

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

February 13, 2020

Listed company Geniee Inc. Listed stock exchange: TSE
 Code No. 6562 URL <https://geniee.co.jp>
 Representative (Title/post) Representative Director, President & CEO (Name) Tomoaki Kudo
 Contact liaison (Title/post) Administration Department (Name) Kana Irisawa TEL: +81-3-5909-8177
 General Manager
 Schedule date of third quarter report submission February 14, 2020 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 third quarter of FY2019 (April 1, 2019 to December 31, 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	%
3Q FY2019	10,709	-5.4	-165	—	-184	—	59	67.2	-206	—
3Q FY2018	11,321	12.4	-213	—	-227	—	35	—	-336	—

(Note) Comprehensive income 3Q FY2019 -208 million yen (-%) 3Q FY2018 -323 million yen (-%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY2019	-11.55	—
3Q FY2018	-19.03	—

(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	%
3Q FY2019	4,255	2,511	58.8
FY2018	4,635	2,714	58.4

(Ref.) Shareholders' equity 3Q FY2019 2,502 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)

3Q FY2019	17,913,200	shares	FY2018	17,868,200	shares
3Q FY2019	118	shares	FY2018	70	shares
3Q FY2019	17,897,228	shares	3Q FY2018	17,673,378	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 February 13, 2020. 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 consolidated cumulative third quarter 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 8,413 million yen (down 13.8% 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 the delivery logic update we have been promoting since the first half was a success, contributing to our securing a certain level of profits. Additionally, new large-scale 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 Chikyu performed favorably with new and repeat orders for large-scale projects, including from major communications providers. The marketing automation platform MAJIN also landed orders for large-scale projects, while upselling to existing customers trended favorably in ad management services. The tie-up between Chikyu and MAJIN systems launched last September resulted in an increase in cross-sell inquiries. Chamo, the chat-based customer service tool that was added to the product lineup last year, also contributed to sales through the third quarter cumulative period. As a result of the above, net sales were 1,215 million yen (up 48.7% YoY).

Looking at the overseas business, we worked on strengthening the supply side reseller business. At the same time, on the demand side, we reformed the business structure, including by shrinking unprofitable businesses. As a result, net sales were 1,182 million yen (up 29.0% YoY).

Overall, earnings for the consolidated cumulative third quarter of this fiscal year resulted in net sales of 10,709 million yen (down 5.4% YoY), operating losses of 165 million yen (3Q FY2018 was operating losses of 213 million yen), ordinary losses of 184 million yen (3Q FY2018 was ordinary losses of 227 million yen), and 206 million yen in losses attributable to owners of parent (3Q FY2018 was 336 million yen in losses attributable to owners of parent), due mainly to a decrease in net sales and an increase in personnel expenses associated with enhancements to the organizational structure.

(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.

(2) Information on financial status

(Assets)

Total assets as of the end of 3Q FY2019 were 4,255 million yen, a decrease of 380 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 384 million yen.

(Liabilities)

Total liabilities as of the end of 3Q FY2019 were 1,743 million yen, a decrease of 177 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to factors including a decrease in repayment of 76 million yen in borrowings, a decrease in the allowance for bonuses of 30 million yen, and a decrease in other liabilities of 58 million yen.

(Net assets)

Net assets as of the end of 3Q FY2019 were 2,511 million yen, a decrease of 203 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to a decrease in retained earnings of 206 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. Owing to the characteristics of its business operations, our group plans to post sales and profit growth in 4Q FY2019.