

**Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2021
(Six Months Ended April 30, 2021)**

[Japanese GAAP]

June 10, 2021

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange, First Section
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Scheduled date of filing of Quarterly Report: June 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 Second Quarter (November 1, 2020 - April 30, 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	%
Six months ended Apr. 30, 2021	693	17.6	286	18.1	286	32.7	197	32.5
Six months ended Apr. 30, 2020	590	20.2	242	4.8	215	(1.6)	149	(0.9)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Apr. 30, 2021	19.09	18.65
Six months ended Apr. 30, 2020	14.58	13.98

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Apr. 30, 2021	1,565	1,289	82.4
As of Oct. 31, 2020	1,647	1,347	81.7

Reference: Shareholders' equity (million yen) As of Apr. 30, 2021: 1,289 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	-	0.00	-	-	-
Fiscal year ending Oct. 31, 2021 (forecasts)	-	-	-	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
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 Apr. 30, 2021:	10,472,100 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 Apr. 30, 2021:	95,050 shares	As of Oct. 31, 2020:	50 shares
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3) Average number of shares outstanding during the period

Six months ended Apr. 30, 2021:	10,348,144 shares	Six months ended Apr. 30, 2020:	10,229,209 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. Timely communication is essential for teleworking, and 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, due to the global spread of COVID-19, fraud associated with 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. 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 increasing sales of the cloud-based IP phone service TobilaPhone Cloud, which is also an effective service for teleworking.

While sales growth was steady, corporate expenses, which are not allocated to a reportable segment, were higher than one year earlier due to an increase in administrative expenses associated with the larger scale of operations.

As a result, net sales increased 17.6% year-on-year to 693,939 thousand yen in the first half of the fiscal year ending October 31, 2021. Operating profit increased 18.1% to 286,076 thousand yen, ordinary profit increased 32.7% to 286,245 thousand yen and profit was up 32.5% to 197,569 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 half sales were 652,401 thousand yen, up 20.9% from one year earlier, and segment profit increased 15.8% to 431,535 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 half sales decreased 18.0% from one year earlier to 41,538 thousand yen, and the segment profit was 24,992 thousand yen, down 3.9%.

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 segment. In the first half, corporate expenses increased 9.0% from one year earlier to 170,451 thousand yen mainly because of 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 decreased 82,623 thousand yen from the end of the previous fiscal year to 1,565,341 thousand yen at the end of the second quarter of the current fiscal year. This was attributable mainly to a decrease of 170,004 thousand yen in cash and deposits, which was partially offset by increases of 23,279 thousand yen in intangible assets, 30,039 thousand yen in investment securities, 19,004 thousand yen in long-term prepaid expenses and 9,691 thousand yen in deferred tax assets.

Liabilities

Total liabilities decreased 24,951 thousand yen from the end of the previous fiscal year to 275,904 thousand yen. The main factors include decreases of 16,833 thousand yen in accounts payable-other, 7,852 thousand yen in deposits received, 11,072 thousand yen in accrued consumption taxes and 6,504 thousand yen in long-term borrowings, which were partially offset by a 12,616 thousand yen increase in income taxes payable and a 7,874 thousand yen increase in advances received.

Net assets

Total net assets decreased 57,671 thousand yen from the end of the previous fiscal year to 1,289,437 thousand yen. The main factors include the booking of profit of 197,569 thousand yen, a decrease of 112,161 thousand yen in retained earnings due to dividends paid and purchase of treasury shares of 154,563 thousand yen.

2) Cash flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the first half of the current fiscal year decreased 170,004 thousand yen from the end of the previous fiscal year to 1,048,354 thousand yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 203,184 thousand yen compared with 148,808 thousand yen in the same period of the previous fiscal year. This was mainly due to profit before income taxes of 286,200 thousand yen, depreciation of 27,274 thousand yen, a decrease of 3,104 thousand yen in inventories and an increase of 7,874 thousand yen in advances received, while there were income taxes paid of 86,018 thousand yen, an increase of 14,288 thousand yen in trade receivables and a decrease of 9,233 thousand yen in accounts payable-other.

Cash flows from investing activities

Net cash used in investing activities amounted to 78,070 thousand yen compared with 93,224 thousand yen in the same period of the previous fiscal year. The main factors include payments for the purchase of property, plant and equipment of 9,510 thousand yen, intangible assets of 40,212 thousand yen and investment securities of 30,039 thousand yen.

Cash flows from financing activities

Net cash used in financing activities amounted to 295,117 thousand yen compared with 199,164 thousand yen provided in the same period of the previous fiscal year. This was mainly due to proceeds from the exercise of share acquisition rights of 18,736 thousand yen, while there were purchase of treasury shares of 195,411 thousand yen and dividends paid of 111,938 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)	Second quarter of FY10/21 (As of Apr. 30, 2021)
Assets		
Current assets		
Cash and deposits	1,218,358	1,048,354
Notes and accounts receivable-trade	150,496	161,808
Electronically recorded monetary claims-operating	-	2,976
Merchandise and finished goods	18,036	14,804
Work in process	-	185
Raw materials and supplies	1,564	1,506
Other	25,539	31,276
Allowance for doubtful accounts	(66)	(88)
Total current assets	1,413,929	1,260,823
Non-current assets		
Property, plant and equipment	65,249	56,665
Intangible assets		
Software	96,958	104,864
Other	17,212	32,586
Total intangible assets	114,171	137,450
Investments and other assets	54,614	110,402
Total non-current assets	234,035	304,518
Total assets	1,647,964	1,565,341
Liabilities		
Current liabilities		
Accounts payable-trade	115	-
Income taxes payable	92,788	105,404
Other	196,067	165,119
Total current liabilities	288,971	270,524
Non-current liabilities		
Long-term borrowings	11,884	5,380
Total non-current liabilities	11,884	5,380
Total liabilities	300,855	275,904
Net assets		
Shareholders' equity		
Share capital	304,961	314,479
Capital surplus		
Legal capital surplus	269,261	278,779
Total capital surpluses	269,261	278,779
Retained earnings		
Other retained earnings		
Retained earnings brought forward	772,977	850,833
Total retained earnings	772,977	850,833
Treasury shares	(90)	(154,653)
Total shareholders' equity	1,347,109	1,289,437
Total net assets	1,347,109	1,289,437
Total liabilities and net assets	1,647,964	1,565,341

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

	(Thousands of yen)	
	First six months of FY10/20 (Nov. 1, 2019 – Apr. 30, 2020)	First six months of FY10/21 (Nov. 1, 2020 – Apr. 30, 2021)
Net sales	590,170	693,939
Cost of sales	159,983	182,371
Gross profit	430,187	511,568
Selling, general and administrative expenses	187,856	225,491
Operating profit	242,330	286,076
Non-operating income		
Interest income	4	5
Cancellation income for services	153	190
Subsidy income	-	570
Other	5	36
Total non-operating income	163	802
Non-operating expenses		
Interest expenses	145	104
Share issuance cost	8	358
Listing expenses	25,601	-
Commission expenses	960	171
Total non-operating expenses	26,716	633
Ordinary profit	215,777	286,245
Extraordinary losses		
Loss on retirement of non-current assets	83	45
Total extraordinary losses	83	45
Profit before income taxes	215,693	286,200
Income taxes-current	73,673	98,322
Income taxes-deferred	(7,136)	(9,691)
Total income taxes	66,536	88,630
Profit	149,157	197,569

(3) Quarterly Non-consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY10/20 (Nov. 1, 2019 – Apr. 30, 2020)	First six months of FY10/21 (Nov. 1, 2020 – Apr. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	215,693	286,200
Depreciation	25,666	27,274
Increase (decrease) in allowance for doubtful accounts	31	22
Interest and dividend income	(4)	(5)
Interest expenses	145	104
Share issuance cost	8	358
Listing expenses	25,601	-
Decrease (increase) in trade receivables	(33,313)	(14,288)
Decrease (increase) in inventories	11,719	3,104
Increase (decrease) in trade payables	(635)	(115)
Increase (decrease) in accounts payable-other	21,353	(9,233)
Loss on retirement of non-current assets	83	45
Increase (decrease) in advances received	23,512	7,874
Increase (decrease) in accrued consumption taxes	(5,337)	(11,072)
Other, net	(13,908)	(965)
Subtotal	270,617	289,302
Interest and dividend income received	4	5
Interest expenses paid	(230)	(105)
Income taxes paid	(121,582)	(86,018)
Net cash provided by (used in) operating activities	148,808	203,184
Cash flows from investing activities		
Purchase of property, plant and equipment	(52,752)	(9,510)
Purchase of intangible assets	(35,192)	(40,212)
Purchase of investment securities	-	(30,039)
Payments of leasehold and guarantee deposits	(380)	-
Proceeds from refund of leasehold deposits and guarantee deposits	-	1,692
Payments for asset retirement obligations	(4,900)	-
Net cash provided by (used in) investing activities	(93,224)	(78,070)
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 shares	9,698	18,736
Payments of listing expenses	(4,000)	-
Purchase of treasury shares	(30)	(195,411)
Dividends paid	-	(111,938)
Net cash provided by (used in) financing activities	199,164	(295,117)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	254,747	(170,004)
Cash and cash equivalents at beginning of period	998,475	1,218,358
Cash and cash equivalents at end of period	1,253,222	1,048,354

(4) 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.

In addition, retained earnings and treasury shares decreased by 7,552 thousand yen and 40,677 thousand yen, respectively, due to the disposal of 25,000 shares of treasury shares under the restricted stock grant plan with a payment completion date of February 19, 2021, based on the resolution approved by the Board of Directors on January 21, 2021.

As a result, retained earnings and treasury shares amounted to 850,833 thousand yen and 154,653 thousand yen, respectively, at the end of the second quarter of the current fiscal year.

Segment and Other Information**Segment Information****I. First six months of FY10/20 (Nov. 1, 2019 – Apr. 30, 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	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 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 six months of FY10/21 (Nov. 1, 2020 – Apr. 30, 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	652,401	652,401	41,538	693,939	-	693,939
Inter-segment sales and transfers	-	-	-	-	-	-
Total	652,401	652,401	41,538	693,939	-	693,939
Segment profit	431,535	431,535	24,992	456,528	(170,451)	286,076

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.

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.