

# Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2019

[Japanese GAAP]

December 10, 2019

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange (Mothers)  
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Scheduled date of Annual General Meeting of Shareholders: January 30, 2020  
 Scheduled date of payment of dividend: -  
 Scheduled date of filing of Annual Securities Report: January 30, 2020  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)  
 (All amounts are rounded down to the nearest million yen)

## 1. Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2019 (November 1, 2018 - October 31, 2019)

(1) Results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Oct. 31, 2019	981	16.5	406	77.4	392	76.3	248	68.1
Fiscal year ended Oct. 31, 2018	842	42.3	228	19.5	222	15.9	147	35.2

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Oct. 31, 2019	25.53	24.04	39.1	44.1	41.4
Fiscal year ended Oct. 31, 2018	15.92	-	75.8	50.5	27.2

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Oct. 31, 2019: - Fiscal year ended Oct. 31, 2018: -

- Notes: 1. Diluted net income per share for the fiscal year ended October 31, 2018 is not shown. Although there were share acquisition rights, it is not possible to determine an average stock price because the stock of Tobila Systems was not listed.
2. The Tobila Systems stock was listed on the Tokyo Stock Exchange Mothers Market on April 25, 2019. Diluted net income per share for the fiscal year ended October 31, 2019 was determined by using an average stock price during the period between the listing and the end of October 2019.
3. Tobila Systems conducted a 50-for-1 stock split on January 26, 2018, a 100-for-1 stock split on January 16, 2019 and a 3-for-1 stock split on October 11, 2019. Accordingly, net income per share and diluted net income per share have been calculated as if these stock splits had taken place at the beginning of the fiscal year ended October 31, 2018.

## (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Oct. 31, 2019	1,310	1,000	76.4	97.91
As of Oct. 31, 2018	469	270	57.7	28.94

Reference: Shareholders' equity (million yen) As of Oct. 31, 2019: 1,000 As of Oct. 31, 2018: 270

## (3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Oct. 31, 2019	380	(63)	455	998
Fiscal year ended Oct. 31, 2018	215	(52)	(133)	226

## 2. Dividends

	Dividend per share					Total dividends	Payout ratio	Dividend on equity			
	1Q-end	2Q-end	3Q-end	Year-end	Total			Million yen	%	Yen	%
	Yen	Yen	Yen	Yen	Yen						
Fiscal year ended Oct. 31, 2018	-	0.00	-	0.00	0.00	-	-	-	-		
Fiscal year ended Oct. 31, 2019	-	0.00	-	0.00	0.00	-	-	-	-		
Fiscal year ending Oct. 31, 2020 (forecasts)	-	0.00	-	10.60	10.60		35.3				

## 3. Earnings Forecast for the Fiscal Year Ending October 31, 2020 (November 1, 2019 - October 31, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	569	15.9	202	(12.6)	183	(16.6)	125	(17.0)	12.23
Full year	1,227	25.0	468	15.2	449	14.4	307	23.5	30.03

**\* Notes**

(1) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: Yes
- 4) Restatements: None

Note: Please refer to “3. Non-consolidated Financial Statements and Notes, (5) Notes to Non-consolidated Financial Statements, Changes in Accounting-based Estimates” on page 11 for details.

(2) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Oct. 31, 2019:	10,222,800 shares	As of Oct. 31, 2018:	9,360,000 shares
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2) Number of treasury shares at the end of the period

As of Oct. 31, 2019:	- shares	As of Oct. 31, 2018:	- shares
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3) Average number of shares outstanding during the period

Fiscal year ended Oct. 31, 2019:	9,741,026 shares	Fiscal year ended Oct. 31, 2018:	9,294,410 shares
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Note: Tobila Systems conducted a 50-for-1 stock split on January 26, 2018, a 100-for-1 stock split on January 16, 2019 and a 3-for-1 stock split on October 11, 2019. The number of outstanding shares has been calculated as if these stock splits had taken place at the beginning of the fiscal year ended October 31, 2018.

\* The current financial report is not subject to audit by certified public accountants or auditing firms.

\* Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to Tobila Systems' management at the time these materials were prepared, but are not promises by Tobila Systems regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Overview of Results of Operations, (4) Outlook” on page 3 for forecast assumptions and notes of caution for usage.

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## 1. Overview of Results of Operations

### (1) Results of Operations

People of all ages are using mobile phones to access the Internet. These phones play a vital role in today's ICT-dependent society. They are becoming a common payment method due to the Japanese government's promotion of cashless payments in 2019. As a result, mobile phones have become one of the most important products that support sustainable growth in Japan, which has one of the oldest population in the world.

We have focused our resources on fraudulent and spam prevention services based on our corporate philosophy of becoming a company that can create a better future for our lives and the world. Fraudulent and spam activities through phone calls or the Internet are an increasingly serious problem in Japan. Consequently, supplying effective products and services to solve this problem will contribute to our medium to long-term sustainable growth. Increasing the utilization of our fraudulent and spam prevention services requires more service alliances, stronger cooperation and sales and earnings growth by increasing MAU (Monthly Active Users) and adding new services. Many actions have been taken during the current fiscal year to achieve this goal.

As a result, net sales increased 16.5% year-on-year to 981 million yen in the fiscal year ended October 31, 2019. Operating profit increased 77.4% to 406 million yen, ordinary profit increased 76.3% to 392 million yen and profit was up 68.1% to 248 million yen.

Note: MAU is the number of users of our products and services who access our server at least once a month to update a blocked phone number list automatically or to activate our app or other services. If a person uses multiple devices and each device has a separate agreement, the person is counted as different users.

MAU is an important KPI for determining the contribution of our products and services to eliminating problems caused by fraudulent and spam activities. Our revenue is, however, not always directly affected by an increase or decrease in MAU because contracts with business clients such as telecommunications service providers have different terms.

Results by business segment are as follows:

#### Fraudulent and spam prevention services

There are three service categories in this segment. A filtering service to block fraudulent and other malicious calls on mobile phones is the core business. The other categories are a filtering service for landline phones and a filtering service for phones used by businesses. During the current fiscal year, we made substantial investments in software for improving existing functions and developing new functions and services. All these activities were aimed at building an even larger and more powerful foundation for the provision of filtering services.

As a result, sales were 865 million yen, up 13.4% from one year earlier, and segment profit increased 43.9% to 608 million yen.

#### Other services

Other services include "HP4U" (a website design and operation support system), development projects outsourced by other companies, and other activities. Although we do not intend to increase the scale of operations in this segment, there was a big increase in sales and earnings because of the completion of development projects received in the previous fiscal year. As a result, sales increased 46.0% to 116 million yen, and the segment profit was 60 million yen, 42.0% more than one year earlier.

### (2) Financial Position

#### Assets

Total assets increased 840 million yen from the end of the previous fiscal year to 1,310 million yen at the end of the current fiscal year. This was attributable mainly to increases of 772 million yen in cash and deposits, 32 million yen in accounts receivable-trade and 25 million yen in intangible assets.

**Liabilities**

Total liabilities increased 110 million yen from the end of the previous fiscal year to 309 million yen. This was mainly due to increases of 15 million yen in accounts payable-other and 98 million yen in income taxes payable.

**Net assets**

Total net assets increased 730 million yen from the end of the previous fiscal year to 1,000 million yen. The main factors include an increase in capital stock and capital surplus of 240 million yen each due to capital increase and the exercise of share acquisition rights, and the booking of profit of 248 million yen.

The equity ratio increased from 57.7% at the end of the previous fiscal year to 76.4%.

**(3) Cash Flows**

Cash and cash equivalents (hereinafter, “net cash”) at the end of the current fiscal year increased 772 million yen from the end of the previous fiscal year to 998 million yen. Cash flows by category are as described below.

**Cash flows from operating activities**

Net cash provided by operating activities amounted to 380 million yen. This was mainly due to profit before income taxes of 390 million yen, depreciation of 38 million yen and a decrease in inventories of 17 million yen, while there were income taxes paid of 62 million yen and an increase of 32 million yen in notes and accounts receivable-trade.

**Cash flows from investing activities**

Net cash used in investing activities amounted to 63 million yen. The main factors include payments for the purchase of property, plant and equipment and intangible assets.

**Cash flows from financing activities**

Net cash provided by financing activities amounted to 455 million yen. This was mainly due to proceeds from capital increase and the exercise of share acquisition rights of 474 million yen, while there were repayments of long-term loans payable of 13 million yen and payment of listing expenses of 5 million yen.

**(4) Outlook**

The core business of Tobila Systems is fraudulent and spam prevention services. We provide effective products and services to deal with fraudulent and spam activities. Our filters automatically block incoming calls from phone numbers, even a number unknown to a user, that we have identified as suspicious by using our own know-how.

The key strengths of our services are a framework for cooperation with the police and an exclusive database technology that increases the accuracy of our data as the number of users grows. As a result, we have no serious competitors in this business sector.

The majority of our sales are service fees received from telecommunications service providers that offer their customers our fraud prevention services as an option. This steady revenue stream increases along with growth in the number of users of our services.

We believe that investments aimed at increasing the speed of our medium to long-term business growth are essential for the further growth of our corporate value. Our policy is to make investments for growth in the future while controlling our expenses in an appropriate manner.

We forecast net sales of 1,227 million yen (up 25.0% year on year), operating profit of 468 million yen (up 15.2%), ordinary profit of 449 million yen (up 14.4%), and profit of 307 million yen (up 23.5%) for the fiscal year ending October 31, 2020.

These forecasts are based on information available at the time this report was prepared and actual results may differ from these forecasts for a number of reasons.

## **2. Basic Approach for the Selection of Accounting Standards**

Tobila Systems will continue to prepare financial statements based on generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

**3. Non-consolidated Financial Statements and Notes****(1) Non-consolidated Balance Sheet**

	(Thousands of yen)	
	FY10/18 (As of Oct. 31, 2018)	FY10/19 (As of Oct. 31, 2019)
Assets		
Current assets		
Cash and deposits	226,249	998,475
Notes receivable-trade	129	-
Accounts receivable-trade	76,672	109,595
Merchandise and finished goods	28,271	19,288
Work in process	9,022	762
Raw materials and supplies	1,160	529
Prepaid expenses	7,595	10,873
Other	5	0
Allowance for doubtful accounts	(568)	(365)
Total current assets	348,537	1,139,160
Non-current assets		
Property, plant and equipment		
Buildings	8,047	4,019
Structures	4,379	3,834
Vehicles	244	0
Tools, furniture and fixtures	27,220	36,003
Total property, plant and equipment	39,890	43,857
Intangible assets		
Patent right	5,736	5,671
Trademark right	734	713
Software	50,680	68,725
Other	3,007	10,257
Total intangible assets	60,159	85,367
Investments and other assets		
Long-term prepaid expenses	1,550	1,221
Deferred tax assets	7,946	16,862
Other	11,065	23,659
Total investments and other assets	20,562	41,743
Total non-current assets	120,612	170,968
Total assets	469,150	1,310,128

	(Thousands of yen)	
	FY10/18	FY10/19
	(As of Oct. 31, 2018)	(As of Oct. 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	-	775
Current portion of long-term loans payable	13,008	13,008
Accounts payable-other	44,958	60,491
Accrued expenses	11,418	12,268
Income taxes payable	33,606	132,513
Accrued consumption taxes	18,826	27,088
Advances received	32,291	32,445
Deposits received	6,275	5,692
Total current liabilities	160,385	284,283
Non-current liabilities		
Long-term loans payable	37,900	24,892
Total non-current liabilities	37,900	24,892
Total liabilities	198,285	309,175
<b>Net assets</b>		
Shareholders' equity		
Capital stock	52,300	293,010
Capital surplus		
Legal capital surplus	16,600	257,310
Total capital surpluses	16,600	257,310
Retained earnings		
Other retained earnings		
Retained earnings brought forward	201,964	450,632
Total retained earnings	201,964	450,632
Total shareholders' equity	270,864	1,000,953
Total net assets	270,864	1,000,953
Total liabilities and net assets	469,150	1,310,128



**(2) Non-consolidated Statement of Income**

(Thousands of yen)

	FY10/18 (Nov. 1, 2017 - Oct. 31, 2018)	FY10/19 (Nov. 1, 2018 - Oct. 31, 2019)
Net sales	842,458	981,682
Cost of sales		
Beginning merchandise and finished goods	22,073	28,271
Cost of products manufactured	237,151	243,695
Cost of purchased goods	22,241	5,119
Total	281,466	277,086
Ending merchandise and finished goods	28,271	19,288
Reversal of provision for loss on order received	788	-
Total cost of sales	252,407	257,798
Gross profit	590,051	723,884
Selling, general and administrative expenses	361,109	317,655
Operating profit	228,941	406,229
Non-operating income		
Interest income	27	4
Cancellation income	-	43
Subsidy income	285	-
Refund	212	-
Other	103	0
Total non-operating income	629	49
Non-operating expenses		
Interest expenses	2,392	370
Share issuance cost	-	7,410
Listing expenses	-	5,848
Foreign exchange losses	178	-
Commission expenses	3,990	-
Other	260	-
Total non-operating expenses	6,822	13,630
Ordinary profit	222,748	392,648
Extraordinary income		
Extraordinary losses		
Loss on retirement of treasury share acquisition rights	16,800	-
Loss on retirement of non-current assets	440	2,450
Total extraordinary losses	17,240	2,450
Profit before income taxes	205,508	390,197
Income taxes-current	57,726	150,446
Income taxes-deferred	(160)	(8,916)
Total income taxes	57,566	141,529
Profit	147,942	248,667

**(3) Non-consolidated Statement of Changes in Equity**

FY10/18 (Nov. 1, 2017 - Oct. 31, 2018)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
				Retained earnings brought forward				
Balance at beginning of current period	50,700	15,000	15,000	90,581	90,581	(36,558)	119,722	119,722
Changes of items during period								
Conversion of convertible bond type bonds with share acquisition rights	1,600	1,600	1,600				3,200	3,200
Issuance of new shares							-	-
Issuance of new shares-exercise of share acquisition rights							-	-
Profit				147,942	147,942		147,942	147,942
Retirement of treasury shares				(36,558)	(36,558)	36,558	-	-
Total changes of items during period	1,600	1,600	1,600	111,383	111,383	36,558	151,142	151,142
Balance at end of current period	52,300	16,600	16,600	201,964	201,964	-	270,864	270,864

FY10/19 (Nov. 1, 2018 - Oct. 31, 2019)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
				Retained earnings brought forward				
Balance at beginning of current period	52,300	16,600	16,600	201,964	201,964	-	270,864	270,864
Changes of items during period								
Conversion of convertible bond type bonds with share acquisition rights							-	-
Issuance of new shares	234,710	234,710	234,710				469,420	469,420
Issuance of new shares-exercise of share acquisition rights	6,000	6,000	6,000				12,000	12,000
Profit				248,667	248,667		248,667	248,667
Retirement of treasury shares							-	-
Total changes of items during period	240,710	240,710	240,710	248,667	248,667	-	730,088	730,088
Balance at end of current period	293,010	257,310	257,310	450,632	450,632	-	1,000,953	1,000,953

**(4) Non-consolidated Statement of Cash Flows**

	(Thousands of yen)	
	FY10/18	FY10/19
	(Nov. 1, 2017 - Oct. 31, 2018)	(Nov. 1, 2018 - Oct. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	205,508	390,197
Depreciation	33,727	38,374
Share issuance cost	-	7,410
Listing expenses	-	5,848
Loss on retirement of treasury share acquisition rights	16,800	-
Increase (decrease) in allowance for doubtful accounts	(890)	(203)
Increase (decrease) in provision for loss on order received	(788)	-
Interest and dividend income	(27)	(4)
Interest expenses	2,392	370
Foreign exchange losses (gains)	(649)	-
Loss on retirement of non-current assets	440	2,450
Decrease (increase) in notes and accounts receivable-trade	(399)	(32,793)
Decrease (increase) in inventories	(8,905)	17,873
Increase (decrease) in notes and accounts payable-trade	(3,607)	775
Increase (decrease) in accounts payable-other	12,552	(8,192)
Increase (decrease) in advances received	29,420	154
Increase (decrease) in accrued consumption taxes	62	8,262
Other, net	4,245	12,401
Subtotal	289,882	442,924
Interest and dividend income received	26	4
Interest expenses paid	(2,365)	(370)
Income taxes paid	(72,278)	(62,471)
Net cash provided by (used in) operating activities	215,264	380,087
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,794)	(7,196)
Purchase of intangible assets	(38,327)	(39,795)
Payments for leasehold and guarantee deposits	-	(16,022)
Net cash provided by (used in) investing activities	(52,121)	(63,015)
Cash flows from financing activities		
Repayments of long-term loans payable	(113,192)	(13,008)
Proceeds from issuance of common shares	-	474,009
Payment of listing expenses	-	(5,848)
Payments for purchase of treasury share acquisition rights	(16,800)	-
Other, net	(3,990)	-
Net cash provided by (used in) financing activities	(133,982)	455,153
Effect of exchange rate change on cash and cash equivalents	649	-
Net increase (decrease) in cash and cash equivalents	29,809	772,225
Cash and cash equivalents at beginning of period	196,439	226,249
Cash and cash equivalents at end of period	226,249	998,475

## **(5) Notes to Non-consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

### **Reclassifications**

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, Etc.

Effective from the beginning of the current fiscal year, Tobila Systems applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Accordingly, deferred tax assets have been presented in the investments and other assets section of the balance sheet.

As a result, deferred tax assets of 6 million yen under the current assets in the non-consolidated balance sheet at the end of the previous fiscal year is included in deferred tax assets of 16 million yen under investments and other assets.

### **Changes in Accounting-based Estimates**

Change in useful life of assets

As the timing of the head office relocation was determined during the current fiscal year, Tobila Systems has reduced the useful life in this fiscal year and future years of non-current assets that are not expected to be used following this relocation. In addition, the number of years for the depreciation of assets has been shortened to a reasonable period with regard to asset retirement obligations recorded for the restoration of the current head office to its original condition as required by the lease agreement.

Asset retirement obligations concerning the head office restoration to original condition are not classified as a balance sheet liability. Instead, a reasonable estimate has been made of the amount of the head office lease security deposit that will not be returned and the resulting cost was recognized as an expense in the current fiscal year.

Due to this change, operating profit, ordinary profit and profit before income taxes each decreased by 6 million yen in the current fiscal year compared with the amounts calculated using the previous method.

### **Equity in Earnings of Affiliates**

Not applicable as Tobila Systems does not have an affiliate.

## Segment and Other Information

### Segment Information

#### 1. Overview of reportable segment

##### (1) Method of determining the reportable segments

Segments used for financial reporting are Tobila Systems' constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The development and provision of fraudulent and spam prevention services is the primary activity of Tobila Systems. Consequently, there are two reportable segments: Fraudulent and Spam Prevention Services and Other Services.

##### (2) Products and services for each reportable segment

The fraudulent and spam prevention services segment uses analytic algorithms to identify suspicious or malicious calls for the provision of filtering apps and services for mobile and landline phones, more robust fraud filtering services for companies, and the development and provision of new fraud filtering products and services.

Other services include systems that support the production and operation of websites, contracted development projects, and other activities.

#### 2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting methods for reportable segments are generally the same as those described in "Significant Accounting Policies." Profits for reportable segments are operating profit figures.

#### 3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY10/18 (Nov. 1, 2017 – Oct. 31, 2018)

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Amounts shown on non-consolidated financial statements (Note 2)
	Fraudulent and spam prevention services	Other services			
Net sales					
External sales	762,682	79,776	842,458	-	842,458
Inter-segment sales and transfers	-	-	-	-	-
Total	762,682	79,776	842,458	-	842,458
Segment profit	423,085	42,425	465,510	(236,569)	228,941
Segment assets	183,465	23,565	207,031	262,119	469,150
Other items					
Depreciation	28,730	1,745	30,475	3,251	33,727
Increase in property, plant and equipment and intangible assets	40,979	1,337	42,317	6,657	48,974

Notes: 1. Contents of adjustments are as follows.

- (1) The adjustment to segment profit includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments.
  - (2) The adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of surplus funds (cash and deposits), and assets which belong to the administration department.
  - (3) The adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
  - (4) The adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures associated with corporate assets that are not attributable to any of the reportable segments.
2. Segment profit is adjusted to be consistent with operating profit in the non-consolidated statement of income.

FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Amounts shown on non-consolidated financial statements (Note 2)
	Fraudulent and spam prevention services	Other services			
Net sales					
External sales	865,230	116,452	981,682	-	981,682
Inter-segment sales and transfers	-	-	-	-	-
Total	865,230	116,452	981,682	-	981,682
Segment profit	608,915	60,235	669,150	(262,921)	406,229
Segment assets	233,354	18,206	251,561	1,058,567	1,310,128
Other items					
Depreciation	33,568	1,728	35,297	3,077	38,374
Increase in property, plant and equipment and intangible assets	64,039	3,020	67,060	3,490	70,550

Notes: 1. Contents of adjustments are as follows.

- (1) The adjustment to segment profit includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments.
  - (2) The adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of surplus funds (cash and deposits), and assets which belong to the administration department.
  - (3) The adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
  - (4) The adjustment to increase in property, plant and equipment and intangible assets includes capital expenditures associated with corporate assets that are not attributable to any of the reportable segments.
2. Segment profit is adjusted to be consistent with operating profit in the non-consolidated statement of income.

## Related Information

FY10/18 (Nov. 1, 2017 – Oct. 31, 2018)

## 1. Information by product and service

Omitted because the same information is presented in segment information.

## 2. Information by region

## (1) Net sales

Omitted since sales to external customers in Japan accounted for more than 90% of net sales shown on the non-consolidated statement of income.

## (2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

## 3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
SoftBank Corp.	377,076	Fraudulent and spam prevention services
NTT DOCOMO, INC.	134,166	Fraudulent and spam prevention services
KDDI CORPORATION	118,349	Fraudulent and spam prevention services

FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)

1. Information by product and service

Omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Omitted since sales to external customers in Japan accounted for more than 90% of net sales shown on the non-consolidated statement of income.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
SoftBank Corp.	476,678	Fraudulent and spam prevention services
NTT DOCOMO, INC.	148,333	Fraudulent and spam prevention services
KDDI CORPORATION	125,868	Fraudulent and spam prevention services

Information Related to Impairment Loss of Non-current Assets for Each Reportable Segment

Not applicable.

Information Related to Amortization of Goodwill and Unamortized Balance for Each Reportable Segment

Not applicable.

Information Related to Gain on Bargain Purchase for Each Reportable Segment

Not applicable.



**Per-share Information**

(Yen)

	FY10/18 (Nov. 1, 2017 – Oct. 31, 2018)	FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)
Net assets per share	28.94	97.91
Net income per share	15.92	25.53
Diluted net income per share	-	24.04

- Notes: 1. Diluted net income per share for FY10/18 is not shown. Although there were share acquisition rights, it is not possible to determine an average stock price because the stock of Tobila Systems was not listed.
2. The Tobila Systems stock was listed on the Tokyo Stock Exchange Mothers Market on April 25, 2019. Diluted net income per share for FY10/19 was determined by using an average stock price during the period between the listing and the end of October 2019.
3. Tobila Systems conducted a 50-for-1 stock split on January 26, 2018, a 100-for-1 stock split on January 16, 2019 and a 3-for-1 stock split on October 11, 2019. Accordingly, net assets per share and net income per share have been calculated as if these stock splits had taken place at the beginning of FY10/18.
4. The basis of calculating net income per share is as follows:

(Thousands of yen)

	FY10/18 (Nov. 1, 2017 – Oct. 31, 2018)	FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)
Net income per share		
Profit	147,942	248,667
Amount not attributable to common shareholders	-	-
Profit applicable to common shares	147,942	248,667
Average number of common shares outstanding during the period (shares)	9,294,410	9,741,026
Diluted net income per share		
Adjustment to profit	-	-
Increase in the number of common shares (shares)	-	601,556
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	Share acquisition rights No.4 (Number of share acquisition rights: 15) Share acquisition rights No.5 (Number of share acquisition rights: 767)	-

5. The basis of calculating net assets per share is as follows.

(Thousands of yen)

	FY10/18 (As of Oct. 31, 2018)	FY10/19 (As of Oct. 31, 2019)
Total net assets	270,864	1,000,953
Deduction on total net assets	-	-
Net assets applicable to common shares at end of period	270,864	1,000,953
Number of common shares at end of period used in calculation of net assets per share (shares)	9,360,000	10,222,800

*This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*