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On March 11, 2021, i-mobile Co., Ltd. announced earnings results for 1H FY07/21.

Cumulative (JPYmn)	FY07/19				FY07/20				FY07/21		FY07/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of Est.	FY Est.
Revenue	5,386	12,345	17,376	21,139	3,346	9,012	12,015	14,902	3,373	11,108	81.0%	13,715
YoY	17.5%	34.6%	29.1%	17.6%	-37.9%	-27.0%	-30.9%	-29.5%	0.8%	23.3%		-8.0%
Gross profit	2,320	6,454	8,921	10,203	1,149	4,725	5,960	7,293	1,640	7,934	96.1%	8,259
YoY	89.0%	118.9%	101.5%	75.3%	-50.5%	-26.8%	-33.2%	-28.5%	42.8%	67.9%		13.2%
Gross profit margin	43.1%	52.3%	51.3%	48.3%	34.3%	52.4%	49.6%	48.9%	48.6%	71.4%		60.2%
SG&A expenses	1,205	4,180	5,547	7,042	812	3,089	3,959	5,047	1,060	5,356		
YoY	80.9%	146.6%	106.3%	90.2%	-32.7%	-26.1%	-28.6%	-28.3%	30.6%	73.4%		
SG&A ratio	22.4%	33.9%	31.9%	33.3%	24.3%	34.3%	33.0%	33.9%	31.4%	48.2%		
Personnel expenses	423	845	1,255	1,682	428	843	1,248	1,652	403	817		
Sales promotion expenses	258	1,038	1,218	1,414	44	560	651	921	174	1,588		
Advertising expenses	155	1,543	1,969	2,557	63	1,100	1,224	1,436	262	2,434		
Other	306	627	961	1,214	238	500	704	856	183	437		
Depreciation and goodwill amortization	61	123	137	165	36	80	124	170	35	74		
Operating profit	1,115	2,275	3,374	3,161	337	1,637	2,001	2,246	580	2,577	103.1%	2,500
YoY	98.6%	81.5%	94.1%	49.2%	-69.8%	-28.0%	-40.7%	-28.9%	72.0%	57.5%		11.3%
Operating profit margin	20.7%	18.4%	19.4%	15.0%	10.1%	18.2%	16.7%	15.1%	17.2%	23.2%		18.2%
Recurring profit	1,116	2,335	3,405	3,150	317	1,620	1,987	2,248	578	2,582	103.2%	2,502
YoY	95.9%	86.3%	96.3%	50.3%	-71.6%	-30.6%	-41.6%	-28.6%	82.5%	59.4%		11.3%
Recurring profit margin	20.7%	18.9%	19.6%	14.9%	9.5%	18.0%	16.5%	15.1%	17.1%	23.2%		18.2%
Net income	755	1,227	1,883	1,368	209	1,115	1,521	1,728	391	1,699	95.3%	1,783
YoY	110.0%	49.0%	65.9%	17.3%	-72.4%	-9.1%	-19.2%	26.3%	87.6%	52.4%		3.2%
Net margin	14.0%	9.9%	10.8%	6.5%	6.2%	12.4%	12.7%	11.6%	11.6%	15.3%		13.0%
Quarterly (JPYmn)	FY07/19				FY07/20				FY07/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Revenue	5,386	6,958	5,032	3,763	3,346	5,666	3,003	2,887	3,373	7,735		
YoY	17.5%	51.8%	17.2%	-16.7%	-37.9%	-18.6%	-40.3%	-23.3%	0.8%	36.5%		
Gross profit	2,320	4,134	2,466	1,282	1,149	3,576	1,235	1,333	1,640	6,293		
YoY	89.0%	140.3%	66.8%	-8.0%	-50.5%	-13.5%	-49.9%	4.0%	42.8%	76.0%		
Gross profit margin	43.1%	59.4%	49.0%	34.1%	34.3%	63.1%	41.1%	46.2%	48.6%	81.4%		
SG&A expenses	1,205	2,974	1,368	1,495	812	2,277	871	1,088	1,060	4,296		
YoY	80.9%	189.2%	37.5%	47.6%	-32.7%	-23.5%	-36.3%	-27.2%	30.6%	88.7%		
SG&A ratio	22.4%	42.7%	27.2%	39.7%	24.3%	40.2%	29.0%	37.7%	31.4%	55.5%		
Personnel expenses	423	422	410	427	428	415	405	404	403	414		
Sales promotion expenses	258	780	180	196	44	516	91	270	174	1,414		
Advertising expenses	155	1,388	426	588	63	1,037	124	212	262	2,172		
Other	306	321	334	253	238	262	204	152	183	254		
Depreciation and goodwill amortization	61	62	14	28	36	44	44	46	35	39		
Operating profit	1,115	1,160	1,099	-213	337	1,300	364	245	580	1,997		
YoY	98.6%	67.6%	126.8%	-	-69.8%	12.0%	-66.9%	-	72.0%	53.7%		
Operating profit margin	20.7%	16.7%	21.8%	-	10.1%	22.9%	12.1%	8.5%	17.2%	25.8%		
Recurring profit	1,116	1,220	1,069	-255	317	1,303	367	261	578	2,003		
YoY	95.9%	78.4%	122.3%	-	-71.6%	6.8%	-65.7%	-	82.5%	53.7%		
Recurring profit margin	20.7%	17.5%	21.3%	-	9.5%	23.0%	12.2%	9.1%	17.1%	25.9%		
Net income	755	472	656	-515	209	906	406	207	391	1,307		
YoY	110.0%	1.7%	110.4%	-	-72.4%	92.2%	-38.2%	-	87.6%	44.2%		
Net margin	14.0%	6.8%	13.0%	-	6.2%	16.0%	13.5%	7.2%	11.6%	16.9%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cumulative (JPYmn)	FY07/19				FY07/20				FY07/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	5,386	12,345	17,376	21,139	3,346	9,012	12,015	14,902	3,373	11,108
YoY	17.5%	34.6%	29.1%	17.6%	-37.9%	-27.0%	-30.9%	-29.5%	0.8%	23.3%
Consumer Service	1,737	5,459	7,499	8,015	493	3,447	3,977	4,563	879	6,268
YoY	631.8%	374.3%	315.2%	232.2%	-71.6%	-36.9%	-47.0%	-43.1%	78.1%	81.8%
% of total revenue	31.7%	43.3%	42.4%	36.4%	14.6%	34.7%	30.6%	28.5%	23.9%	48.4%
Online Advertising	3,735	7,145	10,187	13,991	2,891	6,481	9,018	11,466	2,796	6,679
YoY	-15.4%	-12.5%	-14.1%	-11.7%	-22.6%	-9.3%	-11.5%	-18.0%	-3.3%	3.1%
% of total revenue	68.3%	56.7%	57.6%	63.6%	85.4%	65.3%	69.4%	71.5%	76.1%	51.6%
Operating profit	1,115	2,275	3,374	3,161	337	1,637	2,001	2,246	580	2,577
YoY	98.6%	81.5%	94.1%	49.2%	-69.8%	-28.0%	-40.7%	-28.9%	72.0%	57.5%
Operating profit margin	20.7%	18.4%	19.4%	15.0%	10.1%	18.2%	16.7%	15.1%	17.2%	23.2%
Consumer Service	915	1,926	2,854	2,314	110	1,136	1,304	1,326	322	2,007
YoY	2217.9%	317.0%	400.7%	239.8%	-88.0%	-41.0%	-54.3%	-42.7%	192.4%	76.6%
Operating profit margin	52.7%	35.3%	38.1%	28.9%	22.3%	33.0%	32.8%	29.0%	36.7%	32.0%
% of total operating profit	83.1%	86.0%	86.0%	75.0%	34.8%	71.2%	67.0%	60.5%	55.6%	77.9%
Online Advertising	187	315	465	771	206	459	643	867	258	570
YoY	-63.6%	-59.2%	-59.1%	-44.7%	10.5%	45.8%	38.3%	12.4%	25.0%	24.3%
Operating profit margin	5.0%	4.4%	4.6%	5.5%	7.1%	7.1%	7.1%	7.6%	9.2%	8.5%
% of total operating profit	16.9%	14.0%	14.0%	25.0%	65.2%	28.8%	33.0%	39.5%	44.4%	22.1%
Quarterly (JPYmn)	FY07/19				FY07/20				FY07/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	5,386	6,958	5,032	3,763	3,346	5,666	3,003	2,887	3,373	7,735
YoY	17.5%	51.8%	17.2%	-16.7%	-37.9%	-18.6%	-40.3%	-23.3%	0.8%	36.5%
Consumer Service	1,736	3,723	2,040	516	493	2,954	530	586	879	5,389
YoY	632.5%	307.4%	211.5%	-14.9%	-71.6%	-20.7%	-74.0%	13.6%	78.1%	82.4%
% of total revenue	31.7%	52.2%	40.1%	11.9%	14.6%	45.1%	17.3%	19.3%	23.9%	58.1%
Online Advertising	3,735	3,410	3,041	3,804	2,891	3,590	2,537	2,448	2,796	3,883
YoY	-15.3%	-9.2%	-17.7%	-4.5%	-22.6%	5.3%	-16.6%	-35.7%	-3.3%	8.2%
% of total revenue	68.3%	47.8%	59.9%	88.1%	85.4%	54.9%	82.7%	80.7%	76.1%	41.9%
Operating profit	1,115	1,160	1,099	-213	337	1,300	364	245	580	1,997
YoY	98.6%	67.6%	126.8%	-	-69.8%	12.0%	-66.9%	-	72.0%	53.7%
Consumer Service	915	1,011	927	-540	110	1,026	168	21	322	1,685
YoY	2246.2%	139.3%	759.2%	-	-88.0%	1.5%	-81.9%	-	192.4%	64.2%
Operating profit margin	52.7%	27.2%	45.4%	-104.7%	22.3%	34.7%	31.7%	3.6%	36.7%	31.3%
% of total operating profit	83.1%	88.8%	86.0%	63.8%	34.8%	80.2%	47.7%	8.7%	55.6%	84.3%
Online Advertising	186	128	151	306	206	253	184	223	258	313
YoY	-63.7%	-50.5%	-58.8%	18.5%	10.8%	97.3%	22.5%	-26.9%	25.0%	23.7%
Operating profit margin	5.0%	3.8%	4.9%	8.0%	7.1%	7.0%	7.3%	9.1%	9.2%	8.1%
% of total operating profit	16.9%	11.2%	14.0%	36.2%	65.2%	19.8%	52.3%	91.3%	44.4%	15.7%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Seasonality: The hometown tax donation business (Consumer Service segment) is subject to seasonality. Under the hometown tax donation system, donors can receive an income tax deduction for the current year as counted from January 1–December 31, and residence tax credits for the following year. Due to the December 31 cutoff, the number of donors tends to increase in December, and sales tend to be relatively large in Q2 (November–January) and relatively small at other times of the year. The Minister of Internal Affairs and Communications introduced new criteria that went into effect in June 2019. This generated rush demand in FY07/19, shifting the seasonality of the system from the typical year.

1H FY07/21 results

- ▷ In 1H FY07/21, the company reported consolidated revenue of JPY11.1bn (+23.3% YoY), gross profit of JPY7.9bn (+67.9% YoY), operating profit of JPY2.6bn (+57.5% YoY), recurring profit of JPY2.6bn (+59.4% YoY), and net income attributable to owners of the parent of JPY1.7bn (+52.4% YoY). The Consumer Service segment drove results with a 81.8% increase in revenue and 76.6% increase in segment profit. The Online Advertising segment saw a 3.1% increase in revenue and a 24.3% increase in segment profit. The progress rate against the full-year forecast for FY07/21 was revenue 81.0%, gross profit 96.1%, operating profit 103.1%, recurring profit 103.2%, and net income attributable to owners of the parent 95.3%.
- ▷ Consumer Service segment: The number of donations in Q2 (November 2020–January 2021) were about 2x higher than the previous year.
- ▷ SG&A expenses: The ratio of SG&A expenses to revenue in 1H was 48.2%, up from 34.3% in 1H FY07/20. Advertising expenses increased to JPY2.4bn (JPY1.1bn in 1H FY07/20) due to TV commercial production and online advertising for the hometown tax donation business. In addition, sales promotion expenses increased to JPY1.6bn (JPY560mn) due to campaign expenses related to the increase in revenue.
- ▷ Online Advertising segment: The company provided rough disclosure in regard to revenue and gross profit ratios in 1H FY07/21 for the ad platform business (ad products and affiliate businesses), as well as the app operation and media solutions businesses. In the Online Advertising segment, the ad platform business accounted for about 70% of revenue, but under 50% of gross profit, while the app operation and media solutions businesses accounted for about 30% of revenue and over 50% of gross profit.
- ▷ Full-year forecast for FY07/21: The company's original forecast has been left unchanged. When announcing 1H FY07/21 results, i-mobile noted that it expects the COVID-19 pandemic to have only a limited impact on FY07/21 earnings. However, the company also thinks that if the economic impact from the pandemic intensifies and lingers for a prolonged period of time, earnings could be adversely affected in line with a narrowing in the domestic advertising market, including as a result of a decrease in the number of advertisers, and a contraction in the hometown tax donation market as individual resident taxes and income taxes decline. Further details on the forecast are outlined below in the "Full-year FY07/21 company forecast" section.

Performance by segment

Consumer Service

In 1H FY07/21, the Consumer Service segment reported revenue of JPY6.3bn (+81.8% YoY) and segment profit of JPY2.0bn (+76.6% YoY).

- ▷ The company does not provide a breakdown of segment revenue, but noted that its hometown tax donation (Furunavi) service accounts for the bulk of segment revenue. In Q2 FY07/21 (November 2020–January 2021), the number of donations were roughly double the Q2 FY07/20 figure. The number of members and agreements with municipalities steadily increased, exceeding 1.1mn members with 577 agreements with municipalities at end-Q2 (year-end target 650). Advertising expenses in 1H FY07/21 increased to JPY2.4bn (JPY1.1bn in 1H FY07/20) due to TV commercial production and online advertising for the hometown tax donation business. In addition, sales promotion expenses increased to JPY1.6bn (JPY560mn) due to campaign expenses related to the increase in revenue.
- ▷ Q2 FY07/21 (November 2020–January 2021) includes December, which is the deadline for tax deduction applications related to hometown tax donations. This seasonal factor contributes to revenue and segment profit rising in the quarter.
- ▷ The reorganization of unprofitable businesses in FY07/20 had the effect of lowering Q2 FY07/21 revenue JPY141mn YoY, but boosting segment profit JPY58mn YoY.

Online Advertising

In 1H FY07/21, the Online Advertising segment reported revenue of JPY6.7bn (+3.1% YoY) and segment profit of JPY570mn (+24.3% YoY).

- ▷ The company provided rough disclosure in regard to revenue and gross profit ratios in 1H FY07/21 for the ad platform business (ad products and affiliate businesses), as well as the app operation and media solutions businesses. In the Online Advertising segment, the ad platform business accounted for about 70% of revenue, but under 50% of gross profit, while the app operation and media solutions businesses accounted for about 30% of revenue and over 50% of gross profit.
- ▷ In the app operation business, which is a strategic investment area, results were boosted by improved advertising efficiency and new customer acquisitions through aggressive ad spend. Active user count roughly doubled compared to Q2 FY07/20.
- ▷ In the media solutions business, the number of accounts that installed Google for Publishers was up 56% compared to Q2 FY07/20.
- ▷ In the ad platform business (ad products and affiliate businesses), the company has made efforts to transform into an organization and product system capable of providing total solutions to clients and reorganize sales methods and systems by reviewing target advertisers and their budget scales. The objective of restructuring sales methods and the system is to reduce earnings fluctuations and stabilize profits by expanding and diversifying the customer base. Amid the steady acquisition of customers in Japan and overseas, the number of active and ongoing projects has followed an upward trend, with earnings accordingly showing signs of improvement. In addition, the affiliate business received large-scale game app and exclusive distribution-based e-commerce product orders.

Full-year FY07/21 company forecast

(JPYmm)	FY07/19			FY07/20			FY07/21		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.
Revenue	12,345	8,794	21,139	9,012	5,890	14,902	11,108	2,607	13,715
YoY	34.6%	-0.2%	17.6%	-27.0%	-33.0%	-29.5%	23.3%	-55.7%	-8.0%
Cost of revenue	5,890	5,046	10,936	4,287	3,322	7,609	3,175		
Gross profit	6,454	3,748	10,203	4,725	2,568	7,293	7,934	325	8,259
Gross profit margin	52.3%	42.6%	48.3%	52.4%	43.6%	48.9%	71.4%	12.5%	60.2%
SG&A expenses	4,180	2,862	7,042	3,089	1,958	5,047	5,356		
SG&A ratio	33.9%	32.5%	33.3%	34.3%	33.2%	33.9%	48.2%		
Operating profit	2,275	886	3,161	1,637	609	2,246	2,577	-77	2,500
YoY	81.5%	2.4%	49.2%	-28.0%	-31.2%	-28.9%	57.5%	-112.7%	11.3%
Operating profit margin	18.4%	10.1%	15.0%	18.2%	10.3%	15.1%	23.2%	-3.0%	18.2%
Recurring profit	2,335	815	3,150	1,620	628	2,248	2,582	-80	2,502
YoY	86.3%	-3.3%	50.3%	-30.6%	-22.9%	-28.6%	59.4%	-112.7%	11.3%
Recurring profit margin	18.9%	9.3%	14.9%	18.0%	10.7%	15.1%	23.2%	-3.1%	18.2%
Net income	1,227	141	1,368	1,115	613	1,728	1,699	84	1,783
YoY	49.0%	-58.9%	17.3%	-9.1%	335.6%	26.3%	52.4%	-86.2%	3.2%
Net margin	9.9%	1.6%	6.5%	12.4%	10.4%	11.6%	15.3%	3.2%	13.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Supplemental information announced alongside 1H FY07/21 results (out March 11, 2021)

The company's original forecast has been left unchanged. When announcing 1H FY07/21 results, i-mobile noted that it expects the COVID-19 pandemic to have only a limited impact on FY07/21 earnings. However, the company also thinks that if the economic impact from the pandemic intensifies and lingers for a prolonged period of time, earnings could be adversely affected in line with a narrowing in the domestic advertising market, including as a result of a decrease in the number of advertisers, and a contraction in the hometown tax donation market as individual resident taxes and income taxes decline.

This note is the most recent addition to the [full report](#).

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