

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021

(Based on J-GAAP)

February 12, 2021

Listed company Geniee Inc. Listed stock exchange: TSE
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 General Manager
 Schedule date of third quarter report submission February 12, 2021 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 FY2020 (April 1, 2020 to December 31, 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	%
3Q FY2020	10,156	-5.2	37	—	2	—	300	405.2	-23	—
3Q FY2019	10,709	-5.4	-165	—	-184	—	59	67.2	-206	—

(Note) Comprehensive income 3Q FY2020 -38 million yen (-%) 3Q FY2019 -208 million yen (-%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY2020	-1.33	—
3Q FY2019	-11.55	—

(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 FY2020	5,642	2,508	44.4
FY2019	4,269	2,548	59.5

(Ref.) Shareholders' equity 3Q FY2020 2,506 million yen FY2019 2,540 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
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)

3Q FY2020	17,988,200	shares	FY2019	17,958,200	shares
3Q FY2020	118	shares	FY2019	118	shares
3Q FY2020	17,974,882	shares	3Q FY2019	17,897,228	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 February 12, 2021. We will hold an earnings conference for institutional investors and analysts on February 19, 2021.

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 2020, online advertising media budgets are expected to increase to 1,845.9 billion*₁ yen, up 11.0% from the previous year.

Additionally, our Group is expanding our business in the SaaS market, which is expected to grow to around 1.2 trillion*₂ yen by 2024 against the backdrop of the promotion of digitalization of operations in response to the current preparations to establish telecommuting environments.

The impact of COVID-19 continued through the first nine months of the fiscal year under review, so the future remains uncertain. On the other hand, changes are occurring in people's lifestyles and spending behavior, including the utilization of telecommuting options and online shopping and expansion of cashless transactions. In conjunction with this, demand for digital services is increasing rapidly.

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.

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 such as through our partnership with Israeli DSP Persona.ly while promoting efficiency in existing domains to increase profit. Meanwhile, with the demand-side business, we launched provision of an automatic bidding function utilizing AI. We also expanded our business in the online business domain, including EC not impacted by COVID-19. In the digital OOH domain*₃, 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 8,309 million yen (down 1.2% YoY).

-Marketing Solutions Business

In the Marketing Solutions Business, we are rolling out services related to CRM/SFA system Chikyu, marketing automation tool MAJIN, and chat tool Chamo in the SaaS field. 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. Moreover, we made Business Search Technologies Corporation, which provides site search, EC site search, and other services, a wholly owned subsidiary to expand in the SaaS business domain. 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 869 million yen (down 28.4% 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 1,058 million yen (down 10.5 % YoY).

Overall, earnings for the consolidated cumulative third quarter of this fiscal year resulted in net sales of 10,156 million yen (down 5.2% YoY), operating income of 37million yen (3Q FY2019 was operating losses of 165 million yen), ordinary income of 2 million yen (3Q FY2019 was ordinary losses of 184 million yen), and 23 million yen in losses attributable to owners of parent (3Q FY2019 was 206 million yen in losses attributable to owners of parent).

*₁ Research by Dentsu Inc., Dentsu Digital Inc., Cyber Communications Inc., and D2C Inc.

*₂ Source: 2020 New Software Business Markets by Fuji Chimera Research Institute, Inc.

*₃ 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) Information on financial status

(Assets)

Total assets as of the end of 3Q FY2020 were 5,642 million yen, an increase of 1,373 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to factors including an increase in goodwill, including inclusion of Business Search Technologies Corporation in the scope of consolidation, of 761 million yen, an increase in software of 391 million yen, an increase in accounts receivable of 375 million yen.

(Liabilities)

Total liabilities as of the end of 3Q FY2020 were 3,134 million yen, an increase of 1,414 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 183 million yen, an increase in short-term debt and current portion of long-term debt of 511 million yen, and a decrease in long-term debt of 634 million yen.

(Net assets)

Net assets as of the end of 3Q FY2020 were 2,508 million yen, a decrease of 40 million yen compared to the end of the previous consolidated fiscal year. This is mainly due to a decrease in retained earnings of 23 million yen as a result of recording losses attributable to owners of parent and a decrease in foreign currency translation adjustments of 12 million yen.

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

The Government announced a state of emergency in some regions, although there is no change in the consolidated earnings forecast for FY2020 indicated in the earnings summary released on August 12, 2020.