

Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2021

[Japanese GAAP]

December 10, 2021

Company name: Tobila Systems Inc.

Listing: Tokyo Stock Exchange, First Section

Securities code: 4441

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Scheduled date of Annual General Meeting of Shareholders: January 20, 2022

Scheduled date of payment of dividend: January 6, 2022

Scheduled date of filing of Annual Securities Report: January 20, 2022

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes

(All amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2021

(November 1, 2020 - October 31, 2021)

(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, 2021	1,424	15.4	579	16.3	577	22.7	386	19.8
Fiscal year ended Oct. 31, 2020	1,234	25.7	498	22.8	471	20.0	322	29.6

	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, 2021	37.25	36.47	27.2	30.3	40.7
Fiscal year ended Oct. 31, 2020	31.30	30.20	27.5	31.9	40.4

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Oct. 31, 2021: - Fiscal year ended Oct. 31, 2020: -

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Oct. 31, 2021	2,170	1,489	68.6	143.30
As of Oct. 31, 2020	1,647	1,347	81.7	129.71

Reference: Shareholders' equity (million yen) As of Oct. 31, 2021: 1,489 As of Oct. 31, 2020: 1,347

(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, 2021	491	(652)	45	1,145
Fiscal year ended Oct. 31, 2020	358	(123)	(15)	1,218

2. Dividends

	Dividend per share					Total dividends	Payout ratio	Dividend on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Oct. 31, 2020	-	0.00	-	10.80	10.80	112	34.5	9.5
Fiscal year ended Oct. 31, 2021	-	0.00	-	12.90	12.90	134	34.6	9.5
Fiscal year ending Oct. 31, 2022 (forecasts)	-	0.00	-	11.10	11.10		34.6	

3. Earnings Forecast for the Fiscal Year Ending October 31, 2022 (November 1, 2021 - October 31, 2022)

(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	786	13.3	228	(20.0)	220	(23.0)	146	(25.7)	14.12
Full year	1,636	14.8	513	(11.5)	504	(12.8)	333	(13.7)	32.05

*** 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: None
- 4) Restatements: None

(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, 2021:	10,479,900 shares	As of Oct. 31, 2020:	10,385,400 shares
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2) Number of treasury shares at the end of the period

As of Oct. 31, 2021:	89,150 shares	As of Oct. 31, 2020:	50 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Oct. 31, 2021:	10,364,669 shares	Fiscal year ended Oct. 31, 2020:	10,298,193 shares
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* 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 4 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) Results of Operations

The Japanese economy is still in a challenging situation because of the introduction of various restrictions to curb COVID-19 infections. With vaccinations in full swing, the economy is expected to pick up, but the outlook remains uncertain.

When the Tokyo Olympics began in July 2021, phishing scams emerged aiming to trick people into entering their credit card details under the guise of being a live Olympic broadcast. This fall, there were phishing scams using the short message service, in which gift cards and other items were illegally purchased and caused a considerable number of losses. In this manner, specialized fraud schemes are becoming ever more sophisticated as the world continues to change.

There is thus a growing need to protect not only oneself, but also one's family and friends from these special frauds. In response, we have been focusing on the deployment of our spam filter service to provide an effective countermeasure in deterring crime. Specifically, to improve the fraud and spam filtering functions and increase the value provided to users, we acquired all the outstanding shares of 280blocker LLC through an absorption-type merger. The company provides "280blocker," an application designed to block ads. In addition, we formed alliances with NTT East and NTT West as a part of our policy of expanding our alliance partner network. Following the agreements, their distributors and dealers have started offering "TobilaPhone Biz." We are also focusing on deepening our existing relationships with alliance partners and working to increase the number of monthly active users ^{Note} through various measures. As a result, more than 14 million users now use our service.

At the same time, we have diversified marketing activities for our cloud-based IP phone service, "TobilaPhone Cloud," to increase sales and won the Encouragement Award in the ASP/SaaS category for support operations at the 15th ASPIC IOT/AI/Cloud Award 2021. Furthermore, through a capital and business alliance with ageet Corporation we expect to improve the service quality of "TobilaPhone Cloud" and strengthen the system for steadily developing new services.

As a result, net sales increased 15.4% year-on-year to 1,424,656 thousand yen in the fiscal year ended October 31, 2021. Operating profit increased 16.3% to 579,911 thousand yen, ordinary profit increased 22.7% to 577,980 thousand yen and profit was up 19.8% to 386,047 thousand yen.

Note: Monthly active users (MAU) are 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 fraud 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 companies have different terms.

Business segment performance was as follows:

Fraud and spam prevention services

There are three service categories in this segment. A filtering service that blocks fraudulent and other malicious calls on mobile phones is the core business. The other categories are a filtering service for landline phones and TobilaPhone Cloud, a filtering service for phones used by businesses. We continued to focus on building an even larger and more powerful foundation for the provision of filtering services.

As a result, sales were 1,346,431 thousand yen, up 17.9% from one year earlier, and segment profit increased 19.2% to 897,281 thousand yen.

Others

Other services include a website design and operation support service, development projects outsourced by other companies and other activities. We do not intend to increase the scale of operations in this segment. Sales in the current fiscal year decreased 15.7% from one year earlier to 78,225 thousand yen, and the segment profit was 47,016 thousand yen, down 9.1%.

Total operating profit is the sum of the profit of the two segments minus corporate expenses, which are not allocated to the reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to the reportable segment. In the current fiscal year, corporate expenses increased 19.2% from one year earlier to 364,387 thousand yen mainly because of higher administrative expenses because of a larger number of administrative personnel and the larger scale of operations.

(2) Financial Position

Assets

Total assets increased 522,052 thousand yen from the end of the previous fiscal year to 2,170,016 thousand yen at the end of the current fiscal year. This was attributable mainly to a decrease of 72,626 thousand yen in cash and deposits, and increases of 30,847 thousand yen in accounts receivable-trade, 325,221 thousand yen in goodwill, 72,291 thousand yen in software and 141,371 thousand yen in investment securities.

Liabilities

Total liabilities increased 380,152 thousand yen from the end of the previous fiscal year to 681,007 thousand yen. The main factors include increases of 13,284 thousand yen in advances received, 18,522 thousand yen in income taxes payable, and 332,822 thousand yen in long-term borrowings (including current portion of long-term borrowings).

Net assets

Total net assets increased 141,899 thousand yen from the end of the previous fiscal year to 1,489,008 thousand yen. The main factors include a decrease of 112,161 thousand yen in retained earnings due to dividends paid, the purchase of treasury shares of 195,240 thousand yen, the booking of profit of 386,047 thousand yen, and disposal of treasury shares of 51,637 thousand yen.

The equity ratio decreased from 81.7% at the end of the previous fiscal year to 68.6%.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year decreased 72,626 thousand yen from the end of the previous fiscal year to 1,145,732 thousand yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 491,922 thousand yen compared with 358,831 thousand yen in the previous fiscal year. This was mainly due to profit before income taxes of 546,998 thousand yen, depreciation of 60,157 thousand yen and gain on sales of investment securities of 25,561 thousand yen, while there were income taxes paid of 162,911 thousand yen and an increase of 20,758 thousand yen in trade receivables.

Cash flows from investing activities

Net cash used in investing activities amounted to 652,300 thousand yen compared with 123,829 thousand yen in the previous fiscal year. The main factors include payments for the purchase of intangible assets of 93,714 thousand yen, purchase of shares of subsidiaries and associates of 376,209 thousand yen and purchase of investment securities of 166,933 thousand yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 45,801 thousand yen compared with 15,117 thousand yen used in the previous fiscal year. This was mainly due to proceeds from long-term borrowings of 350,000 thousand yen, while there were payments for the purchase of treasury shares of 195,411 thousand yen and dividends of 111,991 thousand 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.

In the fraud and spam prevention services segment, the primary source of sales and earnings is service fees received from telecommunications service providers that offer their customers our fraud prevention services as an option. The core part of our business is the steady revenue type of service in which revenue increases along with growth in the number of users of our services. The number of service users is increasing, and revenue is expected to continue to rise in the future. In addition, through our alliance partners, we sell equipment terminals connected to landline phones and other devices, and then provide fraud and spam prevention service and earn service fees. As part of our effort to expand our network of alliance partners, we have started to market our “TobilaPhone Biz” filter service for phones used by businesses through the distributors and dealers of the NTT East and the NTT West. We expect sales to increase along with the increase in the number of terminal units sold. On the other hand, we expect a temporary decline in the profit margin due to factors including an increase in the wholesale inventory cost of equipment terminals, and the amortization of goodwill related to the absorption-type merger of the 280blocker limited liability company.

Furthermore, we believe that investments aimed at raising the speed of our medium to long-term business growth are essential for increasing our corporate value. Specifically, we expect to make investments in sales promotion with our alliance partners, pinpoint user needs, and periodically upgrade our products. Simultaneously, we will continue to make investments in an appropriate manner to increase our corporate value while controlling expenses.

Tobila Systems forecasts net sales of 1,636 million yen (up 14.8% year on year), operating profit of 513 million yen (down 11.5%), ordinary profit of 504 million yen (down 12.8%), and profit of 333 million yen (down 13.7%) for the fiscal year ending October 31, 2022.

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)

	FY10/20 (As of Oct. 31, 2020)	FY10/21 (As of Oct. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,218,358	1,145,732
Electronically recorded monetary claims-operating	-	562
Accounts receivable-trade	150,496	181,343
Merchandise and finished goods	18,036	26,991
Work in process	-	527
Raw materials and supplies	1,564	978
Prepaid expenses	25,488	32,515
Other	51	525
Allowance for doubtful accounts	(66)	(83)
Total current assets	1,413,929	1,389,094
Non-current assets		
Property, plant and equipment		
Buildings, net	21,844	18,156
Structures, net	3,424	3,193
Vehicles, net	0	0
Tools, furniture and fixtures, net	39,980	28,499
Total property, plant and equipment	65,249	49,849
Intangible assets		
Goodwill	-	325,221
Patent right	4,068	3,917
Trademark right	1,422	1,278
Software	96,958	169,250
Other	11,721	9,630
Total intangible assets	114,171	509,297
Investments and other assets		
Investment securities	-	141,371
Long-term prepaid expenses	1,735	18,704
Deferred tax assets	28,519	39,240
Other	24,359	22,459
Other investments and other assets	54,614	221,774
Total non-current assets	234,035	780,921
Total assets	1,647,964	2,170,016

	(Thousands of yen)	
	FY10/20 (As of Oct. 31, 2020)	FY10/21 (As of Oct. 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	115	7,194
Current portion of long-term borrowings	13,008	61,924
Accounts payable-other	86,742	91,650
Accrued expenses	13,444	16,571
Income taxes payable	92,788	111,310
Accrued consumption taxes	34,548	33,737
Advances received	39,160	52,445
Deposits received	9,164	10,384
Total current liabilities	288,971	385,217
Non-current liabilities		
Long-term borrowings	11,884	295,790
Total non-current liabilities	11,884	295,790
Total liabilities	300,855	681,007
Net assets		
Shareholders' equity		
Share capital	304,961	315,391
Capital surplus		
Legal capital surplus	269,261	279,691
Total capital surpluses	269,261	279,691
Retained earnings		
Other retained earnings		
Retained earnings brought forward	772,977	1,037,619
Total retained earnings	772,977	1,037,619
Treasury shares	(90)	(143,693)
Total shareholders' equity	1,347,109	1,489,008
Total net assets	1,347,109	1,489,008
Total liabilities and net assets	1,647,964	2,170,016

(2) Non-consolidated Statement of Income

(Thousands of yen)

	FY10/20 (Nov. 1, 2019 - Oct. 31, 2020)	FY10/21 (Nov. 1, 2020 - Oct. 31, 2021)
Net sales	1,234,315	1,424,656
Cost of sales		
Beginning inventory of merchandise and finished goods	19,288	18,036
Cost of products manufactured	303,367	348,433
Cost of purchased goods	17,112	33,245
Total	339,769	399,714
Ending inventory of merchandise and finished goods	18,036	26,991
Total cost of sales	321,732	372,722
Gross profit	912,582	1,051,933
Selling, general and administrative expenses	413,927	472,022
Operating profit	498,654	579,911
Non-operating income		
Interest income	10	10
Cancellation income for services	432	187
Subsidy income	1,240	570
Refund income	-	554
Other	5	37
Total non-operating income	1,688	1,359
Non-operating expenses		
Interest expenses	314	371
Share issuance cost	319	538
Listing expenses	25,601	-
Loss on extinguishment of share-based payment expenses	-	2,208
Other	2,892	171
Total non-operating expenses	29,127	3,290
Ordinary profit	471,215	577,980
Extraordinary losses		
Impairment losses	6,059	-
Loss on retirement of non-current assets	679	1,098
Loss on valuation of investment securities	-	25,561
Extra retirement payments	-	4,321
Total extraordinary losses	6,739	30,982
Profit before income taxes	464,475	546,998
Income taxes-current	153,788	171,619
Income taxes-deferred	(11,656)	(10,668)
Total income taxes	142,131	160,950
Profit	322,344	386,047

(3) Non-consolidated Statement of Changes in Equity

FY10/20 (Nov. 1, 2019 - Oct. 31, 2020)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Share capital	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 period	293,010	257,310	257,310	450,632	450,632	-	1,000,953	1,000,953
Changes during period								
Issuance of new shares-exercise of share acquisition rights	11,951	11,951	11,951				23,902	23,902
Dividends of surplus							-	-
Profit				322,344	322,344		322,344	322,344
Purchase of treasury shares						(90)	(90)	(90)
Restricted stock income							-	-
Total changes during period	11,951	11,951	11,951	322,344	322,344	(90)	346,156	346,156
Balance at end of period	304,961	269,261	269,261	772,977	772,977	(90)	1,347,109	1,347,109

FY10/21 (Nov. 1, 2020 - Oct. 31, 2021)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Share capital	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 period	304,961	269,261	269,261	772,977	772,977	(90)	1,347,109	1,347,109
Changes during period								
Issuance of new shares-exercise of share acquisition rights	10,430	10,430	10,430				20,860	20,860
Dividends of surplus				(112,161)	(112,161)		(112,161)	(112,161)
Profit				386,047	386,047		386,047	386,047
Purchase of treasury shares						(195,240)	(195,240)	(195,240)
Restricted stock income				(9,243)	(9,243)	51,637	42,393	42,393
Total changes during period	10,430	10,430	10,430	264,642	264,642	(143,602)	141,899	141,899
Balance at end of period	315,391	279,691	279,691	1,037,619	1,037,619	(143,693)	1,489,008	1,489,008

(4) Non-consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY10/20	FY10/21
	(Nov. 1, 2019 - Oct. 31, 2020)	(Nov. 1, 2020 - Oct. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	464,475	546,998
Depreciation	53,897	60,157
Amortization of goodwill	-	5,512
Impairment losses	6,059	-
Increase (decrease) in allowance for doubtful accounts	(298)	17
Interest and dividend income	(10)	(10)
Interest expenses	314	371
Share issuance cost	319	538
Listing expenses	25,601	-
Loss on extinguishment of share-based payment expenses	-	2,208
Foreign exchange losses (gains)	-	(0)
Loss (gain) on sales of investment securities	-	25,561
Loss on retirement of non-current assets	679	1,098
Extra retirement payments	-	4,321
Decrease (increase) in trade receivables	(40,900)	(20,758)
Decrease (increase) in inventories	979	(8,897)
Increase (decrease) in trade payables	(659)	7,079
Increase (decrease) in accounts payable-other	32,358	(6,719)
Increase (decrease) in advances received	6,714	13,284
Increase (decrease) in accrued consumption taxes	7,459	(811)
Other, net	(8,504)	25,245
Subtotal	548,487	655,197
Interest and dividend income received	10	10
Interest expenses paid	(314)	(374)
Income taxes paid	(189,352)	(162,911)
Net cash provided by (used in) operating activities	358,831	491,922
Cash flows from investing activities		
Purchase of property, plant and equipment	(56,491)	(13,892)
Purchase of intangible assets	(61,808)	(93,714)
Payments for asset retirement obligations	(4,900)	-
Purchase of shares of subsidiaries and associates	-	(376,209)
Purchase of investment securities	-	(166,933)
Payments of leasehold and guarantee deposits	(630)	(3,243)
Proceeds from refund of leasehold and guarantee deposits	-	1,692
Net cash provided by (used in) investing activities	(123,829)	(652,300)
Cash flows from financing activities		
Repayments of long-term borrowings	(13,008)	(17,178)
Proceeds from issuance of shares	23,582	20,382
Payments of listing expenses	(25,601)	-
Proceeds from long-term borrowings	-	350,000
Purchase of treasury shares	(90)	(195,411)
Dividends paid	-	(111,991)
Net cash provided by (used in) financing activities	(15,117)	45,801
Effect of exchange rate changes on cash and cash equivalents	-	0
Net increase (decrease) in cash and cash equivalents	219,883	(114,575)
Cash and cash equivalents at beginning of period	998,475	1,218,358
Increase in cash and cash equivalents resulting from merger	-	41,949
Cash and cash equivalents at end of period	1,218,358	1,145,732

(5) Notes to Non-consolidated Financial Statements

Going Concern Assumption

Not applicable.

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 core fraud and spam prevention services business accounts for more than 90% of total sales and earnings.

As a result, there is only one reportable segment: Fraud and Spam Prevention Services.

(2) Products and services for the reportable segment

The fraud 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 which are not included in the reportable segment, include systems that support the design and operation of websites, outsourced development projects, and other activities.

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

The accounting methods used for the reportable segment are generally the same as those used for the preparation of the financial statements. Segment profit is operating profit.

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

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

(Thousands of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on non-consolidated financial statements (Note 3)
	Fraud and spam prevention services	Subtotal				
Net sales						
External sales	1,141,560	1,141,560	92,754	1,234,315	-	1,234,315
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,141,560	1,141,560	92,754	1,234,315	-	1,234,315
Segment profit	752,603	752,603	51,724	804,328	(305,674)	498,654
Segment assets	308,395	308,395	13,396	321,791	1,326,173	1,647,964
Other items						
Depreciation	48,222	48,222	1,638	49,860	4,036	53,897
Increase in property, plant and equipment and intangible assets	67,682	67,682	1,151	68,833	42,798	111,632

Notes: 1. Others represent the businesses which are not included in the reportable segment and includes a website design and operation support service and development projects outsourced by other companies.

2. Contents of adjustments are as follows.

- (1) The adjustment to segment profit includes corporate expenses that are not allocated to the reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to the reportable segment.
- (2) The adjustment to segment assets includes corporate assets that are not allocated to the reportable segment. 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 the reportable segment.
- (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 the reportable segment.

3. Segment profit is adjusted to be consistent with operating profit in the non-consolidated statement of income.

FY10/21 (Nov. 1, 2020 – Oct. 31, 2021)

(Thousands of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on non-consolidated financial statements (Note 3)
	Fraud and spam prevention services	Subtotal				
Net sales						
External sales	1,346,431	1,346,431	78,225	1,424,656	-	1,424,656
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,346,431	1,346,431	78,225	1,424,656	-	1,424,656
Segment profit	897,281	897,281	47,016	944,298	(364,387)	579,911
Segment assets	725,200	725,200	12,284	737,485	1,432,531	2,170,016
Other items						
Depreciation	52,925	52,925	1,066	53,991	6,166	60,157
Increase in property, plant and equipment and intangible assets	436,536	436,536	175	436,711	10,105	446,817

Notes: 1. Others represent the businesses which are not included in the reportable segment and includes a website design and operation support service and development projects outsourced by other companies.

2. Contents of adjustments are as follows.

- (1) The adjustment to segment profit includes corporate expenses that are not allocated to the reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to the reportable segment.
- (2) The adjustment to segment assets includes corporate assets that are not allocated to the reportable segment. 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 the reportable segment.
- (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 the reportable segment.

3. Segment profit is adjusted to be consistent with operating profit in the non-consolidated statement of income.

Related Information

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

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.	476,480	Fraud and spam prevention services
KDDI CORPORATION	318,700	Fraud and spam prevention services
NTT DOCOMO, INC.	167,130	Fraud and spam prevention services

FY10/21 (Nov. 1, 2020 – Oct. 31, 2021)

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.	461,557	Fraud and spam prevention services
KDDI CORPORATION	448,972	Fraud and spam prevention services
NTT DOCOMO, INC.	248,366	Fraud and spam prevention services

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

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

(Thousands of yen)

	Reportable segment		Others (Note)	Total	Adjustment	Amounts shown on non-consolidated financial statements
	Fraud and spam prevention services	Subtotal				
Impairment loss	6,059	6,059	-	6,059	-	6,059

Note: Others represent the businesses which are not included in the reportable segment and includes a website design and operation support service and development projects outsourced by other companies.

FY10/21 (Nov. 1, 2020 – Oct. 31, 2021)

Not applicable.

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

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

Not applicable.

FY10/21 (Nov. 1, 2020 – Oct. 31, 2021)

(Thousands of yen)

	Reportable segment		Others (Note)	Elimination or corporate	Total
	Fraud and spam prevention services	Subtotal			
Amortization	5,512	5,512	-	-	5,512
Ending balance	325,221	325,221	-	-	325,221

Note: Others represent the businesses which are not included in the reportable segment and includes a website design and operation support service and development projects outsourced by other companies.

Information Related to Gain on Bargain Purchase for the Reportable Segment

Not applicable.

Per-share Information

(Yen)

	FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)	FY10/21 (Nov. 1, 2020 – Oct. 31, 2021)
Net assets per share	129.71	143.30
Net income per share	31.30	37.25
Diluted net income per share	30.20	36.47

Notes: 1. The basis of calculating net income per share is as follows:

(Thousands of yen)

	FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)	FY10/21 (Nov. 1, 2020 – Oct. 31, 2021)
Net income per share		
Profit	322,344	386,047
Amount not attributable to common shareholders	-	-
Profit applicable to common shares	322,344	386,047
Average number of common shares outstanding during the period (shares)	10,298,193	10,364,669
Diluted net income per share		
Adjustment to profit	-	-
Increase in the number of common shares (shares)	374,807	221,868
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

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

(Thousands of yen)

	FY10/20 (As of Oct. 31, 2020)	FY10/21 (As of Oct. 31, 2021)
Total net assets	1,347,109	1,489,008
Deduction on total net assets	-	-
Net assets applicable to common shares at end of period	1,347,109	1,489,008
Number of common shares at end of period used in calculation of net assets per share (shares)	10,385,350	10,390,750

Subsequent Events

Not applicable.

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.