



GEECHS | 7060

TSE Standard

Q2 Follow-up

GEECHS

Renewed Geechs is in the midst of a steady earnings recovery

◆ Q2 FY2026/3 results review:

On November 13, Geechs Inc. (hereafter, "the Company") announced its Q2 FY2026/3 (Jul-Sep) earnings results. Net sales rose 2.5% YoY to JPY 6,518 mn, EBITDA rose 86% YoY to JPY 278 mn, and operating profit rose 124.9% YoY to JPY 253 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 stronger-than-planned growth in the Seed Tech business contributed to results. After completing its business portfolio restructuring at the end of the previous fiscal year, the renewed Geechs shifted its focus to the IT human resources domain. As a result, continued productivity gains through the use of generative AI and appropriate cost control improved the Company's operating margin from 1.8% in the same period last year to 3.9%, marking a steady recovery in profitability.

◆ Upwardly revised FY2026/3 forecast, but underlying earnings recovery is even stronger

On October 27, 2025, the Company raised its full-year earnings forecast by reflecting most of its H1 upside against its initial forecast. Although it set a slightly more conservative H2 forecast owing to concentrated upfront investment in "Digishoku", which launched in July, it now targets full-year 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%. Meanwhile, the Company maintained its interim dividend of JPY 10 and year-end dividend forecast of JPY 10. 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.

◆ Launched efforts to use AI strategically to centralize HR matching knowledge and reduce individual dependence

The Company formulated the "GEECHS AI Statement", under the concept of "Working with AI, Connecting with AI", and launched Strategic AI Utilization Initiatives aimed at further improving productivity through the development of its integrated AI agent GEECHS AI and the creation of an AI co-creation culture.

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
2026/3CE Old	26,600	5.7	780	24.6	700	41.3	660	33.5	474	853	46.37	20.00
2026/3CE New	26,600	5.7	880	40.6	800	61.4	770	55.7	550	1,022	53.71	20.00
2025/3 H1	12,183	2.2	256	3.5	193	84.3	199	99.7	164	N.M.	15.91	0.00
2026/3 H1 CE	12,200	0.1	330	28.8	300	55.0	280	40.4	244	48.7	23.77	10.00
2026/3 H1 Act	12,891	5.8	476	85.8	437	126.2	427	114.5	343	109.2	33.32	10.00

*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: Compiled by SIR from the Company IR material.

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 (11/28)	612
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)	10,330
Mkt cap (JPY mn)	6,269
EV (JPY mn)	4,614
FY25/9 Equity ratio	37.9%
FY25/3 ROE (act)	1.8%
FY25/9 P/B (act)	2.17x
FY26/3 P/E (CE)	11.4x
FY26/3 EV/EBITDA(CE)	5.24x
FY26/3 DY (CE)	3.27x

Daily Stock Price Chart (One year)



Source: Trading view

Kenichi Sugimoto, Senior Analyst
research@sessapartners.co.jp



Strategic AI Utilization Initiatives

◆ Share Price Insights:

The market reacted little to the upward forecast revision, which did not include a dividend increase, and the Company's valuation remains low. Accordingly, SIR used a dividend discount model to work out what level of dividend growth is factored into the latest share price. The results suggest that the latest share price of JPY 612 implies a profit growth rate of 1 to 2%. Furthermore, it also implies that there is substantial upside potential should the certainty of profit growth improve.

■ Formulated the GEECHS AI Statement

The Company established the "GEECHS AI Statement", under the concept of "Working with AI, Connecting with AI", and made clear through dialogue with employees that it will foster an organizational mindset of co-creating with AI. It aims to 1) update the very standards of the HR business and lead industry transformation, and 2) provide more efficient, higher value-added services through AI-human co-creation. This AI statement is not a simple declaration of technology adoption but a commitment to transform organizational culture. In addition, during FY2026/3, the Company will begin laying the groundwork for its medium- to long-term vision by incorporating AI utilization metrics into personnel evaluations and shifting evaluation criteria to establish "AI-co-creation digital talent" as the internal standard.

However, the Company's decision to formulate an AI statement and incorporate AI utilization metrics into its HR systems and evaluations stems from the need to break through the limits of its traditional labor-intensive model. Manual matching and individualized training inflate personnel and idle time costs, which squeeze profit margins. The underlying concern is that balancing growth and profitability will become challenging without raising per-capita productivity through generative AI and data-driven automation.

■ Aiming to further boost productivity by developing "GEECHS AI" and establishing an AI co-creation culture

The Company outlined a plan to develop its integrated AI agent "GEECHS AI", built on its long-accumulated matching data between freelancers and client companies. The goal is to improve matching accuracy and automate internal training. By training the system on the characteristics of high-performing consultants and having AI support tasks such as drafting proposal messages for candidates, consultants can focus on building client relationships and winning additional new projects. This is expected to shorten lead time to project start and raise man-month productivity, while also reducing skill variability across individuals and boosting company-wide digital literacy.

By using "GEECHS AI" as the core tool for matching, the Company aims to raise internal productivity and ultimately shift to a more knowledge-intensive business model in order to improve segment profitability.

Conceptual Diagram of “GEECHS AI”



Source: Company IR material

Q2 2026/3 Results Review

* Introduced in April 2023, **GEECHS DIRECT** is freelancer search-type platform service that makes it possible for companies to directly search for IT freelancers on the GEECHS database. Companies pay IT freelancers a monthly commissioned work fee and a uniform lump-sum JPY 800,000 as a performance fee when a contract is concluded.

* **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.

* **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.

■ Overseas IT HRM Biz no longer a loss-making segment

The Company's **Japan IT HRM Biz**, its main growth driver, posted net sales increase by 10.2% YoY to JPY 4,121 mn, almost the same level as the quarterly record of JPY 4,127 mn in Q1. With employee productivity gains from using generative AI and appropriate cost controls, such as keeping advertising expenses at 1.2% of net sales, as well as a good performance of GEECHS DIRECT* with a high profit margin, operating profit came in at a Q2 record high, rising 8.7% YoY to JPY 322 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** segment, 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. On August 29, 2025, the Company acquired the remaining 30% stake in Launch for JPY 103 mn and made it a wholly owned subsidiary. Because it limited orders for low-margin projects, sales for April–June declined 9.7% YoY to JPY 2,264 mn. At the same time, organizational restructuring, consultant replacement, and strict cost control that began last year lowered the breakeven point. As a result, the segment generated an operating profit of JPY 25 mn. The Company stated that the segment is no longer a loss-maker and revised its full-year operating profit forecast for the segment from the previous JPY 30 mn loss to a JPY 30 mn profit. It also noted that performance for July–September were solid, and unless there is a major downturn in October–December, segment operating profit may surpass the full-year forecast.

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. Orders continued to build steadily, centered on offshore development, and the group IT study-abroad package plan was popular this summer, keeping local operations extremely busy. As a result, segment sales rose 66.3% YoY, and segment operating profit came in at a strong JPY 45 mn, covering the Q1 loss of JPY 8 mn to drive an H1 operating profit of JPY 37 mn. Even so, the Company only raised its full-year segment operating profit forecast from JPY 10 mn to JPY 20 mn. It explained that this reflects concentrated upfront investment in H2, mainly for the hiring and development of new digital business professionals for the Digishoku service, which launched in July.

Segment Information

Segment	Business	(JPY mn)	2025/3	2026/3	YoY	FY2025/	FY2026/	YoY	FY2025/3	FY2026/3	YoY	FY2025/3	FY2025/3	YoY
			3 H1	3 H1	(%)	Apr-Jun	Apr-Jun	(%)	Jul-Sep	Jul-Sep	(%)	Jul-Sep	Jul-Sep	(%)
Japan IT HRM Biz	IT engineer and customer company matching business in Japan	Net Sales	15,363	17,500	13.9	7,434	8,248	10.9	3,694	4,127	11.7	3,740	4,121	10.2
		Op. Profit	1,284	1,400	9.0	591	670	13.3	295	348	17.8	296	322	8.7
		OP Margin	8.4%	8.0%		7.9%	8.1%		8.0%	8.4%		7.9%	7.8%	
Overseas IT HRM Biz	IT engineer and customer company matching business in Australia	Net Sales	9,414	8,700	(7.6)	4,555	4,427	(2.8)	2,048	2,163	5.6	2,507	2,264	(9.7)
		Op. Profit	(155)	30	T.B.	(94)	21	T.B.	(36)	(4)	Loss Shrunken	(57)	25	T.B.
		OP Margin	-1.6%	0.3%		-2.1%	0.5%		-1.8%	-0.2%		-2.3%	1.1%	
Seed Tech	Human resources development tool sales, IT study abroad program, and offshore development	Net Sales	329	400	21.4	162	243	49.9	72	95	31.0	89	148	66.3
		Op. Profit	5	20	300.0	3	37	1,052.3	(13)	(8)	Loss Shrunken	16	45	181.3
		OP Margin	1.5%	5.0%		2.0%	15.2%		-18.1%	-8.4%		18.0%	30.4%	
Other (Former x-Tech Business until 2023/3)	Marketing video production for golf club manufacturers, etc.	Net Sales	82	-		40	-		14	-		24	-	
		Op. Profit	-18	-		-14	-		(9)	-		(5)	-	
		OP Margin	-22.0%			-36.2%			-64.3%			-20.8%		
Total		Net Sales	25,162	26,600	5.7	12,183	12,891	5.8	5,825	6,373	9.4	6,358	6,518	2.5
		Op. Profit	495	800	61.6	193	437	126.2	80	183	127.9	112	253	124.9
		OP Margin	2.0%	3.0%		1.6%	3.4%		1.4%	2.9%		1.8%	3.9%	

Source: Compiled by SIR from the company IR material.

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).

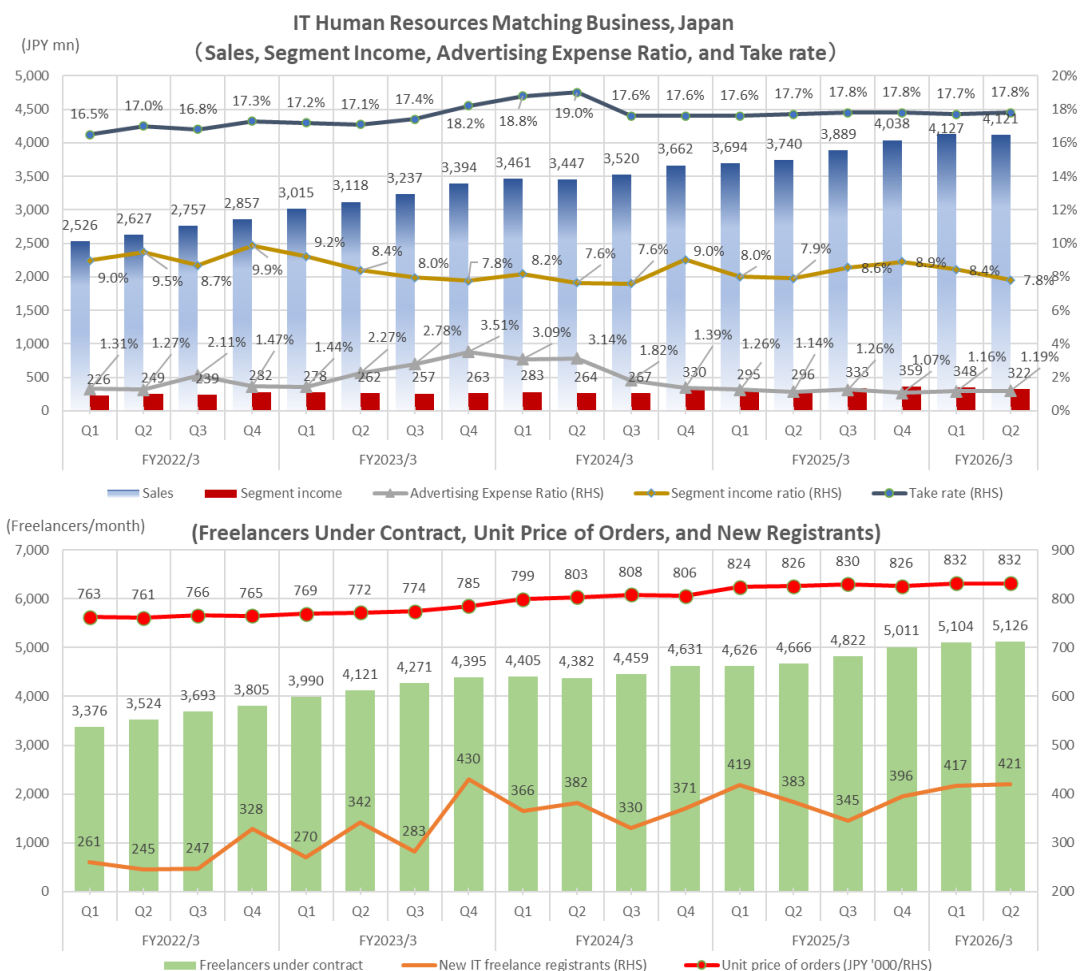
** GEECHS gross profit (net revenue) is the agent fee, net sales minus compensation paid to IT freelancers, and the **take rate** is gross profit divided by net sales.

■ 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 Q2 FY2026/3, **man-months worked** came to a record high 5,126, reflecting the Company's ongoing efforts to strengthen its relationships with IT freelancers. **Monthly unit price of orders** rose steadily to JPY 832,000, up 0.7% 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 4,265 mn. This is close to the JPY 4,121 mn that the Company reports as its net sales.

The **take rate**** also remained stable as the Company had expected, coming in at 17.8% in Q2. With the introduction of the invoice system in October 2023, the Company took on the burden of a portion of the consumption tax related to IT freelancers, but has managed to maintain this level since Q3 FY2024/3. The impact on earned profit will likely be limited because the take rate was revised to reflect the impact of the invoice system before it was introduced. In Q2 FY2026/3, the Company posted net sales of JPY 4,121mn, of which JPY 733 mn was retained as gross profit (JPY 661 mn in Q2 FY2025/3).

New registrants totaled 421 in Q2, increasing from 383 in the same period last year. In Q2 FY2026/3 alone, the Company brought in 45 **new customer companies**, bringing the total to 1,905 companies as of the end of September 2025.



Source: Compiled by SIR from the Company IR material

■ The profitability of the Japan IT HRM Biz is at its highest level

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 8,800 listings as of November 28, 2025.

SIR conducted a comparative analysis of this over time from the perspective of profit gained per IT freelancer. GEECHS manages how well it secures IT freelancers, its source of earnings, using the following KPIs and discloses that information every half year. The average revenue per user (**ARPU**) is calculated as gross sales generated from orders from companies minus compensation paid to IT freelancers and other costs of sales of GEECHS. This is the average monthly unit price per IT freelancer, which was JPY 142,000 for H1 FY2026/3, slightly increased from H1 FY2025/3. The **average engagement duration** for IT freelancers has also increased to 19.6 months (annualized), a record high, driven by improved engagement with IT freelancers. Multiplying both of these figures yields a life-time value (**LTV**) of JPY2,776,000, based on the average gross profit generated by an IT freelancer during their engagement. Thanks to the fact that advertising expenses were kept under control as planned, the average acquisition cost per IT freelancer (**CAC**) came to JPY472,000 and the **Unit Economics**, or return on IT freelancer acquisition cost, came to a record high of 5.9x.

The Company controlled its advertising expense ratio at a reasonably appropriate level in the low 1% range. Furthermore, it worked to create a forward-looking business structure designed to support sustainable growth, such as by adding headcount to bolster its organization and improving internal training and development, while also systematically spending its budget, particularly on personnel expenses (which account for around 40% of SG&A expenses). As a result, its **segment profit** for the business in H1 rose 13.3% YoY to JPY 670 mn.

■ The "GEECHS Project-to-Freelance Ratio Report" indicates sustained strong 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"*. The ratio is not a KPI but offers a semi-macro perspective on demand in the IT freelance market. According to this report, the quarterly cumulative ratio for July-September 2025 was high at 7.53x. There is also steady demand for server-side languages currently sought by companies, including Java, PHP, and Python for AI-related development.

Interestingly, the report also includes a trend forecast for the October-December 2025 period. According to the report, both project offerings and freelancers seeking projects are expected to become more active from late October through November in preparation for projects starting in January and beyond, in line with the usual seasonal pattern.

* "GEECHS Project-to-Freelance Ratio Report" gives demand trends in the IT freelance market—Cumulative quarterly Projects-to-Freelancer Ratio hits 7.53x

https://geechs.com/newsrelease/20251111_ankenbairi_tsu/

KPIs for The Japan IT HRM Biz

KPI	Definition	FY22/3	FY23/3	FY24/3	FY25/3	FY25/3 H1	FY26/3 H1
ARPU (thousand yen)	Average monthly unit price (gross profit) per IT freelancer	123	130	141	142	141	142
Average engagement duration (months)	Average duration of engagement for an IT freelancer* ²	16.4	17.3	17.8	18.9	18.8	19.6
LTV (thousand yen)* ¹	Average gross profit generated by one IT freelancer during their engagement (= ARPU x Average engagement duration)	2,017	2,249	2,510	2,683	2,650	2,776
CAC (thousand yen)	Average acquisition cost per IT freelancer	473	998	1,036	473	466	472
Unit Economics* ¹	Return on IT freelancer acquisition cost (= LTV / CAC)	4.5	2.3	2.4	5.7	5.7	5.9

Source: The Company's IR material

*¹ Until FY2023/3, each KPI was calculated based on the period average, but from the FY2024/3, calculations are based on ARPU, average duration, and CAC. In line with this change, the above figures for FY2023/3 also reflect the new calculation method. *² Average total engagement duration including project changes.

Share Price Insights

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 potential implied by current share price and DDM comes about 1-2%

Reflecting what appears to be expectations for an earnings recovery following the Q1 FY2026/3 results announcement, the Company's share price has returned to its highest level since October 2023, just before it withdrew its medium-term management plan and revised earnings and dividends downward. Although 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 5.2x, and a P/B ratio of 2.17x 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.

The Company set a target dividend payout ratio of 50%, and has indicated that it may boost dividends in line with EPS growth. Accordingly, 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 1.81% based on the Ministry of Finance's interest rate data^{*1}, the equity risk premium was set at 3.65% based on the Stock Market Data website^{*2}, and the Company's beta value was set at 0.919, 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 5.16%. Next, the base dividend was set at JPY 20 for FY2026/3, with the perpetuity growth rate remaining the same for FY2027/3 onward. Based on this, after adjusting the perpetuity growth rate to bring the theoretical value per share closer to the latest share price of JPY 612, around 1.5% perpetuity growth rate yields theoretical value per share of JPY 579. The sensitivity analysis in the table below provides a data table with 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).

SIR believes that this means the latest share price of JPY 612 implies a profit growth rate of 1-2%, but the stock market does not expect the Company's sustainable growth rate of 9.5% (calculated as projected ROE of 19% x (1 - 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.

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)		20.00	20.30	20.60	20.91	21.23
DPS growth rate (same as Perpetuity Growth Rate)			1.5%	1.5%	1.5%	1.5%
Calculating the cost of capital		DDM Analysis (JPY)				
Calculation of Debt Cost (End of 2025/3)		Present value of dividends for 5 years				
Interest expense	26 JPY mn	Perpetuity Growth Rate				
Interest-bearing debt (term-ave.)	1,764 JPY mn	Perpetuity Growth Rate × DPS in the final fiscal year				
Pre-tax Debt Costs	1.45%	Terminal Value				
Effective tax rate	39.4%	Present value of Terminal Value				
After-tax debt costs	0.88%	Theoretical value per Share				
Calculating the Cost of Capital (CAPM)		Sensitivity analysis				
Risk-Free Rates	1.81%	Perpetuity Growth Rate				
Beta	0.919					
Equity Risk Premium	3.65%					
Cost of Equity	5.16%					
Interest-bearing debt	2,062 24.8%					
Market Cap.(as of Nov.26)	6,269 75.2%					
Total	8,331 100.0%					
Weighted Average Cost of Capital	4.10%					

Source: Compiled by SIR from the Company financial statements.

LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report. The copyright of this report belongs to Sessa Partners. Modification, manipulation, distribution or transmission of this report constitutes copyright infringement and is strictly prohibited.



Sessa Partners Inc.

#5a i-o Azabu, 2-8-14
Azabujyuban, Minato-ku, Tokyo
info@sessapartners.co.jp