

**Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ending October 31, 2021  
(Three Months Ended January 31, 2021)**

**[Japanese GAAP]**

March 10, 2021

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, Managing Director and CFO  
 Tel: +81-(0)50-5533-3720

Scheduled date of filing of Quarterly Report: March 10, 2021  
 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 First Quarter (November 1, 2020 - January 31, 2021) of the Fiscal Year Ending October 31, 2021**

(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, 2021	335	23.9	123	22.7	123	22.6	84	21.9
Three months ended Jan. 31, 2020	270	26.1	100	(2.5)	100	(2.5)	69	3.8

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jan. 31, 2021	8.21	8.00
Three months ended Jan. 31, 2020	6.81	6.52

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jan. 31, 2021	1,417	1,129	79.7
As of Oct. 31, 2020	1,647	1,347	81.7

Reference: Shareholders' equity (million yen) As of Jan. 31, 2021: 1,129 As of Oct. 31, 2020: 1,347

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Oct. 31, 2020	-	0.00	-	10.80	10.80
Fiscal year ending Oct. 31, 2021	-				
Fiscal year ending Oct. 31, 2021 (forecasts)		0.00	-	11.70	11.70

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

**3. Earnings Forecast for the Fiscal Year Ending October 31, 2021 (November 1, 2020 - October 31, 2021)**

(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	681	15.5	241	(0.5)	240	11.4	164	10.1	15.80
Full year	1,410	14.2	517	3.7	515	9.3	352	9.2	33.84

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, 2021:	10,410,600 shares	As of Oct. 31, 2020:	10,385,400 shares
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2) Number of treasury shares at the end of the period

As of Jan. 31, 2021:	120,050 shares	As of Oct. 31, 2020:	50 shares
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3) Average number of shares outstanding during the period

Three months ended Jan. 31, 2021:	10,334,715 shares	Three months ended Jan. 31, 2020:	10,222,800 shares
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\* 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

Teleworking is increasing in Japan, especially in metropolitan areas, as people become accustomed to new life styles created by the COVID-19 pandemic. As the number of people working home increased, there was a growing awareness of the vital role of telephones. In addition, companies are enacting business process reforms in order to achieve a digital transformation. All of these events are creating more interest in ICT tools and other items for improving the efficiency of business activities.

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 continued to focus our resources on fraud and spam prevention services, our main source of revenue, based on our corporate philosophy “We open the door to a better future for our lives and the world.” We have taken actions to enlarge service alliances, strengthen cooperation and increase MAU (Monthly Active Users) for more utilization of our fraud and spam prevention services. In addition, we focused on the sales of TobilaPhone Cloud, a cloud-based IP phone that started service at the end of March 2020.

As a result, net sales increased 23.9% year-on-year to 335,765 thousand yen in the first quarter of the fiscal year ending October 31, 2021. Operating profit increased 22.7% to 123,297 thousand yen, ordinary profit increased 22.6% to 123,138 thousand yen and profit was up 21.9% to 84,862 thousand yen.

Note: 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:

#### Fraud and spam prevention services

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

As a result, first quarter sales were 316,485 thousand yen, up 29.6% from one year earlier, and segment profit increased 14.9% to 198,524 thousand yen.

#### Others

Other services include a website design and operation support service, development projects outsourced by other companies and other activities. We do not intend to increase the scale of operations in this segment. First quarter sales decreased 27.8% to 19,279 thousand yen, and the segment profit was 11,613 thousand yen, up 3.4% 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 the reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses that

are not attributable to the reportable segments. In the first quarter, corporate expenses increased 3.9% to 86,840 thousand yen mainly because of higher administrative expenses because of the larger scale of operations.

## **(2) Explanation of Financial Position**

### **Total assets**

Total assets decreased 230,617 thousand yen from the end of the previous fiscal year to 1,417,347 thousand yen at the end of the first quarter of current fiscal year. This was attributable mainly to a decrease of 273,617 thousand yen in cash and deposits and an increase of 30,039 thousand yen in investment securities.

### **Liabilities**

Total liabilities decreased 13,452 thousand yen from the end of the previous fiscal year to 287,402 thousand yen. The main factors include a 48,374 thousand yen decrease in income taxes payable, a 70,932 thousand yen increase in advances received and a 33,164 thousand yen decrease in accounts payable-other.

### **Net assets**

Total net assets decreased 217,164 thousand yen from the end of the previous fiscal year to 1,129,944 thousand yen. The main factors include the booking of profit of 84,862 thousand yen, a decrease of 112,161 thousand yen in retained earnings due to dividends paid and purchase of treasury shares of 195,240 thousand yen.

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

We currently maintain the earnings forecast for the fiscal year ending October 31, 2021 that was announced on December 10, 2020.

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

(Thousands of yen)

	FY10/20 (As of Oct. 31, 2020)	First quarter of FY10/21 (As of Jan. 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,218,358	944,741
Notes and accounts receivable-trade	150,496	160,673
Electronically recorded monetary claims-operating	-	429
Merchandise and finished goods	18,036	13,930
Raw materials and supplies	1,564	1,552
Other	25,539	29,208
Allowance for doubtful accounts	(66)	(281)
Total current assets	1,413,929	1,150,254
Non-current assets		
Property, plant and equipment	65,249	61,368
Intangible assets		
Software	96,958	103,837
Other	17,212	15,108
Total intangible assets	114,171	118,946
Investments and other assets	54,614	86,778
Total non-current assets	234,035	267,092
Total assets	1,647,964	1,417,347
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	115	6,315
Income taxes payable	92,788	44,414
Provision for bonuses	-	11,673
Other	196,067	216,367
Total current liabilities	288,971	278,770
Non-current liabilities		
Long-term borrowings	11,884	8,632
Total non-current liabilities	11,884	8,632
Total liabilities	300,855	287,402
<b>Net assets</b>		
Shareholders' equity		
Share capital	304,961	307,648
Capital surplus		
Legal capital surplus	269,261	271,948
Total capital surpluses	269,261	271,948
Retained earnings		
Other retained earnings		
Retained earnings brought forward	772,977	745,677
Total retained earnings	772,977	745,677
Treasury shares	(90)	(195,330)
Total shareholders' equity	1,347,109	1,129,944
Total net assets	1,347,109	1,129,944
Total liabilities and net assets	1,647,964	1,417,347

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

	(Thousands of yen)	
	First three months of FY10/20 (Nov. 1, 2019 – Jan. 31, 2020)	First three months of FY10/21 (Nov. 1, 2020 – Jan. 31, 2021)
Net sales	270,950	335,765
Cost of sales	77,336	89,715
Gross profit	193,613	246,050
Selling, general and administrative expenses	93,159	122,752
Operating profit	100,454	123,297
Non-operating income		
Cancellation income for services	-	139
Commission income	-	36
Other	0	0
Total non-operating income	0	176
Non-operating expenses		
Interest expenses	54	34
Share issuance cost	-	129
Commission expenses	-	171
Total non-operating expenses	54	335
Ordinary profit	100,400	123,138
Extraordinary losses		
Loss on retirement of non-current assets	83	45
Total extraordinary losses	83	45
Profit before income taxes	100,317	123,093
Income taxes-current	31,249	41,206
Income taxes-deferred	(558)	(2,975)
Total income taxes	30,690	38,231
Profit	69,626	84,862

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

Not applicable.

**Significant Changes in Shareholders' Equity**

In accordance with a resolution approved by the Tobila Systems Board of Directors on December 10, 2020, Tobila Systems repurchased 120,000 shares of its stock, resulting in an increase of 195,240 thousand yen in treasury shares during the first three months of the current fiscal year. The result of all these measures was treasury shares of 195,330 thousand yen at the end of the first quarter of the current fiscal year.

**Segment and Other Information**

## Segment Information

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

Information related to net sales and profit or loss for the 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 the reportable segment 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 the reportable segment. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to the reportable segment.

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

## II. First three months of FY10/21 (Nov. 1, 2020 – Jan. 31, 2021)

Information related to net sales and profit or loss for the 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	316,485	316,485	19,279	335,765	-	335,765
Inter-segment sales and transfers	-	-	-	-	-	-
Total	316,485	316,485	19,279	335,765	-	335,765
Segment profit	198,524	198,524	11,613	210,137	(86,840)	123,297

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

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

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



## Subsequent Events

### Disposal of Treasury Shares for the Purpose of Granting Restricted Stock

In accordance with a resolution approved by the Tobila Systems Board of Directors on January 21, 2021, Tobila Systems has implemented disposal of treasury shares, and payment was completed on February 19, 2021.

#### 1. Disposal of treasury shares

(1) Deadline for disposal	February 19, 2021
(2) Type and number of shares to be sold	Tobila Systems common stock: 25,000 shares
(3) Disposal price	1,325 yen per share
(4) Total disposal price	33,125,000 yen
(5) Allottee	41 employees of Tobila Systems: 25,000 shares
(6) Other	Tobila Systems has submitted the Securities Registration Statement regarding this disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.

#### 2. Purpose and reason for the disposal of treasury shares

On December 10, 2020, the Board of Directors of Tobila Systems has approved the resolution to establish a restricted stock compensation plan for its employees, who have fulfilled the requirements. There are two reasons for the establishment of this plan. First, the ownership of Tobila Systems stock will give employees a greater incentive to contribute to the sustained growth of corporate value. Second, holding this stock will further align the interests of employees with the interests of shareholders. Employees who have fulfilled the requirements use all monetary compensation claims received from Tobila Systems through this compensation plan as payment for receiving the Tobila Systems common stock.

*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.*