

Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2021 (Based on J-GAAP)

November 12, 2020

Listed company: Geniee Inc. Listed stock exchange: TSE
 Code No.: 6562 URL: <https://en.geniee.co.jp>
 Representative: (Title/post) Representative Director, President & CEO (Name) Tomoaki Kudo
 Contact liaison: (Title/post) Administration Department (Name) Jun Kikukawa TEL: +81-3-5909-8177
 General Manager & CFO
 Schedule date of first half report submission: November 12, 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 first half of FY2020 (April 1, 20120 to September 30, 2020)

(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 FY2020	6,430	-8.2	-123	—	-140	—	47	—	-119	—
1H FY2019	7,007	-10.6	-229	—	-246	—	-79	-71.8	-239	—

(Note) Comprehensive income 1H FY2020 -126 million yen (-%) 1H FY2019 -240 million yen (-%)

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

	Net income per share		Diluted net income per share	
	Yen		Yen	
1H FY2020	-6.66		—	
1H FY2019	-13.36		—	

(Note) Although potentially dilutive shares do exist, they are not listed under diluted net income per share because they resulted in a net loss per share.

(2) Status of consolidated finances

	Total assets		Net assets		Equity ratio	
	million yen		million yen		%	
1H FY2020	4,320		2,419		56.0	
FY2019	4,269		2,548		59.5	

(Ref.) Shareholders' equity 1H FY2010 2,418 million yen FY2019 2,540 million yen

2. Status of dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen		Yen	Yen	Yen
FY2019	—	0.00	—	0.00	0.00
FY2020	—	0.00			
FY2020 (Forecast)			—	—	—

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

Dividend forecast amount for end of fiscal 2020 is not yet determined.

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

(% 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	15,580	8.6	186	—	174	—	549	156.1	134	—	7.48

(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 FY2020	17,988,200	shares	FY2019	17,958,200	shares
IH FY2020	118	shares	FY2019	118	shares
IH FY2020	17,968,246	shares	IH FY2019	17,889,258	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)

Notes on quarterly financial statements will be published to our website on November 12, 2020. We will hold an earnings conference for institutional investors and analysts on November 18, 2020.

1. Qualitative information concerning quarter earnings

Forward-looking statements in this document are based on judgments made as of the end of the second quarter.

(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 2020, online advertising media budgets are expected to increase to 1,845.9 billion yen, up 11.0% from the previous year (research by Dentsu Inc., Dentsu Digital Inc., Cyber Communications Inc., and D2C Inc.). 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 and still shows no signs of slowing.

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 first half of this fiscal year, we worked on expanding profitability of our main businesses and increasing our share in businesses in the investment stage to achieve our current medium- term management plan, which extends through FY2021. Overall, progress was made according to plan.

Our Group operates in a single segment with our Marketing Technology Business. The status of operations broken down by service and area is as follows.

- Ad Platform Business

In the Ad Platform Business, in our main supply-side businesses, we sought to expand sales of new products and in new domains while promoting efficiency in existing domains to increase profit. Meanwhile, with the demand-side business, we expanded our business in the online business domain, including EC not impacted by COVID-19. In the digital OOH domain*, we also continued to promote new efforts, such as new partnerships with major billboard media, development of new ad products, and experiments on visualization of ad value. As a result of the above, net sales in the Ad Platform Business were 5,376 million yen (down 4.7% YoY).

-Marketing Solutions Business

In the Marketing Solutions Business, we worked on enhancing the functions of each product, including Chikyu, and also carried out a substantial renewal of Chamo. Additionally, we continued to make appearances at online and other events and worked to expand sales of each product. On the other hand, in the ad management services business, results fell significantly short of the previous year due to the impact of cutbacks on ad placements because of the COVID-19 pandemic. As a result, net sales in the Marketing Solutions Business were 514 million yen (down 30.0% YoY).

-Overseas Business

In our overseas business, we worked on strengthening the supply side reseller business. At the same time, efforts that we carried out the previous year, such as shrinking unprofitable businesses, bore fruit and brought significant improvement to our profit structure. As a result, net sales were 602 million yen (down 26.5% YoY).

Overall, earnings for the consolidated first half of this fiscal year resulted in net sales of 6,430 million yen (down 8.2% YoY), operating losses of 123 million yen (1H FY2019 was operating losses of 229 million yen), ordinary losses of 140 million yen (1H FY2019 was ordinary losses of 246 million yen), and 119 million yen in losses attributable to owners of parent (1H FY2019 was 239 million yen in losses attributable to owners of parent). These results are largely attributable to decreased net sales and increased personnel expenses related to enhancing our organizational structure.

*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.

(2) Analysis of financial status

(Assets)

Total assets as of the end of the consolidated first half of this fiscal year were 4,320 million yen, an increase of 51 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to factors including an increase in software of 180 million yen, an increase in accounts receivable of 80 million yen, a decrease in cash and deposits of 157 million yen, and a decrease of tangible fixed assets of 42 million yen.

(Liabilities)

Total liabilities as of the end of the consolidated first half of this fiscal year were 1,900 million yen, an increase of 180 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to factors including an increase in accounts payable of 112 million yen, an increase in short-term debt of 125 million yen, and a decrease in long-term debt of 36 million yen.

(Net assets)

Net assets as of the end of 1H FY2020 were 2,419 million yen, a decrease of 129 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to a decrease in retained earnings of 119 million yen as a result of recording losses attributable to owners of parent.

(3) Status of cash flow

Cash and cash equivalents for the consolidated first half of this fiscal year declined by 157 million yen compared to the end of the previous consolidated fiscal year to 1,040 million yen. The status of changes in cash flow and causes of fluctuations during the current period are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities came to 66 million yen. This is mainly due to net losses before income taxes of 154 million yen, depreciation and amortization of 138 million yen, an increase in accounts receivable of 102 million yen, and an increase in accounts payable of 129 million yen.

(Cash flow from investment activities)

Net cash used in investment activities came to 252 million yen. This is mainly due to expenditures for the acquisition of intangible fixed assets totaling 254 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities came to 33 million yen. This is mainly due to 150 million yen in revenue from short-term debt, expenditures of 74 million yen towards the repayment of long-term debt and short-term debt, and expenditures of 38 million yen towards lease debt repayments.

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

There is no change in the consolidated earnings forecast for FY2020 indicated in the earnings summary released on August 12, 2020. Although the impact of COVID-19 will persist to some extent through the end of FY2020, the consolidated earnings forecast has been calculated on the assumption that economic activity can be continued at around the same level as it was as of August 12, 2020 with no redeclaration of a state of emergency.

For details, refer to the "Notice of Earnings Forecast" published on August 12, 2020.