

**Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2020
(Six Months Ended April 30, 2020)**

[Japanese GAAP]

June 10, 2020

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

Scheduled date of filing of Quarterly Report: June 10, 2020
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (Video distribution is planned)

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

**1. Non-consolidated Financial Results for the Second Quarter (November 1, 2019 - April 30, 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	%
Six months ended Apr. 30, 2020	590	20.2	242	4.8	215	(1.6)	149	(0.9)
Six months ended Apr. 30, 2019	490	20.4	231	53.4	219	47.8	150	54.9

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Apr. 30, 2020	14.58	13.98
Six months ended Apr. 30, 2019	16.07	15.01

Notes: 1. Tobil 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. The Tobil Systems stock was listed on the Tokyo Stock Exchange Mothers Market on April 25, 2019. Diluted net income per share for the six months ended April 30, 2019 was determined by using an average stock price during the period between the listing and the end of April 2019.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Apr. 30, 2020	1,643	1,159	70.5
As of Oct. 31, 2019	1,310	1,000	76.4

Reference: Shareholders' equity (million yen) As of Apr. 30, 2020: 1,159 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	-	0.00	-	-	-
Fiscal year ending Oct. 31, 2020 (forecasts)	-	-	-	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
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 Apr. 30, 2020:	10,288,800 shares	As of Oct. 31, 2019:	10,222,800 shares
----------------------	-------------------	----------------------	-------------------

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

As of Apr. 30, 2020:	20 shares	As of Oct. 31, 2019:	- shares
----------------------	-----------	----------------------	----------

3) Average number of shares outstanding during the period

Six months ended Apr. 30, 2020:	10,229,209 shares	Six months ended Apr. 30, 2019:	9,371,022 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.

Contents of Attachments

1. Qualitative Information on Quarterly Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Earnings Forecast and Other Forward-looking Statements	4
2. Quarterly Non-consolidated Financial Statements and Notes	5
(1) Quarterly Non-consolidated Balance Sheet	5
(2) Quarterly Non-consolidated Statement of Income	6
(3) Quarterly Non-consolidated Statement of Cash Flows	7
(4) Notes to Quarterly Non-consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8

1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Results of Operations

Smartphone performance continues to advance and mobile communications have advanced 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, in 2020, the smartphone is winning recognition as a key device for making payments due to the Japanese government's promotion of cashless payments along with the spread of telework as a part of the new normal. 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 populations 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. Recently, fraud associated with the global spread of COVID-19 pandemic, is on the increase. 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 half 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 listing and other expenses involving the change in our stock market listing to the First Section of Tokyo Stock Exchange.

As a result, net sales increased 20.2% year-on-year to 590 million yen in the first half of the fiscal year ending October 31, 2020. Operating profit increased 4.8% to 242 million yen, ordinary profit decreased 1.6% to 215 million yen and profit was down 0.9% to 149 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 "Notes to Quarterly Non-consolidated Financial Statements, Segment and Other Information, II. First six 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 business phone filtering service category, we released the new “TobilaPhone Cloud” service at the end of March 2020. “TobilaPhone Cloud” is a cloud business app for smartphones. We have received many inquiries from customers who want to build a new telework environment as a countermeasure to the COVID-19 pandemic and customers who want to introduce an inexpensive business phone for their new businesses.

As a result, first half sales were 539 million yen, up 29.3% from one year earlier, and segment profit increased 20.6% to 372 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 half sales decreased 31.3% to 50 million yen, and the segment profit was 26 million yen, down 28.9% 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 half, corporate expenses increased 36.7% to 156 million yen. This was attributable mainly to a larger number of administrative personnel, expenses for the change in our stock market listing and higher administrative expenses because of the larger scale of operations.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets

Total assets increased 333 million yen from the end of the previous fiscal year to 1,643 million yen at the end of the second quarter of the current fiscal year. This was attributable mainly to increases of 254 million yen in cash and deposits, 33 million yen in notes and accounts receivable-trade, 24 million yen in property, plant and equipment, and 16 million yen in intangible assets.

Liabilities

Total liabilities increased 175 million yen from the end of the previous fiscal year to 484 million yen. The main factors include a 200 million yen increase in short-term borrowings, a 52 million yen decrease in income taxes payable, and a 23 million yen increase in advances received.

Net assets

Total net assets increased 158 million yen from the end of the previous fiscal year to 1,159 million yen. The main factors include an increase in share capital and capital surplus of 4 million yen each due to the exercise of share acquisition rights, and the booking of profit of 149 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the first half of the current fiscal year increased 254 million yen from the end of the previous fiscal year to 1,253 million yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 148 million yen compared with 242 million yen in the same period of the previous fiscal year. This was mainly due to profit before income taxes of 215 million yen, a decrease in inventories of 11 million yen, and increases in accounts payable-other of 21 million yen and advances received of 23 million yen, while there were income taxes paid of 121 million yen and an increase in trade receivables of 33 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 93 million yen compared with 25 million yen in the same period of the previous fiscal year. The main factors include payments for the purchases of property, plant and equipment of 52 million yen and intangible assets of 35 million yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 199 million yen compared with 198 million yen in the same period of the previous fiscal year. This was mainly due to a net increase in short-term borrowings of 200 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)	Second quarter of FY10/20 (As of Apr. 30, 2020)
Assets		
Current assets		
Cash and deposits	998,475	1,253,222
Notes and accounts receivable-trade	109,595	142,908
Merchandise and finished goods	19,288	7,021
Work in process	762	1,462
Raw materials and supplies	529	378
Other	10,873	15,936
Allowance for doubtful accounts	(365)	(396)
Total current assets	1,139,160	1,420,532
Non-current assets		
Property, plant and equipment	43,857	68,751
Intangible assets		
Software	68,725	83,296
Other	16,642	18,526
Total intangible assets	85,367	101,822
Investments and other assets	41,743	52,892
Total non-current assets	170,968	223,466
Total assets	1,310,128	1,643,999
Liabilities		
Current liabilities		
Accounts payable-trade	775	140
Short-term borrowings	-	200,000
Income taxes payable	132,513	79,515
Other	150,994	186,173
Total current liabilities	284,283	465,829
Non-current liabilities		
Long-term borrowings	24,892	18,388
Total non-current liabilities	24,892	18,388
Total liabilities	309,175	484,217
Net assets		
Shareholders' equity		
Share capital	293,010	297,861
Capital surplus		
Legal capital surplus	257,310	262,161
Total capital surpluses	257,310	262,161
Retained earnings		
Other retained earnings		
Retained earnings brought forward	450,632	599,789
Total retained earnings	450,632	599,789
Treasury shares	-	(30)
Total shareholders' equity	1,000,953	1,159,781
Total net assets	1,000,953	1,159,781
Total liabilities and net assets	1,310,128	1,643,999

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

(Thousands of yen)

	First six months of FY10/19 (Nov. 1, 2018 – Apr. 30, 2019)	First six months of FY10/20 (Nov. 1, 2019 – Apr. 30, 2020)
Net sales	490,953	590,170
Cost of sales	124,899	159,983
Gross profit	366,053	430,187
Selling, general and administrative expenses	134,926	187,856
Operating profit	231,126	242,330
Non-operating income		
Interest income	1	4
Cancellation income for services	27	153
Other	0	5
Total non-operating income	29	163
Non-operating expenses		
Interest expenses	184	145
Share issuance cost	5,968	8
Listing expenses	5,640	25,601
Other	-	960
Total non-operating expenses	11,794	26,716
Ordinary profit	219,361	215,777
Extraordinary losses		
Loss on retirement of non-current assets	-	83
Total extraordinary losses	-	83
Profit before income taxes	219,361	215,693
Income taxes-current	74,346	73,673
Income taxes-deferred	(5,571)	(7,136)
Total income taxes	68,775	66,536
Profit	150,586	149,157

(3) Quarterly Non-consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY10/19 (Nov. 1, 2018 – Apr. 30, 2019)	First six months of FY10/20 (Nov. 1, 2019 – Apr. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	219,361	215,693
Depreciation	14,934	25,666
Increase (decrease) in allowance for doubtful accounts	(79)	31
Interest and dividend income	(1)	(4)
Interest expenses	184	145
Share issuance cost	5,968	8
Listing expenses	5,640	25,601
Decrease (increase) in trade receivables	(8,351)	(33,313)
Decrease (increase) in inventories	13,830	11,719
Increase (decrease) in trade payables	137	(635)
Increase (decrease) in accounts payable-other	1,152	21,353
Loss on retirement of non-current assets	-	83
Increase (decrease) in advances received	22,969	23,512
Increase (decrease) in accrued consumption taxes	749	(5,337)
Other, net	(80)	(13,908)
Subtotal	276,416	270,617
Interest and dividend income received	1	4
Interest expenses paid	(184)	(230)
Income taxes paid	(33,607)	(121,582)
Net cash provided by (used in) operating activities	242,626	148,808
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,435)	(52,752)
Purchase of intangible assets	(24,037)	(35,192)
Payments of leasehold and guarantee deposits	(152)	(380)
Payments for asset retirement obligations	-	(4,900)
Net cash provided by (used in) investing activities	(25,625)	(93,224)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	200,000
Repayments of long-term borrowings	(6,504)	(6,504)
Proceeds from issuance of common shares	207,191	9,698
Payments of listing expenses	(2,478)	(4,000)
Purchase of treasury shares	-	(30)
Net cash provided by (used in) financing activities	198,208	199,164
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	415,209	254,747
Cash and cash equivalents at beginning of period	226,249	998,475
Cash and cash equivalents at end of period	641,458	1,253,222

(4) 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 six months of FY10/19 (Nov. 1, 2018 – Apr. 30, 2019)

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	417,131	417,131	73,821	490,953	-	490,953
Inter-segment sales and transfers	-	-	-	-	-	-
Total	417,131	417,131	73,821	490,953	-	490,953
Segment profit	308,972	308,972	36,593	345,565	(114,439)	231,126

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 six months of FY10/20 (Nov. 1, 2019 – Apr. 30, 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	539,486	539,486	50,684	590,170	-	590,170
Inter-segment sales and transfers	-	-	-	-	-	-
Total	539,486	539,486	50,684	590,170	-	590,170
Segment profit	372,754	372,754	26,007	398,762	(156,431)	242,330

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 six 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.