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[Filed to]	Director-General of the Tokai Local Finance Bureau
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[Fiscal year]	18th fiscal year (from November 1, 2023 to October 31, 2024)
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[Name of contact person]	Norimasa Kanemachi, Director and CFO, President's Office and General Manager of Administration Department
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part I Company Information

I. Overview of Company

1. Key Financial Data

Fiscal year		14th fiscal year	15th fiscal year	16th fiscal year	17th fiscal year	18 th fiscal year
Fiscal year ended		Oct. 2020	Oct. 2021	Oct. 2022	Oct. 2023	Oct. 2024
Net sales	(thousands of yen)	1,234,315	1,424,656	1,681,715	2,061,211	2,405,885
Ordinary profit	(thousands of yen)	471,215	577,980	532,225	679,248	829,589
Profit	(thousands of yen)	322,344	386,047	322,027	517,733	601,854
Investment return when applying the equity method	(thousands of yen)	-	-	-	7,716	4,988
Share capital	(thousands of yen)	304,961	315,391	331,917	332,358	332,929
Total number of outstanding shares	(shares)	10,385,400	10,479,900	10,623,600	10,629,600	10,635,600
Net assets	(thousands of yen)	1,347,109	1,489,008	1,710,792	2,136,837	2,441,329
Total assets	(thousands of yen)	1,647,964	2,170,016	2,667,177	3,646,902	4,355,634
Net assets per share	(yen)	129.71	143.30	162.54	202.39	234.33
Dividends per share (Interim dividend per share)	(yen)	10.80 (-)	12.90 (-)	10.60 (-)	17.00 (-)	20.00 (-)
Earnings per share	(yen)	31.30	37.25	30.68	49.09	57.77
Diluted earnings per share	(yen)	30.20	36.47	30.40	48.75	57.41
Equity-to-asset ratio	(%)	81.7	68.6	64.1	58.6	56.0
Return on equity	(%)	27.5	27.2	20.1	26.9	26.3
Price-earnings ratio	(times)	48.5	30.2	31.7	16.7	12.8
Dividend payout ratio	(%)	34.5	34.6	34.6	34.6	34.6
Cash flows from operating activities	(thousands of yen)	358,831	491,922	641,680	1,220,958	1,305,889
Cash flows from investing activities	(thousands of yen)	(123,829)	(652,300)	(188,738)	(91,470)	(78,339)
Cash flows from financing activities	(thousands of yen)	(15,117)	45,801	(162,910)	(160,645)	(416,498)
Cash and cash equivalents at the end of period	(thousands of yen)	1,218,358	1,145,732	1,435,764	2,404,607	3,215,658
Number of employees [Average number of temporary employees]	(persons)	53 [12]	59 [16]	58 [24]	71 [24]	83 [21]
Total shareholder return (Index compared: TOPIX Total Return Index)	(%)	81.9 (97.1)	61.5 (125.6)	54.0 (124.3)	46.8 (148.9)	43.4 (182.3)
Highest share price	(yen)	2,563	1,760	1,178	1,215	999
Lowest share price	(yen)	971	1,090	665	766	599

- Notes: 1. As Tobila Systems does not prepare consolidated financial statements, changes in major management indicators, etc. for the consolidated fiscal year are not stated.
2. Investment return when applying the equity method is not stated for the 15th fiscal year and earlier because there are no affiliated companies. In the 16th fiscal year, although there are affiliated companies subject to the equity method, they are not stated because there are no investment gains or losses.
3. The number of employees is the number of employed persons, and for the number of temporary employees (including contract employees, part-time workers, and temporary employees from human resources companies), the average number of employees employed per year is stated in parentheses.
4. The highest and lowest share prices are stated as share prices on Mothers of the Tokyo Stock Exchange until April 26, 2020, the First Section of the Tokyo Stock Exchange on and after April 27, 2020, the Prime Market of the Tokyo Stock Exchange on and after April 4, 2022, and the Standard Market of the Tokyo Stock Exchange on and after October 20, 2023. However, since Tobila Systems' shares were listed on the Mothers Market of the Tokyo Stock Exchange on April 25, 2019, there are no such applicable items of share prices before said date. For the 13th fiscal year, the highest share price and lowest share price after the share split are stated, and the highest share price and lowest share price before the share split are stated in parentheses.
5. We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the 16th fiscal year. The key financial data for the 16th fiscal year onward reflect the application of the said accounting standard, etc.

2. History

Date	Outline
December 2006	Established A&A tecnologia Inc. in Ogaki, Gifu.
August 2008	Moved the head office to Marunouchi, Naka-ku, Nagoya, Aichi.
May 2010	Changed the company name to Tobila Systems Inc.
June 2011	Developed and started sales of the fraudulent telephone call filter “TobilaPhone” with the aim of solving the social problem of fraudulent telephone calls.
January 2012	Signed a memorandum with the Aichi Prefectural Police concerning demonstration experiments of telephone scams. Since then, we have been signing memorandums with other prefectural police departments and have established a system to receive information provided on telephone scam countermeasures.
March 2012	Increased share capital to 30,000 thousand yen through a third-party allotment of shares.
February 2013	Increased share capital to 47,850 thousand yen through a third-party allotment of shares.
February 2013	Signed a contract with WILLCOM, Inc. (currently SoftBank Corp.) to provide a fraudulent telephone call database.
June 2014	Signed a memorandum with McAfee, LLC to provide a telephone number database for the smartphone app, “Anshin Number Check.”
January 2015	Increased share capital to 50,700 thousand yen due to incorporation from legal capital surplus.
March 2015	Signed a memorandum with the National Police Agency concerning telephone scams and established a system to receive information provided on telephone scam countermeasures.
July 2015	Started providing NTT DOCOMO, INC.’s “Anshin Number Check,” a fraudulent telephone call filter app for smartphones, included in the optional contract “Anshin Pack.”
November 2015	Moved the head office to Nishiki, Naka-ku, Nagoya, Aichi.
November 2015	Started providing SoftBank Corp.’s “Fraudulent Telephone Call Blocker,” a fraudulent telephone call filter app for smartphones.
February 2016	Started providing the “TobilaPhone Mobile for au” smartphone app through KDDI CORPORATION’s au smart pass platform.
November 2016	Started providing SoftBank Corp.’s “Fraudulent Telephone Call Blocker,” a fraudulent telephone call filter app for smartphones, included in the optional contracts “iPhone Basic Pack” and “Smartphone Basic Pack.”
April 2017	Started selling CHUBU TELECOMMUNICATIONS CO., INC.’s “Anshin Incoming Telephone Call Service,” a fraudulent telephone call filter for home gateway fiber optic telephones, included in the optional contract “Hikari Denwa Additional Service Discount Pack Plus.”
June 2017	Started sales of “TobilaPhone Biz for Fiber,” a fraudulent telephone call filter for business telephones.
December 2017	NTT DOCOMO, INC.’s “Anshin Number Check,” a fraudulent telephone call filter app for DOCOMO phones (iPhones), starts being available as part of the optional contract “Anshin Pack.”
March 2018	Started providing KDDI CORPORATION’s “Fraudulent Telephone Call Blocker,” a fraudulent telephone call filter for home gateway fiber optic telephones, included in the optional contract “Telephone Option Pack EX.”
May 2018	Signed a memorandum with the Mie Prefectural Police Headquarters concerning telephone scam countermeasures and established a system to receive information provided on the phone numbers used for crimes in order to prevent scam e-mails.
October 2018	Signed a memorandum with the Shizuoka Prefectural Police Headquarters concerning telephone scam countermeasures and established a system to receive information provided on the phone numbers used for crimes in order to prevent scam e-mails.
April 2019	Newly listed on the Mothers Market of the Tokyo Stock Exchange.
June 2019	Started providing “Fraudulent Message/Telephone Blocker,” an app that uses Tobila Systems’ telephone number database through KDDI CORPORATION.
September 2019	Signed a memorandum with the Ibaraki Prefectural Police Headquarters concerning telephone scam countermeasures and established a system to receive information provided on the telephone numbers used for crimes in order to prevent scam e-mails.
March 2020	Started sales of “TobilaPhone Cloud,” a cloud-based business telephone service.
April 2020	Listed on the First Section of the Tokyo Stock Exchange.
August 2021	280blocker became a wholly-owned subsidiary.
September 2021	Started capital and business alliance with ageet Corporation.
October 2021	Merger by absorption of 280blocker.

Date	Outline
April 2022	Listing moved to the Prime Market of the Tokyo Stock Exchange.
September 2022	ageet Corporation became an affiliate.
October 2022	Started providing “Anshin Security (Fraudulent SMS Countermeasures)” that uses Tobile Systems’ telephone number database through NTT DOCOMO, INC.
March 2023	Became a member of the Japan Unified Communications Service Provider Association (JUSA).
June 2023	Started providing a fraudulent telephone call filter as part of SoftBank Corp.’s “Security One,” an integrated security app.
August 2023	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 aims to suspend the utilization of telephone numbers associated with special fraud activities.
October 2023	Listing moved to the Standard Market of the Tokyo Stock Exchange.

3. Description of Business

The operations of Tobila Systems are guided by the corporate philosophy of “We open the door to a better future for our lives and the world.” Based on this philosophy, the primary objective of business activities is using innovative technologies to create solutions for social issues that require actions but for which solutions have not yet been found. Smartphones and other familiar Internet devices have become an indispensable tool for improving the convenience of life and sustaining economic growth in Japan, which is moving toward becoming the world’s oldest society.

On the other hand, social problems are occurring through Internet devices, such as fund remittance scam phone calls and fraudulent smartphone and short message service (SMS) communications.

Tobila Systems is focused on the fraud and spam prevention business that deals with these social problems and protects 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. Utilizing database technology (*1) with our own machine learning cycle, we provide security products and services that are effective in deterring crime so that smartphone users can protect their lives from the threat of crimes without being particularly aware of them. Information on suspicious telephone numbers is comprehensively collected through collaboration with public organizations such as the police, feedback from users of services, gathering information on the Internet, etc. (*2), fraudulent telephone numbers using AI technology that determines habitualness are extracted (*3), and the list of fraudulent phone numbers is updated on a daily basis.

- *1. With the evolution of digital technologies, various information can now be stored as log information in databases. Tobila Systems has the technology to process information useful for risk detection through integrating and analyzing various databases collected through our own surveys and data collection activities, and analyzing using machine learning; this is referred to as “database technology.”
- *2. As of the end of October 2024, we have compiled a database of more than 5.63 million telephone numbers of companies, stores, public facilities, etc., including approximately 30,000 pieces of information on fraudulent telephone numbers. In addition, this information is updated daily to maintain and improve the high-quality database.
- *3. Through the provision of information by public organizations such as the police, feedback information from users, such as rejection or permission of incoming calls, and our own survey activities, Tobila Systems scores the degree of fraud for each telephone number and stores the information in a database. From the information stored in this database, telephone numbers that may make fraudulent telephone calls, such as telephone numbers used for crimes such as telephone scams and persistent sales telephone numbers, are automatically extracted as fraudulent telephone number candidates using our own algorithms using statistics and machine learning, and the fraudulent telephone number list is created and updated after our technicians make the final decision whether or not to include them in the fraudulent telephone number list.

(Business development)

Tobila Systems develops the “fraud and spam prevention business” as the main business for the prevention of telephone scams, which is a serious social problem in Japan. We use our fraudulent telephone number list to automatically block incoming telephone calls even from users’ unknown fraudulent telephone numbers.

In this business, in order to concentrate resources on areas of our expertise, promotions and collection of sales proceeds are mainly carried out by partners such as telecommunications carriers and telecommunications line carriers, resulting in a revenue model with low customer acquisition costs. In addition, we have built a stable customer base through BtoBtoC sales channels through partnerships with these telecommunications carriers, telecommunications line carriers, manufacturers, local governments, etc., and as of the end of October 2024, the number of monthly active users (*4) of fraud and spam prevention has risen to approximately 15 million users.

- *4. MAU is the number of users using our products and services who access Tobile System servers at least once during the month due to automatic updates to the telephone number list, launching apps, etc. Furthermore, if a user owns multiple mobile terminals, etc., and with the use of multiple devices and each device has a separate agreement, the person is counted as a different user.
- MAU is an important KPI for determining the contribution of our products and services to eliminating problems caused by telephone scams. Our revenue is, however, not always directly affected by an increase or decrease in MAU because contracts with customers such as telecommunications carriers have different terms.

Previously, “fraud and spam prevention business” was the reportable segment, and although the website design and operation support business and development projects outsourced by other companies that are not included in the reportable segment were classified as “others”, from the current fiscal year onward, we have changed the business to a single segment, "fraud and spam prevention business." The specific details of the business are as follows.

(Fraud and spam prevention business)

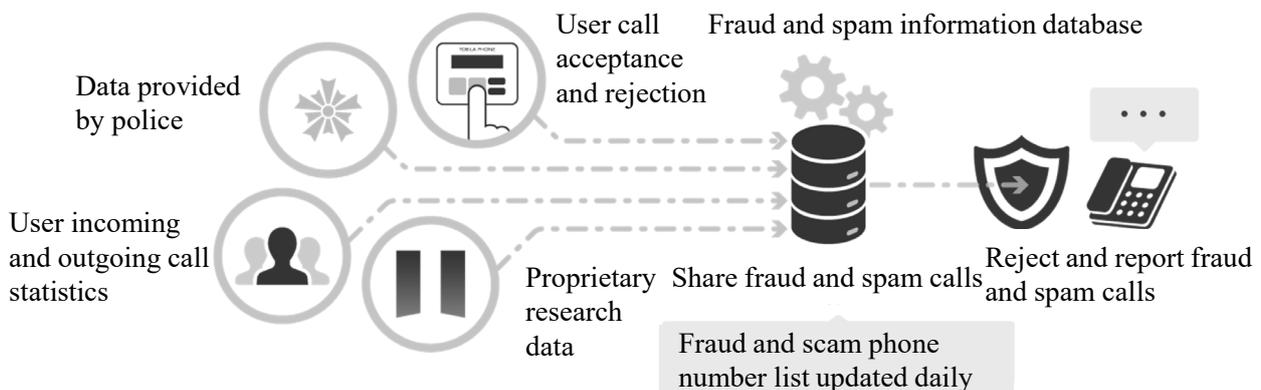
In June 2011, Tobile Systems developed and began sales of our product, “TobilePhone,” to prevent malicious fraudulent telephone calls and scam telephone calls. Since sales began of this product, we have developed new products and services in fraud and spam prevention, such as providing apps and services for mobile terminals such as smartphones and feature phones, as well as landlines, and selling “TobilePhone Biz,” a more robust version of “TobilePhone,” and “TobilePhone Cloud,” a cloud-based business telephone service to companies, utilizing the telephone number database of “TobilePhone” and fraudulent telephone number analytic algorithms.

For the purpose of constantly conducting surveys on the status of the latest fraudulent telephone call activities, we collect and store a vast amount of data every day, such as logs for accepting and rejecting calls by users of our fraud and spam prevention, log information obtained from users’ apps and services, information provided by public organizations such as the police, and our survey activities.

“TobilePhone” is an unprecedented security system that automatically rejects incoming calls or displays “danger” or “warning” according to the warning level of telephone numbers determined to be fraudulent telephone calls using our own fraudulent telephone number extraction technologies based on collected and stored data, and determining whether or not a telephone call received by a user is a fraudulent telephone call. In addition, we have created a database of public telephone numbers, such as those of public organizations and companies, and we are contributing to the realization of a society where callers can make telephone calls with peace of mind by automatically displaying caller information even if they are not registered in the cell phone directory in advance.

We have been actively engaged in R&D activities and intellectual property strategies for the development of these technologies, and as of the date of submission of this document, we have obtained 14 patents in Japan and overseas.

Furthermore, in August 2021, in order to improve the fraud and spam prevention functionality for mobile devices and increase the value provided to users, we acquired all shares of 280blocker, which provided the application “280blocker” that blocks annoying content and conducted an absorption-type merger with said company. As a result, our fraud and spam prevention business can cover all aspects of annoying web advertisements when browsing the web, in addition to fraudulent telephone calls and SMS countermeasures.



Our fraud and spam prevention business consists of three sectors: the “mobile phone filtering services sector,” the “landline phones filtering services sector,” and the “business phones filtering services sector.” The details of each business are as follows.

(i) Mobile phone filtering services sector

In partnership with major telecommunications carriers in Japan, such as SoftBank Corp., NTT DOCOMO, INC., and KDDI CORPORATION, we provide our fraud and spam prevention app to end users in the form of apps for each telecommunications carrier as one of the multiple services included in the option packs provided by each telecommunications carrier.

Option packs are sold under names such as “iPhone Security Pack Plus” and “Anshin Pack” and are provided as a set of security countermeasure services provided by other companies. When entering into a contract for a cell phone, many cell phone users often receive face-to-face explanations about the product details of the option pack at the stores of telecommunications carriers, and based on these explanations, they consider whether or not to subscribe to the option pack.

In addition to subscribers of option packs of each telecommunications carrier being able to use fraudulent telephone call filter functionality by downloading the Tobila Systems’ fraud and spam prevention app, they will be able to use the function that automatically displays the names of public facilities, companies, etc. based on the information stored in our telephone number database even if the telephone numbers are not registered in the mobile terminal directory, etc.

In addition, for some telecommunications carriers, we also provide a “fraudulent e-mail prevention function” that filters e-mails and SMS messages that contain text information that could lead to fraud by utilizing a fraudulent e-mail database that collects and analyzes by our own algorithms. The fraudulent e-mail database was built after collecting and analyzing e-mail and SMS information received by users, extracting patterns of URL information that is suspected to be dangerous from URLs that frequently appear as fraudulent URLs and text information that has characteristics as fraudulent e-mails, and conducting internal surveys on this information.

Tobila Systems has signed into flat-rate or pay-as-you-go contracts with telecommunications carriers, and has established a continuous and stable revenue base through a revenue model based on the number of subscribers or the number of users of option packs provided by telecommunications carriers.

Although we have been able to approach the customer base of each company by partnering with these three group companies, we expect that the number of users and subscribers of the mobile phone filtering services sector will increase by capturing the demand for subscription to option packs, etc. due to replacement due to model changes, etc., and review of contract details, etc.

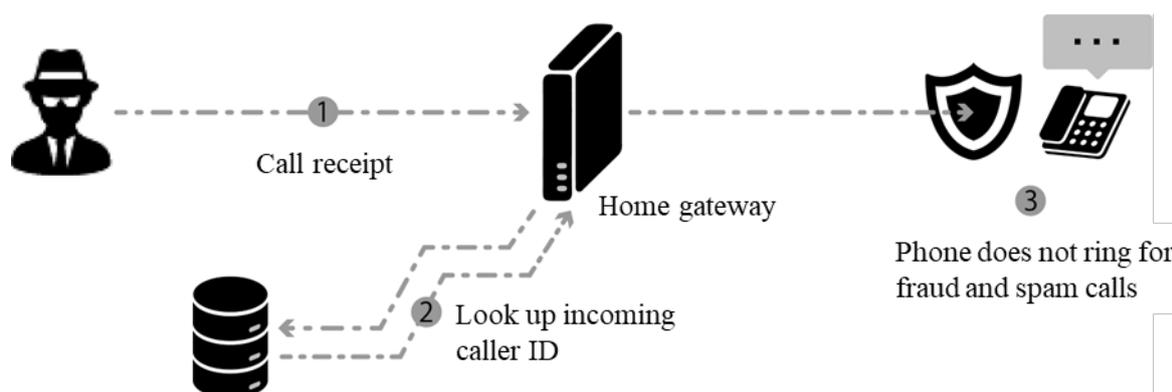
List of main apps and services				
Communications service provider	Models that can be used	Option pack	Apps and services	Logo
KDDI CORPORATION	Android and iPhone	Ponta pass platform UQ mobile safety security set	Fraudulent message and telephone call blocker	
NTT DOCOMO, INC	Android and iPhone	Anshin Security Anshin Pack Anshin Security (Fraudulent SMS countermeasures)	Anshin Security	
SoftBank Corp.	Android and iPhone	iPhone Security Pack Plus Smartphone Security Pack Plus	Security One	
	Simple Style Smartphones (Y!mobile)	None (Functions included as standard)	Fraudulent telephone call countermeasures	
JCOM Co., Ltd.	Android and iPhone	Fraudulent telephone call and message blocker	MY J:COM	

(ii) Landline phones filtering services sector

We provide fraud and spam prevention services for IP telephones as an option pack for telecommunications line carriers and have signed pay-as-you-go contracts according to the number of optional service contracts of telecommunications line carriers.

In order to use an IP telephone, it is necessary to connect a landline telephone to the Internet through a home gateway (*5) provided by telecommunications line carriers, and as the apps for said services are built-in to the home gateways provided by telecommunications line carriers, it becomes possible for fraud and spam prevention services to be used by users subscribing to use an option pack. When a call is received on a user’s landline telephone, the system automatically checks our database to determine whether the incoming phone number corresponds to a fraudulent telephone call, and does not automatically ring if the telephone number is determined to be a fraudulent telephone call.

*5. A home gateway is a fiber optic telephone router that connects multiple devices to each other through an Internet service using a fiber optic line.



As of the end of June 2024, the total number of landline telephone subscriptions was approximately 49.30 million, and the number of subscribers is decreasing year by year. On the other hand, the number of IP telephone numbers used was approximately 45.30 million as of the end of June 2024, and since NTT East and West exchanges, etc. will reach their maintenance limits around 2025, the demand to switch from conventional telephone lines to IP telephones using Internet lines is increasing. (Source: Ministry of Internal Affairs and Communications, “Announcement of Quarterly Data on the Number of Telecommunications Service Contracts and Market Share (FY2024 Q1 (Announced September 27, 2024))”)

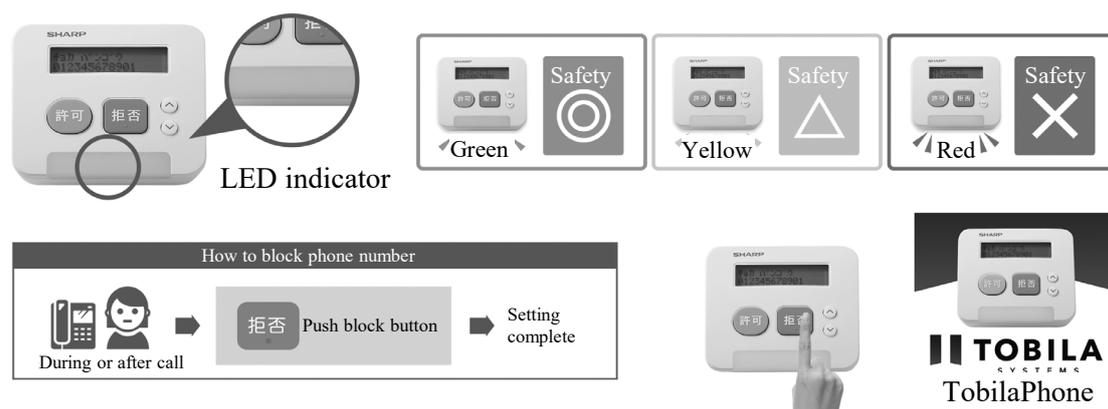
List of main services			
Telecommunications line carriers	Models that can be used	Option pack	Service
KDDI CORPORATION	Home gateway	Telephone Option Pack EX	Fraudulent telephone call blocker
CHUBU TELECOMMUNICATIONS CO., INC.		Hikari Denwa Additional Service Discount Pack Plus Security Pack	Anshin telephone call service
OPTAGE Inc.		Anshin Telephone Pack	Anshin telephone call service
KDDI CORPORATION	Network (CATV)	Option Pack	Automatic fraudulent telephone call blocker

In addition, we sell “TobilaPhone” external telephone terminals as products for conventional telephone lines, and our main commercial channel is the sale and rental of external terminals in demonstration experiments of local governments, etc.

In these demonstration experiments, local governments, etc., lend “TobilaPhone” free of charge to local residents as measures to prevent damages from telephone scams and verify its effectiveness. In addition to providing “TobilaPhone,” we will create pamphlets and reports, conduct surveys, etc.

The “TobilaPhone” external telephone terminal is equipped with a function that notifies you of the safety level of incoming calls through the color the LED on the front of the unit emits, so you can check the safety level of incoming calls in an instant before picking up the telephone. In addition, with the touch of a button, you can block incoming telephone calls, and the user’s pressing of the reject button is recorded on our management server and is used as a reference for survey data to determine fraudulent telephone calls.

Furthermore, other commercial channels include direct sales from Tobila Systems to end users.



(iii) Business phones filtering services sector

We sell “TobilaPhone Biz,” which adds the functions of a telephone call recording system and centralized management system on a cloud server to “TobilaPhone,” and “TobilaPhone Cloud,” a cloud-based business telephone service.

While the mobile phone filtering services sector and landline phones filtering services sector are aimed at general consumers (individuals), these products are aimed at companies. “TobilaPhone Biz” can improve business efficiency and service quality by recording telephone call information, managing and sharing telephone call history, and automatically rejecting unwanted sales calls and other fraudulent calls, and strengthening compliance as a measure against customer harassment. “TobilaPhone Cloud” is a cloud-based business telephone that allows you to use an IP telephone number that starts with an area code or “050” by installing the exclusive app on your smartphone.

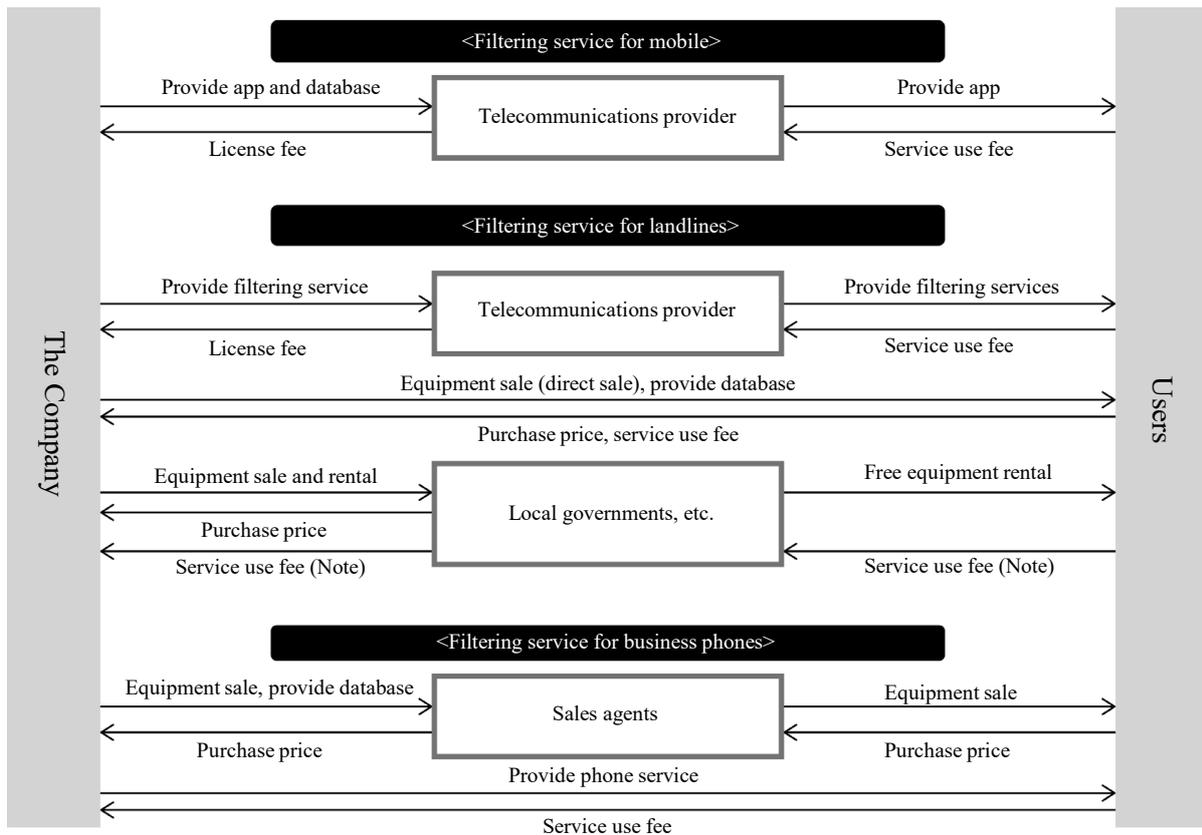
We are conducting sales activities with the aim of developing and expanding the corporate market in the fraud and spam prevention business.

(Others)

We are engaged in contract development of systems, etc. In the future, the policy will be to focus on the fraud and spam prevention business, so we will not actively develop this business.

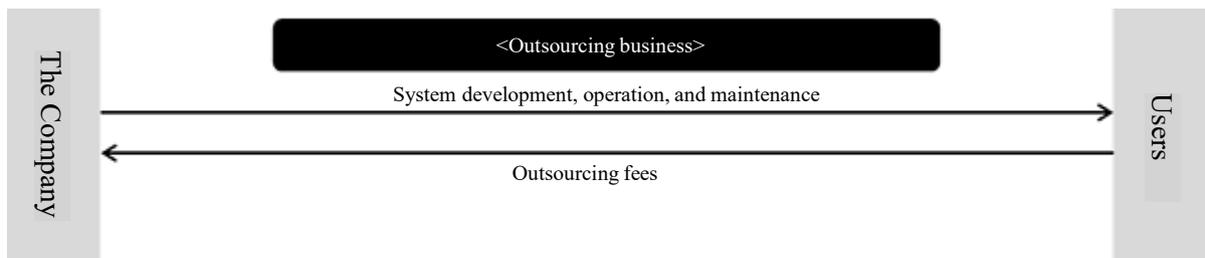
<Business system illustrative diagram>

○ Fraud and spam prevention business



(Note) Service use fees are received from local governments for the first year (directly received from users from the second year onward)

○ Others



4. Subsidiaries and Associates

Name	Address	Share capital or investments in capital	Details of main businesses	Ratio of voting rights held (Indirectly held) ratio (%)	Relationships
(Affiliate) ageet Corporation	Muko, Kyoto	23,260 thousand yen	Development of SIP/VoIP-related technologies	20.6	Capital and business alliance

5. Employees

(1) Information about the reporting company

As of Oct. 31, 2024

Number of employees (Persons)	Average age (Years old)	Average years in employment (Years)	Average annual salary (Thousands of yen)
83(21)	35.49	4.31	6,304

Department	Number of employees (Persons)
Technology Department	44 (12)
Sales Planning Department	27 (7)
Administration Department	12 (2)
Total	83 (21)

Notes: 1. Our reportable segment is the single “fraud and spam prevention business,” and the number of employees is stated by department.

2. The number of employees is the number of employed persons, and the number of temporary employees (including contract employees, part-time workers, and temporary employees from human resources companies) is the average annual number of employees stated in parentheses.

3. Average annual salary includes bonuses and supplements.

4. The number of employees increased by 12 compared to the end of the previous fiscal year. The main reason for this was an increase in mid-term hiring due to the expansion of the business.

(2) Information about labor unions

While no labor unions have been established, we have maintained a smooth worker-employer relationship.

(3) Difference in the ratio of female workers in managerial positions, ratio of male workers who have taken childcare leave, and wages of male and female workers

Omitted since we are not subject to the obligation to disclose pursuant to the provisions of the [Act on Promotion of Active Life in Working Life of Women] (Act No. 64 of 2015) and the [Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave] (Act No. 76 of 1991).

II. Overview of Business

1. Management Policy, Business Environment, Issues to Address, etc.

Forward-looking statements in this document are based on our judgment as of the date of submission.

(1) Basic policies on corporate management

The operations of Tobila Systems are guided by the corporate philosophy of “We open the door to a better future for our lives and the world.” Based on this philosophy, the primary objective of business development is using innovative technologies to create solutions for social issues that require actions but for which solutions have not yet been found. We aim to achieve sustainable growth as a company through creating and developing various businesses using IT technologies.

(2) Target management indicators

In order to realize higher growth potential, we have formulated and announced [Medium-Term Management Plan 2028] with a four-year plan period from the fiscal year ending October 31, 2025 to the fiscal year ending October 31, 2028. In doing so, we have established the following management targets in order to secure a certain level of profitability for capital while aiming to expand the revenue base.

Indicators	FY2028 Targets
Net Sales	¥6 billion
Profit	¥1.1 billion
ROE (Return on equity)	22.0% or more

(3) Medium- to long-term corporate management strategies

We will use our strengths in implementing the following five priority measures in the “Medium-Term Management Plan 2028”.

(Priority measures)

(i) Accelerate sales of TobilaPhone Cloud

Direct sales we conduct range from product development to sales and customer success all the way through. As such, it is possible to directly grasp customer needs and immediately link them to product updates, and we plan to continue expanding direct sales in the future. In addition, we aim to acquire large projects that move from existing on-premise PBX to cloud PBX through distributors that are already affiliated with us. In addition, we will consider selling them as comprehensive security apps in collaboration with our other products. We aim to increase revenue through three-tier sales: direct sales, distributors, and general security app sales.

(ii) Accelerate sales of TobilaPhone Biz

TobilaPhone Biz conducts sales through distributors, and we aim to increase the number of units sold by strengthening the two directions of increasing the number of sales in existing channels and developing new channels. In addition, we aim to increase revenue through new means of providing TobilaPhone Biz with fraudulent telephone call blocking functionality, such as incorporating it into PBX and selling it.

(iii) Expanding sales to telecommunications carriers

Our aim is to deter telephone scams, phishing scams, and gray zone crime. In order to achieve this, it is important to further strengthen relationships with major telecommunications carriers and cultivate new carriers, and we will continue to focus on them.

(iv) Creation of new businesses

We will implement various measures to create new businesses. In particular, [Launch of new products in existing markets] has a strong sales channel centered on TobilaPhone Biz distributors, and we believe that profitability can be quickly achieved by introducing new products into this channel. In addition, we aim to expand revenue by providing new value through expanding alliances and conducting M&A.

(v) Expanding membership and growth

In order to implement the above-mentioned priority measures and accelerate the pace of growth of our businesses, it is important for each member to grow and to actively hire new human resources. To achieve this, we will enhance internal systems and actively engage in hiring activities.

(4) Issues to be addressed by Tobila Systems

We recognize that the following points are issues that need to be addressed, and we will place emphasis on resolving them.

(i) Expanding alliance partners and strengthening cooperative relationships

Up to now, we have been focusing on developing alliance partners who provide services using our database for sources of fraud and spam with telecommunications carriers, telecommunications carriers related to IP phones, and distributors of trading companies such as office equipment. In order for Tobila Systems to sustain medium- to long-term growth and further develop and expand our business, we believe it important to aim to expand alliance partners and strengthen cooperative relationships by supporting the sales activities of existing alliance partners, etc., through proposal activities to telecommunications carriers and telecommunications line carriers, etc.

In fraud and spam prevention services for mobile phones and landline telephones, we expanded earnings along with expanding alliances with telecommunications carriers. In addition, “TobilaPhone Biz,” a more robust version of “TobilaPhone” to companies, has been designated as a Select Item in NTT East and NTT West, and the number of orders received through alliance partners is increasing.

We aim to further expand business in the future by focusing on expanding alliance partners and strengthening cooperative relationships.

(ii) Raising awareness of Tobila Systems and our services

We recognize it important to further improve the name recognition and trust of us and our services to further develop and expand business in the future. We strive to strengthen branding through publishing information on Tobila Systems and our services in various TV programs, newspapers, and magazines, and advertising activities such as digital marketing, and using owned media, etc.

(iii) Establishing new and peripheral businesses

We will focus particularly on [introducing new products into existing markets] as creating new businesses. For new products, we aim to expand into new business fields by utilizing our know-how on the database cultivated through providing our strengths in fraudulent telephone call blocker, fraudulent SMS blocker, and fraudulent advertising blocking services. In addition, we will actively consider developing new products utilizing feedback from customers directly obtained and user requests from distributors.

(iv) Strengthening capabilities to develop technologies

The source of our competitiveness is based on our capabilities to develop technologies in product development for the fraud and spam prevention business. In order to improve the differentiation of services, in addition to further enhancing our database for sources of fraud and spam, we will promote the addition of new functions and services based on customer needs, as well as the development of advanced usability.

In addition, as we provide services related to communications, our systems are required to be highly stable with a high operation rate. We will focus on developing sustainable systems, including capital investment to sustain providing services.

(v) Securing excellent human resources and strengthening organizational structure

We recognize that securing excellent human resources, appropriate placement, and building a training system are the most important management issues for our growth. To achieve this, we are continuously conducting hiring activities, and focus especially on hiring excellent IT engineers and sales members. In addition, we strive to secure excellent human resources who fit with our corporate philosophy and organizational culture by building an evaluation and compensation system that can appropriately evaluate human resources. In addition, we will promote the education and training of human resources through appropriate training and qualification acquisition support systems, etc. according to the position and duties of employees.

(vi) Mergers and acquisitions (M&A)

When considering creating new businesses, we are constantly considering entering into new alliances and conducting M&A. In considering, we pay attention to synergies with our businesses, consistency with business strategies, profitability after acquisition, transparency of the acquisition process, process to maximize integration results after acquisition, etc. We aim to further expand business by entering into new alliances and promoting M&A.

2. Stance and Initiatives on Sustainability

Our stance on sustainability and our initiatives are as follows.

Furthermore, although forward-looking statements in this document are based on our judgment as of the end of the current fiscal year, some sections include details concerning the “Sustainability Promotion Committee” is disclosed.

(1) Governance

We have identified important risks and opportunities related to sustainability, and under the organization of the Board of Directors, have established a Sustainability Promotion Committee with the Representative Director and President as the Chairperson for appropriate supervision and management. In addition to identifying sustainability risks and opportunities related to climate change and human capital, the Committee aims to expand them to related departments, monitor the progress of the status of sustainability activities, and conduct evaluations on the details of achievement. In addition, the details of discussions of all Committee meetings are reported to the Board of Directors, and the Board of Directors has established a system to manage and supervise the details of said reports.

(2) Strategies

(i) Overall sustainability strategies

As a company that aims to solve social issues, we believe that it is necessary to build a management foundation with the target of realizing sustainability, and we have established the Sustainability Promotion Committee, chaired by the Representative Director and President, to consider sustainability-related policies, priority issues, and measures, and have disclosed the “Sustainability Report.”

Sustainability-related issues are diverse and wide-ranging, and from the perspective of aiming to effectively utilize our limited management resources to enhance the sustainability of business activities and enhance our corporate value, the Board of Directors resolved and identified the following four important issues (materiality).

Environment	Response to climate change
Society	Realization of an environment where challenges can be taken on without fearing failure
	Eliminate telephone scams and gray zone crime!
Governance	Enhance corporate governance

We will respond flexibly to changes in external conditions, such as social trends and technological innovation, and aim to both solve environmental problems, etc. and generate earnings.

(ii) Policy on human resource training, including ensuring diversity, and improvement of the internal environment

Based on our corporate philosophy of “We open the door to a better future for our lives and the world,” we place respecting human rights in business activities as an important management issue. The code of conduct includes, “We believe that maintaining an environment where we can live in peace with our loved ones will lead directly to our growth and a better life for people worldwide,” and valuing the human rights of all people involved in our business activities, we strive to create an environment where challenges can be individually taken on without discrimination or harassment in employment or treatment.

Our greatest source of creating corporate value is our members, and we have the conviction that each and every member taking

on challenges without fearing failure encourages personal growth, which ultimately leads to promoting our business. We strive to create an environment where members with diverse backgrounds can recognize each other, improve team strength, and grow by overcoming challenges.

(3) Risk management

(i) Process for identifying materiality

The code of conduct stipulates, “We will be a source of products that help solve social issues and have benefits for people. We will also pursue appropriate earnings for steady growth as we expand and upgrade our operations.” We have designated materiality based on social issues as we should aim to reinvest generated earnings and provide further value.

Specifically, we have created a wide-ranging list of approximately 200 items of social issues from among our issues, evaluated each item based on its importance to stakeholders and us, discussed it with the Sustainability Promotion Committee, with the Representative Director and President as the Chairperson, identified materiality, and resolved it at the Board of Directors meeting.

We will continue to listen to a wide range of opinions from stakeholders and conduct ongoing reviews in the future.

(ii) Management process

An action plan for risks and opportunities related to sustainability based on materiality has been formulated after discussions with the Sustainability Promotion Committee based on materiality. In addition, the Sustainability Promotion Committee confirms the details and progress of status of actions and reports details of the proceedings to the Board of Directors.

(iii) Status of integrating the system into company-wide risk management

We manage the entire business through the Risk and Compliance Committee, and identify, prioritize, and implement mitigation measures.

On the other hand, risk management related to sustainability is carried out by the Sustainability Promotion Committee, and risks are identified, prioritized, and measures are implemented.

In addition, when both committees consider prioritizing risks, they are conducted based on the financial impact on us, the impact of our activities on the environment and society, and the likelihood of occurrence, and important risks are reported to and supervision is conducted by the Board of Directors.

The specific actions taken for climate change risks, human capital risks, other sustainability-related risks, and opportunities identified by the Sustainability Promotion Committee are as follows.

- Climate change risks

We consider the impact of climate change on business to be an important risk, and disclose the amount of greenhouse gas emissions. In addition, we are actively promoting various initiatives to reduce environmental loads, such as promoting energy conservation such as Cool Biz, Warm Biz, Full Remote Work, and online meetings, and providing ways of working (Cloud PBX), and are implementing measures toward decarbonization.

- Human capital risk

We are reducing the risk of excellent human resources being lost by developing a workplace environment that is easy for employees to work in. In addition, we are implementing measures to improve health, productivity, and personal skills with the aim of improving employee engagement and promoting the creation of an organization where diverse human resources can thrive.

- Other sustainability-related risks

There is a possibility that the increase in telephone scams and gray zone crime will not only increase the psychological and financial burden of victims but also increase social costs. Through the promotion of businesses that use our fraud and spam information database and security technologies, we aim to eliminate telephone scams and gray zone crime, and we find opportunities to earn trust and develop new markets by building an environment where customers can communicate with them with peace of mind.

We believe that management is necessary not only to reduce or avoid risks, but also to be conscious of contributing to the achievement of corporate aims and value creation, and we have a system in which discussions and reports are submitted to the Board of Directors after deliberation and discussion by the Sustainability Promotion Committee, and reflected in management strategies.

(4) Indicators and targets

We use the following indicators for overall sustainability strategies and policy on human resource training, including ensuring diversity and improving the internal environment stated in the above “(2) Strategies” above. The quantitative targets and results

concerning said indicators are as follows. In addition to aiming to familiarize employees with the childcare leave system, we are striving to complete an internal system that makes it easier to take childcare leave and improve the understanding of supervisors.

Indicators	Targets	Results (Current fiscal year)
Average overtime hours (monthly)	20 hours or less	16 hours
Ratio of male workers who have taken childcare leave	100%	75% (3/4 persons)
Ratio of female workers who have taken childcare leave	100%	100% (2/2 persons)

3. Business Risks

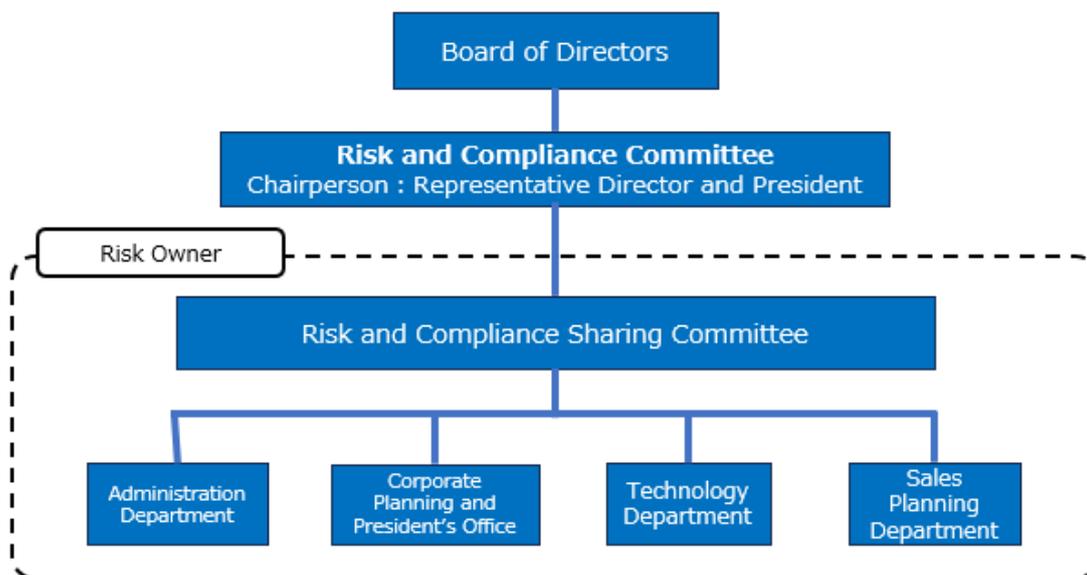
Forward-looking statements in this document are based on judgments as of the date of submission and do not cover all risks.

(1) Our Risk Management System

We have established the “Risk and Compliance Committee” under the Board of Directors, and have established and operated a risk management system based on risk and compliance regulations. The Committee is comprised of Directors and Directors who are Audit & Supervisory Committee Members, and identifies, evaluates, and reviews risks important to management, formulates countermeasures, and regularly confirms the status of management.

In addition, at the “Risk and Compliance Sharing Committee” established under the Committee, the heads of each department and executive officers manage business risks and operation risks by duties as risk owners.

<Risk management system illustrative diagram>



(2) Risk evaluation process in risk management activities

Risk management activities use the following processes to evaluate and manage risks that have an impact on business activities.

1. Identify risks that may affect (List risks)
2. Determining the risk owner for each risk
3. Evaluation of risk impact (monetary basis), likelihood, and degree of control
4. Determining priorities by considering the relative relationships between risks

The risks listed are as follows.

Risk classification	Risk items
External environmental risks	Business environment-related risks
	Geopolitical risks
	Disaster risk
Business risks	Risks related to business
	Risks related to product development
	Risks related to intellectual property
	Service risk (quality, customer satisfaction, rumor)
	Contract risk
Information security risk	Risks related to information systems
	Risks related to information leaks and security

Management risk	Risks related to management strategies
	Governance risks
	Sustainability (ESG) risk
Compliance risk	Reputational risk
	Risks of fraud and crime
	Risk of violations of laws and regulations
Human resources and labor risks	Occupational health and safety risks
	Employment and human resources risks
	Risk of leakage of human resources
Operation risk	Financial and accounting risks
	Internal administrative risks

(3) Selected important risks and countermeasures

We have evaluated the listed risks based on their impact level (profit basis), likelihood of occurrence, and degree of control, and have selected [Important risk] considering the relative relationship between risks. We strive to mitigate risks by implementing countermeasures against selected risks.

(i) Business environment-related risks

a. Obsolescence due to technological innovation and innovation

[Risk Recognition]

In our fraud and spam prevention business, we have been confirmed to distribute fraudulent telephone calls and fraudulent SMS using AI, and if countermeasures against fraud damages using these new technologies are delayed, the services we provide may quickly become obsolete. In addition, as our services are implemented using functions provided by operating environments such as OS, expected operations may not be realized due to changes to the specifications of the operating environment in the future. If we are unable to adapt to these future technological innovations, our business and financial results may be affected.

[Countermeasures]

In addition to actively hiring excellent engineers, we have established organizations to catch up on the latest technological trends such as AI, and continuously analyze trends in the latest methods of fraud damages through specialized researchers, and are considering measures to respond to changes in the business environment that may occur in the future. In addition, we are trying to reduce the impact of specific technological changes by entering multiple fields, not just one field.

b. Entry from other companies and other industries

[Risk Recognition]

We currently have a high market share in the security market for fraudulent telephone calls. However, with an expanding market, there is a risk that the number of new entrants, including those in other industries and overseas companies, will increase, and competition will intensify due to price competition and technological innovation. In addition, there is a possibility that services similar to our business model will be introduced to the market in a short time, and our advantage will weaken, and competition may follow in the accuracy and scale of collection of user data. These can be factors that affect our financial results and market position.

[Countermeasures]

While maintaining our advantage of the current customer base of approximately 15 million users, we will develop marketing measures aiming to acquire new users, and strengthen our sales model that incorporates our services into the contract plans of major telecommunications carriers. In addition, we will continue to collect information through collaboration with relevant organizations such as telecommunications carriers and police organizations, and further improve the accuracy of databases. By building barriers to entry, we will maintain and expand our competitive advantage.

(ii) Disaster risk

a. Natural disasters (typhoons, earthquakes), and fires

[Risk Recognition]

Our head office functions and main facilities such as product warehouses are located in Nagoya, Aichi, and if an incident occurs where there is damage to facilities or restrictions on the supply of electricity due to a natural disaster such as the Nankai Trough Earthquake or a typhoon that hits the Tokai region, or a fire, our head office functions, business activities, and service provision may be disrupted, and our financial results may be affected.

[Countermeasures]

To prepare for disaster risk, we are taking physical countermeasures such as redundant networks and data backup at remote data centers. In addition, we have introduced a flexible work style that combines a fully time-flexible system and remote working and have established a system that allows business activities to continue in the event of an emergency. In addition, although we have established a Business Continuity Plan (BCP) and have clarified procedures for emergency responses if an incident occurs that is larger than these measures, our financial results may be affected.

(iii) Risks related to business

a. Dependence on specific customers

[Risk Recognition]

The main customers of our fraud and spam prevention business are major telecommunications carriers in Japan, and our dependence on sales of these specific customers is approximately 70%. As a result, if a contract is not renewed or if the terms and conditions of transactions are changed, our business and financial results may be significantly affected. In addition, the same risk arises if entering into a contract for a new service proposed to these customers is delayed or failed.

[Countermeasures]

We maintain strong relationships with major telecommunications carriers in Japan through regular provision of [Report on Specialty Fraud and Phishing Fraud] based on our own surveys. Furthermore, we are working with all three major telecommunications carriers to achieve early detection and sharing of trends in fraudulent telephone calls and SMS blockers, and to achieve differentiation. In addition, we will focus on expanding businesses such as [TobilaPhone Biz] other than mobile phone services, aiming to reduce the risk of dependence on customers.

b. Collaboration with related organizations

[Risk Recognition]

Our database for sources of fraud and spam enhances the credibility and reliability of our customers through collaboration with telecommunications carriers, police organizations, related ministries, etc. However, if this collaboration is disrupted for any reason, the credibility and external credibility of our database may suffer, and our business and financial results may be adversely affected.

[Countermeasures]

We are working to maintain and strengthen relationships with related organizations, such as initiating information exchange meetings with telecommunications carriers, police organizations, and related ministries and agencies. At this time, we have not confirmed any events that interfere with collaboration, and we expect to continue to maintain collaboration and information provision in the future. In addition, our database for sources of fraud and spam is based on our own surveys and the storage of vast amounts of data through information collection, and we have established an operational system that does not rely on collaboration with specific organizations.

(iv) Risks related to information leaks and security

a. Leakage of personal information

[Risk Recognition]

We store personal information of acquired customers and purchase history, etc., along with providing services, and it is

regulated by the [Act on the Protection of Personal Information]. If this information is leaked externally for any reason, our creditworthiness may suffer, and our business and financial results may be significantly affected.

[Countermeasures]

We have positioned the management of personal information as an important management issue, acquired and updated the [Privacy Mark], and have established regulations regarding the management of personal information, clarifying business flow, and the authority system. In addition, with regard to the handling of personal information, we provide an environment where customers can use services with peace of mind by ensuring thorough employee training, strengthening the security system, and careful operation.

b. Disclosure of confidential information (database)

[Risk Recognition]

The database of confidential information held by us contains information provided by public organizations such as police organizations, various information concerning telephone numbers, incoming and outgoing telephone call logs of fraudulent telephone numbers, etc. If information is leaked due to unforeseen circumstances (cyberattacks or human errors), the relationship of trust with police organizations and customers may be impaired, and our business and financial results may be adversely affected.

[Countermeasures]

To prevent information leaks, we have implemented security measures from the perspectives of hardware, software, and human resources management systems. Specifically, when accessing a database, we take measures such as accessing it through an environment without an Internet connection from a special room that is prohibited from bringing in a cell phone. In addition, necessary security investments are implemented in a planned manner according to priority.

4. Management Analysis of Financial Position, Results of Operations and Cash Flows

The following is an outline of our financial position, results of operations, and cash flow for the current fiscal year, as well as the recognition, analysis, and examination of our results of operations from management perspective.

Furthermore, forward-looking statements in this document are based on our judgment as of the date of submission.

(1) Results of operations

The operations of Tobila Systems are guided by the corporate philosophy of “We open the door to a better future for our lives and the world.” Based on this philosophy, the primary objective of business activities is using innovative technologies to create solutions for social issues that require actions but for which solutions have not yet been found. Our business is a fraud and spam prevention business effective in deterring telephone scams such as fund remittance scams and special scam groups from hearing asset information before committing a crime, special fraud such as support fraud where a fake warning screen that makes people worried and induces them to reach fraudulent support channels, and phishing fraud where people use smartphones or short message services (SMS). This period was covered by a wide range of media through the publication of the “Report on Special Fraud and Phishing Fraud” every month. Furthermore, we have been actively engaged in activities for the prevention of special fraud, such as attending the “Working Group on Measures against Improper Use” sponsored by the Ministry of Internal Affairs and Communications and serving as an instructor at the Cyber Security Intellectuals Training session sponsored by the Metropolitan Police Department.

The fraud and spam prevention business operates through three sectors: mobile phones, landline phones, and business phones. In the mobile phone filtering services sector, we have renewed our contracts with some telecommunications carriers by increasing the price terms. In addition, we started providing our database for the optional service of “J:COM MOBILE” of JCOM, Inc. The app [280blocker] blocks annoying advertisement content and was used to increase awareness and sales promotion.

In the landline phones filtering services sector, sales of our services in cable-plus telephones were strong.

In the prevention services for business telephones, sales were steady for TobilaPhone Biz products for business telephones that are equipped with convenient functions necessary for office telephones, such as automatic telephone call recording and recording and notification message functions that are effective in combating harassment from customers. Cloud-based business telephone service [TobilaPhone Cloud] has introduced a standard voice text conversion function that triggers the characters of telephone calls, and we have started providing our own voice recognition engine. Sales of these services are increasing steadily.

Fiscal year net sales increased 16.7% year on year to 2,405,885 thousand yen, operating profit increased 21.8% to 831,784 thousand yen, ordinary profit increased 22.1% to 829,589 thousand yen and profit was up 16.2% to 601,854 thousand yen.

Furthermore, since the current fiscal year, we have changed to a single segment of “Fraud and Spam Prevention Business”, and the statement by segment is omitted.

(2) Financial position

Total assets

Total assets increased by 708,732 thousand yen from the end of the previous fiscal year to 4,355,634 thousand yen. The main factors include increases of 811,050 thousand yen in cash and deposits, an increase of 28,946 thousand yen in accounts receivable-trade, a decrease of 21,104 thousand yen in merchandise and finished goods, a decrease of 65,904 thousand yen in goodwill, a decrease of 24,958 thousand yen in software, an increase of 19,955 thousand yen in investment securities and a decrease of 22,687 thousand yen in deferred tax assets.

Liabilities

Total liabilities increased by 404,240 thousand yen from the end of the previous fiscal year to 1,914,305 thousand yen. The main factors include an increase of 462,880 thousand yen in contract liabilities, a decrease of 24,050 thousand yen in income taxes

payable and a decrease of 50,040 thousand yen in long-term borrowings.

Net assets

Total net assets increased by 304,491 thousand yen from the end of the previous fiscal year to 2,441,329 thousand yen. The main factors include a decrease of 179,490 thousand yen in retained earnings due to dividends paid, recording of profit of 601,854 thousand yen for the repurchase of treasury shares of 190,196 thousand yen, disposal of treasury shares of 61,677 thousand yen and an increase of 13,848 thousand yen in valuation difference on available-for-sale securities.

The equity ratio decreased from 58.6% at the end of the previous fiscal year to 56.0%.

(3) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the current fiscal year increased by 811,050 thousand yen from the end of the previous fiscal year to 3,215,658 thousand yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 1,305,889 thousand yen compared with 1,220,958 thousand yen used in the previous fiscal year. The main factors include income taxes paid of 265,303 thousand yen, increases in trade receivables and contract assets of 27,993 thousand yen, gains on sales of investment securities of 29,999 thousand yen, profit before income taxes of 860,276 thousand yen, depreciation of 133,734 thousand yen, amortization of goodwill of 65,904 thousand yen, a decrease in inventories of 22,991 thousand yen, a decrease in long-term prepaid expenses of 37,776 thousand yen, an increase in accounts payable-other of 23,892 thousand yen and an increase in contract liabilities of 463,684 thousand yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 78,339 thousand yen compared with 91,470 thousand yen used in the previous fiscal year. The main factors include payments for purchase of property, plant and equipment of 46,070 thousand yen, proceeds from sale of investment securities of 30 million yen, and purchase of intangible assets of 63,150 thousand yen.

Cash flows from financing activities

Net cash used in financing activities amounted to 416,498 thousand yen compared with 160,645 thousand yen used in the previous fiscal year. This was mainly due to repayments of long-term borrowings of 50,040 thousand yen, purchase of treasury shares of 188,171 thousand yen and dividends paid of 179,369 thousand yen.

(4) Production, orders received, and sales results

(i) Production results

The business we conduct is not suitable for stating production results due to the nature of the services we provide, and the statement has been omitted.

(ii) Orders received results

The business we conduct is not suitable for stating orders received results due to the nature of the services we provide, and the statement has been omitted.

(iii) Sales results

Omitted because we are a single segment of the “Fraud and Spam Prevention Business”. Furthermore, the sales results by major counterparties and the ratio of said sales results to the total sales results are as follows.

Counterparty	FY2023 (Nov. 1, 2022 - Oct. 31, 2023)		FY2024 (Nov. 1, 2023 - Oct. 31, 2024)	
	Sales (Thousands of yen)	Ratio (%)	Sales (Thousands of yen)	Ratio (%)
KDDI CORPORATION	584,322	28.3	594,997	24.7
SoftBank Corp.	484,718	23.5	540,914	22.5

NTT DOCOMO, INC	415,405	20.2	493,583	20.5
INVERSENET INC.	194,480	9.4	355,926	14.8

(5) Analysis and examination of results of operations from a management perspective

(i) Significant accounting policies and estimates

Our financial statements are prepared in accordance with accounting standards that are generally accepted as fair and reasonable in Japan. The preparation of these financial statements requires management to make estimates that affect the selection and application of accounting policies, and the reported amounts and disclosure of assets, liabilities, revenue, and expenses. Although management reasonably estimates and accounts for these estimates in consideration of past financial results and current conditions, etc., actual results may differ from these estimates due to uncertainties inherent in estimates.

Among the accounting estimates and assumptions used in the preparation of the financial statements, the most important are stated in “V Accounting Status, 1. Financial Statements, etc., (1) Notes to Financial Statements Notes (Significant Accounting Estimates).”

(ii) Analysis of sources of share capital and liquidity of net cash

Our main working capital needs are expenses such as personnel expenses and communication expenses. The demand for net cash for investment purposes is due to infrastructure facilities such as servers, equipment, and security deposits associated with the relocation of the head office.

Working capital comes from self-funding, and investment funds come from self-funding and long-term borrowings from financial institutions. Furthermore, the outstanding amount of borrowings at the end of the current fiscal year was 195,710 thousand yen. In addition, cash and cash equivalents at the end of the current fiscal year was 3,215,658 thousand yen, ensuring liquidity.

(iii) Management’s recognition of problems and future policies

See “II. Overview of Business, (1. Management Policy, Business environment, Issues to address, etc.).”

(iv) Factors that have a significant impact on results of operations

See “II. Overview of Business, (3. Business Risks).”

(v) Recognition, analysis, and examination of results of operations

Results of operations for the current fiscal year are as stated in “(1) Results of Operations”, and fiscal year net sales increased 16.7% year on year to 2,405,885 thousand yen, operating profit increased 21.8% to 831,784 thousand yen, ordinary profit increased 22.1% to 829,589 thousand yen and profit was up 16.2% to 601,854 thousand yen.

Issues that we recognize to be addressed are as stated in “II. Overview of Business, (1. Management Policy, Business environment, Issues to address, etc.).” In particular, we recognize that the launch of new and peripheral businesses is an issue because our fraud and spam prevention business is dependent on a business model centered on service operation that is incorporated into the option contracts of telecommunications carriers.

And so, we believe it important to have multiple business models and grow into a more robust organization for future development as a medium- to long-term business strategy. We will use our know-how on databases cultivated in the fraud and spam prevention business to actively consider developing new business models, and not only expand into new business fields.

5. Material Contracts, etc.

(Contracts with telecommunications carriers for smartphones and feature telephone terminals)

Name of counterparty	Name of contract	Contract details	Contract period
SoftBank Corp.	Memorandum on License Fees	Provide a mechanism for using the fraudulent telephone call database	Apr. 1, 2017 - Mar. 31, 2018 (Automatically renews each year thereafter)
NTT DOCOMO, INC	Basic Service Provision Contract	Provide a mechanism for using the fraudulent telephone call database	Dec. 1, 2017 - Nov. 30, 2020 (Automatically renews each year thereafter)
KDDI CORPORATION	Software Sales Contract	Smartphone apps that utilize the fraudulent telephone call database and fraudulent e-mail database are provided through the au smart pass platform.	Apr. 15, 2019 - Mar. 31, 2020 (Automatically renews each year thereafter)

6. R&D Activities

The total amount of our payments for research and development expenses in the current fiscal year was 29,366 thousand yen.

The R&D activities for each segment are as follows.

(Fraud and spam prevention business)

We are conducting R&D on databases and various applications to accurately and efficiently prevent fraudulent information, and we are conducting R&D centered on the development of new services and functional improvements of existing services with the aim of creating new revenue opportunities related to our fraud and spam prevention services.

The results of main R&D are as follows:

- Functional improvements of fraud and spam prevention services for mobile.
- Functional improvements of the core database system.
- Functional improvements of fraud and spam prevention services for businesses.

(Others)

Not applicable.

III. Status of Equipment and Facilities

1. Outline of Capital Expenditures, etc.

With regard to capital expenditures for the current fiscal year, we have continued to make capital expenditures for the purpose of strengthening production facilities and enhancing and strengthening R&D functions. In addition to investments in property, plant and equipment, investments in intangible assets are also included in the statements.

The total amount of capital expenditures for the current fiscal year was 91,581 thousand yen, and capital expenditures by segment are as follows.

(1) Fraud and spam prevention business

For the main capital expenditures for the current fiscal year, a total of 53,502 thousand yen was invested for the development of new functions for mobile services and business services, the reinforcement of service infrastructure, etc.

Furthermore, important equipment will not be removed or sold.

(2) Others

For the main capital expenditures for the current fiscal year, a total of 1,365 thousand yen was invested for the reinforcement of service infrastructure, etc.

Furthermore, important equipment will not be removed or sold.

(3) Company-wide

For the main capital expenditures for the current fiscal year, a total of 18,079 thousand yen was invested centered on establishing internal systems.

Furthermore, important equipment will not be removed or sold.

2. Status of Main Equipment and Facilities

As of Oct. 31, 2024

Office name (Location)	Name of segment	Details of equipment and facilities	Book value (Thousands of yen)						Number of employees (Persons)
			Buildings and structures	Tools, furniture, fixtures, and vehicles	Software	Goodwill	Others	Total	
Head office (Nagoya, Aichi)	Fraud and spam prevention Others Company- wide	Head office functions Production facility	1,363	5,120	166,342	126,317	14,589	313,734	64(19)
Tokyo office (Chiyoda-ku, Tokyo)	Company- wide	Office functions	12,842	3,317	—	—	—	16,160	19(2)
Datacenter Total of two locations	Fraud and spam prevention Others Company- wide	Datacenter (external)	—	68,680	1,776	—	—	70,456	—

Notes: 1. There are no major facilities currently sitting idle.

2. "Others" in book value is the sum of patent rights, trademark rights, patent rights, etc., in progress, and software in progress.

3. The building is partially rented. The annual rent is 50,996 thousand yen.

4. The number of employees is the number of employed persons, and the number of temporary employees (including contract employees, part-time workers, and temporary employees from human resources companies) is the average annual number of employees stated in parentheses.

3. Plan for New Installation, Removal, etc. of Facilities

Our capital expenditure plans are formulated in a comprehensive manner, taking into account future business development, operational efficiency, and strengthening management functions.

(1) New installations of major facilities, etc.

Office name (Location)	Name of segment	Details of equipment and facilities	Expected investment amount		Funding-raising method	Start date	Finish date Year/month	Capacity to be increased after completion
			Total amount (Thousands of yen)	Amount already paid (Thousands of yen)				
Head office (Nagoya, Aichi) Datacenter two locations	Fraud and spam prevention business	Infrastructure reinforcement facilities, server equipment, verification terminals, etc.	87,645	12,406	Self-funding	From Nov. 2022 onwards	Until Oct. 2025	(Note)
Head office (Nagoya, Aichi) Datacenter two locations	Company-wide	Office functions, infrastructure reinforcement facilities, server equipment, etc.	36,850	-	Self-funding	From Nov. 2024 onwards	Until Oct. 2025	(Note)

Note: Statements of the capacity to be increased after completion are omitted as it is difficult to quantify.

(2) Removal of major facilities, etc.

Not applicable.

IV. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of authorized shares (Shares)
Common shares	30,000,000
Total	30,000,000

(ii) Outstanding shares

Class	As of the end of the current fiscal year Outstanding (Shares) (Oct. 31, 2024)	As of the submission date Outstanding (Shares) (Jan. 29, 2025)	Stock exchange on which we are listed	Details
Common shares	10,635,600	10,635,600	Tokyo Stock Exchange (Standard market)	Shares have full voting rights and are our standard shares with no restrictions on the rights of shareholders. Furthermore, the number of shares per unit is 100 shares.
Total	10,635,600	10,635,600	-	-

Note: The number of outstanding shares as of the date of submission does not include the number of outstanding shares through the exercise of share acquisition rights from January 1, 2025 to the date of submission of this Annual Securities Report.

(2) Status of share acquisition rights, etc.

(i) Details of the stock option plan

We have adopted a stock option system based on share acquisition rights.

This system is based on the method of issuing share acquisition rights in accordance with the Companies Act.

The details of this system are as follows.

Date of resolution	Jan. 26, 2018 (5th Share Acquisition Rights)	Oct. 26, 2018 (6th Share Acquisition Rights)
Category and number of recipients (persons)	Directors of Tobila Systems: 2 Employees of Tobila Systems: 14	Directors of Tobila Systems: 1 Employees of Tobila Systems: 23
Number of share acquisition rights (units)*	125 (Note 1)	145 (Note 1)
Class, details, and number of shares subject to share acquisition rights (shares)*	Common shares: 37,500 (Notes 1, 5)	Common shares: 43,500 (Notes 1, 5)
Amount paid upon exercise of share acquisition rights (yen)*	147 (Notes 2, 5)	234 (Notes 2, 5)
Exercise period of share acquisition rights*	Feb. 15, 2020 - Jan. 25, 2028	Nov. 22, 2020 - Oct. 25, 2028
Issue price of shares and capitalization amount when shares are issued upon exercise of share acquisition rights (yen)*	Issue price: 147 Capitalization amount: 73.5 (Note 5)	Issue price: 234 Capitalization amount: 117 (Note 5)
Conditions for the exercise of share acquisition rights*	(Note 3)	
Matters concerning the transfer of share acquisition rights*	When acquiring share acquisition rights by transfer, approval of the Board of Directors is required.	
Matters concerning the issuance of share acquisition rights in connection with organizational restructuring*	(Note 4)	

* The contents as of the end of the current fiscal year (October 31, 2024) are stated. Furthermore, as of the end of the month before the submission date (December 31, 2024), there are no changes to these items.

Notes: 1. The number of shares eligible for each share acquisition right is 300 shares.

In the event that we conduct a share split or reverse share split of common shares after the allocation of share acquisition

rights, the number of shares for the purpose shall be adjusted according to the following formula. However, such adjustment will only be made to the number of shares that are the subject of share acquisition rights that have not been exercised at the time, and any shares less than one share resulting from the adjustment will be rounded down.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Split/merger ratio}$$

In addition, if we conduct a merger, company split, share exchange, or share transfer (hereinafter, collectively “merger, etc.”), conduct a gratuitous allotment of shares, or otherwise require an adjustment in the number of eligible shares as described above, we may adjust the number of eligible shares to a reasonable extent after taking into account the respective conditions.

2. If we issue new shares of our common shares or dispose of treasury share at a price lower than the market value after the date of allotment of share acquisition rights (excluding when issuing common shares or disposing of treasury shares by exercising share acquisition rights, or when issuing common shares or disposing of treasury shares due to converting class of shares), the exercise price will be adjusted using the following formula, and any fractions less than one yen resulting from the adjustment will be rounded up. Furthermore, in following formula, the “number of shares already outstanding” shall be the number obtained by subtracting the number of treasury shares held by us from the initial total number of outstanding shares.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already outstanding} + \frac{\text{Number of shares to be issued} \times \text{Amount paid per share}}{\text{Market value before issuance of shares}}}{\text{Number of shares already outstanding} + \text{Number of shares to be issued}}$$

In addition, if we conduct a share split or reverse share split on or after the date of allotment, the exercise price will be adjusted using the following formula, and any fractions less than one yen resulting from the adjustment will be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Split/merger ratio}}$$

Furthermore, if we merge with another company on or after the allotment date, conduct a gratuitous allotment of shares, or any other event that requires an adjustment of the exercise price in accordance with these cases, the exercise price shall be adjusted within a reasonable range after taking into consideration the respective conditions.

3. Conditions for the exercise of share acquisition rights*
 - (i) Persons who were a Director, Corporate Auditor, or employee (including seconded employee) of Tobila Systems or its subsidiaries when share acquisition rights were issued must be an officer or employee of Tobila Systems, its subsidiary, or an associate of Tobila Systems when exercising share acquisition rights. However, this does not apply to persons who our Board of Directors has approved to exercise share acquisition rights in particular. Furthermore, if a person who has been assigned share acquisition rights (hereinafter, “share acquisition rights holder”) falls under any of the following reasons, he/she may not exercise the share acquisition rights thereafter.
 - a) In the event that a Director, Corporate Auditor, or employee becomes a Director, Corporate Auditor, employee, advisor, contractor, consultant, etc., of a company that competes with us, or commits an act that is hostile to us or harms our interests. However, this does not apply to persons who our Board of Directors has approved to exercise share acquisition rights in particular.
 - (ii) In the event of the death of the share acquisition rights holder, his or her heirs may not exercise the rights.
 - (iii) The share acquisition rights holder may only exercise rights if our share certificates are listed on any financial instruments exchange in Japan.
4. If we conduct a merger (limited to cases when we disappear due to the merger.), absorption-type split, incorporation-type company split, share exchange, or share transfer (the above hereinafter collectively, “organizational restructuring actions”), for share acquisition rights holders of share acquisition rights remaining at the time of the effective date of the organizational restructuring actions, in each case, share acquisition rights of share companies listed in Article 236, Paragraph 1, Item 8, A to E of the Companies Act (hereinafter, “companies subject to restructuring”) will be issued based on the following conditions. Share acquisition rights shall be terminated in these cases. However, this is limited to cases where the absorption-type merger contract, incorporation-type merger contract, absorption-type split contract, incorporation-type split plan, share exchange contract, or share transfer plan stipulates that share acquisition rights of the companies subject to restructuring will be issued in accordance with the following conditions.
 - (i) Number of share acquisition rights of companies subject to restructuring to be issued
We will issue a number equal to the number of share acquisition rights held by the share acquisition rights holders remaining at the time of the effective date of the organizational restructuring actions.
 - (ii) The class of shares of the companies subject to restructuring for which the share acquisition rights are intended.
Common shares of the companies are subject to restructuring.
 - (iii) The number of shares of the companies subject to restructuring for which the share acquisition rights are intended.
The decision shall be made in accordance with 1 above, taking into consideration the conditions of the organizational

restructuring actions.

(iv) Amount of assets to be contributed upon exercise of the share acquisition rights

The value of the assets invested in the exercise of each share acquisition right to be issued shall be the amount obtained by multiplying the adjusted exercise price after the restructuring by the number of shares for which the share acquisition rights are intended, taking into consideration the conditions of the organizational restructuring actions, etc.

(v) Period during which the share acquisition rights may be exercised

The date of commencement of the period during which the share acquisition rights can be exercised or the effective date of the organizational restructuring actions, whichever is later, to the expiration date of the period during which the share acquisition rights can be exercised.

5. Share splits were conducted on January 16, 2019 at a rate of 100 shares per share, and on October 11, 2019, at a rate of three shares per share. In the above table, the details of “Class, details, and number of shares subject to share acquisition rights (Shares),” “Amount paid upon exercise of share acquisition rights (Yen),” and “Issue price of shares and capitalization amount when shares are issued upon exercise of share acquisition rights (Yen)” are stated after adjustment.

(ii) Details of the rights plan

Not applicable.

(iii) Status of other share acquisition rights, etc.

Not applicable.

(3) Status of exercises of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in the total number of outstanding shares and share capital, etc.

Date	Changes in the total number of outstanding shares (Shares)	Balance of the total number of outstanding shares (Shares)	Changes in share capital (Thousands of yen)	Balance of share capital (Thousands of yen)	Changes in legal capital surplus (Thousands of yen)	Balance of legal capital surplus (Thousands of yen)
Nov. 1, 2019 Jan. 31, 2020 (Note)	Common shares 162,600	Common shares 10,385,400	11,951	304,961	11,951	269,261
Nov. 1, 2020 Jan. 31, 2021 (Note)	Common shares 94,500	Common shares 10,479,900	10,430	315,391	10,430	279,691
Nov. 1, 2021 Jan. 31, 2022 (Note)	Common shares 143,700	Common shares 10,623,600	16,525	331,917	16,525	296,217
Nov. 1, 2022 Jan. 31, 2023 (Note)	Common shares 6,000	Common shares 10,629,600	441	332,358	441	296,658
Nov. 1, 2023 Jan. 31, 2024 (Note)	Common shares 6,000	Common shares 10,635,600	571	332,929	571	297,229

Notes: Statements of the capacity to be increased after completion are omitted as it is difficult to quantify.

(5) Status by type of shareholder

As of Oct. 31, 2024

Classification	Status of shares (the number of shares per unit: 100 shares)							Status of odd-lot shares (Shares)	
	Government and local governments	Domestic financial institutions	Financial instruments business operators	Other domestic corporations	Foreign corporations, etc.		Individuals and others		Total
					Other than individuals	Individuals			
Number of shareholders (persons)	-	10	24	41	32	29	5,644	5,780	-
Number of shares held (units)	-	7,115	3,046	1,064	6,921	191	87,936	106,273	8,300

Percentage of shares held (%)	-	6.69	2.86	1.00	6.51	0.17	82.74	100.00	-
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Note: 217,450 shares of treasury shares are included as 2,174 units in the item “Individuals and others” and as 50 shares in the “Status of odd-lot shares.”

(6) Status of major shareholders

As of Oct. 31, 2024

Name	Address	Number of shares held (Shares)	Percentage of the number of shares held in the total number of outstanding shares issued (excluding treasury stock) (%)
Atsushi Akita	Higashi-ku, Nagoya, Aichi, Japan	4,706,600	45.17
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo, Japan	522,600	5.01
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286, U.S.A. (1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan)	334,363	3.20
Tomoki Matsushita	Minato-ku, Tokyo, Japan	285,800	2.74
Toshihito Goto	Ogaki, Gifu, Japan	131,200	1.25
Keiichiro Kinoshita	Chiyoda-ku, Tokyo, Japan	121,000	1.16
Kazuo Matsuura	Yokkaichi-ku, Mie, Japan	103,500	0.99
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1 Akasaka, Minato-ku, Tokyo, Japan	102,800	0.98
Tsubasa Sakakura	Ota-ku, Tokyo, Japan	82,600	0.79
SUMITOMO LIFE INSURANCE COMPANY.	2-2-1 Yaesu, Chuou-ku, Tokyo, Japan	74,000	0.71
Total	-	6,464,463	62.05

In addition to the above, we hold 217,450 shares of treasury shares.

(7) Status of voting rights

(i) Outstanding Shares

As of Oct. 31, 2024

Classification	Number of shares (Shares)	Number of voting rights (Units)	Details
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury shares, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury shares, etc.)	Common shares 217,400	-	-
Shares with full voting rights (others)	Common shares 10,409,900	104,099	Shares are our standard shares with no restrictions on the rights, and the number of shares per unit is 100 shares.
Odd-lot shares	8,300	-	-
Total number of outstanding shares	10,635,600	-	-
Total voting rights held by shareholders	-	104,099	-

Note: 50 shares of treasury shares are included in "Odd-lot shares."

(ii) Treasury shares, etc.

As of Oct. 31, 2024

Name of shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total number of shares held (Shares)	Percentage of the number of shares held in the total number of outstanding shares (%)
Tobila Systems Inc.	2-5-12, Nishiki, Naka-ku, Nagoya, Aichi, Japan	217,400	-	217,400	2.04
Total	-	217,400	-	217,400	2.04

Note: Other than the above, we hold 50 shares of treasury shares of less than one unit.

2. Status of Repurchased Treasury Shares, etc.

Class of shares, etc. Repurchased common shares that fall under Article 155, Item 3 of the Companies Act and Article 155, Item 13 of the Companies Act.

(1) Status of repurchase at the general meeting of shareholders

Not applicable.

(2) Status of repurchase by resolution of the Board of Directors

Classification	Number of shares (Shares)	Total value (Thousands of yen)
Status of resolutions at the Board of Directors Meeting (Dec. 8, 2023) (Date of repurchase: Dec. 11, 2023)	200,000	200,000
Repurchased treasury shares before the current fiscal year	-	-
Repurchased treasury shares during the current fiscal year	200,000	188,000
Total number and total value of the remaining resolution shares	200,000	12,000
Percentage of non-exercise as of the end of the current fiscal year (%)	0.00	6.00
Repurchased treasury shares during the current period	-	-
Percentage of non-exercise as of the date of submission (%)	0.00	6.00

Note: The method of repurchase is Tokyo Stock Exchange Trading Network System (ToSTNet-3).

Classification	Number of shares (Shares)	Total value (Thousands of yen)
Status of resolutions at the Board of Directors Meeting (Dec. 10, 2024) (Date of repurchase: Dec. 11, 2025 – Mar.5, 2025)	500,000	400,000
Repurchased treasury shares before the current fiscal year	-	-
Repurchased treasury shares during the current fiscal year	-	-
Total number and total value of the remaining resolution shares	-	-
Percentage of non-exercise as of the end of the current fiscal year (%)	-	-
Repurchased treasury shares during the current period	150,700	120,801
Percentage of non-exercise as of the date of submission (%)	69.86	69.80

Notes: 1. Repurchased treasury shares during the current period does not include the number of shares repurchased from January 1, 2025 to the date of submission of the Annual Securities Report.

2. The above Board of Directors resolved that the method of repurchase shall be the market purchase on the Tokyo Stock Exchange.

3. Repurchased period and repurchased treasury shares are stated on the record date.

(3) Details of the repurchase not based on resolution of the General Meeting of Shareholders or the Board of Directors

Classification	Number of shares (Shares)	Total value (Thousands of yen)
Repurchased treasury shares during the current fiscal year	4,200	-
Repurchased treasury shares during the current period	-	-

Notes: 1. The number of treasury shares repurchased in the current fiscal year is due to gratuitous acquisitions associated with the retirement of employees subject to the restricted stock income plan, etc.

2. Repurchased treasury shares during the current period does not include the number of shares acquired through the purchase of odd-lot shares from January 1, 2025 to the date of submission of the Annual Securities Report.

(4) Status of the disposition and holding of repurchased treasury shares

Classification	Current fiscal year		Current period	
	Number of shares (Shares)	Total amount of disposal value (Thousands of yen)	Number of shares (Shares)	Total amount of disposal value (Thousands of yen)
Repurchased treasury shares for which subscribers were solicited	-	-	-	-
Repurchased treasury shares disposed of for retirement	-	-	-	-
Repurchased treasury shares transferred in connection with a merger, share exchange, share issuance, or company split	-	-	-	-
Others (treasury shares disposed of under the restricted stock income plan)	58,100	61,677	-	-
Number of treasury shares held	217,450	-	368,150	-

Note: The number of treasury shares held during the current period does not include the number of shares acquired through the purchase of odd-lot shares from January 1, 2025 to the date of submission of the Annual Securities Report.

3. Dividend Policy

We have positioned the return of profits to shareholders as one of the most important management issues, and have adopted a basic policy of a dividend payout ratio of 35%, taking into consideration the strengthening of financial position and the enhancement of internal reserves necessary for active business development.

Based on the above basic policy, we have decided to pay dividends of surplus for the current fiscal year at 20.00 yen per share.

Regarding the use of internal reserves, we will invest them in preparation for future business expansion and active investment in growth services.

Furthermore, when paying dividends of surplus, our basic policy is to pay year-end dividends once a year, and the decision-making organization for dividends is the Board of Directors. In addition, our Articles of Incorporation provide that an interim dividend may be paid by resolution of the Board of Directors.

Note: Dividends of surplus whose record date belongs to the current fiscal year are as follows.

Date of resolution	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)
Resolution of the Board of Directors on Dec. 8, 2024	208,363	20.00

4. Status of Corporate Governance, etc.

(1) Outline of corporate governance

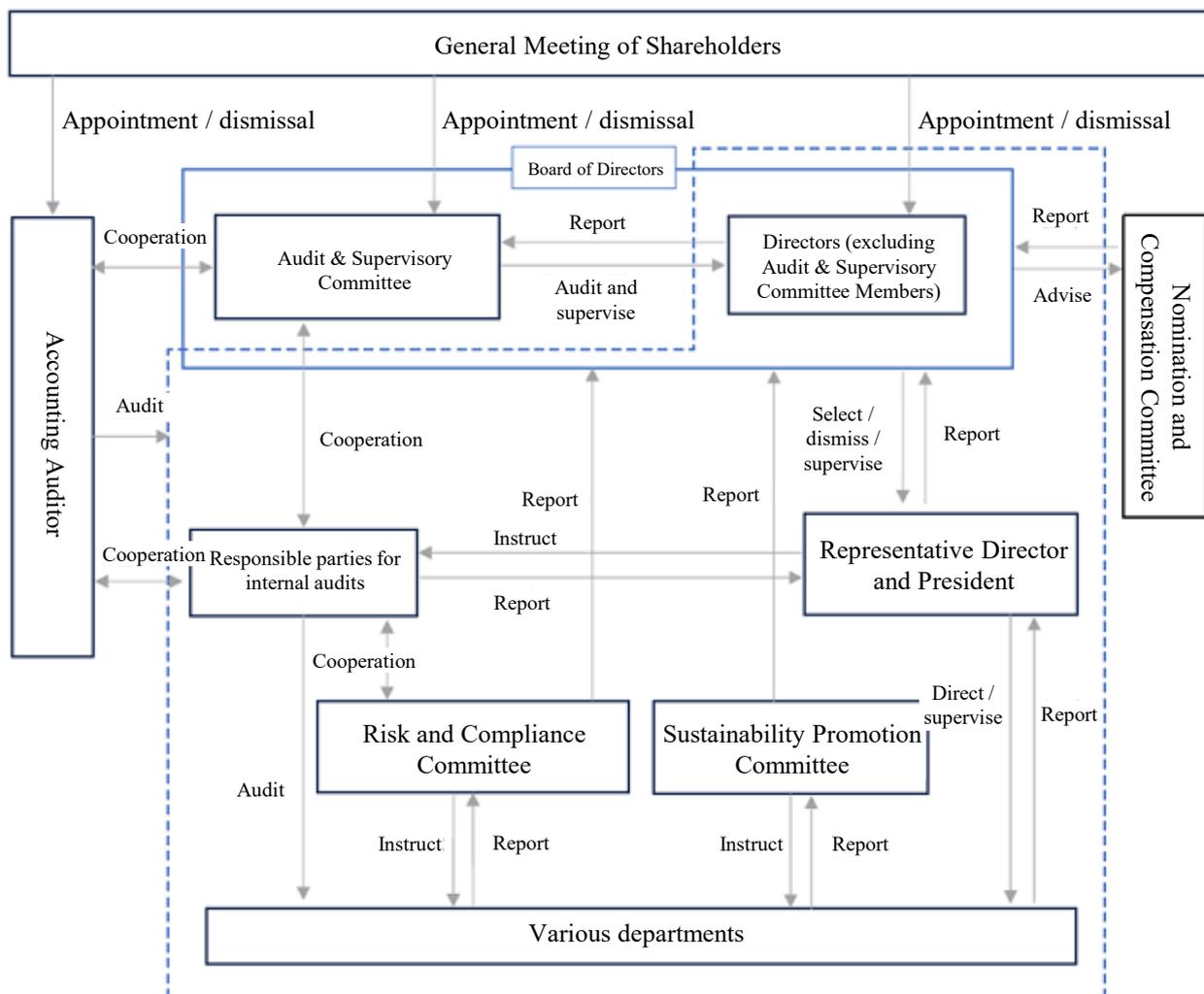
(i) Basic views on corporate governance

We recognize that establishing corporate governance is indispensable in order to continuously expand revenue, enhance corporate value, and maximize earnings of stakeholders such as shareholders, users, business partners, and employees through providing services that contribute to society.

Specifically, we believe that it is important to develop an effective internal control system, develop an appropriate risk management system, strengthen the compliance system, along with strengthening a system that can appropriately audit these systems.

(ii) Corporate governance system

We have established the Board of Directors, the Audit & Supervisory Committee, and the Accounting Auditor as corporate organizations, and have also established an Executive Officer system. In addition, we conduct considerations on particularly important matters such as nomination and compensation through establishing the Nomination and Compensation Committee, comprised of independent Outside Directors under the Board of Directors. The details of our corporate governance system and each organization, etc. are as follows.



a. The Board of Directors

Our Board of Directors is comprised of six Directors (of which, three Outside Directors), and regular Board of Directors meetings are held once a month in principle, where all important matters are discussed, and the status of financial results, countermeasures, and measures to address medium-term management issues are considered. If an issue arises that requires prompt decision-making, an extraordinary Board of Directors meeting will be held, and business decisions will be made after sufficient discussions.

Furthermore, the titles and names of the members comprising the Board of Directors are as follows.

Chairperson: Atsushi Akita, Representative Director and President

Members: Haruo Matsubara and Norimasa Kanemachi, Directors (excluding those who are Audit & Supervisory Committee Members)

Hisashi Tanaami, Akemitsu Nakahama, and Tomoyuki Matsui, Directors who are Audit & Supervisory Committee Members

b. Audit & Supervisory Committee

The Audit & Supervisory Committee is comprised of three highly independent Outside Directors, and in addition to holding meetings once a month in principle, extraordinary Audit & Supervisory Committee meetings will be held, as necessary. Audit & Supervisory Committee Members will, through attending important meetings, exchanging opinions with the Representative Director and President, Directors who are not Audit & Supervisory Committee Members, and managerial employees, and reading important documents, will conduct strict audits of the status of execution of Directors' duties based on Audit & Supervisory Committee regulations and audit plans established by the Audit & Supervisory Committee.

In addition, Audit & Supervisory Committee Members strive to secure the effectiveness of audits through regular sharing of information with the Accounting Auditor and the responsible parties for internal audits, grasping audit plans of the Accounting Auditor, and grasping the status of internal audits.

Furthermore, the titles and names of the members comprising the Audit & Supervisory Committee are as follows.

Chairperson: Hisashi Tanaami

Members: Akemitsu Nakahama and Tomoyuki Matsui

c. Nomination and Compensation Committee

We have established the Nomination and Compensation Committee, comprised of three Outside Directors who are Audit & Supervisory Committee Members, as voluntary advisory bodies to our Board of Directors, and hold meetings once a year in principle, and as necessary. The Nomination and Compensation Committee deliberates on the following matters in response to consultations from the Board of Directors, and submits a report to the Board of Directors.

- Matters concerning selection policy and plan design of Directors
- Matters concerning the election and removal of Directors to be submitted to the General Meeting of Shareholders
- Matters concerning the election and dismissal of corporate officers
- Matters concerning the operation of the succession plan
- Matters concerning policy for compensation of officers and plan design
- Matters concerning the limit to the amount of compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members) (Matters resolved at the General Meeting of Shareholders)
- Matters concerning the amount of compensation for individual Directors (excluding Directors who are Audit & Supervisory Committee Members)
 - Matters concerning the operation of the officer's compensation plan
 - Other important matters concerning the nomination and compensation of Directors, which are deemed necessary by the Board of Directors.

Furthermore, the titles and names of the members comprising the Nomination and Compensation Committee are as follows.

Chairperson: Hisashi Tanaami

Members: Akemitsu Nakahama, Tomoyuki Matsui

d. Accounting Auditor

We conduct appropriate audits in a timely manner by entering into an audit contract with BDO Sanyu & Co.

e. Executive Officer system

We have introduced an Executive Officer system aiming to strengthen the decision-making function and supervisory function of the Board of Directors and to make business execution more efficient. Executive Officers are elected by the Board of Directors, and in addition to attending important meetings, they make decisions and execute business for the business they are in charge of, which are established by the resolution of the Board of Directors.

(iii) Status of establishing an internal control system

We have established the “Basic policy for establishing an internal control system” through the resolution of the Board of Directors, and based on this policy, secures a system whereby the internal control system functions effectively, aiming to establish various internal regulations, etc., alongside thorough compliance with regulations. In addition, to secure the effective function of the internal control system, internal audits are conducted by the responsible parties for internal audits.

(iv) Number of Directors

The Articles of Incorporation stipulate that our Directors who are not Audit & Supervisory Committee Members are five or less, and Directors who are Audit & Supervisory Committee Members are four or less.

(v) Requirements for resolution on election of Directors

For resolution on the election of Directors, we stipulate in the Articles of Incorporation that at the General Meeting of Shareholders, Directors are classified as Directors who are Audit & Supervisory Committee Members and those who are not and shall be elected by a majority of the voting rights of the shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. In addition, the Articles of Incorporation stipulate that the resolution on election shall not be based on cumulative voting.

(vi) Decision-making organization for dividends of surplus, etc.

For matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, we stipulate in the Articles of Organization that they may be determined by resolution of the Board of Directors, except as otherwise provided by laws and regulations. This is to enable the flexible return of profits to shareholders.

(vii) Interim dividend

The Articles of Incorporation stipulate that we may pay an interim dividend by resolution of the Board of Directors with April 30 of every year as the record date pursuant to Article 454, Paragraph 5 of the Companies Act. This is to enable the flexible return of profits to shareholders.

(viii) Requirements for special resolutions at the General Meeting of Shareholders

Our Articles of Incorporation stipulate that the requirements for special resolutions at the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act shall be met by two-thirds or more of the voting rights of the shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. The purpose of this is to ensure the smooth operation of the General Meeting of Shareholders Meeting by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

(ix) Exemption from liability of Directors

Pursuant to Article 426, Paragraph 1 of the Companies Act, our Articles of Incorporation stipulate that a resolution of the Board of Directors may exempt Directors (including persons who were Directors) from liability for acts set forth in Article 423, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations. The purpose is to establish an environment in

which Directors can fully demonstrate their abilities and fulfill their expected roles in the performance of their duties.

(x) Outline of details of agreements to limit liability

We have entered into agreements with Directors who are Audit & Supervisory Members Mr. Hisashi Tanaami, Mr. Akemitsu Nakahama, and Mr. Tomoyuki Matsui to limit their liability to the minimum amount of liability stipulated in Article 425, Paragraph 1 of the Companies Act arising out of the performance of his duties in good faith and without gross negligence.

(xi) Outline of details of directors' and officers' liability insurance policy

We have entered into a directors' and officers' liability insurance policy with an insurance company pursuant to Article 430 3, Paragraph 1 of the Companies Act, and those insured under the policy are Directors, Executive Officers, and managerial employees appointed as important employees of Tobila Systems. The insured shall be covered for legal damages and litigation expenses incurred by the insured as a result of a claim for damages arising out of the performance (including omission) of his or her duties. However, claims for damages arising from illegal acts, willful misconduct or gross negligence will not be covered.

The insurance premiums are fully borne by Tobila Systems.

(xii) Activities of the Board of Directors and the Nomination and Compensation Committee

a. Status of Board of Directors' activities

We held 17 Board of Directors meetings in the current fiscal year, and individual attendance are as follows.

Name	Meetings held	Attendance at meetings
Atsushi Akita	17 times	17 times
Takuya Yuki	3 times	3 times
Haruo Matsubara	17 times	17 times
Kazuya Kataoka	3 times	3 times
Norimasa Kanemachi	14 times	14 times
Hisashi Tanaami	17 times	17 times
Akemitsu Nakahama	17 times	17 times
Tomoyuki Matsui	17 times	17 times

Note: Mr. Takuya Yuki and Mr. Kazuya Kataoka retired as Directors at the conclusion of the 17th Annual General Meeting of Shareholders held on January 23, 2024, and therefore, stated the status of attendance at Board of Directors meetings held during the period until retirement.

Norimasa Kanemachi was newly elected as a Director and assumed the position at the 17th Annual General Meeting of Shareholders held on January 23, 2024, and therefore, stated the status of his attendance at Board of Directors meetings held on or after January 23, 2024.

Specific details of consideration by the Board of Directors during the current fiscal year include management strategies, business strategies, and M&A projects.

b. Nomination and Compensation Committee

We held three Nomination and Compensation Committee meetings in the current fiscal year, and individual attendance are as follows.

Name	Meetings held	Attendance at meetings
Hisashi Tanaami	3 times	3 times
Akemitsu Nakahama	3 times	3 times
Tomoyuki Matsui	3 times	3 times

Specific details of consideration of the Nomination and Compensation Committee for the current fiscal year are the election of Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officer candidates, and the Officer compensation plan, limit amount, compensation of officer compensation, etc.

(2) Status of Officers

(i) List of officers

Six male, one female (Percentage of females: -%)

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held
Representative Director and President	Atsushi Akita	December 28, 1980	December 2006	Established A&A tecnologia Inc. (currently the Company) Representative Director and President of the Company (current position)	(Note 3)	4,711,939
Director	Haruo Matsubara	September 3, 1977	April 2000 December 2003 April 2007 May 2018 June 2020 January 2022	Joined Tokyo Computer Service Co., Ltd. Joined Daiichi-Consultants Co., Ltd. Joined VISOR INC. Joined the Company Executive Officer and General Manager of Technology Department Director and General Manager of Technology Department (current position)	(Note 3)	10,465
Director	Norimasa Kanemachi	April 26, 1983	March 2007 April 2014 April 2021 November 2021 June 2022 January 2023 January 2024 November 2024	Joined the Air Self-Defense Force of the Ministry of Defense Joined Deloitte Touche Tohmatsu LLC Joined the Company General Manager of Administration Department and Manager of General Affairs Division General Manager of Administration Department Executive Officer, CFO, and General Manager of Administration Department Director and CFO, General Manager of Administration Department General Manager of Corporate Planning & President's Office and General Manager of Administration Department(current position)	(Note 3)	19,062

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held
Director (Audit & Supervisory Committee Member)	Hisashi Tanaami	September 11, 1954	April 1978	Joined Chiyoda Mutual Life Insurance Company (currently The Gibraltar Life Insurance Co., Ltd.)	(Note 4)	1,777
			February 2001	Joined Matsui Securities Co., Ltd.		
			June 2002	Director of Matsui Securities Co., Ltd.		
			February 2004	Managing Director of Matsui Securities Co., Ltd.		
			June 2005	Statutory Auditor of Monex Beans, Inc. (currently Monex, Inc.)		
			June 2005	Full-time Statutory Auditor of Monex Beans Holdings, Inc. (currently Monex Group, Inc.)		
			June 2007	Member of the Board of Monex, Inc.		
			June 2007	Member of the Board of Monex Group, Inc.		
			April 2008	Lecturer of Hosei University (current position)		
			February 2011	Representative Director and Vice President of Monex, Inc.		
			June 2013	Executive Officer of Monex Group, Inc.		
			April 2017	Director and Vice Chairman of Monex, Inc.		
			December 2019	Statutory Auditor of Japan Catalyst, Inc. (current position)		
			January 2020	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)		
			April 2020	Outside Director (Audit & Supervisory Committee Member) of A.D. Works Group Co., Ltd. (current position)		
			June 2021	Part-time Director (External Director) of Japan International Human capital Development Organization (current position)		
			June 2023	Statutory Auditor of Monex Asset Management, Inc. (current position)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held
Director (Audit & Supervisory Committee Member)	Akemitsu Nakahama	November 5, 1948	April 1971 September 1974 June 1982 January 2014 January 2016 March 2016 January 2018 August 2020	Joined Marunouchi & Co. (currently Deloitte Touche Tohmatsu LLC) Registered as a certified public accountant Employee of Marunouchi & Co. Established Akemitsu Nakahama Certified Public Accountant Office (current position) Outside Corporate Auditor of the Company Outside Director (Audit & Supervisory Committee Member) of YASUE CORP. (current position) Outside Director (Audit & Supervisory Committee Member) of the Company (current position) Outside Director (Audit & Supervisory Committee Member) of MITACHI CO., LTD. (current position)	(Note 4)	1,777
Director (Audit & Supervisory Committee Member)	Tomoyuki Matsui	February 20, 1983	September 2011 January 2017 December 2017 January 2018 September 2021	Registered as an attorney Joined Haruma & Noguchi Law Office (currently and LEGAL Professional Corporation) Outside Director of the Company Outside Auditor of Arr Planner Co., Ltd. (current position) Outside Director (Audit & Supervisory Committee Member) of the Company (current position) LPC Partner of Miura & Partners (current position)	(Note 4)	1,777
Total						4,746,797

- Notes: 1. Directors Hisashi Tanaami, Akemitsu Nakahama, and Tomoyuki Matsui are Outside Directors.
2. The structure of our Audit & Supervisory Committee is as follows.
Chairperson: Hisashi Tanaami, Members: Akemitsu Nakahama and Tomoyuki Matsui
3. The terms of office of Directors (excluding Directors who are Audit & Supervisory Committee Members) is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended October 31, 2024 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending October 31, 2025.
4. The terms of office of Directors who are Audit & Supervisory Committee Members is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended October 31, 2023 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending October 31, 2025.
5. The number of shares held includes shares held in the names of the Officers Shareholding Association and the Employees Shareholding Association as of October 31, 2024.
6. We have introduced an Executive Officer system aiming to strengthen the decision-making function and supervisory function of the Board of Directors, and to make business execution more efficient. The names and responsibilities of Executive Officers are as follows.

Position	Name	Responsibilities
Executive Officer	Tomoyasu Fujii	CTO
Executive Officer	Haruka Ohta	Manager of Product Development Office
Executive Officer	Tsubasa Sakakura	General Manager of Sales Planning Department and General Manager of Sales Management Office

7. To prepare for the event that the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations, we have elected one substitute Director who is an Audit & Supervisory Committee Member pursuant to Article 329, Paragraph 3 of the Companies Act. The name, etc. of the substitute Director who is an Audit & Supervisory Committee Member are as follows.

Name	Date of birth	Career summary		Number of shares held
Yuichi Sasaki	March 24, 1972	October 1999 June 2003 July 2007 January 2020 June 2022	Joined Ito Accounting Office Registered as a certified public accountant Joined KPMG AZSA LLC Director of Yuichi Sasaki Certified Public Accountant Office (current position) Outside Director (Audit & Supervisory Committee Member) of NIHON DECOLUXE CO., LTD. (current position)	-

(ii) Relationship with Outside Directors who are Audit & Supervisory Committee Members

There are three Outside Directors who are Audit & Supervisory Committee Members.

Outside Director who is an Audit & Supervisory Committee Member Hisashi Tanaami has abundant experience and deep insight in corporate management. Based on this, we have determined him suitable as an Outside Director as we believe he will conduct external objective and neutral management monitoring functions.

Outside Director who is an Audit & Supervisory Committee Member Akemitsu Nakahama has served as an Outside Director of multiple listed companies and has considerable knowledge of finance, accounting, and corporate management. Based on this, we have determined him suitable as an Outside Director as we believe he will conduct external objective and neutral management monitoring functions.

Outside Director who is an Audit & Supervisory Committee Member Tomoyuki Matsui has qualifications as an attorney and has highly specialized knowledge and a wide range of opinions. Based on this, we have determined him suitable as an Outside Director as we believe he will conduct external objective and neutral management monitoring functions.

As stated above, each of the Outside Directors who are Audit & Supervisory Committee Members has specialized knowledge, audits and supervises overall management objectively and neutrally from a specialized perspective and from the perspective of a third party, and play an important role as supervisory functions and checking functions for our management.

In addition, although we have not established basic policy for independence to elect Outside Directors, when electing, we refer to the criteria for judging the independence of independent directors stipulated by the Tokyo Stock Exchange, Inc., and secure Outside Directors who will not have a conflict of interest with general shareholders.

(iii) Audit & Supervisory Committee audits by Outside Directors, mutual collaboration with the Accounting Auditor, and relationship with Internal Control Department.

As all Outside Directors are Audit & Supervisory Committee Members, for our business execution, we have determined the audit and supervisory system to be fair and effective based on diverse abundant experience and specialized knowledge. Outside Directors hold regular meetings and exchange information from time to time with the responsible parties for internal audits and Accounting Auditor, in addition to receiving reports as necessary from other departments in charge of internal control and conducting mutually collaborative audits and supervision. In particular, the Audit & Supervisory Committee places emphasis on day-to-day collaboration with the responsible parties for internal audits and strives for active collaboration, such as reporting on each other's audit details as appropriate.

(3) Status of audits

(i) Status of Audit & Supervisory Committee audits

Our Audit & Supervisory Committee is comprised of three part-time Audit & Supervisory Committee Members, all are Outside Directors, and one has been appointed as Audit & Supervisory Committee Chairperson. We hold Audit & Supervisory Committee meetings once a month from the perspective of strengthening Audit & Supervisory Committee audits, and strive to conduct timely and strict audits. In addition, along with audits of business and accounting audits based on prescribed audit plans, we strive to increase the effectiveness of audits through actively sharing information with the Accounting Auditor and responsible parties for audits.

One Outside Director who is an Audit & Supervisory Committee Member is a certified public accountant, and has considerable knowledge of finance and accounting.

The Audit & Supervisory Committee, in addition to holding meetings once a month in principle, holds extraordinary Audit & Supervisory Committee meetings, as necessary. We held a total of 15 Audit & Supervisory Committee meetings in the current fiscal year, and individual attendance are as follows.

Classification	Name	Meetings held	Attendance at meetings
Audit & Supervisory Committee Member (Outside)	Hisashi Tanaami	15	15
Audit & Supervisory Committee Member (Outside)	Akemitsu Nakahama	15	15
Audit & Supervisory Committee Member (Outside)	Tomoyuki Matsui	15	15

Principal matters considered by the Audit & Supervisory Committee are audit policies and audit plans, status of establishing and operating the internal control system, appropriateness of the Accounting Auditor's methods and results of audits, creation of audit reports, audits of details of proposals to be submitted to the Annual General Shareholders Meeting, and discussions concerning financial results, etc.

Each Audit & Supervisory Committee Member strives to enhance management supervisory functions by attending Board of Directors meetings and auditing the status of execution of Directors' duties from an objective perspective. Furthermore, they aim to enhance audit functionality by grasping the company's status and auditing the soundness of management through attending important meetings such as management meetings and conducting meetings with Directors and employees, reading approval documents, minutes of various meetings, various contracts, etc. In addition, each Audit & Supervisory Committee Member, in addition to conducting regular exchanges of information and opinions with the Accounting Auditor and responsible parties for internal audits, strives to enhance audit details and thoroughness of audit duties by working closely to receive reports on audit results, etc.

(ii) Internal audits

We comply with laws and regulations and internal audit regulations and strive for appropriate and efficient business operations.

Although we have not established an independent Internal Audit Office given the fact that we are a small organization, audits of business are conducted for all departments through two responsible parties for internal audits appointed by the Representative Director and President. The responsible parties for internal audits conduct audits of business for all departments excluding departments they are under, and the independence of audits is secured by the responsible party for audits from a different department conducting audits for departments that the other is under. The results of internal audits are reported to the Representative Director and President, and if it is discovered that a matter should be improved, improvement instructions will be notified to audited departments, and an improvement status report shall be submitted to the responsible parties for audits.

In addition, to secure the effectiveness of internal audits, audit results are compiled monthly and reported to the Audit & Supervisory Committee and the Board of Directors once a month.

(iii) Status of accounting audits

a. Name of auditing firm

BDO Sanyu & Co.

b. Continuous audit period

Eight years

c. Certified public accountants

Yosuke Saeki, Designated and Engagement Partner

Keita Suzuki, Designated and Engagement Partner

d. Composition of assistants for audit work

Certified public accountants: 3 persons

Others: 4 persons

e. Selection policy and reasons for the selection of the auditing firm

The policy is to select an audit firm by comprehensively considering qualifications, management structure, audit track record, etc. As a result, our auditing firm was selected based on a comprehensive decision encompassing excellent knowledge in accounting audits, in addition to having a well-developed auditing system, as well as the auditing track record, etc.

f. Evaluation of the auditing firm by Audit & Supervisory Committee Members and Audit & Supervisory Committee

Our Audit & Supervisory Committee continuously conducts evaluations on the selected auditing firm's duties, independence, qualifications, and suitability and has confirmed that accounting audits by the auditing firm have been conducted appropriately from before.

(iv) Details of audit compensation, etc.

a. Details of compensation to auditing certified public accountants, etc.

FY2023		FY2024	
Compensation for audit certification services (Thousands of yen)	Compensation for non-audit services (Thousands of yen)	Compensation for audit certification services (Thousands of yen)	Compensation for non-audit services (Thousands of yen)
17,400	-	17,100	-

b. Details of other important compensation

Not applicable.

c. Details of non-audit services for the submitting company by auditing certified public accountants, etc.

(FY2023)

Not applicable.

(FY2024)

Not applicable.

d. Compensation for organizations belonging to the same network as auditing certified public accountants, etc.

Not applicable.

e. Policy for determining audit compensation

Our policy for determining audit compensation of auditing certified public accountants, etc. takes into consideration audit plans, our size and business characteristics, compensation for the previous fiscal year, etc., and an appropriate determination will be made with the consent of the Audit & Supervisory Committee.

f. Reasons for the Audit & Supervisory Committee's consent to the compensation, etc. of the Accounting Auditor

The Audit & Supervisory Committee has determined to consent to the amount of compensation, etc. of the Accounting Auditor as it has been deemed appropriate after conducting the necessary verification of the appropriateness of the details of the audit plans of the Accounting Auditor, the status of the Accounting Auditor's execution of duties, basis for calculating the compensation estimate, etc.

(4) Compensation, etc. of Officers

(i) Matters pertaining to the policy for determining the amount of compensation, etc. of officers and the method of calculation thereof

a. Details of the policy for determining the amount of compensation, etc. of officers and the method of calculation thereof

We revised the policy for determining compensation, etc. of Directors (excluding Directors who are Audit & Supervisory Committee Members) at the Board of Directors meeting held on January 26, 2023, and the outline is as follows. Furthermore, the amount of compensation, etc. of Directors who are Audit & Supervisory Committee Members shall be within the limits to the total amount of compensation set at the General Meeting of Shareholders, and taking into consideration the degree of contribution of each Member in Audit & Supervisory Committee audits, etc., shall be determined through discussions with Directors who are Audit & Supervisory Committee Members.

Compensation of our Directors (excluding Directors who are Audit & Supervisory Committee Members) is within limits to the amount of compensation resolved at the General Meeting of Shareholders, and is determined comprehensively taking into consideration financial results trends, positions and responsibilities of each Director, compensation levels at other companies, etc.

Compensation of our Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) is comprised of fixed compensation and restricted stock. Restricted stock is comprised of the "enrollment-based restricted stock," where the requirement for lifting the transfer restrictions is continuous employment for a certain period of time, and in addition to this requirement, the "financial results-based restricted stock," where the requirement for lifting the transfer restrictions is achieving both of the financial results targets set by our Board of Directors of net sales and profit before income taxes. Enrollment-based restricted stock is paid at a certain time once every three years as principle, and financial results-based restricted stock is paid at a certain time every year. Furthermore, the payment ratio of fixed compensation and restricted stock is determined based on position, responsibilities, trends at other companies with a business scale similar to ours, etc.

Furthermore, only fixed compensation will be paid as compensation of our Outside Directors considering the characteristics of duties.

b. The date of the resolution at the General Meeting of Shareholders and the details of said resolution when there is a resolution at the General Meeting of Shareholders regarding compensation, etc. of officers

The limit to the amount of compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members) was resolved to be 200 million yen per year or less (However, not including employee salaries) at the 11th Annual General Meeting of Shareholders held on January 26, 2018. There were three Directors (excluding Directors who are Audit & Supervisory Committee Members) at the conclusion of said Annual General Meeting of Shareholders. In addition, the limit to the amount of compensation for granting restricted stock to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors), separate from the limit to the amount of compensation above, was resolved to be 50 million yen per year or less (However, a cumulative 150 million yen or less for a maximum of three years can be granted in one lump sum.) for enrollment-based restricted stock and 50 million yen per year or less for financial results-based restricted stock at the 16th Annual General Meeting of Shareholders held on January 26, 2023. There were four Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) at the conclusion of said Annual General

Meeting of Shareholders.

The limit to the amount of compensation of Directors who are Audit & Supervisory Committee Members was resolved to be 50 million yen per year or less at the 11th Annual General Meeting of Shareholders held on January 26, 2018. There were three Directors who are Audit & Supervisory Committee Members at the conclusion of said Annual General Meeting of Shareholders.

c. Persons who have the authority to determine policy for determining the amount of compensation, etc. of officers and the method of calculation thereof, the details of said authority, and the scope of said discretion

We consult with the Nomination and Compensation Committee, a voluntary committee comprised of Outside Directors, on details on individual compensation, etc., of Directors (excluding Directors who are Audit & Supervisory Committee Members), and make a determination by resolution of the Board of Directors based on said report.

Furthermore, for the current fiscal year, compensation of each Director (excluding Directors who are Audit & Supervisory Committee Members) was consulted with the Nomination and Compensation Committee and was resolved by the Board of Directors based on said report at the Board of Directors meeting held on January 23, 2024. In addition, compensation of Directors who are Audit & Supervisory Committee Members was determined through discussions with Directors who are Audit & Supervisory Committee Members.

d. Activities of the Board of Directors, committees, etc. in the process of determining the amount of compensation, etc. of officers in the current fiscal year

In the process of determining the amount of compensation, etc., of officers, the Nomination and Compensation Committee, comprised wholly of Outside Directors who are Audit & Supervisory Committee Members, had discussions, and was found to be appropriate from an independent and objective perspective. Afterward, the amount of compensation, etc. of officers was determined by the Board of Directors after receiving the report from the Nomination and Compensation Committee.

In determining the amount of compensation, etc. of officers for the current fiscal year, compensation of each Director (excluding Directors who are Audit & Supervisory Committee Members) was consulted with the Nomination and Compensation Committee and was resolved by the Board of Directors based on said report at the Board of Directors meeting held on January 23, 2024. Furthermore, since the amount of compensation for individual Directors is determined through these procedures, the Board of Directors has determined that the details are in line with the policy for determining and are appropriate.

(ii) Total amount of compensation, etc. by classification of officer, total amount of compensation, etc. by type of compensation, etc., and number of eligible officers of the submitting company

Classification of officer	Total amount of compensation, etc. (Thousands of yen)	Total amount of compensation, etc. by type of compensation, etc. (Thousands of yen)			Number of eligible officers (Persons)
		Basic compensation	Share-based compensation		
		Cash	Non-monetary	Non-monetary	
		Not financial results-based	Not financial results-based	Financial results-based	
Director (excluding Audit & Supervisory Committee Members and Outside Directors)	50,103	44,700	1,548	3,855	5
Audit & Supervisory Committee Member (excluding Outside Directors)	-	-	-	-	0
Outside officers	13,200	13,200	-	-	3

(iii) Total amounts, etc. of compensation, etc. for each officer of the submitting company

This information is not stated because there is no person whose total amount of compensation, etc. is 100 million yen or more.

(5) Status of shareholdings

(i) Criteria and approaches for classification of investment shares

Regarding the classification of investment shares held for pure investment purposes and investment shares held for purposes other than pure investment purposes, we consider an investment whose purpose is to receive profits exclusively from fluctuations in the value of a share or dividends on a share an investment share for pure investment purposes, and other investments are classified as investment shares for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Method of verifying holding policy and reasonableness of holding, and details of verification by the Board of Directors, etc. of the appropriateness of holding individual issues

For investment shares held for purposes other than pure investment, comprehensive judgment will be made by considering whether maintaining and strengthening business relationships with investee companies will lead to sustainable growth and enhanced corporate value over the medium- to long-term. In addition, considerations will be made on whether or not to continue holding based on said policy.

b. Number of issues and amount on the balance sheet

	Number of issues (Issues)	Total amount on the balance sheet (Thousands of yen)
Unlisted shares	1	0
Shares other than unlisted shares	-	-

(Issues whose number of shares increased during the current fiscal year)

Not applicable.

(Issues whose number of shares decreased during the current fiscal year)

	Number of issues (Issues)	Total amount on the balance sheet (Thousands of yen)
Unlisted shares	1	30,000
Shares other than unlisted shares	-	-

c. Number of shares and amount on the balance sheet, etc. of specified equity securities and deemed holdings of equity securities by issue

Not applicable.

(iii) Investment shares held for pure investment purposes

Classification	Current fiscal year		Previous fiscal year	
	Number of issues (Issues)	Non-consolidated balance sheet Total amount of upper (Thousands of yen)	Number of issues (Issues)	Non-consolidated balance sheet Total amount of upper (Thousands of yen)
Unlisted shares	—	—	—	—
Shares other than unlisted shares	1	19,955	—	—

Classification	Current fiscal year		
	Dividends income Total amount (Thousands of yen)	Gain or loss on sale Total amount (Thousands of yen)	As valuation gains or losses Total amount (Thousands of yen)
Unlisted shares	—	—	—

Shares other than unlisted shares	—	—	—
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(iv) Changes in the purpose of holding investment shares from pure investment to purposes other than pure investment during the current fiscal year

Not applicable.

(v) Changes in the purpose of holding investment shares from a purpose other than pure investment to a pure investment purpose during the current fiscal year

Issues	Number of shares (Shares)	Amount on the balance sheet (Thousands of yen)
Thinca Co.,Ltd.	23,560	19,955

V Accounting Status

1. Method of preparing non-consolidated financial statements

Our non-consolidated financial statements are prepared based on the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963. Hereinafter, “regulations on non-consolidated financial statements.”).

2. Audit certification

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have been audited by BDO Sanyu & Co. on the non-consolidated financial statements for the fiscal year (November 1, 2023 to October 31, 2024).

3. Consolidated financial statements

Consolidated financial statements are not prepared as we have no subsidiaries.

4. Special measures for ensuring appropriateness of non-consolidated financial statements, etc.

We take special measures for ensuring the appropriateness of non-consolidated financial statements. Specifically, to grasp the appropriateness of the details of accounting standards, etc., we strive to actively collect information by participating in seminars sponsored by auditing firms and various organizations, etc., in order to develop a system that can accurately respond to changes in accounting standards, etc.

1. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheet

(Thousands of yen)

	FY2023 (As of Oct. 31, 2023)	FY2024 (Oct. 31, 2024)
Assets		
Current assets		
Cash and deposits	2,404,607	3,215,658
Electronically recorded monetary claims-operating	*1 6,614	*1 5,409
Accounts receivable-trade	*1 231,756	*1 260,702
Contract assets	16,223	15,670
Merchandise and finished goods	95,825	74,720
Work in process	62	481
Raw materials and supplies	2,782	477
Prepaid expenses	58,125	76,825
Others	279	372
Allowance for doubtful accounts	(268)	(1,007)
Total current assets	2,816,009	3,649,311
Non-current assets		
Property, plant and equipment		
Buildings, net	21,492	13,878
Structures, net	384	327
Vehicles, net	0	-
Tools, furniture and fixtures, net	81,930	77,119
Total property, plant and equipment	*2 103,808	*2 91,325
Intangible assets		
Goodwill	192,222	126,317
Patent right	2,007	1,545
Trademark right	854	637
Software	193,077	168,119
Others	16,870	12,406
Total intangible assets	405,032	309,026
Investments and other assets		
Investment securities	0	19,955
Shares of subsidiaries and associates	139,654	139,654
Long-term prepaid expenses	92,403	83,824
Deferred tax assets	62,664	39,976
Others	27,331	22,561
Total investments and other assets	322,053	305,972
Total non-current assets	830,893	706,323
Total assets	3,646,902	4,355,634

(Thousands of yen)

	FY2023 (As of Oct. 31, 2023)	FY2024 (Oct. 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	15,290	14,874
Current portion of long-term borrowings	50,040	50,040
Accounts payable-other	106,042	112,232
Accrued expenses	18,738	28,024
Income taxes payable	156,112	132,062
Accrued consumption taxes	53,087	50,582
Contract liabilities	905,258	1,368,138
Deposits received	9,785	12,681
Total current liabilities	1,314,354	1,768,635
Non-current liabilities		
Long-term borrowings	195,710	145,670
Total non-current liabilities	195,710	145,670
Total liabilities	1,510,064	1,914,305
Net assets		
Shareholders' equity		
Share capital	332,358	332,929
Capital surplus		
Legal capital surplus	296,658	297,229
Total capital surplus	296,658	297,229
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,607,593	2,025,613
Total retained earnings	1,607,593	2,025,613
Treasury shares	(99,772)	(228,291)
Total shareholders' equity	2,136,837	2,427,481
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-	13,848
Total valuation and translation differences	-	13,848
Total net assets	2,136,837	2,441,329
Total liabilities and net assets	3,646,902	4,355,634

(ii) Non-consolidated Statement of Income

(Thousands of yen)

	FY2023 (As of Oct. 31, 2023)	FY2024 (Oct. 31, 2024)
Net sales	*1 2,061,211	*1 2,405,885
Cost of sales		
Beginning inventory of merchandise and finished goods	89,204	95,825
Cost of products manufactured	551,114	597,789
Cost of purchased goods	83,839	80,793
Total	724,158	774,408
Ending inventory of merchandise and finished goods	95,825	74,720
Total cost of sales	628,332	699,688
Gross profit	1,432,878	1,706,197
Selling, general and administrative expenses	*2,3 750,014	*2,3 874,413
Operating profit	682,863	831,784
Non-operating income		
Interest income	16	225
Cancellation income for services	239	398
Gain on exclusion of dividends payable	-	154
Subsidy income	517	-
Others	5	102
Total non-operating income	779	881
Non-operating expenses		
Interest expenses	940	767
Share issuance cost	114	118
Loss on extinguishment of share-based payment expenses	839	2,014
Others	2,500	174
Total non-operating expenses	4,394	3,075
Ordinary profit	679,248	829,589
Extraordinary income		
Gain on sale of non-current assets	-	*4 687
Gain on sale of investment securities	-	*5 29,999
Gain on sale of businesses	*6 70,000	-
Total extraordinary income	70,000	30,687
Profit before income taxes	749,248	860,276
Income taxes-current	238,854	241,842
Income taxes-deferred	(7,339)	16,580
Total income taxes	231,515	258,422
Profit	517,733	601,854

[Manufacturing costs statement]

Classification	Note	FY2023 (Nov. 1, 2022 - Oct. 31, 2023)		FY2024 (Nov. 1, 2023 - Oct. 31, 2024)	
		Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)
I. Raw materials expenses		1,753	0.3	2,527	0.4
II. Labor expenses		278,077	42.9	299,553	43.9
III. Expenses	*1	368,783	56.9	379,922	55.7
Total manufacturing expenses for the current fiscal year		648,613	100.0	682,003	100.0
Beginning inventory of work in process		—		62	
Total		648,613		682,066	
Ending inventory of work in process		62		481	
Transfers to other accounts	*2	97,436		83,795	
Cost of products manufactured		551,114		597,789	

Notes: *1 The main breakdown is as follows.

Item	FY2023 (Thousands of yen)	FY2024 (Thousands of yen)
Outsourced production expenses	100,207	78,836
Depreciation	105,756	114,199
Communication expenses	56,150	79,956
Rent expenses on land and buildings	20,639	19,900
Commission expenses	60,674	64,051
Supplies expenses	6,698	3,455

*2 The details of transfers to other accounts are as follows.

Item	FY2023 (Thousands of yen)	FY2024 (Thousands of yen)
Software and software in progress	68,671	56,502
Research and development expenses	26,387	24,582
Other	2,377	2,711
Total	97,436	83,795

(Cost accounting method)

Our cost accounting is based on individual cost accounting per project.

(iii) Non-consolidated Statement of Changes in Equity

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

(Thousands of yen)

	Shareholders' equity							Valuation and translation adjustments		Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Shareholders' equity Total	Valuation difference on available-for-sale securities	Total valuation and translation differences	
		Legal capital surplus	Capital surplus Total	Others Retained earnings Retained earnings brought forward	Retained earnings Total					
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
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
Repurchased treasury shares							-			-
Restricted stock income				(24,920)	(24,920)	43,920	18,999			18,999
Changes in items other than shareholders' equity (net)								-	-	-
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

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

(Thousands of yen)

	Shareholders' equity							Valuation and translation adjustments		Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Shareholders' equity Total	Valuation difference on available-for-sale securities	Total valuation and translation differences	
		Legal capital surplus	Capital surplus Total	Others Retained earnings Retained earnings brought forward	Retained earnings Total					
Balance at beginning of period	332,358	296,658	296,658	1,607,593	1,607,593	(99,772)	2,136,837	-	-	2,136,837
Changes during period										
Issuance of new shares-exercise of share acquisition rights	571	571	571				1,143			1,143
Dividends of surplus				(179,490)	(179,490)		(179,490)			(179,490)
Profit				601,854	601,854		601,854			601,854
Repurchased treasury shares						(190,196)	(190,196)			(190,196)
Restricted stock income				(4,344)	(4,344)	61,677	57,332			57,332
Changes in items other than shareholders' equity (net)								13,848	13,848	13,848
Total changes during period	571	571	571	418,019	418,019	(128,518)	290,643	13,848	13,848	304,491
Balance at end of period	332,929	297,229	297,229	2,025,613	2,025,613	(228,291)	2,427,481	13,848	13,848	2,441,329

(iv) Non-consolidated Statement of Cash Flows

(Thousands of yen)

	FY2032 (Nov. 1, 2022 - Oct. 31, 2023)	FY2024 (Nov. 1, 2023 - Oct. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	749,248	860,276
Depreciation	121,984	133,734
Amortization of goodwill	65,904	65,904
Increase (decrease) in allowance for doubtful accounts	85	738
Interest and dividend income	(16)	(225)
Interest expenses	940	767
Share issuance cost	114	118
Loss on extinguishment of share-based payment expenses	839	2,014
Gain on sale of non-current assets (gain-)	-	(687)
Gain on sale of businesses	(70,000)	-
Decrease (increase) in trade receivables and contract assets	(2,963)	(27,993)
Decrease (increase) in inventories	(8,087)	22,991
Decrease (increase) in long-term prepaid expenses	(6,331)	37,776
Increase (decrease) in trade payables	(3,275)	(416)
Loss (gain on sale of investments in securities) in (-)	-	(29,999)
Increase (decrease) in accounts payable-other	17,038	23,892
Increase (decrease) in contract liabilities	485,483	463,684
Increase (decrease) in accrued consumption taxes	32,268	(2,504)
Others	28,636	21,659
Subtotal	1,411,869	1,571,734
Interest and dividend income received	16	225
Interest expenses paid	(940)	(767)
Income taxes paid	(189,987)	(265,303)
Cash flows from operating activities	1,220,958	1,305,889
Cash flows from investing activities		
Purchase of property, plant and equipment	(80,705)	(46,070)
Proceeds from sale of property, plant and equipment	-	687
Proceeds from sale of investment securities	-	30,000
Purchase of intangible assets	(67,317)	(63,150)
Proceeds from sale of businesses	70,000	-
Payments of leasehold and guarantee deposits	(11,100)	-
Proceeds from refund of leasehold and guarantee deposits	152	194
Others	(2,500)	-
Cash flows from investing activities	(91,470)	(78,339)
Cash flows from financing activities		
Repayments of long-term borrowings	(50,040)	(50,040)
Proceeds from issuance of shares	765	1,082
Purchase of treasury shares	-	(188,171)
Dividends paid	(111,370)	(179,369)
Cash flows from financing activities	(160,645)	(416,498)
Net increase (decrease) in cash and cash equivalents	968,842	811,050
Cash and cash equivalents at the beginning of period	1,435,764	2,404,607
Cash and cash equivalents at the end of period	* 2,404,607	* 3,215,658

[Notes]

(Significant accounting policies)

1. Basis and method of valuation of securities

(1) Shares in subsidiaries and affiliates

Cost method using moving-average method

(2) Available-for-sale securities

(i) Shares other than shares with no market price, etc.

Market value method (all valuation differences are treated using the direct-entry method into net assets, and the cost of sales is calculated using the moving-average method.)

(ii) Shares without market price, etc.

Cost method using moving-average method

2. Basis and method of valuation of inventories

(1) Merchandise, finished goods, raw materials, and supplies

Cost method using gross average method (Calculated using the method where the book value is written down based on a decline in profitability for amounts on the balance sheet)

(2) Work in process

Cost method using individual method (Calculated using the method where the book value is written down based on a decline in profitability for amounts on the balance sheet)

3. Method of depreciation of non-current assets

(1) Property, plant and equipment

Declining-balance method. However, buildings (excluding building accessories) acquired on or after April 1, 1998 and building accessories and structures acquired on or after April 1, 2016 use the straight-line method.

Furthermore, the range of useful lives is as follows.

Buildings (including building accessories) 3-17 years

Structures 3-20 years

Vehicles 4-5 years

Tools, furniture and fixtures 2-15 years

(2) Intangible assets

Straight-line method. Furthermore, the software we use is based on the expected period of internal use (five years). In addition, goodwill is depreciated evenly over five years.

4. Basis for recording provisions

Allowance for doubtful accounts

Allowance for doubtful accounts is provided for possible losses arising from bad debts at an amount determined based on the historical default rates for general receivables, and an individual consideration of uncollectible amounts for specific doubtful receivables from customers experiencing financial difficulties.

5. Basis for recording revenue and expenses

Revenue is recognized when control of the promised goods or services transfers to the customer at the amount expected to be received in exchange for those goods or services.

The details of the main performance obligations in the main business related to revenue stemming from contracts with customers and the usual time to satisfy the performance obligations (normal time to recognize revenue) are as follows. Furthermore, consideration for performance obligations under a contract with a customer is received approximately within one year after satisfaction of performance obligations, excluding cases where it is received as a contract liability before performance obligations are satisfied, and important financial elements are not included in the contracts.

(1) Providing services such as fraud and spam prevention services

There are performance obligations to provide services based on contracts with customers, and revenue is recognized over a certain period of time based on the period that passes over a reasonable period for satisfying the performance obligations.

Furthermore, for services where there are initial costs to introduce the service, said initial costs are recognized as revenue at the time the service is provided. In addition, revenue is measured based on the consideration stated in contracts with customers, excluding amounts collected for third parties.

(2) Sales of products equipped with fraud and spam prevention functionality

Transactions where multiple goods and services are provided under one contract, and includes the delivery of products based on contracts with customers and providing auxiliary services such as fraud and spam prevention services. Delivery of products and providing services are identified as separate performance obligations, and in order to record the amount of revenue commensurate with each performance obligation, the transaction price is allocated based on stand-alone selling prices calculated by estimating past prices, etc. For performance obligations related to delivery of products, for products for personal use, we believe that there is no material difference between the time of shipment and delivery to the customer, and that the customer obtains control of the product at the time of shipment. For products for businesses, we believe that the customer obtains control of the product at the time of acceptance, and we recognize revenue at each point in time. For performance obligations related to providing services, revenue is recognized over a certain period of time based on the period that passes over a reasonable period for satisfying the performance obligations.

(3) Made to order software development based on contracts

Excluding very short-term contracts, revenue is recognized over a certain period of time as performance obligations are satisfied. If the results of performance obligations can be reasonably measured, the method for estimating the degree of progress in satisfying performance obligations is calculated using the ratio of cumulative actual costs to the estimated total cost (input method). In addition, revenue is recognized for very short-term contracts when performance obligations are fully satisfied.

6. Scope of funds in non-consolidated statement of cash flows

Cash and cash equivalents consist of deposits that can be withdrawn at any time that are readily convertible into cash and short-term investments that have insignificant risk of changes in value, all of which mature within three months of the date of acquisition.

7. Other important matters forming the basis of preparation of non-consolidated financial statements

(1) Accounting treatment principles and procedures adopted when relevant accounting standards, etc. are unclear

Restricted stock income plan

Based on our restricted stock income plan, compensation paid to our Directors, Executive Officers, and employees are treated as expenses over the applicable service period.

(2) Method of accounting treatment for retirement benefits

Defined contribution pension plan system

We have adopted the defined contribution pension plan system. Expenses related to retirement benefits under the defined contribution pension plan system are treated as expenses based on the number of contributions required.

(Significant accounting-based estimates)

Items whose amounts were recorded in the non-consolidated financial statements for the current fiscal year based on accounting-based estimates, which may have a material impact on the non-consolidated financial statements for the next fiscal year are as follows.

Evaluation of goodwill

(1) Amount recorded in the non-consolidated financial statements for the current fiscal year

	FY2023	FY2024
Goodwill	192,222 thousand yen	126,317 thousand yen

(2) Information on details of the significant accounting-based estimates for the identified item

This occurred in the past when we acquired all of the equity in 280blocker and merged by absorption with said company.

Regarding goodwill acquired through a business combination, we will focus on whether the excess earning power expected at the time of acquisition will materialize in the future and grasp any signs of impairment to goodwill. If there is any indication of impairment, an impairment loss will be recognized for the asset group, including goodwill, if the total amount of undiscounted future cash flows from the asset group, including goodwill, is less than the book value.

Signs of impairment have not been identified as profit and loss from operating activities related to 280blocker are positive and there is no significant discrepancy between business plans and financial results, and no significant deterioration in the business environment is expected.

Determining signs of impairment includes consideration of whether there have been any significant changes since the time of the business combination, such as the status of contracts for services utilizing the fraud and spam advertising database, the number of users of the 280blocker app, etc., which are major assumptions in the business plan. If it becomes necessary to review these assumptions due to changes in uncertain economic conditions in the future, our financial results and financial position may be affected in the next fiscal year or later.

(Unapplicable accounting standards, etc.)

(Accounting Standard for Leases, etc.)

- [Accounting Standard for Leases] (ASBJ Statement No. 34, September 13, 2024)
- [Implementation Guidance on Accounting Standard for Leases] (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Outline

As part of efforts to ensure international consistency of Japanese standards, the Accounting Standards Committee conducted considerations based on international accounting standards for leases that recognize assets and liabilities for all leases by borrowers. As a basic policy, although the IFRS 16 single accounting model is used, the Accounting Standards, etc. were announced with the aim of adopting only the main provisions, being highly simple and convenient, and not requiring modification even when IFRS 16 is used for individual financial statements.

For the borrower's accounting treatment, as with IFRS 16, a single accounting treatment model is applied that accounts for the depreciation of leased assets and the equivalent of the interest on lease liabilities for all lease assets, whether the lease is a finance lease or an operating lease.

(2) Expected date of application

This is expected to apply from the beginning of the fiscal year ending October 31, 2028.

(3) Effect of application of said accounting standards, etc.

The amount of impact on the non-consolidated financial statements due to the application of [Accounting Standard for Leases], etc. is currently under evaluation.

(Changes in presentation)

(Non-consolidated statement of income)

[Commission] in [Non-operating expenses], which was stated separately in the previous fiscal year, became 10/100 or less of the total amount of non-operating expenses, and is included in [Others] from the current fiscal year. The non-consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, [Commission expenses] 2.5 million yen and [Others] 0 yen, which were presented in [Non-operating expenses] in the non-consolidated statement of income for the previous fiscal year, are reclassified as [Others] 2.5 million yen.

In addition, [Advertising expenses] that were omitted to be stated in the [Selling, general and administrative expenses included in the major components and amounts] in the notes (to the non-consolidated statement of income) in the previous fiscal year have been stated from the current fiscal year as its monetary materiality increased. The amount of [Advertising expenses] for the previous fiscal year is stated in [Notes (Non-consolidated statement of income)].

(Non-consolidated balance sheet)

*1 The amount of receivables from contracts with customers within electronically recorded monetary claims-operating, notes receivable-trade, and accounts receivable-trade are as stated in "(Notes on revenue recognition) 3. (1) Balance of contract assets, contract liabilities, etc."

*2 The cumulative amount of depreciation of property, plant and equipment are as follows.

	FY2023 (As of Oct. 31, 2023)	FY2024 (As of Oct. 31, 2024)
Cumulative amount of depreciation of property, plant and equipment	168,534 thousand yen	200,234 thousand yen

3. We signed overdraft agreements and loan commitment agreements with two banks (two banks in the previous fiscal year) to efficiently procure working capital.

The undrawn balances, etc. related to overdraft agreements and loan commitments at the end of the fiscal year are as follows.

	FY2023 (As of Oct. 31, 2023)	FY2024 (As of Oct. 31, 2024)
Overdraft limit and total loan commitment	200,000 thousand yen	200,000 thousand yen
Balance of outstanding borrowings	- “	- “
Unused balance	200,000 thousand yen	200,000 thousand yen

(Non-consolidated statement of income)

*1 Revenue from contracts with customers

We do not disaggregate revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is stated in the non-consolidated financial statements “Notes (Notes on revenue recognition), 1. Information on the disaggregation of revenue from contracts with customers.”

*2. Major components, amounts, and approximate ratios of selling, general and administrative expenses are as follows:

	FY2023 (Nov. 1, 2022 - Oct. 31, 2023)	FY2024 (Nov. 1, 2023 - Oct. 31, 2024)
Advertising expenses	63,069 thousand yen	139,683 thousand yen
Payroll and allowances	153,981 “	195,478 “
Depreciation	14,271 “	17,412 “
Commission expenses	140,422 “	118,235 “
Amortization of goodwill	65,904 “	65,904 “
Provision of allowance for doubtful accounts	198 “	937 “
Approximate ratios		
Selling expenses	27.9 %	39.0 %
General and administrative expenses	72.1 “	61.0 “

*3. Total amount of research and development expenses included in general and administrative expenses are as follows:

	FY2023 (Nov. 1, 2022 - Oct. 31, 2023)	FY2024 (Nov. 1, 2023 - Oct. 31, 2024)
Research and development expenses	31,823 thousand yen	29,366 thousand yen

*4 Details of gain on sale of non-current assets are as follows.

	FY2023 (Nov. 1, 2022 - Oct. 31, 2023)	FY2024 (Nov. 1, 2023 - Oct. 31, 2024)
Vehicles	— thousand yen	643 thousand yen
Tools, furniture and fixtures	— thousand yen	43 thousand yen
Total	— thousand yen	687 thousand yen

*5 Gain on sale of investment securities

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

Not applicable.

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

We sold one unlisted share of investment securities held.

*6 Gain on sale of businesses

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

Due to the transfer of the website design and operation support business.

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

Not applicable.

(Non-consolidated statement of changes in equity)

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

1. Matters concerning outstanding shares and treasury shares

	FY2023 Number of shares at beginning of period (Shares)	FY2023 Increase in the number of shares (Shares)	FY2023 Decrease in the number of shares (Shares)	As of the end of FY2023 Number of shares (Shares)
Outstanding shares				
Common shares	10,623,600	6,000	—	10,629,600
Treasury shares				
Common shares	98,150	3,200	30,000	71,350

(Outline of the cause for changes)

1. The increase in the number of outstanding shares is due to the exercise of share acquisition rights.
2. The increase in the number of treasury shares is due to the gratuitous acquisitions associated with the retirement of employees subject to the restricted stock income plan, etc.
3. The decrease in the number of treasury shares is due to the disposal of treasury shares due to the restricted stock income plan.

2. Matters concerning share acquisition rights, etc.

Not applicable.

3. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on Dec. 9, 2022	Common shares	111,570	10.60	Oct. 31, 2022	Jan. 12, 2023

(2) Dividends with a record date in the previous fiscal year for which the effective date of the dividend is in the next fiscal year.

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on Dec. 8, 2023	Common shares	Retained earnings	179,490	17.00	Oct. 31, 2023	Jan. 9, 2024

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

1. Matters concerning outstanding shares and treasury shares

	FY2024 Number of shares at beginning of period (Shares)	FY2024 Increase in the number of shares (Shares)	FY2024 Decrease in the number of shares (Shares)	As of the end of FY2024 Number of shares (Shares)
Outstanding shares				
Common shares	10,629,600	6,000	-	10,635,600
Treasury shares				
Common shares	71,350	204,200	58,100	217,450

(Outline of the cause for changes)

1. The increase in the number of outstanding shares is due to the exercise of share acquisition rights.
2. Of the increase in the number of treasury shares, 200,000 shares were acquired through the Tokyo Stock Exchange Trading Network System (ToSTNet-3) based on a resolution of the Board of Directors held on December 8, 2023.
3. 4,200 shares of treasury shares were increased due to the gratuitous acquisitions associated with the retirement of employees subject to the restricted stock income plan, etc.
4. The decrease in the number of treasury shares is due to the disposal of treasury shares due to the restricted stock income plan.

2. Matters concerning share acquisition rights, etc.

Not applicable.

3. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on Dec. 8, 2023	Common shares	179,490	17.00	Oct. 31, 2023	Jan. 9, 2024

(2) Dividends with a record date in the current fiscal year for which the effective date of the dividend is in the next fiscal year.

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on Dec. 10, 2024	Common shares	Retained earnings	208,363	20.00	October 31, 2024	January 15, 2025

(Non-consolidated statement of cash flows)

* Reconciliation of cash and cash equivalents in the non-consolidated statement of cash flows and cash and deposits in the non-consolidated balance sheet as of the end of the period are as follows:

	FY2023 (Nov. 1, 2022 - Oct. 31, 2023)	FY2024 (Nov. 1, 2023 - Oct. 31, 2024)
Cash and deposits	2,404,607 thousand yen	3,215,658 thousand yen
Cash and cash equivalents	2,404,607 thousand yen	3,215,658 thousand yen

(Leases)

Operating leases

Future minimum lease payments under non-cancelable operating leases

	FY2023 (As of Oct. 31, 2023)	FY2024 (As of Oct. 31, 2024)
Due within one year	16,034 thousand yen	22,201 thousand yen

Due after one year	30,438 thousand yen	8,236 thousand yen
Total	46,472 thousand yen	30,438 thousand yen

(Financial instruments)

1. Status of financial instruments

(1) Group policy for financial instruments

Regarding fund management, our policy is to invest surplus funds in highly safe financial assets and not engage in speculative transactions.

Although we use our own funds to raise working capital and capital investment funds in principle, our policy is to fund-raise by borrowing from banks, etc. as necessary.

(2) Details of financial instruments and their risks

Electronically recorded monetary claims operating and accounts receivable-trade, which are trade receivables, are exposed to customer credit risk.

Investment securities are shares held for business promotion purposes and pure investment purposes and are exposed to the credit risk of the issuer. Regarding this risk, we regularly monitor market value and the financial status of issuing companies and review our holdings.

Accounts payable-trade and accounts payable-other, which are trade payables, are exposed to liquidity risk.

Long-term borrowings are primarily for raising investment funds and are exposed to liquidity risks associated with fund-raising.

(3) Risk management system of financial instruments

(i) Management of credit risk (risk of non-performance of contracts by customers, etc.)

For trade receivables based on credit management regulations, we regularly confirm the status of customers and strive to quickly identify and alleviate concerns of collection due to deterioration in financial conditions, etc., of each customer.

(ii) Management of liquidity risk of funding (risk of not being able to make payments on the due date)

We manage liquidity risk by having the Finance and Accounting Division prepare and update cash flow plans in a timely manner and by signing overdraft agreements with financial institutions.

(4) Supplementary explanation about market value of financial instruments

Since variable factors are reflected in estimating the market value of financial instruments, different assumptions and factors could result in a different market value.

(5) Concentration of credit risk

Of the trade receivables as of the closing day of the current fiscal year, 67% are with three specific large customers.

2. Market value of financial instruments

The book value and market value of financial instruments and their difference are as follows.

FY2023 (Oct. 31, 2023)

	Amount on the balance sheet (Thousands of yen)	Market value (Thousands of yen)	Difference (Thousands of yen)
Long-term borrowings (Including current portion of long-term borrowings)	245,750	242,322	(3,427)
Total liabilities	245,750	242,322	(3,427)

(*1) “Cash and deposits,” “electronically recorded monetary claims-operating,” “notes receivable-trade,” “accounts receivable-trade,” “accounts payable-trade,” “accounts payable-other,” “income taxes payable,” and “accrued consumption taxes” are omitted, because they comprise cash and short-term instruments whose carrying amount approximates their market value. In addition, statements of items whose carrying amount on the balance sheet is immaterial are also omitted.

(*2) Shares that do not have a market price, etc. are not included in the above table. The amount of such financial instruments recorded in the non-consolidated balance sheet is as follows.

Classification	FY2023 (Thousands of yen)
Unlisted shares	0
Shares of subsidiaries and associates	139,654

FY2024 (Oct. 31, 2024)

	Amount on the balance sheet (Thousands of yen)	Market value (Thousands of yen)	Difference (Thousands of yen)
Investment securities Available-for-sale securities	19,955	19,955	
Total liabilities	19,955	19,955	—
Long-term borrowings (Including current portion of long-term borrowings)	195,710	193,415	-2,294
Total liabilities	195,710	193,415	-2,294

(*1) “Cash and deposits,” “electronically recorded monetary claims-operating,” “notes receivable-trade,” “accounts receivable-trade,” “accounts payable-trade,” “accounts payable-other,” “income taxes payable,” and “accrued consumption taxes” are omitted, because they comprise cash and short-term instruments whose carrying amount approximates their market value. In addition, statements of items whose carrying amount on the balance sheet is immaterial are also omitted.

(*2) Shares that do not have a market price, etc. are not included in the above table. The amount of such financial instruments recorded in the non-consolidated balance sheet is as follows.

Classification	FY2024 (Thousands of yen)
Unlisted shares	0
Shares of subsidiaries and associates	139,654

(Note 1) Expected redemption amount after the closing day of monetary claims

FY2023 (Oct. 31, 2023)

	Due in one year or less (Thousands of yen)	Due after one year through five years (Thousands of yen)	Due after five years through 10 years (Thousands of yen)	Due after 10 years (Thousands of yen)
Cash and deposits	2,404,607	-	-	-
Electronically recorded monetary claims-operating	6,614	-	-	-
Accounts receivable-trade	231,756	-	-	-
Total	2,642,978	-	-	-

Current fiscal year (October 31, 2024)

	Due in one year or less (Thousands of yen)	Due after one year through five years (Thousands of yen)	Due after five years through 10 years (Thousands of yen)	Due after 10 years (Thousands of yen)
Cash and deposits	3,215,658	-	-	-
Electronically recorded monetary claims-operating	5,409	-	-	-
Accounts receivable-trade	260,702	-	-	-
Total	3,481,770	-	-	-

(Note 2) Expected repayment of long-term borrowings after the closing day

FY2023 (Oct. 31, 2023)

	Due in one year or less (Thousands of yen)	Due after one year through two years (Thousands of yen)	Due after two years through three years (Thousands of yen)	Due after three years through four years (Thousands of yen)	Due after four years through five years (Thousands of yen)	Due after five years (Thousands of yen)
Long-term borrowings	50,040	50,040	50,040	50,040	45,590	-
Total	50,040	50,040	50,040	50,040	45,590	-

Current fiscal year (October 31, 2024)

	Due in one year or less (Thousands of yen)	Due after one year through two years (Thousands of yen)	Due after two years through three years (Thousands of yen)	Due after three years through four years (Thousands of yen)	Due after four years through five years (Thousands of yen)	Due after five years (Thousands of yen)
Long-term borrowings	50,040	50,040	50,040	45,590	-	-
Total	50,040	50,040	50,040	45,590	-	-

3. Market value information by category within the market value hierarchy

The market value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure market value.

Level 1 market value: Market value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 market value: Market value measured using observable inputs other than Level 1 inputs.

Level 3 market value: Market value measured using unobservable inputs.

If multiple inputs are used that are significant to the market value measurement, the market value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments recorded on the non-consolidated balance sheet at market value

FY2023 (Oct. 31, 2023)

Not applicable.

Current fiscal year (October 31, 2024)

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	19,955	-	-	19,955
Total liabilities	19,955	-	-	19,955

(2) Financial instruments other than those recorded on the non-consolidated balance sheet at market value

FY2023 (Oct. 31, 2023)

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	-	242,322	-	242,322
Total liabilities	-	242,322	-	242,322

Current fiscal year (October 31, 2024)

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	-	193,415	-	193,415
Total liabilities	-	193,415	-	193,415

Note: Explanation of the valuation method used to calculate the market value and the inputs related to the calculation of the market value:

Investment securities

Listed shares are valued using market prices. As listed shares are traded in active markets, their market value is classified as Level 1 market value.

Long-term borrowings

Market values of long-term borrowings are calculated based on the total amount of principal and interest using expected interest rates if the similar new borrowings or lease transactions took place at present, and their market value is classified as

Level 2.

(Securities)

1. Shares in subsidiaries and affiliates

FY2023 (Oct. 31, 2023)

Shares of affiliates (139,654 thousand yen of shares of affiliates recorded on the balance sheet for the current fiscal year) are not stated because they are shares without a market price.

Current fiscal year (October 31, 2024)

Shares of affiliates (139,654 thousand yen of shares of affiliates recorded on the balance sheet for the current fiscal year) are not stated because they are shares without a market price.

2. Available-for-sale securities

FY2023 (Oct. 31, 2023)

Unlisted shares (investment securities of 0 thousand yen on the balance sheet) are not stated because they are shares without a market price.

Current fiscal year (October 31, 2024)

Classification	Amount on the balance sheet (Thousands of yen)	Acquisition cost (Thousands of yen)	Difference (Thousands of yen)
Securities whose carrying amount on the balance sheet exceeds their acquisition cost			
Shares	19,955	0	19,955
Subtotal	19,955	0	19,955
Amount on the balance sheet does not exceed the acquisition cost			
Shares	—	—	—
Subtotal	—	—	—
Total	19,955	0	19,955

Note: 1. [Acquisition cost] in the table is the amount after impairment treatment.

2. Unlisted shares (investment securities of 0 yen on the balance sheet) are not included in the above table because they are shares without a market price.

3. Available-for-sale securities sold during the fiscal year

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

Not applicable.

Current fiscal year (October 31, 2024)

Classification	Amount on the balance sheet (Thousands of yen)	Acquisition cost (Thousands of yen)	Difference (Thousands of yen)
Shares	30,000	29,999	—
Total	30,000	29,999	—

(Retirement benefits)

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

1. Outline of adopted retirement benefits plan

Since July 2022, we have adopted a defined contribution pension plan system to provide retirement benefits to our employees.

2. Defined contribution plan system

The amount required to contribute to our defined contribution plan system is 4,610 thousand yen.

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

1. Outline of adopted retirement benefits plan

Since July 2022, we have adopted a defined contribution pension plan system to provide retirement benefits to our employees.

2. Defined contribution plan system

The amount required to contribute to our defined contribution plan system is 4,920 thousand yen.

(Stock options, etc.)

(Stock options)

1. Amount of expenses recorded for stock options and items

Not applicable.

2. Details, size, and changes of stock options

(1) Details of stock options

	5th Share Acquisition Rights	6th Share Acquisition Rights
Category and number of recipients	Directors of Tobila Systems: 2 Employees of Tobila Systems: 14	Directors of Tobila Systems: 1 Employees of Tobila Systems: 23
Number of stock options by class of shares (Note)	Common shares: 230,100 shares	Common shares: 266,700 shares
Date of grant	Feb. 15, 2018	Nov. 22, 2018
Vesting conditions	Persons who were a Director, Corporate Auditor, or employee (including seconded employees) of Tobila Systems or its subsidiaries when issued must be an officer or employee of Tobila Systems, its subsidiary, or an associate of Tobila Systems when exercising. However, this does not apply to persons who our Board of Directors has approved to exercise share acquisition rights in particular. Other conditions shall be as specified in the share acquisition rights allotment agreement.	Persons who were a Director, Corporate Auditor, or employee (including seconded employees) of Tobila Systems or its subsidiaries when issued must be an officer or employee of Tobila Systems, its subsidiary, or an associate of Tobila Systems when exercising. However, this does not apply to persons who our Board of Directors has approved to exercise share acquisition rights in particular. Other conditions shall be as specified in the share acquisition rights allotment agreement.
Applicable working period	Applicable period is not set.	Applicable period is not set.
Period to exercise rights	Feb. 15, 2020 - Jan. 25, 2028	Nov. 22, 2020 - Oct. 25, 2028

Note: Stated are the number of shares converted after the share splits on January 16, 2019 (at a rate of 100 shares per share), and on October 11, 2019 (at a rate of three shares per share).

(2) Size and changes of stock options

The number of stock options are stated converted to the number of shares for stock options that were in effect in the current fiscal year (fiscal year ended October 31, 2024).

(i) Number of stock options

	5th Share Acquisition Rights	6th Share Acquisition Rights
Date of resolution	Jan. 26, 2018	Oct. 26, 2018
Before vesting (shares)		
As of the end of FY2023	-	-
Granted	-	-
Revoked	-	-
Vested	-	-
Balanced of unvested	-	-
After vesting (shares)		
As of the end of FY2023	40,500	46,500
Vested	-	-
Exercised rights	3,000	3,000
Revoked	-	-
Balance of unexercised	37,500	43,500

Note: Stated are the number of shares converted after the share splits on January 16, 2019 (at a rate of 100 shares per share), and on October 11, 2019 (at a rate of three shares per share).

(ii) Unit price information

	5th Share Acquisition Rights	6th Share Acquisition Rights
Date of resolution	Jan. 26, 2018	Oct. 26, 2018
Exercise price (yen)	147	234
Average share price upon exercise (yen)	757	818
Fair evaluation unit price on date of grant (yen)	-	-

Note: Stated are the prices converted after the share splits on January 16, 2019 (at a rate of 100 shares per share), and on October 11, 2019 (at a rate of three shares per share).

3. Method of estimating the fair valuation unit price of stock options granted in the current fiscal year

Not applicable.

4. Method of estimating the number of vested stock options

Fundamentally, as it is difficult to reasonably estimate the number of revocations in the future, we adopt a method that only reflects the actual number of revocations.

5. The total amount of intrinsic value at the end of the current fiscal year and the total amount of intrinsic value on the exercise date of stock options exercised during the current fiscal year when the calculation is performed based on the intrinsic value per unit of stock options

(1) Total amount of intrinsic value at the end of the current fiscal year: 44,167 thousand yen

(2) Total amount of intrinsic value exercised in the current fiscal year: 3,582 thousand yen

(Transactions in which shares are granted gratuitously as compensation of Directors, etc.)

1. Details, size, and changes of transactions in which shares are granted gratuitously as compensation of Directors, etc. before grant

(1) Details of transactions before grant

	2023 before grant (i)	2023 before grant (ii)	2023 before grant (iii)	2023 before grant (iv)	2024 before grant
Category number and of recipients	Directors (excluding Outside Directors) of Tobila Systems: 2	Directors (excluding Outside Directors) of Tobila Systems: 2	Directors (excluding Outside Directors) of Tobila Systems: 4	Directors (excluding Outside Directors) of Tobila Systems: 4	Directors (excluding Outside Directors) of Tobila Systems: 3
Number of granted shares by class of shares	Common shares: 4,800 shares	Common shares: 2,400 shares	Common shares: 4,000 shares	Common shares: 6,000 shares	Common shares: 3,000 shares
Date of grant	Feb. 24, 2023	Feb. 24, 2023	Feb. 24, 2023	Feb. 24, 2023	Feb. 22, 2024
Vesting conditions	Continuously held the position of Director or Executive Officer from the date of grant (February 24, 2023) until the vesting date (February 19, 2024). Achieve net sales and profit before income taxes, the financial results targets for the fiscal year ended October 31, 2023 in the medium-term management plan resolved by the Board of Directors on December 10, 2020.	Continuously held the position of Director or Executive Officer from the date of grant (February 24, 2023) until the vesting date (February 19, 2024).	Continuously held the position of Director or Executive Officer from the date of grant (February 24, 2023) until the vesting date (February 24, 2024). Achieve net sales and profit before income taxes, the financial results targets for the fiscal year ended October 31, 2023 resolved by the Board of Directors on December 9, 2022.	Continuously held the position of Director or Executive Officer from the date of grant (February 24, 2023) until the vesting date (February 24, 2026).	Continuously held the position of Director or Executive Officer from the date of grant (February 22, 2024) until the vesting date (February 22, 2025). Achieve net sales and profit before income taxes, the financial results targets for the fiscal year ended October 31, 2024 resolved by the Board of Directors on December 8, 2023.
Applicable working period	Feb. 24, 2023 - Feb. 19, 2024	Feb. 24, 2023 - Feb. 19, 2024	Feb. 24, 2023 - February 24, 2024	Feb. 24, 2023 - Feb. 24, 2026	Feb. 22, 2024 - Feb. 22, 2025

(2) Size and changes of transactions before grant

(i) Amount of expenses recorded and item

	FY2023	FY2024
Share-based compensation expenses of selling, general and administrative expenses	8,286 thousand yen	4,985 thousand yen

(ii) Number of shares

The number of transactions before grant for the number of unvested shares in effect are stated for the current fiscal year (fiscal year ended October 31, 2024).

	As of the end of FY2023 (shares)-	As of the end of FY2024 (shares)
End of previous fiscal year (shares)	17,200	-
Granted (shares)	-	3,000
Forfeited (shares)	3,000	-
Vested (shares)	11,200	-
Balance of unvested (shares)	3,000	3,000

(iii) Unit price information

	As of the end of FY2023 (shares)-	As of the end of FY2024 (shares)
Fair evaluation unit price on date of grant (yen)	837	895

2. Method of estimating fair evaluation unit price

The closing price of our common shares on the Tokyo Stock Exchange on January 25, 2023 (the business day before the day of the Board of Directors' resolution) is used for the transactions before arbitrariness, and the closing price of our common shares on the Tokyo Stock Exchange on January 22, 2024 (the business day before the day of the Board of Directors' resolution) is used for the transactions before issuance in 2024.

3. Method of estimating number of vested shares

For transactions before grant, as it is fundamentally difficult to reasonably estimate the number of forfeitures in the future, we adopt a method that only reflects the actual number of forfeitures.

(Tax effect accounting)

1. The significant components of deferred tax assets and liabilities

	FY2023 (As of Oct. 31, 2023)	FY2024 (As of Oct. 31, 2024)
Deferred tax assets		
Business taxes payable	9,172 thousand yen	8,092 thousand yen
Restricted stock income	10,693 “	6,840 “
Asset retirement obligations	3,390 “	3,827 “
Depreciation excess	18,978 “	14,492 “
Loss on valuation of investment securities	18,993 “	3,705 “
Other, net	1,814 “	3,266 “
Total deferred tax assets	63,042 thousand yen	40,225 thousand yen
Deferred tax liabilities		
Valuation difference of assets received in merger	378 thousand yen	248 thousand yen
Total deferred tax liabilities	378 thousand yen	248 thousand yen
Net deferred tax assets	62,664 thousand yen	39,976 thousand yen

2. If there is a material difference between the normal effective statutory tax rate and the corporate tax rates, etc. after the tax effect accounting is used, a breakdown of the main items that caused the difference

For both the previous fiscal year and current fiscal year, notes are omitted as the difference between the normal effective statutory tax rate and the corporate tax rates, etc. after the tax effect accounting is used is 5/100 or less of the normal effective statutory tax rate.

(Asset retirement obligations)

We recognize the obligation to restore properties to their original condition upon moving out based on the real estate lease contracts for the head office, etc. as an asset retirement obligation.

Furthermore, for asset retirement obligations at the end of the current fiscal year, instead of recording a liability, we used a method to record the amount that belongs to the burden in the current fiscal year as an expense by reasonably estimating the amount for which it is recognized that the security deposit related to the real estate lease contract cannot ultimately be recovered.

(Notes on revenue recognition)

1. Information on the disaggregation of revenue from contracts with customers

(Thousands of yen)

	Previous fiscal year (Nov. 1, 2022 - Oct. 31, 2023)	Current fiscal year (Nov. 1, 2023 - Oct. 31, 2024)
Recurring revenue (Note 1)	1,776,296	2,010,849
Non-recurring revenue (Note 2)	284,915	395,036
Revenue from contracts with	2,061,211	2,405,885

customers		
Other income	—	—
External sales	2,061,211	2,405,885

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. Since the significance of the classification of [Others] not included in the reportable segment has decreased, and from the perspective of our business development, management resource allocation, and management system, etc., we have determined that it is reasonable to consider [fraud and spam prevention business] as an integral business, we have changed the business to a single segment from the current fiscal year.

In connection with this change, information on the disaggregation of revenue from contracts with customers for the previous fiscal year is also stated by classification after the change.

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as stated in “Notes (Significant accounting policies), 5. Basis for recording revenue and expenses.”

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers’ existing at the end of the current fiscal year expected to be recognized in and after the next fiscal year

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

(1) Balance of contract assets, contract liabilities, etc.

	FY2023 (Thousands of yen)	
	Balance at beginning of period	Balance at the end of period
Receivables from contracts with customers	215,610	238,371
Contract assets	36,020	16,223
Contract liabilities	419,774	905,258

Contract liabilities are mainly advances received from customers for usage fees for prevention services for business telephones in the fraud and spam prevention business, and are reversed when revenue is recognized. Furthermore, the significant change in the contract liability balance during the current fiscal year was mainly due to an increase in advances received due to an increase in the number of contracts for business services.

Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 97,685 thousand yen.

(2) Transaction price allocated to the remaining performance obligations

The total amount of transaction price allocated to the remaining performance obligations and the period during which revenue is expected to be recognized are as follows.

	FY2024 (Thousands of yen)
Due in one year or less	277,418
Due after one year through two years	142,141
Due after two years through three years	140,144
Due after three years through four years	134,499
Due after four years through five years	115,891
Due after five years	95,162

Total	905,258
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FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

(1) Balance of contract assets, contract liabilities, etc.

	FY2024 (Thousands of yen)	
	Balance at beginning of period	Balance at the end of period
Receivables from contracts with customers	238,371	266,112
Contract assets	16,223	15,670
Contract liabilities	905,258	1,368,138

Contract liabilities are mainly advances received from customers for usage fees for prevention services for business telephones in the fraud and spam prevention business, where revenue is recognized based on the contract period and are reversed when revenue is recognized. Furthermore, the significant change in the contract liability balance during the current fiscal year was mainly due to an increase in advances received due to an increase in the number of contracts for business services.

Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 277,863 thousand yen.

(2) Transaction price allocated to the remaining performance obligations

The total amount of transaction price allocated to the remaining performance obligations and the period during which revenue is expected to be recognized are as follows.

	FY2024 (Thousands of yen)
Due in one year or less	386,221
Due after one year through two years	246,682
Due after two years through three years	240,996
Due after three years through four years	222,588
Due after four years through five years	159,832
Due after five years	111,816
Total	1,368,138

(Segment and Other Information)

[Segment information]

FY2023 (Nov. 1, 2023 - Oct. 31, 2024)

Current fiscal year (matters concerning changes in reportable segments, etc.).

Current fiscal year (October 31, 2024)

Omitted because we are the single segment of the "Fraud and Spam Prevention Business".

(Changes in reportable segments, etc.)

Previously, [Fraud and Spam Prevention Business] was the reportable segment, and although the website design and operation support business and development projects outsourced by other companies that are not included in the reportable segment were classified as [Others], from the current fiscal year onward, we have changed the business to a single segment, "Fraud and Spam Prevention Business."

This change was due to the transfer of the business of the website design and operation support business in the previous fiscal year and the decline in the quantitative significance of the development business outsourced by other companies, and in

addition, from the perspective of our business development, resource allocation, and actual status of business management systems, we have determined it reasonable to regard [fraud and spam prevention business] as an integral business. Due to this change, segment information for the previous fiscal year and current fiscal year is omitted.

[Related information]

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

1. Information by product and service;

As stated in [Current fiscal year (Matters concerning changes in reportable segments)], we are the single segment of the [fraud and spam prevention business], and we have omitted to state because sales to external customers from this business exceed 90% of net sales on the non-consolidated statement of income.

2. Information by region

(1) Net sales

Not applicable because there are no sales to external customers outside Japan.

(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)

Name of customer	Net sales	Related segment name
KDDI CORPORATION	584,322	Fraud and spam prevention business
SoftBank Corp.	484,718	Fraud and spam prevention business
NTT DOCOMO, INC	415,405	Fraud and spam prevention business

Current fiscal year (October 31, 2024)

1. Information by product and service;

Omitted since we are the single segment of the [Fraud and Spam Prevention Business], and sales to external customers in this business exceed 90% of net sales in the non-consolidated statement of income.

2. Information by region

(1) Net sales

Not applicable because there are no sales to external customers outside Japan.

(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)

Name of customer	Net sales	Related segment name
KDDI CORPORATION	594,997	Fraud and spam prevention business
SoftBank Corp.	540,914	Fraud and spam prevention business
NTT DOCOMO, INC	493,583	Fraud and spam prevention business
INVERSENET INC.	355,926	Fraud and spam prevention business

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

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

Not applicable.

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

Not applicable.

[Information on amortization of goodwill and unamortized balance by reportable segment]

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

Omitted because it is a single segment.

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

Omitted because it is a single segment.

[Information related to gain on negative goodwill by reportable segment]

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

Not applicable.

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

Not applicable.

Equity in earnings of affiliates

1. Matters concerning affiliates

	(Thousands of yen)	
	FY2023 (Nov. 1, 2022 - Oct. 31, 2023)	FY2024 (Nov. 1, 2023 - Oct. 31, 2024)
Investments in affiliates	139,654	139,654
Investments when applying the equity method	146,945	152,056
Gain on investments when applying the equity method	7,716	4,988

2. Matters concerning special purpose companies subject to disclosure

We do not have any special purpose companies subject to disclosure.

Related party transactions

FY2023 (Nov. 1, 2022 - Oct. 31, 2023)

1. Transactions with related parties

Not applicable.

2. Notes on parent company or significant affiliates

Not applicable.

FY2024 (Nov. 1, 2023 - Oct. 31, 2024)

1. Transactions with related parties

Officers and major shareholders (limited to individuals) of the company submitting non-consolidated financial statements, etc.

Class	Name or name of the company, etc.	Location	Share capital or investments in capital (Thousands of yen)	Description of business or occupation	Ratio of voting rights, etc. held (indirectly held) (%)	Relationship with related party	Details of transaction	Transaction amount (Thousands of yen)	Item	Balance at the end of period (Thousands of yen)
Officer	Atsushi Akita	-	-	Representative Director of Tobila Systems	(Owned) direct 45.21	Representative Director of Tobila Systems	Repurchased treasury shares Notes:	188,000	-	-

Notes: Regarding share repurchase, based on a resolution of the Board of Directors held on December 8, 2023, we repurchased treasury shares through the ToSTNeT-3 Trading Network System on December 11, 2023, and the acquisition price is based on the closing price on December 8, 2023, which is the same date as the resolution on the Board of Directors for the repurchase of treasury shares.

2. Notes on parent company or significant affiliates

Not applicable.

(Per-share information)

	FY2022 (Nov. 1, 2022 - Oct. 31, 2023)	FY2024 (Nov. 1, 2023 - Oct. 31, 2024)
Net assets per share	202.39(yen)	234.33(yen)
Net income per share	49.09(yen)	57.77(yen)
Diluted net income per share	48.75(yen)	57.41(yen)

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

	FY2023 (Nov. 1, 2022 - Oct. 31, 2023)	FY2024 (Nov. 1, 2023 - Oct. 31, 2024)
Net income per share		
Profit (thousands of yen)	517,733	601,854
Amount not attributable to common shareholders (thousands of yen)	-	—
Profit applicable to common shares (thousands of yen)	517,733	601,854
Average number of common shares outstanding during the period (shares)	10,547,043	10,418,893
Diluted net income per share		
Adjustment to profit (thousands of yen)	-	—
Increase in the number of common shares (shares)	72,515	65,402
[Including: share acquisition rights (shares)]	(72,515)	(65,402)
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.

	FY2023 (As of Oct. 31, 2023)	FY2024 (As of Oct. 31, 2024)
Total net assets (thousands of yen)	2,136,837	2,441,329
Deduction on total net assets (thousands of yen)	-	—
Net assets applicable to common shares at end of period (thousands of yen)	2,136,837	2,441,329
Number of common shares at end of period used in calculation of net assets per share (shares)	10,558,250	10,418,150

Subsequent Events

Share Repurchase

The Board of Directors of Tobila Systems approved a resolution on December 10, 2024 to repurchase its own shares pursuant to Article 459, Paragraph 1 of the Companies Act and a resolution on the specific method of acquisition, and we have conducted a repurchase of own shares as follows.

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 a flexible capital management policy in response to changes in the business environment.

2. Details of share repurchase

- (i) Type of shares to be repurchased
Common shares of Tobila Systems
- (ii) Total number of shares to be repurchased
Up to 500,000 shares (4.80% of total shares outstanding, excluding treasury shares)
- (iii) Total value of shares to be repurchased
Up to 400,000 thousand yen
- (iv) Date of repurchase
December 11, 2024 to March 5, 2025
- (v) Method of repurchase
Market purchase on the Tokyo Stock Exchange

(Disposal of treasury shares as restricted stock compensation)

The Board of Directors of Tobila Systems approved a resolution on January 29, 2025 to dispose treasury shares as restricted stock compensation (hereinafter, "disposed treasury shares") as follows.

(1) Disposal date

February 28, 2025

(2) Class and number of disposed shares

32,600 shares of our common shares

(3) Value of disposal

822 yen per share

(4) Total amount of disposal value

26,797,200 Yen

(5) Planned allottees, number of persons, and number of disposed shares

3 Directors: 9,000 shares

3 Executive Officers: 9,000 shares

our 23 employees: 14,600 shares

(6) Others

Regarding the disposed treasury shares, we have not submitted a securities notice in accordance with Article 4, Paragraph 1, Item 1 of the Financial Instruments and Exchange Act and Article 2-12, Item 1 of the Order for Enforcement of the Financial Instruments and Exchange Act.

2. Purpose and reasons for disposal

The Board of Directors approved a resolution on December 10, 2020 to introduce a restricted stock compensation plan for our employees, and eligible employees will pay in all of the monetary claims provided by us under this plan as assets contributed in-kind, and will be issued or disposed of as our common shares.

In addition, the Board of Directors approved a resolution on December 21, 2022 to introduce an enrollment-based restricted stock compensation plan (hereinafter, "plan I") and a financial results-based restricted stock compensation plan (hereinafter, "plan II") as new compensation plans for our Directors (excluding Directors who are Audit Supervisory Committee Members and Outside Directors) for the purpose of providing incentives for sustainable enhancement of our corporate value and to promote further sharing of value with our shareholders. In addition, at the 16th General Meeting of Shareholders held on January 26, 2023, based on plan I and plan II, we received

approval to issue or dispose our common shares by either the method to grant gratuitously or the method of in-kind contribution to eligible Directors, each 50,000 thousand yen or less per year (50,000 shares or less per year).

Furthermore, the Board of Directors approved a resolution on December 21, 2022 to introduce a restricted stock compensation plan for our Executive Officers similar to that for eligible Directors, and eligible Executive Officers will pay all of the monetary claims provided by us under this plan as assets contributed in-kind, and will be issued or disposed of as our common shares.

3. Basis for calculating the amount paid and specific details

The closing price of our common shares on the Tokyo Stock Exchange on the business day before the day of our Board of Directors' resolution (January 28, 2025) of 822 yen is used for the disposal price of the disposed treasury shares to eliminate arbitrariness. This is the market stock price immediately before the day of the Board of Directors' resolution, and we believe that it does not fall under a reasonable and particularly advantageous value.

(v) Annexed detailed schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

Class of assets	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Thousands of yen)	Ending balance (Thousands of yen)	Accumulated depreciation or amortization at the end of period (Thousands of yen)	Amortization (Thousands of yen)	Balance at the end of period (Thousands of yen)
Property, plant and equipment							
Buildings	43,731	231	2,921	41,041	27,162	7,845	13,878
Structures	4,179	—	3,325	854	526	56	327
Vehicles	2,712	—	2,712	—	—	—	—
Tools, furniture and fixtures	221,719	31,263	3,318	249,664	172,545	36,074	77,119
Total property, plant and equipment	272,342	31,494	12,276	291,560	200,234	43,977	91,325
Intangible assets							
Goodwill	329,524	—	—	329,524	203,206	65,904	126,317
Patent right	8,495	480	—	8,975	7,429	941	1,545
Trademark right	2,611	—	—	2,611	1,974	217	637
Software	420,687	63,640	44,433	439,895	271,776	88,598	168,119
Others	16,870	56,692	61,156	12,406	—	—	12,406
Total intangible assets	778,189	120,813	105,590	793,412	484,386	155,662	309,026
Long-term prepaid expenses	133,360	37,323	2,387	168,296	84,472	44,654	83,824

Notes: 1. Main components of increase during the year are as follows.

Tools, furniture and fixtures	(Servers)	27,563 thousand yen
Software	(Internal systems)	63,640 thousand yen
Others (software in progress)	(Internal systems)	56,502 thousand yen

2. Main components of decrease during the year are as follows.

Software	(Internal systems)	44,433 thousand yen
Others (software in progress)	(Completed internal systems)	60,245 thousand yen

[Annexed non-consolidated detailed schedule of corporate bonds]

Not applicable.

[Annexed non-consolidated detailed schedule of borrowings]

Classification	Balance at the beginning of period (Thousands of yen)	Ending balance (Thousands of yen)	Average interest rate (%)	Due date
Current portion of long-term borrowings	50,040	50,040	0.35	-
Long-term borrowings (excluding current portion)	195,710	145,670	0.35	Sep. 1, 2028
Total	245,750	195,710	-	-

- Notes: 1. The “Average interest rate” refers to the contracted interest rate as the interest rate on loans, etc., is at a fixed interest rate.
 2. The total annual repayment amount of long-term borrowings (excluding current portion) within five years after the balance sheet date.

Classification	Due after one year through two years (Thousands of yen)	Due after two years through three years (Thousands of yen)	Due after three years through four years (Thousands of yen)	Due after four years through five years (Thousands of yen)
Long-term borrowings	50,040	50,040	45,590	-

[Annexed detailed schedule of provisions]

Classification	Balance at the beginning of period (Thousands of yen)	Increase during the period (Thousands of yen)	Decrease during the period (Purpose use) (Thousands of yen)	Decrease during the period (Others) (Thousands of yen)	Ending balance (Thousands of yen)
Allowance for doubtful accounts	268	1,038	198	100	1,007

Note: The amount in the “Decrease during the period (Others)” column of the allowance for doubtful accounts is the amount to be revised based on historical default rates for general receivables.

[Annexed non-consolidated detailed schedule of asset retirement obligations]

As for asset retirement obligations, there are no applicable items as follows: instead of recording a liability for asset retirement obligations, a reasonable estimate of the amount for which it is recognized that the security deposit related to the real estate lease contract cannot ultimately be recovered is used to record the amount that belongs to the burden in the current fiscal year as an expense.

(2) Components of major assets and liabilities

(i) Cash and deposits

Classification	Amount (Thousands of yen)
Cash	-
Deposits	
Current deposits	170
Ordinary deposits	3,215,487
Total	3,215,658

(ii) Electronically recorded monetary claims-operating

Breakdown by counterparty

Counterparty	Amount (Thousands of yen)
SunTelephone Co., Ltd.	5,266
Yamaichi Techno, Inc.	143
Total	5,409

Breakdown by due date

Due date	Amount (Thousands of yen)
Maturing in Nov. 2024	451
Maturing in Dec. 2024	4,815
Maturing in Jan. 2025	143
Total	5,409

(iii) Accounts receivable-trade and contract assets

Breakdown by counterparty (accounts receivable-trade)

Counterparty	Amount (Thousands of yen)
KDDI CORPORATION	115,367
SoftBank Corp.	51,495
INVERSENET INC.	22,207
Apple Japan, Inc.	7,408
CHUBU TELECOMMUNICATIONS CO., INC.	6,417
Others	57,805
Total	260,702

Breakdown by counterparty (contract assets)

Counterparty	Amount (Thousands of yen)
Metropolitan Police Department	13,700
Takatsuki	1,101
Shimamoto	335
Izumisano	263
Meguro-ku	260
Others	9
Total	15,670

Occurrence, collection and retention status of accounts receivable-trade and contract assets

Balance at the beginning of period (Thousands of yen) (A)	Occurrence at the beginning of period (Thousands of yen) (B)	Collection at the beginning of period (Thousands of yen) (C)	Balance at the end of period (Thousands of yen) (D)	Collection rate (%) $\frac{(C)}{(A) + (B)} \times 100$	Retention period (Days) $\frac{(A) + (D)}{2} \div \frac{(B)}{366}$
247,980	1,898,793	1,870,399	276,373	87.1	50.4

(iv) Merchandise and finished goods

Classification	Amount (Thousands of yen)
Fraud and spam prevention terminals for landline telephones	7,914
Fraud and spam prevention terminals for business telephones	66,805
Total	74,720

(v) Work in process

Classification	Amount (Thousands of yen)
Contract development	481
Total	481

(vi) Raw materials and supplies

Classification	Amount (Thousands of yen)
Product-related materials, etc.	477
Total	477

(vii) Accounts payable-trade

Payee	Amount (Thousands of yen)
NOVALUX JAPAN CO. LTD.	14,874
Total	14,874

(viii) Contract liabilities

Payee	Amount (Thousands of yen)
INVERSENET INC.	1,167,216
NTT DOCOMO, INC	125,437
SunTelephone Co., Ltd.	41,517
TAKABUN COMMUNICATIONS CO., LTD.	13,029
SoftBank Corp.	5,083
Others	15,853
Total	1,368,138

(3) Others

Quarterly information for the current fiscal year

(Cumulative period)	1Q	2Q	3Q	FY2024
Net sales (thousands of yen)	567,882	1,154,034	1,771,850	2,405,885
Profit before income taxes (current fiscal year) (thousands of yen)	231,894	467,038	697,346	860,276
Profit (current fiscal year) (thousands of yen)	155,184	312,430	465,672	601,854
Net income per share (current fiscal year) (yen)	14.86	29.97	44.69	57.77

(Accounting period)	1Q	2Q	3Q	4Q
Net income per share (yen)	14.86	15.12	14.72	13.07

Note: Although we have not submitted a quarterly report for the third quarter, for each figure for the third quarter, we state quarterly information prepared pursuant to regulations established by the Financial Instruments Exchange, and we have not received a medium-term review.

VI. Overview of the Submitting Company's Share Administration

Fiscal year	From Nov. 1 each year to Oct. 31 of the following year
Annual General Meeting of Shareholders	Within three months after the end of each fiscal year
Record date	October 31 each year
Record date for dividends from surplus	April 30 each year October 31 each year
Number of shares per unit	100 shares
Purchase of odd-lot shares	
Handling location	3-15-33 Sakae, Naka-ku, Nagoya, Aichi, Japan Stock Transfer Agency Services Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder register administrator	1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Intermediary agency	-
Purchase fee	None
Method of public notice	Our method of public notices shall be electronic public notice. However, in the event that electronic public notices cannot be made due to an accident or other unavoidable circumstances, public notices shall be made by publication in the Nikkei. Public notice URL: https://tobila.com/
Special benefit for shareholders	Not applicable.

Note: The Articles of Incorporation stipulate that shareholders who hold less than one unit of our shares may not exercise any rights other than the following rights with respect to their shares of less than one unit.

- (1) Rights set forth in each item of Article 189, Paragraph 2 of the Companies Act.
- (2) The right to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act.
- (3) The right to receive allotment of shares to be offered and the right to receive allotment of share acquisition rights in accordance with the number of shares held by shareholders.

VII. Reference Information of the Submitting Company

1. Information on Parent Company, etc. of the Submitting Company

We do not have a parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The following documents were submitted during the period from the start of the current fiscal year to the date of submission of the Annual Securities Report.

- (1) Annual Securities Report, its attached documents, and a confirmation letter
17th fiscal year (from November 1, 2022 to October 31, 2023) Submitted to the Director-General of the Tokai Local Finance Bureau on January 23, 2024.
- (2) Internal control report and its attached documents
Submitted to the Director-General of the Tokai Local Finance Bureau on January 23, 2024.
- (3) Quarterly report and a confirmation letter
First quarter of the 18th fiscal year (from November 1, 2023 to January 31, 2024) Submitted to the Director-General of the Tokai Local Finance Bureau on March 8, 2024.
Second quarter of the 18th fiscal year (from February 1, 2024 to April 30, 2024) Submitted to the Director-General of the Tokai Local Finance Bureau on June 10, 2024.
- (4) Extraordinary report
Submitted to the Director-General of the Tokai Local Finance Bureau on January 7, 2025.
This is an extraordinary report based on Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at General Meetings of Shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Part II Information on Guarantor Companies, etc. for the Submitting Company

Not applicable.

Independent Auditors' Audit Report and Internal Control Audit Report

January 29, 2025

Tobila Systems Inc.
The Board of Directors

BDO Sanyu & Co.
Nagoya Office

Designated and Certified Public
Engagement Partner Accountant Yousuke Saeki

Designated and Certified Public
Engagement Partner Accountant Keita Suzuki

[Audit of Non-consolidated Financial Statements]

Audit Opinion

To conduct audit certification as prescribed in the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Tobila Systems Inc. for the 18th fiscal year from November 1, 2023 to October 31, 2024 included in the Accounting Status, namely, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the non-consolidated statement of cash flows, significant accounting policies, other notes and non-consolidated supplementary schedules.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tobila Systems Inc. as of October 31, 2024, and the results of their operations and their cash flows for the fiscal year then ended in conformity with accounting principles for non-consolidated financial statements generally accepted in Japan.

Basis for Opinion

We have conducted the audit in accordance with audit standards that are generally considered fair and reasonable in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements" section of our report. We are independent of Tobila Systems in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We consider that audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Issues of the Audit

Key issues of the audit mean issues that we deem particularly important from a professional perspective in auditing non-consolidated financial statements for the current fiscal year. The key issues of the audit are what were addressed in the process of implementing an audit of all non-consolidated financial statements and forming audit comments. They do not mean that we state our own view on them.

Appropriateness of accuracy and attribution of period of sales of prevention services for business telephones in the fraud and spam prevention business	
Details of key issues of the audit and reasons for decision	How our audit addressed the issues
<p>Companies use fraudulent telephone number lists to conduct fraud and spam prevention services that automatically block incoming telephone calls even from users' unknown fraudulent telephone numbers, and among these, they provide prevention services for business telephones to companies.</p> <p>Contract liabilities of 1,368,138 thousand yen are recorded on the balance sheet at the end of the current fiscal year, and accounted for 31% of the total liabilities and net assets. As stated in [Notes] (Notes on revenue recognition), this balance is mainly advances received for sales of prevention services for business telephones in the fraud and spam prevention business.</p> <p>[Notes] (Significant accounting policies) 5. As stated in the standards for recording revenue and expenses, companies recognize revenue for fraud and spam prevention services over the contract period. Specifically, advances received are recorded as contract liabilities when entering into a contract, and advances received are transferred to sales according to the contract period.</p> <p>If an incorrect registration is made for the contract amount or contract period when registering basic information in documents for management of advances received, the amount of sales recorded is incorrect, and the impact may be important. In addition, if the logic of calculating the amount of sales recorded is incorrect for a contract period, the monetary impact may also be important.</p> <p>As stated above, we have determined that the accuracy and appropriateness of the attribution of net sales of prevention services for business telephones in the fraud and spam prevention business fall under key issues of the audit as they are important for the audit of the non-consolidated financial statements for the current fiscal year.</p>	<p>In order to verify the accuracy and appropriateness of the period attribution of net sales of prevention services for business telephones in the fraud and spam prevention business, we have mainly performed the following audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the effectiveness of the design and operation of internal control related to the recording of sales of prevention services for business telephones in the fraud and spam prevention business. • Verified that the advances received at the end of the previous fiscal year are transferred to sales according to the passage of the contract period in the advance receipt management materials for the current fiscal year, and is appropriately updated from the advance receipt management materials at the end of the previous fiscal year. • In materials for management of advances received in the current fiscal year, transactions related to prevention services for business telephones in the fraud and spam prevention business were extracted through sampling, and verification of the accuracy of contract amounts and contract periods was performed by crosschecking the evidence that served as the basis. • Verified by recalculation that the amount of sales transfers in the management materials for advances received was calculated appropriately based on the passage of the contract period. • Confirmed the consistency between the calculation results of the amount of sales transfers in the management materials for advances received and the amount entered into the accounting system.

Other information

Other information is information included in the annual securities report which is not covered by the non-consolidated financial statements as well as their audit reports. Management's responsibility is to create and disclose the other information. The Audit & Supervisory Committee is responsible for overseeing the directors' performance of duties in terms of developing and implementing a process for reporting such other information.

The subject of the audit opinion on the non-consolidated financial statements does not include other information, and we do not express an opinion on the other information.

Our responsibilities in auditing the non-consolidated financial statements are to read through the other information to consider whether there are any major differences between the other information and the non-consolidated financial statements or the knowledge that we acquire in the process of the audit, and to pay attention to any signs of material errors in information other than those major differences.

We are required to report the facts when we determine that there is a material error in other information based on the procedure that was conducted.

There are no matters to be reported regarding other information.

Responsibilities of Management and Audit & Supervisory Committee for the Non-consolidated Financial Statements

Management is responsible for the preparation and appropriate presentation of non-consolidated financial statements in accordance with the Generally Accepted Accounting Principles of Japan. Such responsibilities include the establishment and implementation of internal control that management determines is necessary for the preparation and appropriate presentation of non-consolidated financial statements that are free of any material misstatements due to fraud or errors.

In preparing the non-consolidated financial statements, management is responsible for assessing Tobil Systems' ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with generally accepted accounting principles of Japan.

The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties, including the design, implementation and maintenance of Tobil Systems' financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. Design and perform audit procedures responsive to those risks. These audit procedures are selected and performed, depending on the auditor's judgment. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to assess the risk and design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of Tobila Systems' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Tobila Systems' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Tobila Systems to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with auditing standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where we have taken measures to eliminate these barriers or have applied safeguards that can mitigate these barriers to an acceptable level.

We define those matters discussed with the Audit & Supervisory Committee, which are deemed particularly important in the audit of the non-consolidated financial statements for the current fiscal year as key issues of the audit and state them in the audit report. However, we do not state matters in the case where publication of these matters is prohibited by laws, ordinances, or suchlike or in the very rare case that we judge that they should not be reported on the grounds of reasonably expected disadvantages from the reporting in the audit report that would exceed the public interest.

[Internal Control Audit]

Audit Opinion

To conduct audit certification as prescribed in the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the internal control report of Tobila Systems Inc. dated October 31, 2024.

We consider that the aforementioned internal control report, in which Tobila Systems Inc. indicates that effective internal control is maintained pertaining to financial reporting as of October 31, 2024, properly reflects the evaluation results of internal control over financial reporting in all important respects, in compliance with internal control evaluation standards over financial reporting that are generally considered fair and reasonable in Japan.

Basis for Opinion

We have conducted the internal control audit in accordance with internal control audit standards over internal reporting that are generally considered fair and reasonable in Japan. Our responsibilities under the auditing standards for internal control over financial reporting are further described in the "Auditor's Responsibilities for the Audit of Internal Control" section of our report. We are independent of Tobila Systems in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We consider that audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Internal Control Report

Management is responsible for the establishment and implementation of internal control as it pertains to financial reporting, as well as the preparation and appropriate presentation of internal control reports, in accordance with internal control evaluation standards over financial reporting that are considered generally fair and reasonable in Japan.

The Audit & Supervisory Committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

It may not be possible, however, to fully prevent or identify the presentation of misstatements due to internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of internal control and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report.

We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of our audit of internal control, the results thereof, material weaknesses in internal control identified during our audit of internal control, and those that were remediated.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where we have taken measures to eliminate these barriers or have applied safeguards that can mitigate these barriers to an acceptable level.

Compensation-related information

Compensation for our audit certification services and compensation for non-audit services for Tobila Systems and those belonging to the same network as Tobila Systems are described in "Status of Submitting Companies" such as corporate governance (3) Status of audits.

Interest Related

There is not any conflict of interest between Tobila Systems and BDO Sanyu & Co. or its Engagement Partners which should be disclosed under the provisions of the Certified Public Accountants Act.

End

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- Notes: 1. The above is an electronic copy of what is described in the original audit report that is separately stored by Tobila Systems (company submitting the Annual Securities Report).
2. XBRL data are not within the scope of audits.