

Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2020
(Based on J-GAAP)

November 13, 2019

Listed company Geniece Inc. Listed stock exchange: TSE
 Code No. 6562 URL <https://geniece.co.jp>
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 Schedule date of first half report submission November 14, 2019 Schedule date to commence dividend payments —
 Supplemental quarterly earnings summary materials created: Yes
 Quarterly earnings conference held: Yes (for institutional investors and analysts)

(amounts below one million yen rounded off)

1. Consolidated earnings for the first half of FY2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated operating results (cumulative) (% 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	%
1H FY2019	7,007	-10.6	-229	—	-246	—	-79	—	-239	—
1H FY2018	7,841	20.9	-74	—	-85	—	102	-71.8	-287	—

(Note) Comprehensive income 1H FY2019 -240 million yen (-%) 1H FY2018 -270 million yen (-%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
1H FY2019	-13.36	—
1H FY2018	-16.27	—

(Note) Although potentially dilutive shares do exist, this is not indicated under "diluted net income per share" as the quarter resulted in a net loss per share.

(2) Status of consolidated finances

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
1H FY2019	4,220	2,478	58.5
FY2018	4,635	2,714	58.4

(Ref.) Shareholders' equity 1H FY2019 2,469 million yen FY2018 2,707 million yen

2. Status of dividends

	Total annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	—	0.00	—	0.00	0.00
FY2019	—	0.00	—	—	—
FY2019 (Forecast)	—	—	—	—	—

(Note) Revisions since most recently announced dividend forecast: None

Dividend forecast amount for end of fiscal 2019 is not yet determined.

3. Consolidated earnings forecast for FY2019 (April 1, 2019 to March 31, 2020)

(% indicates YoY change)

	Net Sales		Operating Income		Ordinary Income		EBITDA		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full-year	15,572	4.1	23	—	7	—	359	—	-39	—	-2.20

(Note) Revisions since most recently announced earnings forecast: None

*Notes

(1) Movement of important subsidiaries during consolidated cumulative quarter under review (movements of designated subsidiaries incidental to change in scope of consolidation): None

New companies: (Company Name); Excluded companies: (Company Name)

(2) Application of special accounting treatments during the creation of quarterly consolidated financial statements: None

(3) 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

(4) Number of issued shares (common stock)

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

IH FY2019	17,913,200	shares	FY2018	17,868,200	shares
IH FY2019	118	shares	FY2018	70	shares
IH FY2019	17,889,258	shares	IH FY2018	17,654,732	shares

2) Treasury stock as of end of term

3) Average number of shares during fiscal year (cumulative quarter)

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

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

(Notes on forward-looking statements)

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 several factors.

(Method of obtaining notes on quarterly financial statements)

We will hold an earnings conference for institutional investors and analysts on November 13, 2019. Notes on quarterly financial statements will be published to our website on a later date.

1. Qualitative information concerning quarter earnings

(1) Information on operating results

In the online ad market, the main segment in which our Group operates, demand for managed ads and smartphone video ads remains high thanks to the popularity of smart devices and technological advancements. In 2019, online advertising media budgets are expected to increase to 1,678.1 billion yen, up 115.9% from the previous year (research by Dentsu Inc., Cyber Communications Inc., and D2C Inc.).

Amid such an operating environment, our Group aims for sustainable growth and the medium- to long-term growth of our corporate value by serving as a Japanese technology company founded in Japan that embraces the mission of using technology to create new value and working together with clients to build success.

During the first half of this fiscal year, we focused on enhancing business portfolio management, expanding cross-sell initiatives, and streamlining our organizational structure by transferring decision-making authority to business supervisors. These represent the core strategies we have outlined for this fiscal year to achieve our current medium-term management plan, which extends through FY2021. Overall, initiatives progressed largely according to plan.

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

In the Ad Platform Business, net sales dropped to 5,639 million yen (down 18.1% YoY), primarily due to the impact of the change in the policy for client ad network operators last year, but they remained strong relative to our forecast and contributed to progress on overall performance. In our main supply-side businesses, we worked on maintaining and optimizing existing domains, marketing new products, and increasing share in new domains. Meanwhile, with the demand-side business, we focused on target domain sales and made major updates to delivery logic, including the introduction of machine learning. Additionally, new project development contracts for the digital OOH (Note 1), a new service we launched this fiscal year, were favorable, and inquiries increased steadily.

In the marketing solutions business (Note 2), the customer relations management (CRM) and sales force administration (SFA) system Chikyū performed favorably with customer unit prices increasing as a result of several large orders, including from leading recruitment agencies. For the marketing automation platform MAJIN, we continued business development efforts to target clients, while in ad management services operations stabilized, and the number of new orders increased. In September, we linked the Chikyū and MAJIN systems, which led to an increase in cross-sell inquiries. Chamo, the chat-based customer service tool operated by Chamo Inc. (Note 3), which we acquired in November 2018, also contributed to sales. As a result of the above, net sales were 734 million yen (up 40.9% YoY).

Looking at the overseas business, the supply side reseller business grew. At the same time, on the demand side, the cross-border business captured large-scale campaign orders from a major cosmetics company and new client development was favorable. As a result, net sales were 819 million yen (up 49.2% YoY).

Overall, earnings for the first half of this fiscal year resulted in net sales of 7,007 million yen (down 10.6% YoY), operating losses of 229 million yen (1H FY2018 was operating losses of 74 million yen), ordinary losses of 246 million yen (1H FY2018 was operating losses of 85 million yen), and 239 million yen in losses attributable to owners of parent (1H FY2018 was 287 million yen in losses attributable to owners of parent).

(Note 1) OOH is the abbreviation for Out of Home, which refers to ad media that engages the target audience in locations outside the home such as transportation ads and billboards.

(Note2) As of 1Q FY2019, we changed the business name from the former “Marketing Automation Business” to the “Marketing Solutions Business” to better reflect business operations.

(Note3) On October 1, 2019, we absorbed wholly-owned subsidiary Chamo Inc. to streamline business operations.

(2) Information on financial status

(Assets)

Total assets as of the end of 1H FY2019 were 4,220 million yen, a decrease of 415 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to factors including a decrease in cash and deposits of 209 million yen and a decrease in accounts receivable of 129 million yen.

(Liabilities)

Total liabilities as of the end of 1H FY2019 were 1,742 million yen, a decrease of 178 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to factors including a decrease in accounts payable of 114 million yen, and repayment of 51 million yen in borrowings.

(Net assets)

Net assets as of the end of 1H FY2019 were 2,478 million yen, a decrease of 236 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to a decrease in retained earnings of 239 million yen as a result of recording losses attributable to owners of parent.

(3) Information on consolidated earnings forecast and other forward-looking information

There is no change in the consolidated earnings forecast for FY2019 indicated in the earnings summary released on May 14, 2019.