

**Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ending October 31, 2020
(Three Months Ended January 31, 2020)**

[Japanese GAAP]

March 10, 2020

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange (Mothers)
 Securities code: 4441 URL: <https://tobila.com>
 Representative: Atsushi Akita, Representative Director and President
 Contact: Toshihito Goto, Director, General Manager of Administration Dept.
 Tel: +81-(0)50-5533-3720

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Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

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

1. Non-consolidated Financial Results for the First Quarter (November 1, 2019 - January 31, 2020) of the Fiscal Year Ending October 31, 2020

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|----------------------------------|-------------|------|------------------|-------|-----------------|-------|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended Jan. 31, 2020 | 270 | 26.1 | 100 | (2.5) | 100 | (2.5) | 69 | 3.8 |
| Three months ended Jan. 31, 2019 | 214 | 21.6 | 103 | 58.3 | 102 | 61.5 | 67 | 42.5 |

| | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended Jan. 31, 2020 | 6.81 | 6.52 |
| Three months ended Jan. 31, 2019 | 7.16 | - |

Notes: 1. Diluted net income per share for the three months ended January 31, 2019 is not shown. Although there were share acquisition rights, it is not possible to determine an average stock price because the stock of Tobila Systems was not listed.

2. Tobila Systems conducted a 100-for-1 stock split on January 16, 2019 and a 3-for-1 stock split on October 11, 2019. Accordingly, net income per share and diluted net income per share have been calculated as if these stock splits had taken place at the beginning of the fiscal year ended October 31, 2019.

(2) Financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of Jan. 31, 2020 | 1,293 | 1,070 | 82.7 |
| As of Oct. 31, 2019 | 1,310 | 1,000 | 76.4 |

Reference: Shareholders' equity (million yen) As of Jan. 31, 2020: 1,070 As of Oct. 31, 2019: 1,000

2. Dividends

| | Dividend per share | | | | |
|--|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended Oct. 31, 2019 | - | 0.00 | - | 0.00 | 0.00 |
| Fiscal year ending Oct. 31, 2020 | - | - | - | - | - |
| Fiscal year ending Oct. 31, 2020 (forecasts) | - | 0.00 | - | 10.60 | 10.60 |

Note: Revision to the most recently announced dividend forecast: None

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

(Percentages represent year-on-year changes)

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

Note: Revision to the most recently announced earnings forecast: None

*** Notes**

(1) Application of special accounting methods for presenting quarterly non-consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common shares)

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

| | | | |
|----------------------|-------------------|----------------------|-------------------|
| As of Jan. 31, 2020: | 10,222,800 shares | As of Oct. 31, 2019: | 10,222,800 shares |
|----------------------|-------------------|----------------------|-------------------|

2) Number of treasury shares at the end of the period

| | | | |
|----------------------|----------|----------------------|----------|
| As of Jan. 31, 2020: | - shares | As of Oct. 31, 2019: | - shares |
|----------------------|----------|----------------------|----------|

3) Average number of shares outstanding during the period

| | | | |
|-----------------------------------|-------------------|-----------------------------------|------------------|
| Three months ended Jan. 31, 2020: | 10,222,800 shares | Three months ended Jan. 31, 2019: | 9,360,000 shares |
|-----------------------------------|-------------------|-----------------------------------|------------------|

Note: Tobila Systems conducted a 100-for-1 stock split on January 16, 2019 and a 3-for-1 stock split on October 11, 2019.

The number of outstanding shares has been calculated as if these stock splits had taken place at the beginning of the fiscal year ended October 31, 2019.

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

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

Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to Tobila Systems' management at the time these materials were prepared, but are not promises by Tobila Systems regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Results of Operations

Smartphone performance continues to advance and mobile communications will soon advance to 5G. The Internet is certain to become an even more essential element of society. Smartphones, which are the most convenient means of accessing the Internet, are firmly established as a vital product for people of all ages. Furthermore, smartphones are becoming a key method for making payments due to the Japanese government's promotion of cashless payments in 2020. As a result, mobile phones have become one of the most important products that support sustainable growth in Japan, which has one of the oldest population in the world.

The number of fraud and spam activities using either phone calls or text messages (SMS phishing) targeting smartphone users and the resulting monetary losses are consistently high. Furthermore, Japan's Ministry of Health, Labour and Welfare and many local governments are now warning the public about fraud associated with the coronavirus disease (COVID-19) outbreak. Fraud activity that creates worries and threatens public safety is a constant problem. There is an increasing need for measures to maintain a safe communication environment that protects people from fraud, which is becoming increasingly frequent and sophisticated. As a result, there are growing expectations regarding our security products and services that are effective at protecting smartphone users from fraud.

We have focused our resources on fraud and spam prevention services based on our corporate philosophy "We open the door to a better future for our lives and the world." Fraud and spam activities through phone calls or the Internet are an increasingly serious problem in Japan. Consequently, supplying effective products and services to solve this problem will contribute to our medium to long-term sustainable growth. Increasing the utilization of our fraud and spam prevention services requires more service alliances, stronger cooperation and sales and earnings growth by increasing MAU (Monthly Active Users) and adding new functions. We are taking many actions to achieve this goal.

Sales continue to grow, but first quarter corporate expenses, which are not allocated to a reportable segment, were higher than one year earlier. The main reasons are the need to recruit a larger number of administrative personnel that a publicly owned company requires and an increase in listing and other expenses involving our stock market listing.

As a result, net sales increased 26.1% year-on-year to 270 million yen in the first quarter of the fiscal year ending October 31, 2020. Operating profit decreased 2.5% to 100 million yen, ordinary profit decreased 2.5% to 100 million yen and profit was up 3.8% to 69 million yen.

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

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

Business segment performance was as follows:

Beginning with the first quarter of the fiscal year ending October 31, 2020, Tobila Systems has revised its reportable segment structure. Please refer to "(3) Notes to Quarterly Non-consolidated Financial Statements, Segment and Other Information, II. First three months of FY10/20, 2. Information related to changes in reportable segments, etc." for more details.

Prior-year figures have been adjusted to match the revised segments in order to facilitate year-on-year comparisons.

Fraud and spam prevention services

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

In the mobile phone filtering service category, we have started providing to SoftBank Corp. and KDDI Corporation a filtering function that blocks fraudulent and other malicious messages for users of the “+message” messaging app of these two companies. In the business phone filtering service category, we are currently developing a service that will be called “TobilaPhone Cloud” and is to be released in March 2020.

As a result, first quarter sales were 244 million yen, up 26.0% from one year earlier, and segment profit increased 19.9% to 172 million yen.

Others

Other services include a website design and operation support service, development projects outsourced by other companies and other activities. We do not intend to increase the scale of operations in this segment. First quarter sales increased 27.2% to 26 million yen, and the segment profit was 11 million yen, down 8.6% from one year earlier.

Total operating profit is the sum of the profit of the two segments minus corporate expenses, which are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments. In the first quarter, corporate expenses increased 56.5% from one year earlier to 83 million yen. This was attributable mainly to a larger number of administrative personnel, expenses for the stock market listing and higher administrative expenses because of the larger scale of operations.

(2) Explanation of Financial Position

Total assets

Total assets decreased 16 million yen from the end of the previous fiscal year to 1,293 million yen at the end of the first quarter of the current fiscal year. This was attributable mainly to a decrease of 82 million yen in cash and deposits, and increases of 18 million yen in notes and accounts receivable-trade and 29 million yen in property, plant and equipment.

Liabilities

Total liabilities decreased 85 million yen from the end of the previous fiscal year to 223 million yen. The main factors include a 98 million yen decrease in income taxes payable, a 36 million yen increase in advances received, and a 3 million yen decrease in long-term borrowings.

Net assets

Total net assets increased 69 million yen from the end of the previous fiscal year to 1,070 million yen. This was mainly due to the booking of profit of 69 million yen.

(3) Explanation of Earnings Forecast and Other Forward-looking Statements

We currently maintain the earnings forecast for the fiscal year ending October 31, 2020 that was announced on December 10, 2019.

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

(Thousands of yen)

| | FY10/19 (As of Oct. 31, 2019) | First quarter of FY10/20 (As of Jan. 31, 2020) |
|-------------------------------------|----------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 998,475 | 916,219 |
| Notes and accounts receivable-trade | 109,595 | 128,356 |
| Merchandise and finished goods | 19,288 | 18,044 |
| Work in process | 762 | 1,636 |
| Raw materials and supplies | 529 | 399 |
| Other | 10,873 | 18,799 |
| Allowance for doubtful accounts | (365) | (382) |
| Total current assets | 1,139,160 | 1,083,072 |
| Non-current assets | | |
| Property, plant and equipment | 43,857 | 72,886 |
| Intangible assets | | |
| Software | 68,725 | 68,160 |
| Other | 16,642 | 22,978 |
| Total intangible assets | 85,367 | 91,139 |
| Investments and other assets | 41,743 | 46,838 |
| Total non-current assets | 170,968 | 210,864 |
| Total assets | 1,310,128 | 1,293,936 |
| Liabilities | | |
| Current liabilities | | |
| Income taxes payable | 132,513 | 33,964 |
| Provision for bonuses | - | 12,828 |
| Other | 151,769 | 154,924 |
| Total current liabilities | 284,283 | 201,717 |
| Non-current liabilities | | |
| Long-term borrowings | 24,892 | 21,640 |
| Total non-current liabilities | 24,892 | 21,640 |
| Total liabilities | 309,175 | 223,357 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 293,010 | 293,010 |
| Capital surplus | | |
| Legal capital surplus | 257,310 | 257,310 |
| Total capital surpluses | 257,310 | 257,310 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | 450,632 | 520,258 |
| Total retained earnings | 450,632 | 520,258 |
| Total shareholders' equity | 1,000,953 | 1,070,579 |
| Total net assets | 1,000,953 | 1,070,579 |
| Total liabilities and net assets | 1,310,128 | 1,293,936 |

(2) Quarterly Non-consolidated Statement of Income
For the Three-month Period

| | (Thousands of yen) | |
|--|---|---|
| | First three months of FY10/19 (Nov. 1, 2018 – Jan. 31, 2019) | First three months of FY10/20 (Nov. 1, 2019 – Jan. 31, 2020) |
| Net sales | 214,831 | 270,950 |
| Cost of sales | 49,250 | 77,336 |
| Gross profit | 165,580 | 193,613 |
| Selling, general and administrative expenses | 62,542 | 93,159 |
| Operating profit | 103,037 | 100,454 |
| Non-operating income | | |
| Consumption tax difference | 0 | 0 |
| Cancellation income for services | 7 | - |
| Other | 0 | - |
| Total non-operating income | 7 | 0 |
| Non-operating expenses | | |
| Interest expenses | 113 | 54 |
| Total non-operating expenses | 113 | 54 |
| Ordinary profit | 102,930 | 100,400 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | - | 83 |
| Total extraordinary losses | - | 83 |
| Profit before income taxes | 102,930 | 100,317 |
| Income taxes-current | 38,019 | 31,249 |
| Income taxes-deferred | (2,139) | (558) |
| Total income taxes | 35,880 | 30,690 |
| Profit | 67,050 | 69,626 |

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment Information

I. First three months of FY10/19 (Nov. 1, 2018 – Jan. 31, 2019)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

| | Reportable segment | | Others (Note 1) | Total | Adjustment (Note 2) | Amounts shown on quarterly non-consolidated statement of income (Note 3) |
|--------------------------------------|--|----------|--------------------|---------|------------------------|--|
| | Fraud and spam prevention services | Subtotal | | | | |
| Net sales | | | | | | |
| External sales | 193,836 | 193,836 | 20,994 | 214,831 | - | 214,831 |
| Inter-segment sales and transfers | - | - | - | - | - | - |
| Total | 193,836 | 193,836 | 20,994 | 214,831 | - | 214,831 |
| Segment profit | 144,114 | 144,114 | 12,298 | 156,412 | (53,375) | 103,037 |

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

2. The adjustment to segment profit includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments.

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

II. First three months of FY10/20 (Nov. 1, 2019 – Jan. 31, 2020)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

| | Reportable segment | | Others (Note 1) | Total | Adjustment (Note 2) | Amounts shown on quarterly non-consolidated statement of income (Note 3) |
|--------------------------------------|--|----------|--------------------|---------|------------------------|--|
| | Fraud and spam prevention services | Subtotal | | | | |
| Net sales | | | | | | |
| External sales | 244,241 | 244,241 | 26,709 | 270,950 | - | 270,950 |
| Inter-segment sales and transfers | - | - | - | - | - | - |
| Total | 244,241 | 244,241 | 26,709 | 270,950 | - | 270,950 |
| Segment profit | 172,770 | 172,770 | 11,235 | 184,005 | (83,550) | 100,454 |

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

2. The adjustment to segment profit includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments.

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

2. Information related to changes in reportable segments, etc.

Beginning with the first quarter of the fiscal year ending October 31, 2020, Tobila Systems has deleted the Other Services segment. As a result, there is now only one reportable segment: Fraud and Spam Prevention Services.

Our policy is to no longer aim for growth of the website design and operation support service or the outsourced development projects, which are included in the Other Services segment. Due to the growth of the Fraud and Spam Prevention Services segment, the importance of the Other Services segment has declined. This resulted in the decision that Other Services should be deleted from the reportable segments.

The segment information for the first three months of FY10/19 was prepared and disclosed based on the reportable segment structure after this change.

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