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December 7, 2023

Consolidated Financial Results for the Three Months of the Fiscal Year Ending July 31, 2024 (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: December 8, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the three months ended October 31, 2023 (from August 1, 2023 to October 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	%
Three months ended October 31, 2023	5,910	144.9	1,998	259.0	2,016	242.0	1,391	253.1
October 31, 2022	2,413	(4.8)	556	(36.1)	589	(36.7)	394	(37.1)

Note: Comprehensive income For the three months ended October 31, 2023: 1,400 million yen [285.5%]
 For the three months ended October 31, 2022: 363 million yen [(42.2)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
October 31, 2023	24.20	24.12
October 31, 2022	6.53	6.50

Note: The Company conducted a stock split on November 1, 2023 with each common share split into three shares. “Basic earnings per share and diluted earnings per share” is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
October 31, 2023	24,180	14,512	59.5
July 31, 2023	21,721	14,079	64.3

Reference: Equity As of October 31, 2023: 14,395 million yen
 As of July 31, 2023: 13,968 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2023	—	0.00	—	40.00	40.00
Fiscal year ending July 31, 2024	—				
Fiscal year ending July 31, 2024 (Forecast)		0.00	—	13.50	13.50

Note: 1. Revisions to the earnings forecasts most recently announced: None

2. The Company conducted a stock split on November 1, 2023 with each common share split into three shares. For the fiscal year ended July 31, 2023, the actual dividend amount before the stock split is shown, and for the fiscal year ending July 31, 2024 (forecast), the dividend amount after the stock split is shown.

3. Consolidated earnings forecast for the fiscal year ending July 31, 2024 (from August 1, 2023 to July 31, 2024)

(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, 2024	20,000	21.8	3,800	7.8	3,739	8.9	2,600	8.2	45.28

Note: 1. Revisions to the earnings forecasts most recently announced: None

2. The Company conducted a stock split on November 1, 2023 with each common share split into three shares. The basic earnings per share in the consolidated earnings forecast for the fiscal year ending July 31, 2024 takes into account the effect of this stock split.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change 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 issued shares (common shares)

(i) Number of issued shares at the end of the period (including treasury shares)

As of October 31, 2023	61,147,188 shares
As of July 31, 2023	61,147,188 shares

(ii) Number of treasury shares at the end of the period

As of October 31, 2023	3,728,190 shares
As of July 31, 2023	3,223,350 shares

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

Three months ended October 31, 2023	57,492,640 shares
Three months ended October 31, 2022	60,381,738 shares

Note: The Company conducted a stock split on November 1, 2023 with each common share split into three shares. "Number of shares issued and outstanding," "Number of shares of treasury stock" and "Average number of shares outstanding" are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

* 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 various factors. See 1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Forward-looking Information, Including Consolidated Earnings Forecasts on page 3 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 three months of the current fiscal year, the Japanese economy showed a gradual recovery trend, backed by the normalization of socioeconomic activities due to the relaxation of behavioral restrictions resulting from the change in the status of COVID-19 under the Infectious Diseases Control Law and other factors. On the other hand, the outlook for the business environment remains uncertain due to continuing instability in the international situation, inflationary policies, and price hikes stemming from the weak yen and high energy prices.

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 amount in fiscal 2022 increased by approximately 1.2 times year on year to 965.4 billion yen while the number of hometown tax donations also continuously increased by approximately 1.2 times year on year to 51.84 million. Furthermore, 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 1.2 times year on year to approximately 8.91 million people*1, as it becomes more widely accepted as a system in line with its initial purpose of realizing regional revitalization. In addition, the Ministry of Internal Affairs and Communications of Japan issued an official notice*2 in June of this year, which triggered many media reports on the hometown tax donation system, which further increased awareness of the hometown tax donation system.

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*3, and is expected to remain strong in 2023. However, the current macro environment remains highly unpredictable, affected by changes in people's behavior and consumer lifestyles, as well as by a slump in advertising unit prices due to external factors.

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 revitalization of local communities, 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 unique products for experience-based gifts in return such as dining and lodging gift certificates, working with local governments.

In the Online Advertising business, we worked toward recovering earnings in the App Operation business by developing an environment conducive to shorter development periods and, as such, increased the number of new titles and made simultaneous Android and iOS releases possible. Furthermore, in the Green Energy business, which realizes regional revitalization by solving social issues, two solar sharing power (agrivoltaic) plants utilizing abandoned farmland began operation during the three months ended October 31, 2023, bringing the total to seven*4. In addition, we launched “Furunavi EV Stand,” an EV recharging service that leverages our partnerships with local governments and lodging facilities in the hometown tax donation business. Going forward, we will promote infrastructure building for electric vehicles by first aiming to install 100 units.

As a result of these efforts, for the first three months of the current fiscal year, the Group recorded net sales of 5,910 million yen, up 144.9% year on year, operating profit of 1,998 million yen, up 259.0% year on year, ordinary profit of 2,016 million yen, up 242.0% year on year, and profit attributable to owners of parent of 1,391 million yen, up 253.1% 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, August 1, 2023

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 “Review for the Next Designation of Hometown Tax Donations,” Municipal Tax Planning Division, Local Tax Bureau, Ministry of Internal Affairs and Communications of Japan (officially announced on June 27, 2023)

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

*4 As of the date of disclosure of these financial results, 10 solar sharing power (agrivoltaic) plants are operating

Business performance by segment was as follows.

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

In addition, effective from the three months ended October 31, 2023, the allocation method of some expenses was changed.

The details are described in “2. Quarterly Consolidated Financial Statements and Notes, (3) 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. As the hometown tax donation market continues to grow strongly, our main business, hometown tax donation “Furunavi,” has been working to acquire new members and increase repeat customers through various promotion measures, improvement of portal site usage satisfaction and expansion of original gifts in return in order to achieve the target of 20% market share to secure competitive advantage. Under such circumstances, the expansion of donations to support marine products through the hometown tax donation system and media coverage triggered by the Ministry of Internal Affairs and Communications' official notice*2 generated special demand in the market by creating new customers and advance donations (with hometown tax donations made earlier than the demand season in December). As a result, all indicators greatly exceeded expectations, including the number of donations received, which led to the achievement of a significant year-on-year rise in both net sales and segment profit.

As a result, net sales in the Consumer Service segment for the first three months of the current fiscal year were 5,197 million yen, up 229.1% year on year, and segment profit was 1,902 million yen, up 363.7% year on year.

(Online Advertising Segment)

In the Online Advertising segment, the Group develops the Ad Network business, the Influencer Marketing business*5, the Media Solution business, the Ad Agency business (Cyber Consultant, Inc.), and App Operation business (Ohte, Inc., etc.). During the three months ended October 31, 2023, the Group continued to focus on shifting investments to growth areas and strengthening customer approaches in order to recover earnings. In the App Operation business, we released two titles in the three months ended October 31, 2023, to strengthen our revenue base, and focused on promotions to increase the number of active users. In the Influencer Marketing business, the number of registered influencers on our platform “Action” increased. In the Media Solution business, earnings remained stable due to the acquisition of major clients and a record-high number of active partners. On the other hand, both net sales and segment profit decreased year on year due to changes in people's behavior and consumer lifestyles and the impact of a slump in advertising unit prices caused by external factors.

As a result, net sales in the Online Advertising segment for the first three months of the current fiscal year were 707 million yen, down 15.2% year on year, and segment profit was 129 million yen, down 27.1% year on year.

*5 In order to focus on growth business, the name of “Affiliate business” was changed to “Influencer Marketing business” from the fiscal year ending July 31, 2024. This business also includes the existing activities of the Affiliate business.

(2) Explanation of Financial Position

(Assets)

Total assets were 24,180 million yen, an increase of 2,458 million yen from the end of the previous fiscal year. This was mainly due to increase of 3,427 million yen of accounts receivable - trade, offsetting a decrease of 1,090 million yen in cash and deposits

(Liabilities)

Liabilities were 9,668 million yen, an increase of 2,025 million yen from the end of the previous fiscal year. This increase was mainly attributed to increases in accounts payable – other of 1,052 million yen, in provision for sales promotions expenses of 1,012 million yen.

(Net Assets)

Net assets were 14,512 million yen, an increase of 432 million yen from the end of the previous fiscal year. This increase was mainly attributed to an increase of 1,391 million yen due to profit attributable to owners of parent, which offset a decline of 772 million yen in retained earnings due to the payment of dividends and decline of 204 million yen in purchase of treasury shares.

(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, 2024 from those announced in the Consolidated

Financial Results for the Fiscal Year Ended July 31, 2023 (under Japanese GAAP) released on September 7, 2023.

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.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	As of July 31, 2023	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	16,218	15,128
Accounts receivable – trade	1,463	4,891
Other	1,931	1,505
Allowance for doubtful accounts	(0)	(1)
Total current assets	19,613	21,523
Non-current assets		
Property, plant and equipment	396	453
Intangible assets		
Goodwill	75	58
Other	196	220
Total intangible assets	272	279
Investments and other assets		
Investments and other assets	1,446	1,925
Allowance for doubtful accounts	(7)	(1)
Total investments and other assets	1,439	1,923
Total non-current assets	2,108	2,656
Total assets	21,721	24,180
Liabilities		
Current liabilities		
Accounts payable – trade	813	802
Accounts payable – other	773	1,826
Income taxes payable	937	979
Deposits received	2,347	2,289
Provision for bonuses	73	19
Provision for sales promotion expenses	2,083	3,095
Provision for point card certificates	1	1
Other	553	585
Total current liabilities	7,582	9,600
Non-current liabilities		
Asset retirement obligations	59	67
Total non-current liabilities	59	67
Total liabilities	7,642	9,668
Net assets		
Shareholders' equity		
Share capital	152	152
Capital surplus	102	104
Retained earnings	15,071	15,690
Treasury shares	(1,387)	(1,591)
Total shareholders' equity	13,938	14,355
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30	39
Total accumulated other comprehensive income	30	39
Share acquisition rights	110	116
Total net assets	14,079	14,512
Total liabilities and net assets	21,721	24,180

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

Quarterly Consolidated Statement of Income

(Three months ended October 31, 2023)

(Unit: Millions of yen)

	Three months ended October 31, 2022	Three months ended October 31, 2023
Net sales	2,413	5,910
Cost of sales	14	18
Gross profit	2,398	5,891
Selling, general and administrative expenses	1,842	3,892
Operating profit	556	1,998
Non-operating income		
Interest income	0	0
Dividend income	4	—
Foreign exchange gains	24	22
Gain on valuation of investment securities	4	—
Other	0	—
Total non-operating income	32	22
Non-operating expenses		
Loss on valuation of investment securities	—	4
Other	—	0
Total non-operating expenses	—	4
Ordinary profit	589	2,016
Profit before income taxes	589	2,016
Income taxes – current	103	939
Income taxes – deferred	91	(314)
Total income taxes	195	625
Profit	394	1,391
Profit attributable to owners of parent	394	1,391

Quarterly Consolidated Statement of Comprehensive Income

(Three months ended October 31, 2023)

(Unit: Millions of yen)

	Three months ended October 31, 2022	Three months ended October 31, 2023
Profit	394	1,391
Other comprehensive income		
Valuation difference on available-for-sale securities	(30)	9
Total other comprehensive income	(30)	9
Comprehensive income	363	1,400
Comprehensive income attributable to		
Owners of parent	363	1,400

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Three months of the previous fiscal year ended July 31, 2023 (from August 1, 2022 to October 31, 2022)

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 amounted to 13,061 million yen at the end of the first three months of the current fiscal year.

Three months of the current fiscal year ending July 31, 2024 (from August 1, 2023 to October 31, 2023)

Based on the resolution of the meeting of the Board of Directors held on September 7, 2023, the Company paid dividends of surplus of 772 million yen. As a result, retained earnings amounted to 15,690 million yen at the end of the first three months of the current fiscal year.

(Segment Information and Other Data)

Segment Information

I. Three months of the previous fiscal year ended July 31, 2023 (from August 1, 2022 to October 31, 2022)

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

(Unit: Millions of yen)

	Reportable 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	4	12	—	12
Goods to be transferred over a certain period	1,570	829	2,400	—	2,400
Net sales to external customers	1,579	833	2,413	—	2,413
Intersegment sales or transfers	—	0	0	(0)	—
Total	1,579	834	2,413	(0)	2,413
Segment profit	410	177	587	(30)	556

Notes: 1. Adjustments to segment profit of (30) 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. Three months of the current fiscal year ending July 31, 2024 (from August 1, 2023 to October 31, 2023)

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

(Unit: Millions of yen)

	Reportable segment			Adjustments (Note 1,2)	Amount recorded on quarterly consolidated financial statements (Note 3)
	Consumer Service	Online Advertising	Total		
Net sales					
Goods to be transferred at a point in time	16	0	16	3	20
Goods to be transferred over a certain period	5,181	705	5,886	3	5,890
Net sales to external customers	5,197	705	5,903	6	5,910
Intersegment sales or transfers	—	1	1	(1)	—
Total	5,197	707	5,904	5	5,910
Segment profit	1,902	129	2,031	(33)	1,998

Notes: 1. The adjustment of 6 million yen for net sales to external customers also correspond to net sales that do not belong to the reportable segments.

2. Adjustments to segment profit of (33) million yen are entirely attributable to net sales that do not belong to reportable

segments and corporate expenses not allocated to reportable segments. Corporate expenses are general and administrative expenses not attributable to reportable segments.

3. Segment profit correspond to the operating profit reported on the Quarterly Consolidated Statement of Income.

2. Matters concerning changes to reportable segments

Effective from the three months ended October 31, 2023, the allocation method of some expenses was changed. This change was made to bring the allocation standards closer to actual conditions in response to the increase in outsourcing and temporary staffing.

As a result of this change, segment profit in the Consumer Service segment decreased by 21 million yen and segment profit in the Online Advertising segment increased by 21 million yen in the three months ended October 31, 2023, compared with the previous method.

(Significant Subsequent Events)

(Stock split and partial amendment to the Articles of Incorporation due to the stock split)

The Company passed a resolution pertaining to the stock split and the partial amendment to the Articles of Incorporation due to the stock split during the Board of Directors' meeting held on September 7, 2023.

1. Stock split

(1) Aim of the stock split

The Company is aiming to further expand its investor base and increase the liquidity of its shares by decreasing the sum required per investing unit for its shares and thus further facilitating the investing process for investors.

(2) Method of the stock split

The Company split shares with Tuesday, October 31, 2023 as the record date. Each common share held by the shareholders recorded in the final shareholder register of that day split in three shares.

(3) Number of shares increased by the stock split

Total number of outstanding shares prior to the stock split	20,382,396 shares
Number of shares increased by the split	40,764,792 shares
Total number of outstanding shares following the stock split	61,147,188 shares
Total number of shares issuable following the stock split	174,000,000 shares

(4) Schedule of the stock split

Announcement date of the record date	Friday, October 13, 2023
Record date	Tuesday, October 31, 2023
Effective date	Wednesday, November 1, 2023

(5) Impact on the information per share

The effect on per share information is stated in the relevant section.

2. Partial amendment to the Articles of Incorporation due to the stock split

(1) Reason for the amendment

Following the aforementioned stock split, the Company amended the total number of issuable shares defined in Article 6 of the Company's Articles of Incorporation with Wednesday, November 1, 2023 as the effective date in accordance with Article 184, Paragraph (2) of the Companies Act.

(2) Details of the amendment

(Amendments are underlined)

Current Articles of Incorporation	After the amendment
(Total number of issuable shares) Article 6 The Company's total number of issuable shares is set at <u>87,000,000</u> .	(Total number of issuable shares) Article 6 The Company's total number of issuable shares is set at <u>174,000,000</u> .

(3) Schedule

Effective date of the amendment of the Articles of Incorporation	Wednesday, November 1, 2023
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