

Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2023

[Japanese GAAP]

December 8, 2023

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange
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Scheduled date of Annual General Meeting of Shareholders: January 23, 2024

Scheduled date of payment of dividend: January 9, 2024

Scheduled date of filing of Annual Securities Report: January 23, 2024

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, 2023

(November 1, 2022 - October 31, 2023)

(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, 2023	2,061	22.6	682	26.3	679	27.6	517	60.8
Fiscal year ended Oct. 31, 2022	1,681	18.0	540	(6.7)	532	(7.9)	322	(16.6)

	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, 2023	49.09	48.75	26.9	21.5	33.1
Fiscal year ended Oct. 31, 2022	30.68	30.40	20.1	22.0	32.2

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Oct. 31, 2023: 7 Fiscal year ended Oct. 31, 2022: -

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Oct. 31, 2023	3,646	2,136	58.6	202.39
As of Oct. 31, 2022	2,667	1,710	64.1	162.54

Reference: Shareholders' equity (million yen) As of Oct. 31, 2023: 2,136 As of Oct. 31, 2022: 1,710

(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, 2023	1,220	(91)	(160)	2,404
Fiscal year ended Oct. 31, 2022	641	(188)	(162)	1,435

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, 2022	-	0.00	-	10.60	10.60	111	34.6	6.9
Fiscal year ended Oct. 31, 2023	-	0.00	-	17.00	17.00	179	34.6	9.3
Fiscal year ending Oct. 31, 2024 (forecasts)	-	0.00	-	17.00	17.00		35.4	

3. Earnings Forecast for the Fiscal Year Ending October 31, 2024 (November 1, 2023 - October 31, 2024)

(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	1,154	14.3	366	2.4	366	2.6	242	2.6	23.21
Full year	2,350	14.0	755	10.6	754	11.0	500	(3.4)	47.96

*** 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, 2023:	10,629,600 shares	As of Oct. 31, 2022:	10,623,600 shares
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2) Number of treasury shares at the end of the period

As of Oct. 31, 2023:	71,350 shares	As of Oct. 31, 2022:	98,150 shares
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3) Average number of shares outstanding during the period

Fiscal year ended Oct. 31, 2023:	10,547,043 shares	Fiscal year ended Oct. 31, 2022:	10,497,251 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 and are not promises by Tobila Systems regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

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1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year ended October 31, 2023, Japan's economy moved closer to resuming normal economic activity following the reclassification of the COVID-19 pandemic as a Class 5 infectious disease. Although the economy is recovering, the outlook remained uncertain. The prolonged Russia-Ukraine crisis and increasing pace of price hikes due to the yen's depreciation are having a negative impact on consumer spending in Japan.

In Japan, there is an urgent need for protection against fraud as the extremely large number of methods used by criminals increases. Examples of the diverse approaches used include usual scams involving fund remittances, "support fraud," in which a fake warning screen that make people worried about a virus infection on computers is used to induce anxiety and induce the victim to reach fraudulent support channels for the purpose of financial theft, and there is a rapid increase in malicious calls using international phone numbers. The incidence of victims falling prey to phishing scams, commonly referred to as "smishing," where criminals exploit the SMS service on smartphones and cell phones to steal credit card and financial institution account information, is increasing. As a result, financial institutions in Japan have been steadily reducing transaction limits for ATMs and online banking services. There are also significant problems in Japan involving malicious telephone calls to obtain information about an individual's assets in order to steal valuables from the individual's home afterward and calls seeking people to perform fraudulent activities using SNS. Furthermore, there are large fraud groups based overseas, and there has been a notable surge in nuisance calls from overseas to Japan since the start of the discharge of ALPS treated water into the sea. Other types of fraud are also becoming an increasingly serious social problem.

Tobila Systems is dedicated to providing effective filtering services that deal with this social problem and protect people from the extremely diverse range of malicious telephone calls and other scams that are a threat to the public and cause enormous financial losses.

In the mobile phone filtering services sector, which is our core business, KDDI CORPORATION and Okinawa Cellular Telephone Company began offering the optional Anshin Security Set service of UQ mobile in February 2023. We are providing our fraudulent call database for this service. This has further increased the breadth of users that use these services.

TobilaPhone Biz is a telephone service with many convenient and useful functions that are needed in an office. The number of orders for this service has been climbing steadily following the designation of TobilaPhone Biz as a "Select Item" by NTT East and NTT West. Activities are continuing for the development of functions that can further improve the efficiency and quality of phone usage by customers. Two additions of useful functions for businesses are an interactive voice response (IVR) capability and a voice-to-text conversion function using a voice recognition engine designed for the health care sector that we developed entirely on our own. Another highlight is the rapid addition of a new function that can block all nuisance calls from designated countries. This capability was added in response to the sudden rise in malicious calls to Japan due to discharge of ALPS treated water into the sea.

TobilaPhone Cloud, which is a cloud business phone service, has been our priority business. This service is extremely easy to use because there is no need for a special connection or equipment in order to use this service for internal and external calls, transferring calls, group calling, IVR and other activities. In current fiscal year, we made it possible to link TobilaPhone Cloud with the HubSpot customer relationship management service and the Sansan sales digital transformation (DX) service for supporting sales activities. These actions and the quality of the service are highly evaluated by users. We received the "Leader" award at the "ITreview Grid Award 2023 Fall" in three segments, Cloud PBX, IVR and IP telephone app. The award is given to products with high customer satisfaction based on user reviews. We have received the "Leader" award for seven consecutive years. To further increase the quality of TobilaPhone Cloud, we became a member in March 2023 of the Japan Unified Communications Service Provider Association (JUSA), which consists of companies in the cloud PBX and other unified communication sectors. Furthermore, we participated in the "Number Suspension Scheme," a collaborative initiative with JUSA, the Ministry of Internal Affairs and Communications and the National Police Agency. This initiative, launched in August 2023, aims to suspend the utilization of telephone numbers associated with special fraud activities. By participating in the number suspension scheme, we are committed to intensifying our efforts in eliminating special fraud.

There were many activities for raising awareness of 280blocker, an app that blocks annoying advertisements. Also, we started to provide an Android version of 280blocker, which is currently available only in an iOS version. In March 2023, OPTAGE Inc. added the 280blocker database in its new Ad-Free advertisement blocking function for its mineo cell phone service.

We have initiated efforts to proactively mitigate harm by spreading awareness about protective measures against special fraud and phishing scams through various media outlets and training sessions. To protect local governments in Japan from the enormous impact of malicious telephone calls from other countries, we are partnering with NTT East to make TobilaPhone Biz available to these governments at no cost for a limited time.

In addition, we are using various measures to increase the number of monthly active users (see note) for our services. As a result, more than 15 million users now use our services.

For more improvements in the management efficiency of our business, the HP4U website production and operation assistance business, which was included in the "others" category, was sold in September 2023 to IDEA+ CO.,LTD. This sale better enables us to focus resources on the core fraud and spam prevention services business.

In March 2023, we received certification of Health & Productivity Management Outstanding Organizations 2023 (SME category) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program by the Ministry of Economy, Trade and Industry. In May 2023, we earned distinction as a "DX Certified Business Operator," an award bestowed by the Ministry of Economy, Trade, and Industry in recognition of its efforts to enhance operational efficiency and deliver comprehensive DX assistance to its clientele. We will remain firmly committed to health and productivity management in order to provide workplace environments that support the physical and mental wellbeing of our employees. Furthermore, we will promote Digital Transformation (DX) initiatives.

On October 20, 2023, the listing of Tobila Systems stock was moved from the Prime Market to the Standard Market of the Tokyo Stock Exchange. As the Tokyo Stock Exchange was preparing to reorganize its market segments, we submitted a Plan for Compliance with Listing Standards of New Market Segments on December 10, 2021. Following the shift of the listing to the newly created Prime Market on April 4, 2022, we have been taking many actions to comply with the listing requirements. However, in association with the enactment of revised rules of the Tokyo Stock Exchange on April 1, 2023, we made the decision to move the listing to the Standard Market. This decision was based on an assessment of the current status of compliance with Prime Market listing requirements and uncertainty about the ability to achieve compliance. We believe that concentrating our resources on investments for the growth of our businesses is the best course of action for increasing corporate value.

Fiscal year net sales increased 22.6% year on year to 2,061,211 thousand yen, operating profit increased 26.3% to 682,863 thousand yen, ordinary profit increased 27.6% to 679,248 thousand yen and profit was up 60.8% to 517,733 thousand yen.

Note: 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. Our revenue is, however, not always directly affected by an increase or decrease in MAU because contracts with customers 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 2,014,641 thousand yen, up 24.3% from one year earlier, and segment profit increased 26.9% to 1,175,544 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. The website design and operation support business was sold on September 30, 2023.

Sales decreased 23.2% from one year earlier to 46,570 thousand yen, and the segment profit was 29,296 thousand yen, down 27.3%.

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. Corporate expenses increased 22.6% from one year earlier to 521,976 thousand yen mainly because of higher administrative expenses due to the larger scale of operations.

(2) Financial Position

Total assets

Total assets increased 979,724 thousand yen from the end of the previous fiscal year to 3,646,902 thousand yen at the end of the current fiscal year. This was attributable mainly to increases of 968,842 thousand yen in cash and deposits, 19,845 thousand yen in accounts receivable-trade, 38,714 thousand yen in tools, furniture and fixtures, 11,799 thousand yen in long-term prepaid expenses and 7,339 thousand yen in deferred tax assets, and a decrease of 65,904 thousand yen in goodwill.

Liabilities

Total liabilities increased 553,679 thousand yen from the end of the previous fiscal year to 1,510,064 thousand yen. The main factors include increases of 485,483 thousand yen in contract liabilities, 33,553 thousand yen in accounts payable-other, 49,974 thousand yen in income taxes payable, 32,268 thousand yen in accrued consumption taxes and a decrease of 50,040 thousand yen in long-term borrowings (including current portion of long-term borrowings).

Net assets

Total net assets increased 426,044 thousand yen from the end of the previous fiscal year to 2,136,837 thousand yen. The main factors include the booking of profit of 517,733 thousand yen, disposal of treasury shares of 43,920 thousand yen, a decrease of 111,570 thousand yen in retained earnings due to dividends paid and a decrease of 24,920 thousand yen in the sale of treasury shares and distribution of restricted stock.

The equity ratio decreased from 64.1% at the end of the previous fiscal year to 58.6%.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year increased 968,842 thousand yen from the end of the previous fiscal year to 2,404,607 thousand yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 1,220,958 thousand yen compared with 641,680 thousand yen provided in the previous fiscal year. This was mainly due to profit before income taxes of 749,248 thousand yen, depreciation of 121,984 thousand yen, amortization of goodwill of 65,904 thousand yen and increases of 485,483 thousand yen in contract liabilities and accrued consumption taxes of 32,268 thousand yen, while there were income taxes paid of 189,987 thousand yen and gain on sale of businesses of 70,000 thousand yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 91,470 thousand yen compared with 188,738 thousand yen used in the previous fiscal year. The main factors include proceeds from sale of businesses of 70,000 thousand yen, payments for the purchase of property, plant and equipment of 80,705 thousand yen, purchase of intangible assets of 67,317 thousand yen and payments of leasehold and guarantee deposits of 11,100 thousand yen.

Cash flows from financing activities

Net cash used in financing activities amounted to 160,645 thousand yen compared with 162,910 thousand yen used in the previous fiscal year. This was mainly due to repayments of long-term borrowings of 50,040 thousand yen and dividends paid of 111,370 thousand yen.

(4) Outlook

The core business of Tobila Systems is fraud and spam prevention services for the prevention of telephone and messaging fraud and spam, which is a serious social problem in Japan. We use our exclusive know-how about these activities to collect information about malicious phone numbers, URLs and other sources of fraud and scams. Our filters automatically block incoming phone calls and SMS, even from phone numbers and other sources unknown to a user. We also provide an app that blocks malicious advertisements.

The strategy for more growth of the fraud and spam prevention services business has two central components. One is to increase the value of these services by continuing to upgrade the database for sources of fraud and spam. The other is to continue diversifying the ways this database is used. Upgrading the database means primarily increasing the categories of data and volume of data. More categories and a larger volume will make it possible to provide our services in a broader range of markets. 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. We will continue to use numerous activities to increase the number of users of our services and establish alliances with companies other than telecommunication carriers in order to seek opportunities in other market sectors. Furthermore, we earn service fees from activities through alliance partners. Examples of these activities include the sale of terminals connected to landline phones and other devices and the provision of a network-based automatic blocking service for incoming fraudulent calls as an option for cable-plus phone service users. In addition, using the distributors and dealers of NTT East and NTT West, we receive income from sales of TobilaPhone Biz filtering service terminals for phones used by businesses and from fees for providing this service. Our plans include R&D activities for strengthening the fraud and spam prevention services, upgrading and expanding the functions of the “TobilaPhone Cloud,” and further increasing our sales capabilities.

Furthermore, we plan to make investments for the medium to long-term growth of corporate value. The investments will be for working with alliance partners to upgrade technological skills and conduct joint sales activities, identifying the needs of users, development programs to update our products, and many other activities.

Tobila Systems forecasts net sales of 2,350 million yen (up 14.0% year on year), operating profit of 755 million yen (up 10.6%), ordinary profit of 754 million yen (up 11.0%), and profit of 500 million yen (down 3.4%) for the fiscal year ending October 31, 2024.

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)

	FY10/22 (As of Oct. 31, 2022)	FY10/23 (As of Oct. 31, 2023)
Assets		
Current assets		
Cash and deposits	1,435,764	2,404,607
Electronically recorded monetary claims-operating	3,348	6,614
Notes receivable-trade	351	-
Accounts receivable-trade	211,910	231,756
Contract assets	36,020	16,223
Merchandise and finished goods	89,204	95,825
Work in process	-	62
Raw materials and supplies	1,378	2,782
Prepaid expenses	58,244	58,125
Other	333	279
Allowance for doubtful accounts	(182)	(268)
Total current assets	1,836,374	2,816,009
Non-current assets		
Property, plant and equipment		
Buildings, net	12,516	21,492
Structures, net	2,272	384
Vehicles, net	0	0
Tools, furniture and fixtures, net	43,216	81,930
Total property, plant and equipment	58,005	103,808
Intangible assets		
Goodwill	258,127	192,222
Patent right	2,930	2,007
Trademark right	1,139	854
Software	194,425	193,077
Other	20,121	16,870
Total intangible assets	476,744	405,032
Investments and other assets		
Investment securities	0	0
Shares of subsidiaries and associates	139,654	139,654
Long-term prepaid expenses	80,603	92,403
Deferred tax assets	55,324	62,664
Other	20,470	27,331
Total investments and other assets	296,053	322,053
Total non-current assets	830,803	830,893
Total assets	2,667,177	3,646,902

	(Thousands of yen)	
	FY10/22 (As of Oct. 31, 2022)	FY10/23 (As of Oct. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	18,565	15,290
Current portion of long-term borrowings	50,040	50,040
Accounts payable-other	72,488	106,042
Accrued expenses	14,924	18,738
Income taxes payable	106,138	156,112
Accrued consumption taxes	20,819	53,087
Contract liabilities	419,774	905,258
Deposits received	7,883	9,785
Total current liabilities	710,635	1,314,354
Non-current liabilities		
Long-term borrowings	245,750	195,710
Total non-current liabilities	245,750	195,710
Total liabilities	956,385	1,510,064
Net assets		
Shareholders' equity		
Share capital	331,917	332,358
Capital surplus		
Legal capital surplus	296,217	296,658
Total capital surpluses	296,217	296,658
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,226,351	1,607,593
Total retained earnings	1,226,351	1,607,593
Treasury shares	(143,693)	(99,772)
Total shareholders' equity	1,710,792	2,136,837
Total net assets	1,710,792	2,136,837
Total liabilities and net assets	2,667,177	3,646,902

(2) Non-consolidated Statement of Income

	(Thousands of yen)	
	FY10/22	FY10/23
	(Nov. 1, 2021 – Oct. 31, 2022)	(Nov. 1, 2022 – Oct. 31, 2023)
Net sales	1,681,715	2,061,211
Cost of sales		
Beginning inventory of merchandise and finished goods	26,991	89,204
Cost of products manufactured	425,829	551,114
Cost of purchased goods	142,302	83,839
Total	595,123	724,158
Ending inventory of merchandise and finished goods	89,204	95,825
Total cost of sales	505,919	628,332
Gross profit	1,175,796	1,432,878
Selling, general and administrative expenses	634,956	750,014
Operating profit	540,839	682,863
Non-operating income		
Interest income	12	16
Cancellation income for services	31	239
Subsidy income	530	517
Other	88	5
Total non-operating income	661	779
Non-operating expenses		
Interest expenses	1,153	940
Share issuance cost	263	114
Loss on extinguishment of share-based payment expenses	7,858	839
Commission expenses	-	2,500
Other	0	0
Total non-operating expenses	9,276	4,394
Ordinary profit	532,225	679,248
Extraordinary income		
Gain on donation of non-current assets	5,900	-
Gain on sale of businesses	-	70,000
Total extraordinary income	5,900	70,000
Extraordinary losses		
Loss on valuation of investment securities	44,467	-
Other	2,022	-
Total extraordinary losses	46,489	-
Profit before income taxes	491,635	749,248
Income taxes-current	186,021	238,854
Income taxes-deferred	(16,413)	(7,339)
Total income taxes	169,608	231,515
Profit	322,027	517,733

(3) Non-consolidated Statement of Changes in Equity

FY10/22 (Nov. 1, 2021 - Oct. 31, 2022)

(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	315,391	279,691	279,691	1,037,619	1,037,619	(143,693)	1,489,008	1,489,008
Cumulative effects of changes in accounting policies				745	745		745	745
Restated balance	315,391	279,691	279,691	1,038,364	1,038,364	(143,693)	1,489,754	1,489,754
Changes during period								
Issuance of new shares-exercise of share acquisition rights	16,525	16,525	16,525				33,051	33,051
Dividends of surplus				(134,040)	(134,040)		(134,040)	(134,040)
Profit				322,027	322,027		322,027	322,027
Restricted stock income							-	-
Total changes during period	16,525	16,525	16,525	187,986	187,986	-	221,038	221,038
Balance at end of period	331,917	296,217	296,217	1,226,351	1,226,351	(143,693)	1,710,792	1,710,792

FY10/23 (Nov. 1, 2022 - Oct. 31, 2023)

(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	331,917	296,217	296,217	1,226,351	1,226,351	(143,693)	1,710,792	1,710,792
Cumulative effects of changes in accounting policies							-	-
Restated balance	331,917	296,217	296,217	1,226,351	1,226,351	(143,693)	1,710,792	1,710,792
Changes during period								
Issuance of new shares-exercise of share acquisition rights	441	441	441				882	882
Dividends of surplus				(111,570)	(111,570)		(111,570)	(111,570)
Profit				517,733	517,733		517,733	517,733
Restricted stock income				(24,920)	(24,920)	43,920	18,999	18,999
Total changes during period	441	441	441	381,242	381,242	43,920	426,044	426,044
Balance at end of period	332,358	296,658	296,658	1,607,593	1,607,593	(99,772)	2,136,837	2,136,837

(4) Non-consolidated Statement of Cash Flows

(Thousands of yen)

	FY10/22 (Nov. 1, 2021 – Oct. 31, 2022)	FY10/23 (Nov. 1, 2022 – Oct. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	491,635	749,248
Depreciation	86,867	121,984
Amortization of goodwill	65,884	65,904
Increase (decrease) in allowance for doubtful accounts	98	85
Interest and dividend income	(12)	(16)
Interest expenses	1,153	940
Share issuance cost	263	114
Loss on extinguishment of share-based payment expenses	7,858	839
Loss (gain) on valuation of investment securities	44,467	-
Gain on sale of businesses	-	(70,000)
Gain on donation of non-current assets	(5,900)	-
Decrease (increase) in trade receivables and contract assets	(68,749)	(2,963)
Decrease (increase) in inventories	(62,084)	(8,087)
Decrease (increase) in long-term prepaid expenses	(66,811)	(6,331)
Increase (decrease) in trade payables	11,371	(3,275)
Increase (decrease) in accounts payable-other	4,228	17,038
Increase (decrease) in contract liabilities	367,536	485,483
Increase (decrease) in accrued consumption taxes	(13,025)	32,268
Other, net	(24,689)	28,636
Subtotal	840,093	1,411,869
Interest and dividend income received	12	16
Interest expenses paid	(1,152)	(940)
Extra retirement payments	(4,321)	-
Income taxes paid	(192,950)	(189,987)
Net cash provided by (used in) operating activities	641,680	1,220,958
Cash flows from investing activities		
Purchase of property, plant and equipment	(32,409)	(80,705)
Purchase of intangible assets	(111,106)	(67,317)
Purchase of shares of subsidiaries and associates	(42,750)	-
Proceeds from sale of businesses	-	70,000
Payments of leasehold and guarantee deposits	-	(11,100)
Proceeds from refund of leasehold and guarantee deposits	300	152
Other, net	(2,772)	(2,500)
Net cash provided by (used in) investing activities	(188,738)	(91,470)
Cash flows from financing activities		
Repayments of long-term borrowings	(61,924)	(50,040)
Proceeds from issuance of shares	32,729	765
Dividends paid	(133,715)	(111,370)
Net cash provided by (used in) financing activities	(162,910)	(160,645)
Effect of exchange rate changes on cash and cash equivalents	0	-
Net increase (decrease) in cash and cash equivalents	290,032	968,842
Cash and cash equivalents at beginning of period	1,145,732	1,435,764
Increase in cash and cash equivalents resulting from merger	-	-
Cash and cash equivalents at end of period	1,435,764	2,404,607

(5) Notes to Non-consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Equity in Earnings of Affiliates

(Thousands of yen)

	FY10/22 (Nov. 1, 2021 – Oct. 31, 2022)	FY10/23 (Nov. 1, 2022 – Oct. 31, 2023)
Investments in affiliates	139,654	139,654
Investments when applying the equity method	139,654	146,945
Gain on investments when applying the equity method	-	7,716

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 the same as those used for preparing the non-consolidated financial statements.

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

FY10/22 (Nov. 1, 2021 – Oct. 31, 2022)

(Thousands of yen)

	Reportable segment		Others (Note 3)	Total	Adjustment (Note 4)	Amounts shown on non-consolidated financial statements (Note 5)
	Fraud and spam prevention services	Subtotal				
Net sales						
Recurring revenue (Note 1)	1,412,762	1,412,762	54,698	1,467,460	-	1,467,460
Non-recurring revenue (Note 2)	208,331	208,331	5,923	214,255	-	214,255
Revenue from contracts with customers	1,621,094	1,621,094	60,621	1,681,715	-	1,681,715
External sales	1,621,094	1,621,094	60,621	1,681,715	-	1,681,715
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,621,094	1,621,094	60,621	1,681,715	-	1,681,715
Segment profit	926,287	926,287	40,295	966,583	(425,743)	540,839
Segment assets	944,630	944,630	14,669	959,300	1,707,877	2,667,177
Other items						
Depreciation	77,046	77,046	854	77,901	8,966	86,867
Increase in property, plant and equipment and intangible assets	127,769	127,769	1,323	129,092	1,708	130,801

Notes: 1. Recurring revenue is revenue recorded as sales for the provision of a service over a certain period.

2. Non-recurring revenue is revenue recorded as sales upon the delivery of a product and its acceptance by a customer.

3. 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.

4. 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.

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

FY10/23 (Nov. 1, 2022 – Oct. 31, 2023)

(Thousands of yen)

	Reportable segment		Others (Note 3)	Total	Adjustment (Note 4)	Amounts shown on non-consolidated financial statements (Note 5)
	Fraud and spam prevention services	Subtotal				
Net sales						
Recurring revenue (Note 1)	1,734,277	1,734,277	42,018	1,776,296	-	1,776,296
Non-recurring revenue (Note 2)	280,363	280,363	4,551	284,915	-	284,915
Revenue from contracts with customers	2,014,641	2,014,641	46,570	2,061,211	-	2,061,211
External sales	2,014,641	2,014,641	46,570	2,061,211	-	2,061,211
Inter-segment sales and transfers	-	-	-	-	-	-
Total	2,014,641	2,014,641	46,570	2,061,211	-	2,061,211
Segment profit	1,175,544	1,175,544	29,296	1,204,840	(521,976)	682,863
Segment assets	947,662	947,662	6,742	954,405	2,692,497	3,646,902
Other items						
Depreciation	112,448	112,448	948	113,396	8,588	121,984
Increase in property, plant and equipment and intangible assets	141,416	141,416	1,365	142,781	21,212	163,994

Notes: 1. Recurring revenue is revenue recorded as sales for the provision of a service over a certain period.

2. Non-recurring revenue is revenue recorded as sales upon the delivery of a product and its acceptance by a customer.

3. 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.

4. 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.

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

Related Information

FY10/22 (Nov. 1, 2021 – Oct. 31, 2022)

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
KDDI CORPORATION	550,813	Fraud and spam prevention services
SoftBank Corp.	428,668	Fraud and spam prevention services
NTT DOCOMO, INC.	278,069	Fraud and spam prevention services

FY10/23 (Nov. 1, 2022 – Oct. 31, 2023)

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
KDDI CORPORATION	584,322	Fraud and spam prevention services
SoftBank Corp.	484,718	Fraud and spam prevention services
NTT DOCOMO, INC.	415,405	Fraud and spam prevention services

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

FY10/22 (Nov. 1, 2021 – Oct. 31, 2022)

Not applicable.

FY10/23 (Nov. 1, 2022 – Oct. 31, 2023)

Not applicable.

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

FY10/22 (Nov. 1, 2021 – Oct. 31, 2022)

(Thousands of yen)

	Reportable segment		Others	Elimination or corporate	Total
	Fraud and spam prevention services	Subtotal			
Amortization	65,884	65,884	-	-	65,884
Ending balance	258,127	258,127	-	-	258,127

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.

FY10/23 (Nov. 1, 2022 – Oct. 31, 2023)

(Thousands of yen)

	Reportable segment		Others	Elimination or corporate	Total
	Fraud and spam prevention services	Subtotal			
Amortization	65,904	65,904	-	-	65,904
Ending balance	192,222	192,222	-	-	192,222

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)

	FY10/22 (Nov. 1, 2021 – Oct. 31, 2022)	FY10/23 (Nov. 1, 2022 – Oct. 31, 2023)
Net assets per share	162.54	202.39
Net income per share	30.68	49.09
Diluted net income per share	30.40	48.75

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

(Thousands of yen)

	FY10/22 (Nov. 1, 2021 – Oct. 31, 2022)	FY10/23 (Nov. 1, 2022 – Oct. 31, 2023)
Net income per share		
Profit	322,027	517,733
Amount not attributable to common shareholders	-	-
Profit applicable to common shares	322,027	517,733
Average number of common shares outstanding during the period (shares)	10,497,251	10,547,043
Diluted net income per share		
Adjustment to profit	-	-
Increase in the number of common shares (shares)	95,632	72,515
[Including: share acquisition rights (shares)]	[95,632]	[72,515]
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)

	FY10/22 (As of Oct. 31, 2022)	FY10/23 (As of Oct. 31, 2023)
Total net assets	1,710,792	2,136,837
Deduction on total net assets	-	-
Net assets applicable to common shares at end of period	1,710,792	2,136,837
Number of common shares at end of period used in calculation of net assets per share (shares)	10,525,450	10,558,250

Subsequent Events

Share Repurchase

The Board of Directors of Tobila Systems approved a resolution on December 8, 2023 to repurchase its own shares pursuant to Article 459, Paragraph 1 of the Companies Act.

1. Reason for share repurchase

Tobila Systems will repurchase shares mainly for the purpose of using such shares to grant restricted stock to directors, executive officers and employees of the Company and to provide for a flexible capital management policy in response to changes in the business environment.

2. Details of share repurchase

(1) Type of shares to be repurchased

Common shares of Tobila Systems

(2) Total number of shares to be repurchased

Up to 200,000 shares

(1.89% of total shares outstanding, excluding treasury shares)

(3) Total value of shares to be repurchased

Up to 200,000,000 yen

(4) Price of shares to be repurchased

Friday, December 8, 2023, closing price (including the last special quote)

(5) Date of repurchase

Monday, December 11, 2023 at 8:45 a.m.

(6) Method of repurchase

Tokyo Stock Exchange Trading Network System (ToSTNet-3)

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. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.