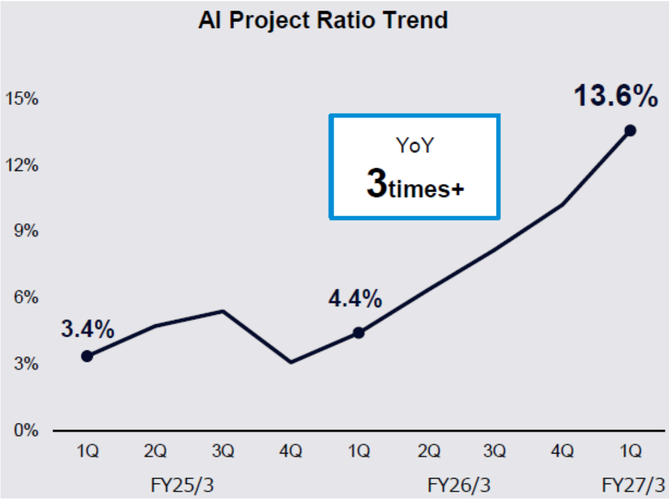
As a first step following its June 2026 "Declares Its Evolution into an AX Support Platform,"** the Company launched a free "FDE Training Program" in July to develop 40 IT freelancers selected from its database into the FDE talent it seeks. The program aims to teach consulting and PM skills over roughly three months. SIR believes the initiative has significant strategic value for the following reasons.

- **Faster payback:** Matching trained talent to higher-fee projects should accelerate investment recovery.
- **Direct sourcing potential:** The Company may eventually place AX solution orders directly with the elite teams it develops.
- **Dual upside:** If the program is refined and continued based on the first cohort's results, it could drive both higher engineer billing rates and expanded company margin.

＜Breakdown of AI projects — seven categories＞

- **Generative AI / LLMs**
- **RAG and retrieval augmentation**
- **Conversational AI and agents**
- **AI adoption, solutions and products**
- **Machine-learning and model-development**
- **Applied AI: recognition, prediction and recommendation**
- **Model improvement, inference, evaluation and operations**

Source: Company IR materials



Share Price Insights

■ Implied expected growth rate calculated from DDM and current share price is below 0%?

SIR believes that the Company's share (JPY 600 at the August 24 closing) is being left with a low valuation, even among low-priced stocks from a single-year fundamental perspective, with a forward P/E ratio of 9.7x, EV/EBITDA of 4.0x, and a dividend yield of approximately 5.3% based on figures at FY2027/3. The Management also recognizes that the equity market's valuation of the Company has not caught up with its structural shift to a higher-profit business model, and regards improving investor communication about the business-model evolution as a key issue.

SIR used a Dividend Discount Model (DDM) to work out what level of dividend growth is factored into the latest share price. In calculating the Company's cost of shareholders' equity, the risk-free rate was set at 2.89% based on the Ministry of Finance's interest rate data [1], the implied equity risk premium was set at 3.00% based on the Stock Market Data website [2], and the Company's beta value was set at 0.827, based on the Company's daily stock data for the past three years from SPEEDA. As a result, the cost of shareholders' equity came to 5.37%. Next, the base dividend was set at JPY 32 for FY2027/3, with the perpetual growth rate remaining the same for FY2028/3 onward. Furthermore, SIR adjusted the perpetual growth rate so that the theoretical value per share would approach the latest share price (JPY 600), but the results showed that the latest share price can only be justified under a negative perpetual growth rate. Even assuming 1% growth, SIR estimates the theoretical value per share at JPY 767. The sensitivity analysis in the table below provides a data table with Implied Equity Risk Premium (Eq.RP) and perpetual growth rate as variables, and indicates the Eq.RP and perpetual growth rate levels implied by the latest share price range (highlighted in light blue).

In other words, the share price reflects little to none of the Company's cash-generating capability or its strong commitment to shareholder returns. However, the stock market does not expect the Company's sustainable growth rate of 9.8% (calculated as projected ROE of 20% x (1 - pledged dividend payout ratio of 51%), which is nearly equivalent to the Expected annual growth rate of BPS). Besides, it implies that there is substantial upside potential should the certainty of profit growth improve.

[1] **The Ministry of Finance's interest rate data**
https://www.mof.go.jp/jgbs/reference/interest_rate/index.htm

[2] **The Stock Market Data website**
https://stock-marketdata.com/riskpremium-japan.html

Growth position implied by the latest share price on the dividend discount model

	Forecasts				
	2027/3	2028/3	2029/3	2030/3	2031/3
Dividend per Share (JPY)	**32.00**	**32.32**	**32.64**	**32.97**	**33.30**
DPS growth rate (same as Perpetual Growth Rate)		*1.0%*	*1.0%*	*1.0%*	*1.0%*

Calculating the cost of capital			
Calculation of Debt Cost (End of 2026/3)			
Interest expense		45	JPY mn
Interest-bearing debt (term-ave.)		2,041	JPY mn
Pre-tax Debt Costs		2.21%	
Effective tax rate		34.3%	
After-tax debt costs		1.45%	

DDM Analysis (JPY)	
Present value of dividends for 5 years	146
Perpetual Growth Rate	1.0%
Perpetual Growth Rate × DPS in the final fiscal year	34
Terminal Value	770
Present value of Terminal Value	621
Theoretical value per Share	767

Calculating the Cost of Capital (CAPM)		
Risk-Free Rates		2.89%
Beta		0.827
Equity Risk Premium		3.00%
Cost of Equity		5.37%
Interest-bearing debt	1,882	23.6%
Market Cap.(as of Aug.24)	6,096	76.4%
Total	7,977	100.0%
Weighted Average Cost of Capital		4.44%

Sensitivity analysis

		Perpetual Growth Rate				
		0.0%	0.5%	1.0%	1.5%	2.0%
Eq. RP	2.50%	674	750	845	967	1,131
	3.00%	624	689	767	867	995
	3.50%	582	637	704	786	890
	4.00%	545	593	650	719	805
	4.50%	512	554	604	663	735
	5.00%	484	521	564	615	677
	5.50%	459	492	530	575	627

Source: Compiled by SIR from the Company financial statements.

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