

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Based on J-GAAP)

May 14, 2019

|  |   |   |
|--|---|---|
| Listed company name  | Geniee Inc.                               | Listed stock exchange: TSE                                  |
| Code No.   | 6562                                      | URL <a href="https://geniee.co.jp">https://geniee.co.jp</a> |
| Representative (Title/post)                                | Representative Director, President & CEO  | (Name) Tomoaki Kudo   |
| Contact liaison (Title/post)                               | Administration Department General Manager | (Name) Fumiki Nakajima TEL: +81-3-5909-8177                 |
| Scheduled date of regular general meeting of shareholders: | June 27, 2019                             | Schedule date to commence dividend payments —               |
| Scheduled date of marketable securities report submission  | June 28, 2019                             |   |
| Supplemental earnings summary materials created:           | Yes                                       |   |
| Earnings conference held:                                  | Yes                                       | (for institutional investors and analysts)                  |

(amounts below one million yen rounded off)

## 1. Consolidated earnings for FYE March 2019 (April 1, 2018 to March 31, 2019)

### (1) Consolidated operating results

(% indicates YoY change)

|                | Net sales   |      | Operating income |       | Ordinary income |       | EBITDA      |       | Profit attributable to owners of parent |   |
|----------------|-------------|------|------------------|-------|-----------------|-------|-------------|-------|---|---|
|                | million yen | %    | million yen      | %     | million yen     | %     | million yen | %     | million yen                             | % |
| FYE March 2019 | 14,954      | 4.0  | -310             | —     | -330            | —     | 19          | -97.6 | -544                                    | — |
| FYE March 2018 | 14,380      | 22.6 | 527              | 104.8 | 467             | 140.2 | 783         | 71.2  | 63                                      | — |

(Note) Comprehensive income FYE March 2019 -531 million yen (-%) FYE March 2018 53 million yen (-%)

(Note) EBITDA = Operating income + Depreciation and amortization + Amortization of goodwill

|                | Net income per share | Diluted net income per share | Return on equity | Return on Assets | Operating profit margin |
|----------------|----------------------|------------------------------|------------------|------------------|-------------------------|
|                | Yen                  | Yen                          | %                | %                | %                       |
| FYE March 2019 | -30.77               | —                            | -18.4            | -6.5             | -2.1                    |
| FYE March 2018 | 3.84                 | 3.64                         | 2.6              | 9.6              | 3.7                     |

(Ref.) Equity in earnings of affiliates FYE March 2019 - million yen FYE March 2018 - million yen

### (2) Status of consolidated finances

|                | Total assets | Total assets | Equity ratio | Net assets per share |
|----------------|--------------|--------------|--------------|----------------------|
|                | million yen  | million yen  | %            | Yen                  |
| FYE March 2019 | 4,635        | 2,714        | 58.4         | 151.54               |
| FYE March 2018 | 5,541        | 3,205        | 57.8         | 182.95               |

(Ref.) Shareholders equity FYE March 2019 2,707 million yen FYE March 2018 3,203 million yen

### (3) Status of consolidated cash flow

|                | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Cash and cash equivalents Balance at end of period |
|----------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
|                | million yen                         | million yen                         | million yen                         | million yen  |
| FYE March 2019 | 203                                 | -995                                | -137                                | 1,618  |
| FYE March 2018 | 291                                 | -329                                | 1,392                               | 2,541  |

## 2. Status of dividends

|                           | Total annual dividends |           |           |          |       | Total dividend amount (Total) | Dividend payout ratio (Consolidated) | Net asset dividend ratio (consolidated) |
|---------------------------|------------------------|-----------|-----------|----------|-------|-------------------------------|--------------------------------------|---|
|                           | End of 1Q              | End of 2Q | End of 3Q | Year-end | Total |                               |                                      |   |
|                           | Yen                    | Yen       | Yen       | Yen      | Yen   | million yen                   | %                                    | %                                       |
| FYE March 2018            | -                      | 0.00      | -         | 0.00     | 0.00  | -                             | -                                    | -                                       |
| FYE March 2019            | -                      | 0.00      | -         | 0.00     | 0.00  | -                             | -                                    | -                                       |
| FYE March 2020 (forecast) | -                      | -         | -         | -        | -     | -                             | -                                    | -                                       |

(Note) Dividend forecast amounts for FYE 2020 second quarter and end of fiscal year are not yet determined.

## 3. Consolidated earnings forecast for FYE March 2020 (April 1, 2019 to March 31, 2020)

(% indicates YoY change)

|           | Net sales   |     | Operating income |   | Ordinary income |   | Profit attributable to owners of parent |   | Net income per share |
|-----------|-------------|-----|------------------|---|-----------------|---|---|---|----------------------|
|           | million yen | %   | million yen      | % | million yen     | % | million yen                             | % | Yen                  |
| Full-year | 15,572      | 4.1 | 23               | — | 7               | — | -39                                     | — | -2.20                |

\*Notes

(1) Movement of important subsidiaries during fiscal year (movements of designated subsidiaries incidental to change in scope of consolidation):  
None  
New companies: (Company name); Excluded companies: (Company name)

(2) Changes in accounting principles, changes in accounting estimates, and restatements  
1) Change in accounting principles incidental to revisions to accounting standards, etc.: None  
2) Changes in accounting principles other than 1): None  
3) Changes in accounting estimates: None  
4) Restatements: None

(3) Number of issued shares (common stock)

1) Number of shares issued at end of fiscal year  
(including treasury stock)

|                |                   |                |                  |
|----------------|-------------------|----------------|------------------|
| FYE March 2019 | 17,868,200 shares | FYE March 2018 | 17,508,200shares |
|----------------|-------------------|----------------|------------------|

1) Treasury stock as of end of term

|                |           |                |          |
|----------------|-----------|----------------|----------|
| FYE March 2019 | 70 shares | FYE March 2018 | - shares |
|----------------|-----------|----------------|----------|

3) Average number of shares during fiscal year

|                |                   |                |                  |
|----------------|-------------------|----------------|------------------|
| FYE March 2019 | 17,703,030 shares | FYE March 2018 | 16,478,803shares |
|----------------|-------------------|----------------|------------------|

(Ref.) Overview of nonconsolidated earnings

Nonconsolidated earnings for FYE March 2019 (April 1, 2018 to March 31, 2019)

(1) Nonconsolidated operating results

(% indicates YoY change)

|                | Net sales   |      | Operating income |      | Ordinary income |      | Net income  |      |
|----------------|-------------|------|------------------|------|-----------------|------|-------------|------|
|                | million yen | %    | million yen      | %    | million yen     | %    | million yen | %    |
| FYE March 2019 | 13,901      | 1.4  | -184             | -    | -195            | -    | -742        | -    |
| FYE March 2018 | 13,711      | 20.8 | 606              | 54.0 | 548             | 66.7 | 146         | -9.6 |

|                | Net income per share | Diluted net income per share |
|----------------|----------------------|------------------------------|
|                | Yen                  | Yen                          |
| FYE March 2019 | -41.95               | -                            |
| FYE March 2018 | 8.86                 | 8.41                         |

(2) Status of nonconsolidated finances

|                | Total assets |      | Total assets |      | Equity ratio |   | Net assets per share |  |
|----------------|--------------|------|--------------|------|--------------|---|----------------------|--|
|                | million yen  | %    | million yen  | %    | million yen  | % | Yen                  |  |
| FYE March 2019 | 4,531        | 61.0 | 2,766        | 61.0 |              |   | 154.79               |  |
| FYE March 2018 | 5,707        | 60.8 | 3,469        | 60.8 |              |   | 198.16               |  |

(Ref.) Shareholders equity    FYE March 2019    2,765    million yen    FYE March 2018    3,469    million yen

\*The earnings summary is not subject to audits by the public certified accountant or auditing firm.

\*Explanation concerning appropriate use of earnings forecasts and other special notes

Earnings forecasts and other forward-looking statements indicated in these materials, are based on information available and certain assumptions deemed reasonable at the time. Statements in these materials do not constitute any guarantee of actual performance. Actual business results may differ substantially due to a number of factors.

## 1. Status of operating results, etc.

### (1) Status of current fiscal year operating results

In the online ad market, the main segment in which our Group operates, demand for managed ads (Note 1) and smartphone video ads remains high thanks to the popularity of smart devices and technological advancements. In 2018, online ad spending increased to 1,758.9 billion yen, 116.5% YoY (research by DENTSU INC.), to drive overall growth in ad spending.

Amid such an operating environment, our Group applied our strengths in technology development and business promotion to expand our operating domains and service provision areas.

In the Ad Platform Business, while GenieeSSP, our mainstay product and one of the largest ad revenue maximization platforms on the Japanese market, was impacted by certain ad network operators reviewing their ad distribution policies, we worked to secure new customers and enhance support for existing customers. We also focused on enhancing GenieeDSP functions and increasing agent sales. In the Marketing Automation Business, in addition to conducting M&A to engage in new domains, we focused on new function development and aggressive new client development. For overseas business, we focused on expanding market share at existing offices and expanding into new offices.

As a result, consolidated earnings for the current fiscal year were net sales of 14,954,778,000 yen (up 4.0% YoY), and operating losses of 310,470,000 yen (operating income of 527,611,000 yen in previous consolidated FY), ordinary losses of 330,159,000 yen (ordinary income of 467,448,000 yen in previous consolidated FY), and net losses attributable to owners of parent of 544,766,000 yen (profit attributable to owners of parent of 63,242,000 in previous consolidated FY).

While we are aggressively engaged in M&A activities to strengthen and expand our business platform, our Group focuses on EBITDA (operating income + depreciation and amortization + amortization of goodwill) as a management benchmark that ensures our ability to make corporate comparisons without being swayed by the differences caused by the various accounting standards of each country. Current consolidated fiscal year EBITDA was 19,029,000 yen (down 97.6% YoY).

Our Group operates in a single segment, the ad technology business. The status of operations broken down by service and area are as follows.

#### -Ad Platform Business

The Ad Platform Business provides a platform for using ad technology to instantly select and display the ads suited for each browser on a website or smartphone app, which maximizes advertiser ad revenue and the efficacy of online media. Specifically, our platforms include GenieeSSP for online media and GenieeDSP for advertisers and ad agencies. We also provide OEM (Note 2) versions of these platforms.

When an ad is distributed via GenieeSSP or GenieeDSP, the advertiser pays ad listing fees (= sales for our Group) based on the number of times an ad is displayed and the unit rate. When an ad is distributed through an ad agency or a competitor DSP, an ad network (Note 3), or OEM client, ad listing fees are received from the advertiser via that third party.

Looking at current consolidated fiscal year, our mainstay service GenieeSSP was impacted by certain ad network operators reviewing their ad distribution policies. In response, we focused on new customer development, particularly major media outlets, and enhanced support for existing customers. We also worked on developing and proposing new functions. For GenieeDSP, our ad distribution platform for advertisers, we worked to secure new ad agencies and expand sales of native ads and video ads. Also, in February we officially launched our newly developed ad distribution platform for taxi dispatch services.

As a result, Ad Platform Business net sales during the consolidated fiscal period were 12,770,619,000 yen (up 1.1% YoY).

#### -Marketing Automation Business

In the Marketing Automation Business, services we offer include MAJIN, a platform for automating corporate marketing activities to efficiently increase purchasing intent among potential customers and process purchases and contracts. We also offer services such as Chikyu, the cloud-based customer relations management (CRM) and sales force administration (SFA) system we acquired in June 2018. For MAJIN and Chikyu, we receive monthly system or service usage fees (= Group sales) from the company adopting the service.

For MAJIN, in addition to focusing on improving existing functions and developing new analysis functions, during the current consolidated fiscal year we held seminars for potential customers and attended events to increase service recognition. For Chikyu, we focused on improving unit price by adding business card management features and expanding our customer segments.

As a result, the total number of accounts for MAJIN and Chikyu increased to over 1,800, during Marketing Automation Business net sales to 1,170,350,000 yen (up 8.7% YoY).

#### -Overseas Business

Our overseas business, primarily centers on the Ad Platform Business, including GenieeSSP for online media.

During the current consolidated fiscal year, we acquired stock in Adskom India Private Limited in October 2018 to engage in the Indian market and expand on our existing presence in Southeast Asia, which currently includes Singapore, Vietnam, Indonesia, and Thailand. In addition to promoting partnerships with major local companies, existing offices also focused on cross-border ad distribution services provided in collaboration with Softbank to target inbound traffic (foreign visitors to Japan) and cross-border EC customers.

As a result, overseas business net sales during the consolidated fiscal period were 1,239,986,000 yen (up 19.3% YoY).

(Note 1) Managed ads refers to a type of advertising for which ad optimization is supported automatically or immediately via a platform that processes vast amounts of data.

(Note 2) OEM is short for Original Equipment Manufacturer. This involves providing development services for SSP, DSP, etc. under the name of another company's brand.

(Note 3) An ad network is a framework for the centralized management of ad sales and distribution by gathering ad slots for online media, etc. to create an ad distribution network.

#### (2) Summary of financial status during the current fiscal year

##### (Assets)

Total assets as of the end of the consolidated fiscal year were 4,635,735,000 yen (down 16.3% YoY). This is mainly due to a decrease in cash and deposits of 923,236,000 yen and a decrease in accounts receivable of 769,687,000 yen.

##### (Liabilities)

Total liabilities as of the end of the consolidated fiscal year were 1,920,934,000 yen (down 17.8% YoY). This is mainly due to a decrease in accounts payable of 430,209,000 yen and a decrease in long-term debt of 99,051,000 yen.

##### (Net assets)

Net assets as of the end of the consolidated fiscal year were 2,714,801,000 yen (down 15.3% YoY). This was mainly due to a decrease in retained earnings of 544,766,000 yen due to recording net losses attributable to owners of parent.

#### (3) Status of cash flow

Cash and cash equivalents (hereinafter, "capital") declined by 923,236,000 yen compared to the end of the previous consolidated fiscal year to 1,618,564,000 yen.

The status of changes in cash flow and causes of fluctuations during the current consolidated fiscal year are as follows.

##### (Cash flow from operating activities)

Capital earned from operating activities during the consolidated fiscal year was 203,226,000 yen. This is mainly due to net losses before income taxes of 478,503,000 yen, depreciation and amortization of 285,627,000 yen, a decrease in accounts receivable of 808,754,000 yen, and a decrease in accounts payable of 452,125,000 yen.

##### (Cash flow from investment activities)

Capital used for investment activities during the consolidated fiscal year was 995,824,000 yen. This is mainly due to expenditures for the acquisition of tangible fixed assets totaling 324,352,000 yen and business acquisition expenditures of 238,000,000 yen, 172,940,000 yen in expenditures related to the acquisition of subsidiary stock incidental to a change in the scope of consolidation, expenditures for the acquisition of intangible fixed assets totaling 163,395,000 yen, and 55,431,000 yen in expenditures for the acquisition of marketable securities.

##### (Cash flow from financing activities)

Capital used for financing activities during the consolidated fiscal year was 137,945,000 yen. This is mainly due to expenditures of 100,257,000 yen towards the repayment of long-term debt, expenditures of 76,678,000 yen towards lease debt repayments, and income of 39,105,000 yen from issuing stock.

#### (4) Future outlook

During FYE March 2020, in the Ad Platform Business we will focus on effectively maintaining and growing existing mediums while continuing to enhance sales targeting major media outlets as we aim for further business growth. We also will use the taxi dispatch services platform as a foundation for launching commercial services in the digital OOH (\*1) domain. In the Marketing Automation Business, we will concentrate our development resources to enhance the functions for and links between MAJIN, Chikyu, and the chat-based customer service tool "chamo", operated by Chamo, Inc., in which we acquired stock in November 2018. For overseas business, we will promote solutions in line with local trends and customer needs while also strengthening and expanding our cross-border ad distribution services.

Based on the above, our consolidated earnings forecast for FYE March 2020 is net sales of 15,572 million yen (up 4.1% YoY), and operating income of 23 million yen (previous consolidated FY resulted in operating losses of 310 million yen), ordinary income of 7 million yen (previous consolidated FY resulted in ordinary losses of 330 million yen), net losses attributable to owners of parent of 39 million yen (previous consolidated FY resulted in net losses attributable to owners of parent of 554 million yen), and EBITDA of 359 million yen (up 1,789.9% YoY).

(Note 1) OOH is short for Out of Home, which refers to ad media consumers encounter outside the home such as transportation ads and outdoor billboard ads.