

**Non-consolidated Financial Results for the Third Quarter of the Fiscal Year Ending October 31, 2020
(Nine Months Ended July 31, 2020)**

[Japanese GAAP]

September 9, 2020

Company name: Tobila 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: September 9, 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 Third Quarter (November 1, 2019 - July 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	%
Nine months ended Jul. 31, 2020	902	24.9	376	18.1	349	14.5	241	16.1
Nine months ended Jul. 31, 2019	722	15.6	318	61.3	305	59.7	208	83.2

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Jul. 31, 2020	23.56	22.67
Nine months ended Jul. 31, 2019	21.76	20.36

Notes: 1. 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. The Tobila Systems stock was listed on the Tokyo Stock Exchange Mothers Market on April 25, 2019. Diluted net income per share for the nine months ended July 31, 2019 was determined by using an average stock price during the period between the listing and the end of July 2019.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jul. 31, 2020	1,527	1,264	82.8
As of Oct. 31, 2019	1,310	1,000	76.4

Reference: Shareholders' equity (million yen) As of Jul. 31, 2020: 1,264 As of Oct. 31, 2019: 1,000

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Oct. 31, 2019	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 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 Jul. 31, 2020:	10,370,400 shares	As of Oct. 31, 2019:	10,222,800 shares
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2) Number of treasury shares at the end of the period

As of Jul. 31, 2020:	20 shares	As of Oct. 31, 2019:	- shares
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3) Average number of shares outstanding during the period

Nine months ended Jul. 31, 2020:	10,270,951 shares	Nine months ended Jul. 31, 2019:	9,578,670 shares
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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 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, smartphones 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. 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 nine months 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 24.9% year-on-year to 902 million yen in the first nine months of the fiscal year ending October 31, 2020. Operating profit increased 18.1% to 376 million yen, ordinary profit increased 14.5% to 349 million yen and profit was up 16.1% to 241 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 nine 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-based business phone service. 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, sales in the first nine months were 829 million yen, up 32.2% from one year earlier, and segment profit increased 25.0% to 565 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. Sales in the first nine months decreased 23.3% to 73 million yen, and the segment profit was 40 million yen, down 17.7% 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 nine months, corporate expenses increased 25.6% to 229 million yen. This was attributable mainly to a larger number of administrative personnel and higher administrative expenses because of the larger scale of operations.

(2) Explanation of Financial Position

Total assets

Total assets increased 217 million yen from the end of the previous fiscal year to 1,527 million yen at the end of the third quarter of the current fiscal year. This was attributable mainly to increases of 124 million yen in cash and deposits, 35 million yen in notes and accounts receivable-trade, 21 million yen in property, plant and equipment, and 22 million yen in intangible assets.

Liabilities

Total liabilities decreased 46 million yen from the end of the previous fiscal year to 263 million yen. The main factors include an 83 million yen decrease in income taxes payable, a 63 million yen increase in advances received, and a 9 million yen decrease in long-term borrowings.

Net assets

Total net assets increased 263 million yen from the end of the previous fiscal year to 1,264 million yen. The main factors include an increase in share capital and capital surplus of 10 million yen each due to the exercise of share acquisition rights, and the booking of profit of 241 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)	Third quarter of FY10/20 (As of Jul. 31, 2020)
Assets		
Current assets		
Cash and deposits	998,475	1,122,895
Notes and accounts receivable-trade	109,595	144,866
Merchandise and finished goods	19,288	14,391
Work in process	762	2,558
Raw materials and supplies	529	515
Other	10,873	18,427
Allowance for doubtful accounts	(365)	(371)
Total current assets	1,139,160	1,303,284
Non-current assets		
Property, plant and equipment	43,857	65,080
Intangible assets		
Software	68,725	89,158
Other	16,642	19,069
Total intangible assets	85,367	108,228
Investments and other assets	41,743	51,094
Total non-current assets	170,968	224,403
Total assets	1,310,128	1,527,687
Liabilities		
Current liabilities		
Accounts payable-trade	775	185
Income taxes payable	132,513	49,431
Provision for bonuses	-	12,006
Other	150,994	186,364
Total current liabilities	284,283	247,987
Non-current liabilities		
Long-term borrowings	24,892	15,136
Total non-current liabilities	24,892	15,136
Total liabilities	309,175	263,123
Net assets		
Shareholders' equity		
Share capital	293,010	303,859
Capital surplus		
Legal capital surplus	257,310	268,159
Total capital surpluses	257,310	268,159
Retained earnings		
Other retained earnings		
Retained earnings brought forward	450,632	692,576
Total retained earnings	450,632	692,576
Treasury shares	-	(30)
Total shareholders' equity	1,000,953	1,264,564
Total net assets	1,000,953	1,264,564
Total liabilities and net assets	1,310,128	1,527,687

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

	(Thousands of yen)	
	First nine months of FY10/19 (Nov. 1, 2018 – Jul. 31, 2019)	First nine months of FY10/20 (Nov. 1, 2019 – Jul. 31, 2020)
Net sales	722,769	902,645
Cost of sales	185,033	238,623
Gross profit	537,735	664,022
Selling, general and administrative expenses	218,960	287,636
Operating profit	318,775	376,385
Non-operating income		
Interest income	1	4
Cancellation income for services	36	294
Subsidy income	-	570
Other	1	5
Total non-operating income	39	875
Non-operating expenses		
Interest expenses	266	275
Share issuance cost	7,410	256
Listing expenses	5,848	25,601
Other	-	1,460
Total non-operating expenses	13,526	27,593
Ordinary profit	305,288	349,667
Extraordinary losses		
Loss on retirement of non-current assets	2,450	83
Total extraordinary losses	2,450	83
Profit before income taxes	302,837	349,583
Income taxes-current	100,906	113,813
Income taxes-deferred	(6,461)	(6,174)
Total income taxes	94,444	107,639
Profit	208,392	241,944

(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

First nine months of FY10/19 (Nov. 1, 2018 – Jul. 31, 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	627,394	627,394	95,374	722,769	-	722,769
Inter-segment sales and transfers	-	-	-	-	-	-
Total	627,394	627,394	95,374	722,769	-	722,769
Segment profit	452,538	452,538	49,319	501,858	(183,083)	318,775

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.

First nine months of FY10/20 (Nov. 1, 2019 – Jul. 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	829,509	829,509	73,136	902,645	-	902,645
Inter-segment sales and transfers	-	-	-	-	-	-
Total	829,509	829,509	73,136	902,645	-	902,645
Segment profit	565,747	565,747	40,595	606,343	(229,957)	376,385

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 nine 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.