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March 12, 2024

Consolidated Financial Results for the Six 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: March 13, 2024
 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, 2024 (from August 1, 2023 to January 31, 2024)

(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, 2024	14,321	14.1	3,458	10.7	3,469	12.4	2,415	14.7
January 31, 2023	12,547	23.5	3,123	(4.4)	3,086	(7.4)	2,105	(7.1)

Note: Comprehensive income For the six months ended January 31, 2024: 2,422 million yen [15.6%]
 For the six months ended January 31, 2023: 2,096 million yen [(7.6)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
January 31, 2024	42.04	41.89
January 31, 2023	34.87	34.77

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” are calculated on the assumption that the stock split was implemented 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	%
January 31, 2024	30,199	15,548	51.1
July 31, 2023	21,721	14,079	64.3

Reference: Equity As of January 31, 2024: 15,425 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	—	0.00			
Fiscal year ending July 31, 2024 (Forecast)			—	13.50	13.50

Note: 1. Revisions to forecast of cash dividends 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 January 31, 2024	58,147,188 shares
As of July 31, 2023	61,147,188 shares

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

As of January 31, 2024	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)

Six months ended January 31, 2024	57,455,819 shares
Six months ended January 31, 2023	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 issued shares," "Number of treasury shares" 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 4 of the Quarterly Financial Results (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 a gradual recovery trend amidst the recovery of both domestic and inbound demand driven by the normalization of social and economic activities. On the other hand, the outlook for the business environment remains uncertain due to the impact of global monetary tightening and heightened downside risks due to price increases.

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 the domestic online advertising market, which is the mainstay business domain of the Online Advertising business, online advertising expenditure in 2023 continued its steady growth with an increase of 7.8% year on year to 3,333 billion yen*², and the market is expected to remain strong going forward, driven by search ad, social media ad and video ad. However, changes in people's behavior and consumer lifestyles worldwide have had a significant impact on the decline in advertising unit prices and our mainstay Ad Network business, and the situation remains highly unpredictable.

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 regional industry promotion, 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, six solar sharing power (agrivoltaic) plants utilizing abandoned farmland began operation during the six months ended January 31, 2024, bringing the total to thirteen*³. In addition, “Furunavi EV Stand”, an EV recharging service which promotes infrastructure building for electric vehicles by leveraging our partnerships with local governments and lodging facilities in the hometown tax donation business is making steady progress in line with the initial forecast with regard to its initial target of 100 units installed.

As a result of these efforts, for the first six months of the current fiscal year, the Group recorded net sales of 14,321 million yen, up 14.1% year on year, operating profit of 3,458 million yen, up 10.7% year on year, ordinary profit of 3,469 million yen, up 12.4% year on year, and profit attributable to owners of parent of 2,415 million yen, up 14.7% 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 Source: 2023 Advertising Expenditures in Japan, Dentsu Inc., February 27, 2024

*3 As of the date of disclosure of these financial results, 14 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, (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. As the hometown tax donation market continues to grow stably, our main business, hometown tax donation “Furunavi,” has been working to acquire new members and increase repeat customers through various promotion measures and expansion of original gifts, and also improvement of portal site usage satisfaction such as implementation of a cart function in order to achieve the target of 20% market share to secure competitive advantage. As a result of these efforts, the number of donations and members year on year increased steadily.

As a result, net sales in the Consumer Service segment for the first six months of the current fiscal year were 12,867 million yen, up 18.2% year on year, and segment profit was 3,268 million yen, up 16.0% year on year.

(Online Advertising Segment)

In the Online Advertising segment, the Group develops the Ad Network business, the Influencer Marketing business*4, the Media Solution business, the Ad Agency business (Cyber Consultant, Inc.), and App Operation business (Ohte, Inc., etc.). In the App Operation business, in addition to improving the development environment to strengthen the revenue base, we focus on strengthening the release of new titles in collaboration with other companies, as well as on measures to improve user retention and attract new users, such as tie-ups with popular characters and the major prize event. In the Influencer Marketing business, measures to increase the number of registered influencers and utilization rate were promoted. In the Media Solution business, earnings remained stable due to a record-high number of active partners. On the other hand, the decrease in advertising budgets of our main clients and industries in the Ad Network business had a significant impact on our earnings, resulting in year-on-year declines in both net sales and segment profit.

As a result, net sales in the Online Advertising segment for the first six months of the current fiscal year were 1,444 million yen, down 13.4% year on year, and segment profit was 259 million yen, down 29.4% year on year.

*4 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

1. Assets, Liabilities and Net Assets

(Assets)

Total assets were 30,199 million yen, an increase of 8,477 million yen from the end of the previous fiscal year. This increase was mainly attributed to increases in accounts receivable - trade of 5,355 million yen and in prepaid expenses of 2,029 million yen, respectively.

(Liabilities)

Liabilities were 14,650 million yen, an increase of 7,008 million yen from the end of the previous fiscal year. This increase was mainly attributed to increases in provision for sales promotions expenses of 2,757 million yen, in accounts payable - other of 2,019 million yen, in income taxes payable of 1,096 million yen, and in deposits received of 869 million yen.

(Net Assets)

Net assets were 15,548 million yen, an increase of 1,469 million yen from the end of the previous fiscal year. This increase was mainly attributed to an increase of 2,415 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.

2. Cash flows

The balance of cash and cash equivalents (hereinafter referred to as “funds”) for the six months ended January 31, 2024 totaled 15,277 million yen, a decrease of 941 million yen from the end of the previous fiscal year.

Each cash flow status and their factors during the six months ended January 31, 2024 were as follows.

(Cash flows from operating activities)

In the six months ended January 31, 2024 of the current fiscal year, funds acquired as a result of operating activities amounted

to 256 million yen compared to 2,981 million yen in the six months ended January 31, 2023 of the previous fiscal year. This was mainly attributed to profit before income taxes of 3,509 million yen, an increase of 2,757 million yen in provision for sales promotion expenses, each of which resulted in the acquisition of funds, compared to an increase in trade receivables of 5,347 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, 2024 of the current fiscal year totaled 476 million yen compared to 224million yen in the six months ended January 31, 2023 of the previous fiscal year. This was mainly attributed to expenditures of 106 million yen for the purchase of property, plant and equipment and 80 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Funds used in financing activities in the six months ended January 31, 2024 of the current fiscal year totaled 720 million yen compared to expenditures of 764 million yen in the six months ended January 31, 2023 of the previous fiscal year. This was attributed to dividends paid of 771 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, 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 January 31, 2024
Assets		
Current assets		
Cash and deposits	16,218	15,277
Accounts receivable – trade	1,463	6,818
Prepaid expenses	1,541	3,571
Other	390	1,120
Allowance for doubtful accounts	(0)	(1)
Total current assets	19,613	26,786
Non-current assets		
Property, plant and equipment	396	496
Intangible assets		
Goodwill	75	40
Other	196	250
Total intangible assets	272	291
Investments and other assets		
Investments and other assets	1,446	2,626
Allowance for doubtful accounts	(7)	(1)
Total investments and other assets	1,439	2,624
Total non-current assets	2,108	3,412
Total assets	21,721	30,199
Liabilities		
Current liabilities		
Accounts payable – trade	813	825
Accounts payable – other	773	2,793
Income taxes payable	937	2,033
Deposits received	2,347	3,217
Provision for bonuses	73	76
Provision for sales promotion expenses	2,083	4,840
Provision for point card certificates	1	1
Other	553	786
Total current liabilities	7,582	14,575
Non-current liabilities		
Asset retirement obligations	59	75
Total non-current liabilities	59	75
Total liabilities	7,642	14,650
Net assets		
Shareholders' equity		
Share capital	152	152
Capital surplus	102	73
Retained earnings	15,071	15,475
Treasury shares	(1,387)	(313)
Total shareholders' equity	13,938	15,387
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30	37
Total accumulated other comprehensive income	30	37
Share acquisition rights	110	123
Total net assets	14,079	15,548
Total liabilities and net assets	21,721	30,199

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

Quarterly Consolidated Statement of Income

(Six Months Ended January 31, 2024)

(Unit: Millions of yen)

	Six months ended January 31, 2023	Six months ended January 31, 2024
Net sales	12,547	14,321
Cost of sales	18	22
Gross profit	12,529	14,298
Selling, general and administrative expenses	9,405	10,840
Operating profit	3,123	3,458
Non-operating income		
Interest income	0	0
Dividend income	10	—
Foreign exchange gains	—	15
Other	0	1
Total non-operating income	10	16
Non-operating expenses		
Foreign exchange losses	13	—
Loss on valuation of investment securities	33	4
Other	0	0
Total non-operating expenses	47	5
Ordinary profit	3,086	3,469
Extraordinary income		
Gain on sale of investment securities	—	39
Total extraordinary income	—	39
Extraordinary losses		
Impairment losses	23	—
Total extraordinary losses	23	—
Profit before income taxes	3,062	3,509
Income taxes – current	2,006	1,949
Income taxes – deferred	(1,049)	(855)
Total income taxes	956	1,093
Profit	2,105	2,415
Profit attributable to owners of parent	2,105	2,415

Quarterly Consolidated Statement of Comprehensive Income
(Six Months Ended January 31, 2024)

(Unit: Millions of yen)

	Six months ended January 31, 2023	Six months ended January 31, 2024
Profit	2,105	2,415
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	7
Total other comprehensive income	(9)	7
Comprehensive income	2,096	2,422
Comprehensive income attributable to		
Owners of parent	2,096	2,422

(3) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Six months ended January 31, 2023	Six months ended January 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	3,062	3,509
Depreciation	52	56
Impairment losses	23	—
Amortization of goodwill	38	34
Share-based payment expenses	43	34
Increase (decrease) in allowance for doubtful accounts	(9)	(2)
Increase (decrease) in provision for bonuses	3	3
Increase (decrease) in provision for sales promotion expenses	3,283	2,757
Loss (gain) on valuation of investment securities	33	4
Loss (gain) on sale of investment securities	—	(39)
Interest and dividend income	(10)	(0)
Decrease (increase) in trade receivables	(5,682)	(5,347)
Increase (decrease) in trade payables	2	12
Decrease (increase) in prepaid expenses	243	(2,036)
Increase (decrease) in accounts payable – other	1,594	1,970
Increase (decrease) in deposits received	1,071	867
Other	(160)	(709)
Subtotal	3,588	1,114
Interest and dividends received	10	0
Income taxes refund (paid)	(617)	(858)
Net cash provided by (used in) operating activities	2,981	256
Cash flows from investing activities		
Purchase of property, plant and equipment	(158)	(106)
Purchase of intangible assets	(31)	(80)
Purchase of investment securities	(37)	—
Proceeds from the sales of investment securities	6	44
Other	(3)	(334)
Net cash provided by (used in) investing activities	(224)	(476)
Cash flows from financing activities		
Repayments for money held in trust for purchase of treasury shares	—	46
Dividends paid	(764)	(771)
Other	—	4
Net cash provided by (used in) financing activities	(764)	(720)
Effect of exchange rate on cash and cash equivalents	—	—
Net increase (decrease) in cash and equivalents	1,992	(941)
Cash and cash equivalents at the beginning of the period	14,268	16,218
Cash and cash equivalents at the end of the period	16,261	15,277

(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, 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.

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

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. Moreover, 3,000,000 treasury shares were cancelled on January 31, 2024 based on the resolution of the meeting of the Board of Directors held on June 30, 2023 resulting in a decrease of 38 million yen in capital surplus, 1,239 million yen in retained earnings, and 1,278 million yen in treasury shares.

As a result, capital surplus was 73 million yen, retained earnings were 15,475 million yen and treasury shares were 313 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, 2023 (from August 1, 2022 to January 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)	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 corresponds to the operating profit reported on the Quarterly Consolidated Statement of Income.

II. Six months of the current fiscal year ending July 31, 2024 (from August 1, 2023 to January 31, 2024)

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	7	24
Goods to be transferred over a certain period	12,851	1,439	14,290	7	14,297
Net sales to external customers	12,867	1,439	14,307	14	14,321
Intersegment sales or transfers	—	4	4	(4)	—
Total	12,867	1,444	14,312	9	14,321
Segment profit	3,268	259	3,527	(69)	3,458

Notes: 1. The adjustment of 14 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 (69) 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 44 million yen and segment profit in the Online Advertising segment increased by 43 million yen in the six months ended January 31, 2024, compared with the previous method.