GEECHS | 7060

TSE Standard

Q3 Follow-up

Shocking dividend revision proves cash-generating power

- **Q3 (Oct.-Dec.) FY2026/3 results review:** On February 13, Geechs Inc. (hereafter, "the Company") announced its Q3 FY2026/3 earnings results. Net sales rose 3.9% YoY to JPY 6,776 mn, EBITDA rose 32.8% YoY to JPY 244 mn, and operating profit rose 40.5% YoY to JPY 217 mn. In addition to steady expansion of the core Japan IT Human Resources Matching Business (hereafter, "Japan IT HRM Biz"), faster-than-expected profitability in the IT Human Resources Matching Business, Overseas (hereafter, "Overseas IT HRM Biz") and steady growth in the Seed Tech business contributed to results. The Company's decision to raise the year-end dividend per share from JPY 10 to JPY 20 came as a surprise. Including the interim dividend of JPY 10, the full-year dividend will total JPY 30. SIR believes the move highlights the Company's cash-generating power and strong commitment to shareholder returns.
- **FY2026/3 forecast unchanged, but upswing potential remains:** The Company maintained its FY2026/3 forecast, which it had revised upward at its H1 results announcement. It targets operating profit to rise 61% YoY to JPY 800 mn, and net profit to come in at JPY 550 mn. If achieved, ROE will approach 20%. Cumulative Q3 operating profit has already reached 82% of the full-year plan. Given the strong recent momentum in the Japan IT HRM Biz, SIR believes the Company still has upswing potential. The Management eyes on reaching operating profit of JPY 1,000 mn in FY2027/3, positioning the current fiscal year as a milestone along this path.
- **Optimizing employee resources to build a profit-driven structure:** In April 2026, the Company began an internal group reorganization in which its consolidated subsidiary Seed Tech will merge and absorb Alive. By consolidating employee resources, the Company aims to secure more highly profitable contracted development projects and accelerate the launch of "Digishoku," a digitalization support service for SMEs, thereby strengthening the Group's overall earnings base.
- **Share price insights:** SIR used a DDM to infer the dividend growth rate the market is pricing in. The analysis suggests that the current share price can only be justified under a negative perpetuity growth rate. Even assuming 0% growth, the DDM yields a theoretical value of JPY 690. The Company's FY2026/3 annual dividend is JPY 30, triple the previous year's level. Combined with the share repurchases executed during the year (approximately JPY 100 mn), the total shareholder return ratio is expected to reach 73.7%. SIR questions whether the market still doubts the sustainability of the Company's cash generation capacity and robust shareholder return commitment. As earnings growth becomes more certain and those doubts fade, SIR believes there is significant upside for the share price to revert closer to the levels implied by SIR's DDM.

JPY mn	Net sales	YoY (%)	EBITDA*	YoY (%)	Op. Profit	YoY (%)	Ordi. Profit	YoY (%)	Net Profit	YoY (%)	EPS (JPY)	DPS (JPY)
2023/3	15,997	*11.6*	651	*N.M.*	589	*(48.0)*	567	*(50.0)*	244	*(65.4)*	23.20	10.00
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 CE	**26,600**	*5.7*	**880**	*40.6*	**800**	*61.4*	**770**	*55.7*	**550**	*1,022*	**53.66**	**30.00**
2026/3 3Q YTD	18,705	*5.2*	440	*66.9*	348	*502.7*	347	*607.5*	261	*N.M.*	25.29	
2026/3 3Q YTD	**19,667**	*5.1*	**720**	*63.6*	**654**	*88.1*	**633**	*82.2*	**491**	*88.3*	**47.82**	

*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.

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.
- Looking forward to the mid-term management plan to further accelerate growth.

Key Indicators	
Share price (2/19)	613
52W/H (25/8/25)	713
52W/L (25/4/7)	350
10Y/H (19/4/2)	2,715
10Y/L (24/8/5)	327
Shrs out. (1K shrs)	10,160
Mkt cap (JPY mn)	6,227
EV (JPY mn)	4,490
25/12 Equity ratio	37.8%
FY25/3 ROE (act)	1.8%
25/12 P/B (act)	2.16x
FY26/3 P/E (CE)	11.4x
FY26/3 EV/EBITDA(CE)	5.10x
FY26/3 DY (CE)	4.89%

Daily Stock Price Chart (One year)

Source: Trading view

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Q3 2026/3 Results Review

■ Renewed Geechs turning its profitability drive into results

The renewed Geechs, now focused squarely on the IT human resources domain, improved its earnings structure, lifting the Company-wide operating profit margin in Q3 from 2.4% a year ago to 3.2%, demonstrating steady recovery in profitability.

The Company's **Japan IT HRM Biz**, its main growth driver, posted net sales increase by 8.4% YoY to JPY 4,217 mn, exceeding the quarterly record high of JPY 4,127 mn in Q1. To meet rising demand for highly skilled AI talent, the Company increased its order prices and take rates, which directly contributed to higher sales. With appropriate cost controls, such as keeping advertising expenses at 1.2% of net sales, operating profit came in at a Q3 record high, rising 5.9% YoY to JPY 352 mn. The man-months worked has been increasing at a rate of more than 5,000 man-months on a quarterly basis since Q4 of the previous fiscal year, and the Company expects the total to exceed 20,000 man-months this fiscal year.

Under the **Overseas IT HRM Biz**, the Company operates a human resource 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. Consolidated sales for the local July–September quarter (recognized in the consolidated results with a three-month lag) declined 2.9% YoY to JPY 2,469 mn, as it deliberately curtailed orders for low-margin projects. At the same time, the Company's cost-control initiatives have paid off, lowering its breakeven point. These initiatives included organizational restructuring undertaken since last year, headcount optimization through performance checks on consultants, and strict reduction of fixed costs. In addition, the Company is reinforcing its earnings structure by shifting orders toward higher-margin projects and focusing on the most profitable engagements. As a result, the segment secured operating profit of JPY 19 mn in Q3, following JPY 25 mn in Q2. The Company aims to sustain the momentum of its earnings structure reforms and, bring the segment's operating profit margin back toward its historical peak of around 2%.

* **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.

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 Q3, offshore development performed steadily, driving sales up 61.7% YoY. Meanwhile, one-off expenses tied to new initiatives increased, resulting in a segment operating loss of JPY 4 mn. Even so, cumulative Q3 segment profit reached JPY 33 mn, exceeded the segment's full-year plan of JPY 20 mn. This simply implies the Company is assuming a loss of more than JPY 10 mn in Q4. The Company explained that this reflects concentrated upfront investment in H2, mainly for the hiring and development of new digital business professionals for the Digishoku service, launched in July of last year.

* **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.

Segment Information

Segment	Business	(JPY mn)	2025/3	2026/3 CE	YoY (%)	FY2025/3 3Q(9M)	FY2026/3 3Q(9M)	YoY (%)	FY2025/3 Jul-Sep	FY2026/3 Jul-Sep	YoY (%)	2025/3 Oct-Dec	FY2026/3 Oct-Dec	YoY (%)
Japan	IT engineer and customer company matching business in Japan	Net Sales	**15,363**	**17,500**	*13.9*	**11,324**	**12,465**	*10.1*	**3,740**	**4,121**	*10.2*	**3,889**	**4,217**	*8.4*
		Op. Profit	**1,284**	**1,400**	*9.0*	**925**	**1,022**	*10.5*	**296**	**322**	*8.7*	**333**	**352**	*5.9*
		OP Margin	8.4%	8.0%		8.2%	8.2%		7.9%	7.8%		8.6%	8.3%	
Overseas	IT engineer and customer company matching business in Australia	Net Sales	**9,414**	**8,700**	*(7.6)*	**7,098**	**6,897**	*(2.8)*	**2,507**	**2,264**	*(9.7)*	**2,541**	**2,469**	*(2.9)*
		Op. Profit	**(155)**	**30**	*T.B.*	**(114)**	**40**	*T.B.*	**(57)**	**25**	*T.B.*	**(19)**	**19**	*T.B.*
		OP Margin	-1.6%	0.3%		-1.6%	0.6%		-2.3%	1.1%		-0.7%	0.8%	
Seed Tech	Human resources development tool sales, IT study abroad program, and offshore development	Net Sales	**329**	**400**	*21.4*	**231**	**355**	*53.8*	**89**	**148**	*66.3*	**69**	**111**	*61.7*
		Op. Profit	**5**	**20**	*300.0*	**(7)**	**33**	*T.B.*	**16**	**45**	*181.3*	**(10)**	**(4)**	*Loss Shrunk*
		OP Margin	1.5%	5.0%		-3.0%	9.3%		18.0%	30.4%		-14.5%	-3.4%	
Other	Marketing video production for golf club manufacturers, etc.	Net Sales	**82**	-		**68**	-		**24**	-		**28**	-	
		Op. Profit	**-18**	-		**(14)**	-		**(5)**	-		**0**	-	
		OP Margin	-22.0%			-19.8%			-20.8%			0.0%		
Tolal		Net Sales	**25,162**	**26,600**	*5.7*	**18,705**	**19,667**	*5.1*	**6,358**	**6,518**	*2.5*	**6,521**	**6,776**	*3.9*
		Op. Profit	**495**	**800**	*61.6*	**348**	**654**	*87.9*	**112**	**253**	*124.9*	**154**	**217**	*40.5*
		OP Margin	2.0%	3.0%		1.9%	3.3%		1.8%	3.9%		2.4%	3.2%	

Source: Complied by SIR from the company IR material.

Internal group reorganization

■ Strategic merger of Seed Tech and Alive

In April 2026, the Company launched an internal group reorganization in which its consolidated subsidiary Seed Tech will merge and absorb Alive.

The primary aim is not simply to cut costs, but to optimize resources by flexibly reallocating Alive's full-time employees to Seed Tech's contracted development projects and "Digishoku." Through this, the Company aims to build a structure that translates AI-driven productivity gains directly into higher profit margins.

■ Resolving the "miscalculation" and "cannibalization" issues prompted the internal group reorganization

In January 2025, the Company acquired Alive Inc., which has strengths in providing IT solution services to its customers, including the NTT Group. The aim was to expand the business by rolling out a new IT personnel supply model, built on hybrid teams of full-time engineers and IT freelancers, to a new customer base, namely NTT Group companies. However, about six months after the acquisition, the contracted development projects the Company had been winning on a recurring basis began to come in below expectations. The Management turned this "miscalculation" into an opportunity and decided to shift to a structure that enables it to deploy Alive's roughly 40 full-time engineers flexibly beyond the NTT Group as well. This prompted another question: Where should they be allocated?

Meanwhile, when the Company reviewed Seed Tech's business scope, it found that Seed Tech's sales activities in the contracted development domain partially overlapped with those of Alive. In response, the Company decided to eliminate this cannibalization, remove inefficiencies from the two companies making separate or joint proposals, and centralize the organization to accelerate talent sourcing and recruitment. In addition, the Company expects to build a seamless sales structure and broaden the range of proposals it can present to customers. The Company explains that this was the primary motivation for the merger.

■ Benefits of expanding contracted development by consolidating resources

The Management is also considering vertically integrating Seed Tech's offshore development capabilities with Alive's domestic consulting function in Japan to accelerate its shift toward high-margin contracted development.

In its core IT staffing services business (quasi-mandate contracts), fees are constrained by "man-month rates," where compensation is proportional to hours worked. This creates a structural issue: if the Company uses AI to improve efficiency and shorten work time, the billed amount (and thus its revenue) can actually decline. In contrast, contracted development where customers pay for deliverables allows for value-based pricing. If the Company leverages AI internally and completes a project that would normally require 10 people with just five, the man-month equivalent of the five people saved effectively drops straight to the bottom line as profit.

■ Supporting the early launch of "Digishoku"

Seed Tech's "Digishoku" also offers a promising internal redeployment destination for full-time employees. Alive's engineers have extensive experience providing consultancy-style support on NTT Group projects, and the Company believes this skill set is well suited to leading on-the-ground initiatives at SMEs through "Digishoku." Through the merger, the Company can deploy Alive's resources into "Digishoku" projects immediately, resolve talent supply bottlenecks early, and raise the Group's overall engineer utilization rate, thereby optimally allocating management resources.

Trends in Japan IT HRM Biz

* **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) .

** 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.

■ Confirmed that Japan IT HRM Biz is progressing smoothly

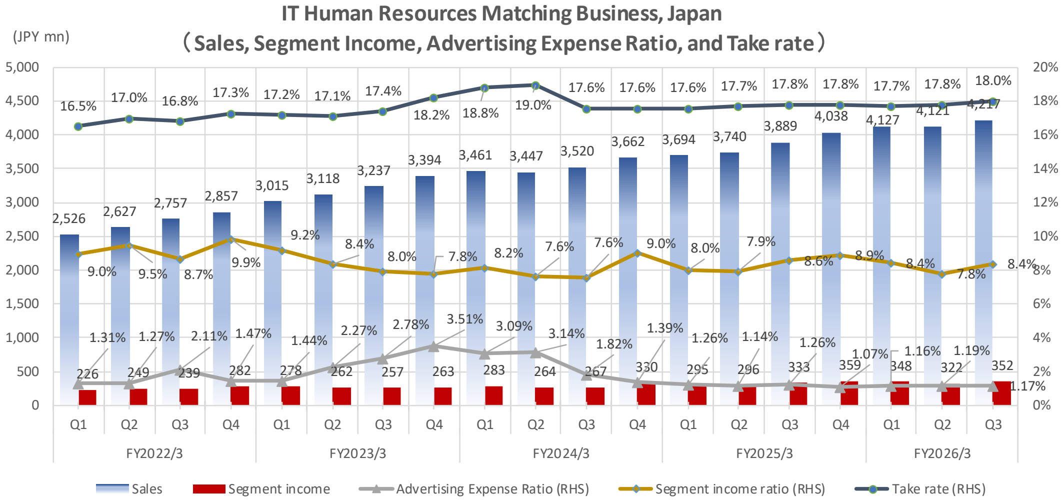
Sales in the Japan IT HRM Biz represent the amount earned by matching IT freelancers with work requests from customer companies—that is price of work orders = transaction value. The transaction value for the Japan IT HRM Biz is calculated as man-months worked* x monthly unit price of orders (one man-month is the amount of work one IT freelancer does in one month). In the three-month-period of Q3 FY2026/3, **man-months worked** came to a record high 5,208 reflecting the Company's ongoing efforts to strengthen its relationships with IT freelancers. **Monthly unit price of orders** rose steadily to JPY 833,000, up 0.3% YoY, supported by continued strong demand for IT human resources as well as sales efforts, including price negotiations to reflect rising wages. This translated to a transaction value of JPY 4,338 mn. This is close to the JPY 4,217 mn that the Company reports as its net sales.

The take rate**, which had been hovering in the high 17% range since the invoice system began in October 2023, edged up to 18.0% in Q3. This was not the result of a one-off institutional system-driven increase but the outcome of steady sales efforts—individual negotiations at contract renewal. In Q3 FY2026/3, the Company posted net sales of JPY 4,217 mn, of which JPY 759 mn was retained as gross profit (JPY 688 mn in Q3 FY2025/3).

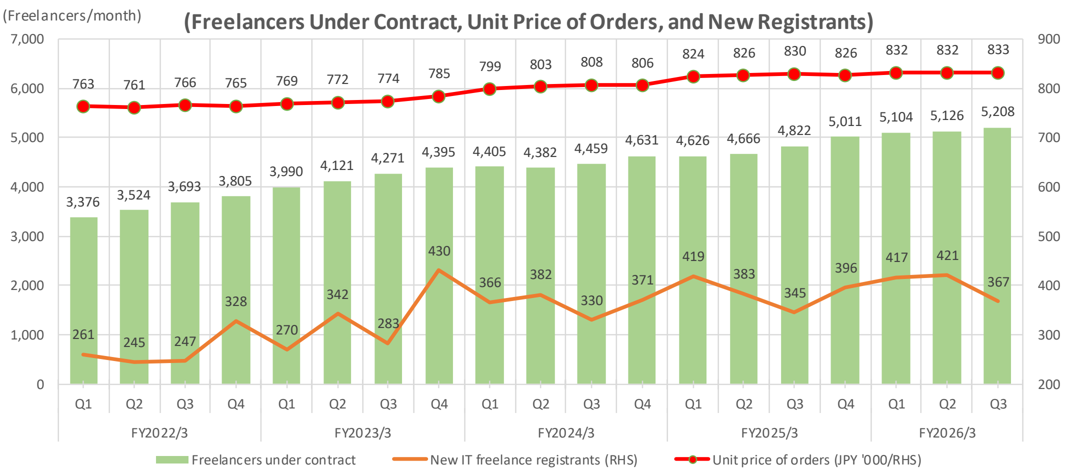
New registrants totaled 367 in Q3, increasing from 345 in the same period last year. In Q3 FY2026/3 alone, the Company brought in 53 **new customer companies**, bringing the total to 1,958 companies as of the end of December 2025.

The number of freelance project listings from these companies on the Company's job search site **geechs job** (https://geechs-job.com/) fluctuates daily, but the number had surpassed 9,400 listings as of February 19, 2026.

IT Human Resources Matching Business, Japan
(Sales, Segment Income, Advertising Expense Ratio, and Take rate)



(Freelancers Under Contract, Unit Price of Orders, and New Registrants)



Source: Compiled by SIR from the Company IR material

■ Exploring the significance of higher take rates

With order prices holding roughly flat in the JPY 830,000 range, the 20 bp increase in the take rate reflects the Company's sales efforts, achieved through individual negotiations at contract renewal rather than a blanket, system-driven price hike.

Through interviews with the Management, SIR found that the increase in the take rate was driven by inflationary pressures and successful price pass-through.

To cover higher employee wages and rising fixed costs, the Company has been working to preserve its spread (brokerage fee) on the freelancer side. At the same time, it has been confronting customers with a simple reality: secure appropriate budgets, or top talent will go elsewhere, reinforcing the message by highlighting the likelihood of further increases in order prices. In the enterprise domain, where the IT talent shortage is particularly acute, acceptance of these cost increases as an "unavoidable investment" is becoming entrenched.

■ The "GEECHS Project-to-Freelance Ratio Report" indicates Quality Shift in IT Demand

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 October-December 2025 was high at 6.74x. However, considering this figure was above 10x four years ago, it has been gradually trending downward. This does not, however, indicate a cooling market.

*** "GEECHS Project-to-Freelance Ratio Report" gives demand trends in the IT freelance market—Cumulative quarterly Projects-to-Freelancer Ratio hits 6.74x**

https://www.geechs.com/newsrelease/20260210_ankenbairitsu/

(Only in Japanese)

The Management notes that, based on a solid understanding of the current state of AI adoption among system integrators and in the enterprise domain, demand for IT talent is shifting from generic development capacity (quantity) to high productivity enabled by AI utilization (quality). In other words, while AI is increasingly taking over simple implementation work, demand remains strong for highly skilled professionals who can leverage AI to amplify productivity. The Management describes this as a bifurcating market, where rates continue to rise for higher value-added talent.

Specifically, the latest report explains current trends as follows: PM roles that can handle upstream development processes and freelancers who can work with AI are in high demand. As AI utilization becomes a standard skill, professionals increasingly need the judgment to articulate and assess AI outputs with precision, along with advanced AI literacy and a strong awareness of security. Rather than leaving every step of the process to AI, the market is placing a premium on talent that can "co-create" with AI, using it as a tool to complement and extend their own work.

The report also offers freelancers seeking projects an encouraging, advice-like outlook: going forward, those who combine an "AI-native" mindset, proactively and continuously updating their tech stack, with the initiative to take a bird's-eye view of an entire project and lead problem-solving, will further enhance their market value.

SIR believes the Company will continue to prioritize match quality and higher pricing, and sustain profit growth by evolving into a higher value-added platform.

Share Price Insights

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

SIR believes that the Company's share 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 approximately 11x, EV/EBITDA of approximately 5x, and a P/B ratio of approximately 2.2x based on figures at FY26/3. The Management also recognizes that the equity market's valuation of the Company has not caught up with its improving fundamentals, and views raising the Company's visibility and liquidity in the market 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 2.15% based on the Ministry of Finance's interest rate data [1], the implied equity risk premium was set at 2.82% based on the Stock Market Data website [2], and the Company's beta value was set at 0.866, 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 4.59%. Next, the base dividend was set at JPY 30 for FY2026/3, with the perpetuity growth rate remaining the same for FY2027/3 onward. Furthermore, SIR adjusted the perpetuity growth rate so that the theoretical value per share would approach the latest share price (JPY 613 at the February 19 closing), but the results showed that the latest share price can only be justified under a negative perpetuity growth rate. Even assuming 0% growth, SIR estimates the theoretical value per share at JPY 695. The sensitivity analysis in the table below provides a data table with Implied Equity Risk Premium (Eq.RP) and perpetuity growth rate as variables, and indicates the Eq.RP and perpetuity 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 9.5% (calculated as projected ROE of 19% x (1 - pledged dividend payout ratio of 50%), 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 2026/3	2027/3	2028/3	2029/3	2030/3
Dividend per Share (JPY)	**30.00**	**30.00**	**30.00**	**30.00**	**30.00**
DPS growth rate (same as Perpetuity Growth Rate)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*

Calculating the cost of capital

Calculation of Debt Cost (End of 2025/3)		
Interest expense	26	JPY mn
Interest-bearing debt (term-ave.)	1,764	JPY mn
Pre-tax Debt Costs	1.45%	
Effective tax rate	39.4%	
After-tax debt costs	0.88%	

DDM Analysis (JPY)

Present value of dividends for 5 years	139
Perpetuity Growth Rate	0.0%
Perpetuity Growth Rate × DPS in the final fiscal year	30
Terminal Value	654
Present value of Terminal Value	556
Theoretical value per Share	695

Calculating the Cost of Capital (CAPM)

Risk-Free Rates		2.15%
Beta		0.866
Equity Risk Premium		2.82%
Cost of Equity		4.59%
Interest-bearing debt	1,976	24.1%
Market Cap.(as of Feb.19)	6,227	75.9%
Total	8,204	100.0%
Weighted Average Cost of Capital		3.70%

Sensitivity analysis

Eq. RP \ Perpetuity Growth Rate	0.0%	0.5%	1.0%	1.5%	2.0%
2.50%	736	833	958	1,129	1,372
3.00%	673	752	852	984	1,163
3.50%	620	686	768	873	1,010
4.00%	575	632	700	785	894
4.50%	537	586	644	715	803
5.00%	504	546	596	656	729
5.50%	475	512	555	607	669

Source: Compiled by SIR from the Company financial statements.

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