

Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Based on J-GAAP)

May 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 General Manager & CFO	(Name) Jun Kikukawa TEL: +81-3-5909-8177
Schedule date of regular general meeting of shareholders	June 26, 2020	Schedule date to commence dividend payments	—
Schedule date of marketable securities report submission	June 27, 2020		
Supplemental earnings summary materials created:	Yes		
Earnings conference held:	None		

(amounts below one million yen rounded off)

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

(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	%
FY2019	14,348	-4.1	-91	—	-141	—	214	1,027.8	-178	—
FY2018	14,954	4.0	-310	—	-330	—	19	-97.6	-544	—

(Note) Comprehensive income FY2019 -179 million yen (-%) FY2018 -531 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	%	%	%
FY2019	-9.99	—	-6.8	-3.2	-0.6
FY2018	-30.77	—	-18.4	-6.5	-2.1

(Ref.) Equity in earnings of affiliates FY2019 — million yen FY2018 — million yen

(2) Status of consolidated finances

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	Yen
FY2019	4,269	2,548	59.5	141.47
FY2018	4,635	2,714	58.4	151.54

(Ref.) Shareholders' equity FY2019 2,540 million yen FY2018 2,707 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	%	Yen
FY2019	73	-415	-76	1,197
FY2018	203	-995	-137	1,618

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	%	%
FY2018	—	0.00	—	0.00	0.00	—	—	—
FY2019	—	0.00	—	0.00	0.00	—	—	—
FY2020 (forecast)	—	—	—	—	—	—	—	—

(Note) The amounts of the second quarter and year-end dividends for the fiscal year ending March 31, 2021 are to be determined.

3. Consolidated earnings forecast for FY2020 (April 1, 2020 to March 31, 2021)

At this point in time, due to the difficulty in accurately calculating the impact of the novel coronavirus on our earnings amid the uncertainty of when the situation will return to normal, our consolidated earnings forecast for FY2020 is to be determined. We will disclose the forecast as soon as meaningful calculations become possible once the situation gets under control. For details, refer to "1. Status of operating results, etc. (4) Future outlook" on page 4 of the attachment.

*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)
- 2) Treasury stock as of end of term
- 3) Average number of shares during fiscal year

FY2019	17,958,200 shares	FY2018	17,868,200 shares
FY2019	118 shares	FY2018	70 shares
FY2019	17,909,366 shares	FY2018	17,703,030 shares

(Ref.) Overview of nonconsolidated earnings

Nonconsolidated earnings for FY2019 (April 1, 2019 to March 31, 2020)

(1) Nonconsolidated operating results

(% indicates YoY change)

	Net Sales		Operating Income		Ordinary Income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2019	12,999	-6.5	-1	-	-12	-	-218	-
FY2018	13,901	1.4	-184	-	-195	-	-742	-

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY2019	-12.21		-	
FY2018	-41.93		-	

(2) Status of nonconsolidated finances

	Total assets		Net assets		Equity ratio		Net assets per share	
	million yen		million yen		%		Yen	
FY2019	4,142		2,559		61.8		142.49	
FY2018	4,531		2,766		61.0		154.79	

(Ref.) Shareholders' equity FY2019 2,558 million yen FY2018 2,765 million yen

<Reason for differences in nonconsolidated earnings between the previous fiscal year and the fiscal year under review>

During the fiscal year under review, the Company's purchase costs decreased, resulting in a higher gross margin. For this and other reasons, a difference has arisen between the previous year's results and those of the fiscal year under review.

* 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 (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.

(Earnings conference)

The earnings conference for institutional investors and analysts has been canceled in order to prevent the spread of the novel coronavirus.

(Method of obtaining notes on financial statements)

Financial statements will be published to our website on May 13, 2020.

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 video ads remains high thanks to the popularity of smart devices and technological advancements. In 2019, online advertising media budgets increased to 2,104.8 billion yen, up 19.7% from the previous year, exceeding television media advertising budgets for the first time (research by Dentsu Inc.). Thus, the year saw a further shift toward online advertising. Additionally, the information and communication services market to which our Marketing Solutions Business belongs has seen a further trend toward digital transformation (Note 2) against a backdrop that includes labor shortages and work style reform. Meanwhile, demand from companies promoting improved productivity and efficiency of operations continues to grow. On the other hand, the spread of the novel coronavirus since the beginning of the fiscal year has heavily impacted economic activity in Japan and other countries, which has increased feelings of uncertainty about the future.

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 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.

As a result, consolidated earnings for the current fiscal year resulted in net sales of 14,348 million yen (down 4.1% YoY), operating losses of 91 million yen (FY2018 was operating losses of 310 million yen), ordinary losses of 141 million yen (FY2018 was ordinary losses of 330 million yen), and 178 million yen in losses attributable to owners of parent (FY2018 was 544 million yen in losses attributable to owners of parent).

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 fiscal year EBITDA was 214 million yen (up 1,027.8% YoY).

Our Group operates in a single segment with our Marketing 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 3) 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 4), or OEM client, ad listing fees are received from the advertiser via that third party.

Since 2019, we have also been working on new commercialization of the digital OOH domain (Note 5).

During the fiscal year under review, net sales dropped to 11,366 million yen (down 11.1% YoY), primarily due to the impact of the change in the policy for client ad network operators last year. Nevertheless, the impact ran its full course in the first half, so there was a recovery through the second half. 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 beginning of the fiscal year under review was a success, contributing to our securing a certain level of profits. Moreover, trends were favorable in the digital OOH domain with a steady increase in inquiries on top of multiple orders for development projects, including efforts underway with major billboard media.

- Marketing Solutions Business (Note 6)

In the Marketing Solutions Business, we provide various solutions, including ad management services for corporate customers, centered on BtoB SaaS products designed to support corporate marketing activities. Specifically, this includes Customer Relationship Management (CRM) and Sales Force Automation (SFA) system Chikyu, which is used for customer management and managing business talks in sales activities, and MAJIN, a platform for automating corporate marketing activities to efficiently increase purchasing intent among potential customers and process purchases and contracts.

With SaaS products like Chikyu and MAJIN, we receive monthly system or service usage fees (= Group sales) from the

company adopting the service.

During the fiscal year under review, strengthened sales activities such as participation in exhibitions and organizing of seminars were successful in driving growth of the Chikyu business, including continuation and expansion of orders for large-scale projects for leading recruitment agencies, major communications providers, and others. Orders for large-scale projects were also received in MAJIN owing to promotion of sales to target customers, while in ad management services, we promoted upselling to existing customers to complement the increase in new orders. Chamo, the chat-based customer service tool that was added to the product lineup last year, also contributed to sales throughout the year. As a result of the above, net sales were 1,675 million yen (up 44.5% YoY).

- Overseas Business

Our overseas business primarily centers on the Ad Platform Business, including GenieeSSP for online media, and GenieeDSP for advertisers/advertising agencies. Since the previous fiscal year, we have also offered cross-border ad distribution services provided in collaboration with Softbank to target inbound traffic (foreign visitors to Japan) and cross-border EC customers.

During the fiscal year under review, we worked on strengthening the supply side reseller business. At the same time, on the demand side, we reformed the business structure in the second half, including by shrinking unprofitable businesses. As a result, net sales were 1,441 million yen (up 16.3% 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) Digital transformation refers to the concept of improving people's lifestyles through the spread of digital technology.

(Note 3) 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 4) 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.

(Note 5) 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.

(Note 6) In the fiscal year under review, we changed the business name from the former "Marketing Automation Business" to the "Marketing Solutions Business" to better reflect business operations.

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

(Assets)

Current assets as of the end of FY2019 were 2,474 million yen, a decrease of 409 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to a 421 million yen decrease in cash and deposits. Fixed assets came in at 1,794 million yen, a 43 million yen increase compared to the end of the previous consolidated fiscal year. This was primarily due to a 152 million yen increase in intangible fixed assets, offsetting a 105 million yen decrease in tangible fixed assets.

As a result, total assets as of the end of FY2019 were 4,269 million yen, a decrease of 366 million yen compared to the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities as of the end of FY2019 were 1,443 million yen, a decrease of 40 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to a decrease of 87 million yen in accounts payable, a decrease of 47 million yen in other current liabilities, and a 100 million yen increase in short-term debt. Fixed liabilities came in at 276 million yen, a 160 million yen decrease compared to the end of the previous consolidated fiscal year. This was primarily due to a decrease of 100 million yen in long-term debt and a decrease of 59 million yen in lease debt.

As a result, total liabilities as of the end of FY2019 were 1,720 million yen, a decrease of 200 million yen compared to the end of the previous consolidated fiscal year.

(Net assets)

Net assets as of the end of FY2019 were 2,548 million yen, a decrease of 165 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to a decrease in retained earnings of 178 million yen as a result of recording losses attributable to owners of parent.

As a result, the equity ratio was 59.5% (compared to 58.4% at the end of the previous consolidated fiscal year).

(3) Status of cash flow

Cash and cash equivalents (hereinafter, "capital") declined by 421 million yen compared to the end of the previous consolidated fiscal year to 1,197 million yen. This was primarily due to net losses before income taxes of 172 million yen and a 341 million yen expenditure for the purchase of intangible fixed assets.

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 73 million yen. This is mainly due to net losses before income taxes of 172 million yen, depreciation and amortization of 236 million yen, an increase in accounts receivable of 50 million yen, a decrease in accounts payable of 85 million yen, and an income tax refund of 79 million yen.

(Cash flow from investment activities)

Capital used for investment activities during the consolidated fiscal year was 415 million yen. This is mainly due to expenditures for the acquisition of intangible fixed assets totaling 341 million yen.

(Cash flow from financing activities)

Capital used for financing activities during the consolidated fiscal year was 76 million yen. This is mainly due to 100 million yen in revenue from short-term debt, expenditures of 101 million yen towards the repayment of long-term debt, and expenditures of 86 million yen towards lease debt repayments.

(4) Future outlook

The Group will continue to engage in thorough business portfolio management to achieve the targets of the medium-term management plan.

In the Ad Platform Business, we will work on improving existing domains in our main supply-side businesses while promoting sales that home in on the target domains in our demand-side businesses. We will also update our products for improving advertiser cost performance as we work to expand profits. In the new digital OOH domain, we will continue the work on strengthening efforts related to major media that we began in the previous fiscal year while also working to create more new businesses.

In the Marketing Solutions Business, we will steadily promote our ad management services, expand sales of Chikyu, which drove growth in the previous fiscal year, and enhance the features of Chamo and MAJIN, prioritizing expansion of our market share for SaaS products.

In the overseas business, we will bring an end to structural reforms based on the shrinking of unprofitable businesses on the demand side that we have been working on since the previous fiscal year while aiming to achieve profitability as soon as possible based on steady supply side revenue.

Meanwhile, there is concern that the impact of the novel coronavirus on top of economic deceleration will affect corporate IT investments in the upcoming fiscal year. We expect increased traffic in the Ad Platform Business, but we also foresee decreased ad placements by advertisers. In the Marketing Solutions Business, we expect increased demand arising from the acceleration of digital transformation, but self-restraint from attending exhibitions and other events will impact lead creation, and there will be less investment from prospective customers. As such, there are various factors that may result in fluctuation of earnings, which affects preparation of the earnings forecast.

In light of the current uncertainty over when the situation with the novel coronavirus will return to normal, our consolidated earnings forecast for FY2020 is to be determined. We will disclose the forecast as soon as meaningful calculations become possible once the situation gets under control.

(Business and other risks associated with novel coronavirus)

In conjunction with the spread of the novel coronavirus, we have changed our operations so that in principle, all of our employees are working from home. Meetings with customers and other outside parties are also conducted remotely via video conferencing and other means. In these and other ways, we are working flexibly to establish a structure for business continuity. At the same time, there is a possibility that acquisition of new projects will not go as planned due to reduced ad placements by advertisers and less investment by prospective customers, and this could have an impact on the Group's earnings and financial position. Note that forward-looking statements within this document are based on our judgment as of the time of publishing. It remains unclear when the situation with the novel coronavirus will come under control, so the actual risks that may arise are not limited to those set forth herein.

2. Basic Thinking on Selection of Accounting Standards

Out of consideration for comparisons with other companies in Japan, our policy is to continue preparing consolidated financial statements according to Japanese standards for the time being. We will address application of International Financial Reporting Standards (IFRS) as appropriate based on circumstances at home and abroad.