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March 9, 2023

Consolidated Financial Results for the Six Months of the Fiscal Year Ending July 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6535
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 Scheduled date to file quarterly securities report: March 10, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months of the fiscal year ending July 31, 2023 (from August 1, 2022 to January 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
January 31, 2023	12,547	23.5	3,123	(4.4)	3,086	(7.4)	2,105	(7.1)
January 31, 2022	10,160	28.5	3,268	26.8	3,331	29.1	2,266	33.4

Note: Comprehensive income For the six months ended January 31, 2023: 2,096 million yen [(7.6)%]
 For the six months ended January 31, 2022: 2,268 million yen [33.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
January 31, 2023	104.62	104.31
January 31, 2022	105.20	104.82

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
January 31, 2023	27,344	14,775	53.7
July 31, 2022	18,193	13,406	73.3

Reference: Equity As of January 31, 2023: 14,684 million yen
 As of July 31, 2022: 13,338 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
July 31, 2022	—	0.00	—	38.00	38.00
Fiscal year ending	—	0.00			
July 31, 2023					
Fiscal year ending			—	40.00	40.00
July 31, 2023 (Forecast)					

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecast for the fiscal year ending July 31, 2023 (from August 1, 2022 to July 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
July 31, 2023	16,000	14.8	3,850	1.5	3,890	1.3	2,705	1.0	134.42

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly included: 0 companies

Excluded: 0 companies

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations : None

(ii) Changes in accounting policies other than (i) : None

(iii) Changes in accounting estimates : None

(iv) Restatement: : None

(4) Number of shares issued (common shares)

(i) Total number of issued shares at end of period (including treasury shares)

As of January 31, 2023	20,382,396 shares
As of July 31, 2022	20,382,396 shares

(ii) Number of treasury shares at end of period

As of January 31, 2023	255,150 shares
As of July 31, 2022	255,150 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended January 31, 2023	20,127,246 shares
Six months ended January 31, 2022	21,539,929 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including business results forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. Actual business results may differ considerably due to a variety of factors. See 1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Forward-looking Information, Including Consolidated Earnings Forecasts on page 4 of the Quarterly Financial Results (Appendix).

Appendix

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first six months of the current fiscal year, the Japanese economy showed signs of moderate recovery as economic activities normalized following the lifting of pandemic restrictions, despite the impacts of inflation caused by soaring commodity prices and yen depreciation.

The i-mobile Group (the “Group”) is composed of two business segments —Consumer Service and Online Advertising—operating under the Group vision “Creating a Business for the Future.” In the market for the Hometown Tax Donation business, which is the mainstay business domain of the Consumer Service segment, the hometown tax donation market in fiscal 2021 increased by approximately 1.2 times year on year to 830.2 billion yen while the number of hometown tax donations also continuously increased by approximately 1.3 times year on year to 44.47 million yen. In addition, the number of people eligible for the hometown tax donation credit (the number of people who actually made a hometown tax donation and were eligible for a residence tax credit) also increased by approximately 1.3 times year on year to 7.408 million people*¹, as it becomes more widely accepted as a system in line with its initial purpose of realizing regional revitalization.

Moreover, in the domestic online advertising market, which is the mainstay business domain of the Online Advertising segment, online advertising expenditure in 2022 increased by 14.3% year on year to 3,091.2 billion yen, against the backdrop of continued digitization of society*². Nevertheless, the current macro economic environment remains uncertain due to impacts of changes in people’s behaviors and the uncertain social environment, along with a downward trend in advertising demand.

As an Internet marketing company in this business climate, the Group has worked to further enhance corporate value, leveraging the technology and marketing expertise from multiple angles cultivated in the core Online Advertising (Ad Network) business by developing new markets, and investing in growth business sectors.

With the Hometown Tax Donation business which has functions for solving social issues, such as the local-community revitalization, we improved recognition of the Furunavi brand and ran promotion activities to increase the number of members and local governments under contract, and have enhanced original products for experience-based gifts in return such as dining and lodging gift certificates, working with local governments on. In the Online Advertising business, the number of registered influencers has grown steadily since our launch of “Action,” a marketing platform that connects companies and influencers, despite the severe business environment. In the App Operation business, we are striving to secure earnings through new services, releasing the Android version of Solitaire de Kensho in September 2022 and accepting advanced reservations for the upcoming iOS version. Additionally, we are making steady progress with demonstration testing in the green energy business, which seeks to promote a decarbonized society with marketing and technology and achieve regional revitalization.

Furthermore, in order to meet the expectations of society by engaging in sustainability management from a medium-to long-term perspective, the Group established an advisory committee of Independent Outside Directors in the fiscal year ended July 31, 2022 to deepen discussions and strengthen governance-related initiatives. In addition, the Company formulated a Basic Policy on Sustainability, and we are further enhancing and disclosing our efforts to resolve social issues, including environmental and climate change issues, in a timely manner.

As a result of these efforts, for the first six months of the current fiscal year, the Group recorded net sales of 12,547 million yen, up 23.5% year on year, operating profit of 3,123 million yen, down 4.4% year on year, ordinary profit of 3,086 million yen, down 7.4% year on year, profit attributable to owners of parent of 2,105 million yen, down 7.1% year on year.

*1 Source: Results of Survey on Current Status of Hometown Tax Donations, Municipal Tax Planning Division, Local Tax Bureau, Ministry of Internal Affairs and Communications of Japan, July 29, 2022

In addition, the results including the hometown tax donation amount were calculated based on the municipal fiscal year (from April 1 to March 31 of the following year), which differs from the calculation period of residence tax.

*2 Source: 2022 Advertising Expenditures in Japan, Dentsu Inc., February 24, 2023

Business performance by segment was as follows.

Net sales for each segment include inter-segment sales and transfers.

The details are described in “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements (Segment Information and Other Data).”

(Consumer Service Segment)

In the Consumer Service segment, the Company operates the Hometown Tax Donation business “Furunavi,” as well as the Furunavi Travel business, Restaurant PR business, and Loyalty Points Service business as peripheral businesses. In the mainstay Furunavi Hometown Tax Donation business, we achieved a year-on-year increase in net sales and profits as results were strong for each KPI including number of donations. This was thanks to the success of promotional measures to acquire new customers, the increased number of unique gifts in return, and expansion of market toward the end of the year when demand was strong, as stable market growth continues driven by the rising awareness of the hometown tax donation system and the tendency to establish it as a social behavior.

As a result, net sales in the Consumer Service segment for the first six months of the current fiscal year were 10,881 million yen, up 35.5% year on year, and segment profit was 2,816 million yen, up 13.3% year on year.

(Online Advertising Segment)

In the Online Advertising segment, the Company operates the Ad Network business, the Affiliate business (payment- by-result ads), the Media Solution business, the Ad Agency business (Cyber Consultant, Inc.), and the App Operation business (Ohte, Inc. and Simple App Studio Inc.). In the Media Solution business, the number of partners and active ad spaces reached a record high, increasing net sales, and “Action,” a marketing platform launched this fiscal year, also performed well. However, given the impacts from worsening market conditions as of late, both net sales and segment profit remained at the same level as the previous quarter.

As a result, net sales in the Online Advertising segment for the first six months of the current fiscal year were 1,668 million yen, down 22.2% year on year, and segment profit was 367 million yen, down 56.1% year on year.

(2) Explanation of Financial Position

1. Assets, Liabilities and Net Assets

(Assets)

Total assets were 27,344 million yen, an increase of 9,150 million yen from the end of the previous fiscal year. This was mainly due to increases in cash and deposits and in accounts receivable - trade of 1,992 million yen and 5,693 million yen, respectively.

(Liabilities)

Liabilities were 12,569 million yen, an increase of 7,781 million yen from the end of the previous fiscal year. This increase was mainly attributed to increases in accounts payable - other of 1,662 million yen, in provision for sales promotions expenses of 3,283 million yen, in deposits of 1,070 million yen, and in income taxes payable of 1,445 million yen.

(Net Assets)

Net assets were 14,775 million yen, an increase of 1,368 million yen from the end of the previous fiscal year. This increase was mainly attributed to an increase of 2,105 million yen due to profit attributable to owners of parent of million yen, which offset a decline of 764 million yen due to the payment of dividends.

2. Cash flows

The balance of cash and cash equivalents (hereinafter referred to as “funds”) for the six months ended January 31, 2023 totaled 16,261 million yen, an increase of 1,992 million yen from the end of the previous fiscal year.

Each cash flow status and their factors during the six months ended January 31, 2023 were as follows.

(Cash flows from operating activities)

In the six months ended January 31, 2023 of the current fiscal year, funds acquired as a result of operating activities amounted to 2,981 million yen compared to 2,489 million yen in the six months ended January 31, 2022 of the previous fiscal year. This was mainly attributed to profit before income taxes of 3,062 million yen, an increase of 3,283 million yen in provision for sales promotion expenses, and an increase of 1,594 million yen, each of which resulted in the acquisition of funds, compared to an increase in trade receivables of 5,682 million yen, which resulted in the expenditure of funds.

(Cash flows from investing activities)

Funds used in investing activities in the six months ended January 31, 2023 of the current fiscal year totaled 224 million yen compared to 84 million yen in the six months ended January 31, 2022 of the previous fiscal year. This was mainly attributed to

expenditures of 158 million yen for the purchase of property, plant and equipment, expenditures of 31 million yen for the purchase of intangible assets and expenditures of 37 million yen for the purchase of investment securities.

(Cash flows from financing activities)

Funds used in financing activities in the six months ended January 31, 2023 of the current fiscal year totaled 764 million yen compared to expenditures of 2,135 million yen in the six months ended January 31, 2022 of the previous fiscal year. This was attributed to dividends paid of 764 million yen.

(3) Explanation of Forward-looking Information, Including Consolidated Earnings Forecasts

There are no changes in the earnings forecasts for the fiscal year ending July 31, 2023 from those announced in the Consolidated Financial Results for the Fiscal Year Ended July 31, 2022 (under Japanese GAAP) released on September 7, 2022.

These earnings forecasts are provided based on factual information currently available, including the economic impact of the COVID-19 infection as of the date of publication of these materials, considering the direct impact on our business performance, which is currently known. In the event where changes are made to the current forecasts depending on future circumstances, we will promptly announce the details when a reasonable estimate becomes possible upon identifying the scope of the impact on our business performance.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	As of July 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	14,268	16,261
Accounts receivable - trade	1,542	7,236
Other	877	1,193
Allowance for doubtful accounts	(5)	(1)
Total current assets	16,684	24,689
Non-current assets		
Property, plant and equipment	166	334
Intangible assets		
Goodwill	172	110
Other	166	168
Total intangible assets	338	279
Investments and other assets		
Investments and other assets	1,017	2,048
Allowance for doubtful accounts	(12)	(7)
Total investments and other assets	1,004	2,040
Total non-current assets	1,509	2,654
Total assets	18,193	27,344
Liabilities		
Current liabilities		
Accounts payable – trade	1,017	1,019
Accounts payable – other	867	2,530
Income taxes payable	642	2,088
Deposits received	996	2,066
Provision for bonuses	74	78
Provision for sales promotion expenses	764	4,047
Provision for point card certificates	3	2
Other	357	676
Total current liabilities	4,723	12,509
Non-current liabilities		
Asset retirement obligations	63	59
Total non-current liabilities	63	59
Total liabilities	4,787	12,569
Net assets		
Shareholders' equity		
Share capital	152	152
Capital surplus	73	88
Retained earnings	13,432	14,773
Treasury shares	(354)	(354)
Total shareholders' equity	13,303	14,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34	24
Total accumulated other comprehensive income	34	24
Share acquisition rights	67	90
Total net assets	13,406	14,775
Total liabilities and net assets	18,193	27,344

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

(Six Months Ended January 31, 2023)

(Unit: Millions of yen)

	Six months ended January 31, 2022	Six months ended January 31, 2023
Net sales	10,160	12,547
Cost of sales	2	18
Gross profit	10,158	12,529
Selling, general and administrative expenses	6,889	9,405
Operating profit	3,268	3,123
Non-operating income		
Interest income	0	0
Dividend income	35	10
Foreign exchange gains	13	—
Other	17	0
Total non-operating income	65	10
Non-operating expenses		
Donations	1	—
Foreign exchange losses	—	13
Loss on valuation of investment securities	—	33
Other	1	0
Total non-operating expenses	2	47
Ordinary profit	3,331	3,086
Extraordinary losses		
Impairment losses	—	23
Total extraordinary losses	—	23
Profit (loss) before income taxes	3,331	3,062
Income taxes - current	1,452	2,006
Income taxes - deferred	(386)	(1,049)
Total income taxes	1,065	956
Profit	2,266	2,105
Profit attributable to owners of parent	2,266	2,105

Quarterly Consolidated Statement of Comprehensive Income
(Six Months Ended January 31, 2023)

(Unit: Millions of yen)

	Six months ended January 31, 2022	Six months ended January 31, 2023
Profit	2,266	2,105
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(9)
Total other comprehensive income	2	(9)
Comprehensive income	2,268	2,096
Comprehensive income attributable to		
Owners of parent	2,268	2,096

(3) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Six months ended January 31, 2022	Six months ended January 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	3,331	3,062
Depreciation	43	52
Impairment losses	—	23
Amortization of goodwill	37	38
Share-based payment expenses	37	43
Increase (decrease) in allowance for doubtful accounts	5	(9)
Increase (decrease) in provision for bonuses	6	3
Increase (decrease) in provision for sales promotion expenses	1,379	3,283
Loss (gain) on valuation of investment securities	(13)	33
Interest and dividend income	(35)	(10)
Decrease (increase) in trade receivables	(3,857)	(5,682)
Increase (decrease) in trade payables	362	2
Increase (decrease) in deposits received	1,572	1,594
Increase (decrease) in deposits received	641	1,071
Other	(91)	82
Subtotal	3,419	3,588
Interest and dividends received	35	10
Income taxes refund (paid)	(964)	(617)
Net cash provided by (used in) operating activities	2,489	2,981
Cash flows from investing activities		
Purchase of property, plant and equipment	(11)	(158)
Purchase of intangible assets	(35)	(31)
Purchase of investment securities	(20)	(37)
Proceeds from the sales of investment securities	12	6
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(33)	—
Other	3	(3)
Net cash provided by (used in) investing activities	(84)	(224)
Cash flows from financing activities		
Dividends paid	(2,138)	(764)
Other	3	—
Net cash provided by (used in) financing activities	(2,135)	(764)
Effect of exchange rate change on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	269	1,992
Cash and cash equivalents at the beginning of the period	15,422	14,268
Cash and cash equivalents at the end of the period	15,691	16,261

(4) Notes to Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable.

Notes on Significant Changes in Shareholders' Equity

Six months of the previous fiscal year ended July 31, 2022 (from August 1, 2021 to January 31, 2022)

Based on the resolution of the meeting of the Board of Directors held on September 8, 2021, the Company paid dividends of surplus of 2,150 million yen. As a result, retained earnings totaled 13,538 million yen as of the end of the current second quarter.

Six months of the current fiscal year ending July 31, 2023 (from August 1, 2022 to January 31, 2023)

Based on the resolution of the meeting of the Board of Directors held on September 7, 2022, the Company paid dividends of surplus of 764 million yen. As a result, retained earnings totaled 14,773 million yen as of the end of the current second quarter.

Segment Information and Other Data

Segment Information

I. Six months of the previous fiscal year ended July 31, 2022 (from August 1, 2021 to January 31, 2022)

1. Information on net sales, amounts of profit or loss by reporting segment and information on revenue breakdown

(Unit: Millions of yen)

	Reporting segment			Adjustments (Note 1)	Amount recorded on quarterly consolidated financial statements (Note 2)
	Consumer Service	Online Advertising	Total		
Net sales					
Goods to be transferred at a point in time	—	5	5	—	5
Goods to be transferred over a certain period	8,028	2,126	10,155	—	10,155
Net sales to external customers	8,028	2,132	10,160	—	10,160
Intersegment sales or transfers	—	12	12	(12)	—
Total	8,028	2,145	10,173	(12)	10,160
Segment profit	2,485	837	3,322	(53)	3,268

Notes: 1. Adjustments to segment profit of (53) million yen are entirely attributable to corporate expenses not allocated to reportable segments. Corporate expenses are general and administrative expenses not attributable to reportable segments.
2. Segment profit correspond to the operating profit reported on the Quarterly Consolidated Statement of Income.

II. Six months of the current fiscal year ending July 31, 2023 (from August 1, 2022 to January 31, 2023)

1. Information on net sales, amounts of profit or loss by reporting segment and information on revenue breakdown

(Unit: Millions of yen)

	Reporting segment			Adjustments (Note 1)	Amount recorded on quarterly consolidated financial statements (Note 2)
	Consumer Service	Online Advertising	Total		
Net sales					
Goods to be transferred at a point in time	8	9	18	—	18
Goods to be transferred over a certain period	10,873	1,655	12,529	—	12,529
Net sales to external customers	10,881	1,665	12,547	—	12,547
Intersegment sales or transfers	—	3	3	(3)	—
Total	10,881	1,668	12,550	(3)	12,547
Segment profit	2,816	367	3,183	(60)	3,123

Notes: 1. Adjustments to segment profit of (60) million yen are entirely attributable to corporate expenses not allocated to reportable segments. Corporate expenses are general and administrative expenses not attributable to reportable segments.
2. Segment profit correspond to the operating profit reported on the Quarterly Consolidated Statement of Income.

(Significant Subsequent Events)

Not applicable