

**Non-consolidated Financial Results for the Third Quarter of the Fiscal Year Ending October 31, 2021  
(Nine Months Ended July 31, 2021)**

**[Japanese GAAP]**  
September 10, 2021

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange, First Section  
 Securities code: 4441 URL: <https://tobila.com>  
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Scheduled date of filing of Quarterly Report: September 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 Third Quarter (November 1, 2020 - July 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	%
Nine months ended Jul. 31, 2021	1,057	17.2	450	19.7	449	28.6	310	28.2
Nine months ended Jul. 31, 2020	902	24.9	376	18.1	349	14.5	241	16.1

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Jul. 31, 2021	29.94	29.29
Nine months ended Jul. 31, 2020	23.56	22.67

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	Million yen	%
As of Jul. 31, 2021	1,730	81.1	1,403	81.1		
As of Oct. 31, 2020	1,647	81.7	1,347	81.7		

Reference: Shareholders' equity (million yen) As of Jul. 31, 2021: 1,403 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 Jul. 31, 2021:	10,477,500 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 Jul. 31, 2021:	95,950 shares	As of Oct. 31, 2020:	50 shares
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3) Average number of shares outstanding during the period

Nine months ended Jul. 31, 2021:	10,358,183 shares	Nine months ended Jul. 31, 2020:	10,270,951 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

The economic outlook remains uncertain as the spread of the COVID-19 infections continues, and a state of emergency and priority measures to prevent the spread of the disease have been reimposed. With vaccinations in full swing, vaccination-related fraud and spam activities through phone calls have increased significantly across the country. The perpetrators, through phone calls, promise to make priority appointments for vaccine shots on behalf of people for a fee.

The Tokyo Olympics began in July 2021, but without spectators in attendance. As a result, many people watched the games on TV or via internet streaming. Simultaneously, phishing scams emerged aiming to trick people into entering their credit card details under the guise of being a live Olympic broadcast. In this manner, specialized fraud schemes are becoming ever more sophisticated as the world continues to change.

There is thus a growing need to protect not only oneself, but also one's family and friends from these special frauds. In response, we have been focusing on the deployment of our spam filter service to provide an effective countermeasure in deterring crime. For further growth of our business, we have taken actions to enlarge service alliances, strengthen cooperation and deepened our cooperative relationships with them, and also increased the number of monthly active users <sup>Note</sup>. At the same time, we have diversified our marketing activities for our cloud-based IP phone service, "TobilaPhone Cloud," to increase sales and won the 'Leader' awards in the both the PBX and IVR (Interactive Voice Response) categories of the "ITreview Grid Award 2021 Summer."

As a result, net sales increased 17.2% year-on-year to 1,057,966 thousand yen in the first nine months of the fiscal year ending October 31, 2021. Operating profit increased 19.7% to 450,446 thousand yen, ordinary profit increased 28.6% to 449,510 thousand yen and profit was up 28.2% to 310,124 thousand yen.

Note: Monthly active users (MAU) are 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:

#### 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, sales in the first nine months were 997,118 thousand yen, up 20.2% from one year earlier, and segment profit increased 19.1% to 673,523 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. Sales in the first nine months decreased 16.8% from one year earlier to 60,847 thousand yen, and the segment profit was 36,743 thousand yen, down 9.5%.

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 nine months, corporate expenses increased 13.0% from

one year earlier to 259,820 thousand yen mainly because of higher administrative expenses because of the larger scale of operations.

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

### **Total assets**

Total assets increased 82,795 thousand yen from the end of the previous fiscal year to 1,730,760 thousand yen at the end of the third quarter of the current fiscal year. This was attributable mainly to a decrease of 38,783 thousand yen in cash and deposits, which was partially offset by increases of 20,295 thousand yen in notes and accounts receivable-trade, 40,029 thousand yen in investment securities, 15,368 thousand yen in long-term prepaid expenses and 39,079 thousand yen in intangible assets.

### **Liabilities**

Total liabilities increased 26,649 thousand yen from the end of the previous fiscal year to 327,504 thousand yen. The main factors include decreases of 33,542 thousand yen in accounts payable-other and 22,724 thousand yen in income taxes payable, which were partially offset by a 78,307 thousand yen increase in advances received.

### **Net assets**

Total net assets increased 56,145 thousand yen from the end of the previous fiscal year to 1,403,255 thousand yen. The main factors include the booking of profit of 310,124 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.

## **(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)	Third quarter of FY10/21 (As of Jul. 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,218,358	1,179,575
Notes and accounts receivable-trade	150,496	170,791
Electronically recorded monetary claims-operating	-	104
Merchandise and finished goods	18,036	24,773
Work in process	-	248
Raw materials and supplies	1,564	1,111
Other	25,539	34,384
Allowance for doubtful accounts	(66)	(89)
Total current assets	1,413,929	1,410,900
Non-current assets		
Property, plant and equipment	65,249	53,520
Intangible assets		
Software	96,958	137,176
Other	17,212	16,073
Total intangible assets	114,171	153,250
Investments and other assets	54,614	113,088
Total non-current assets	234,035	319,859
Total assets	1,647,964	1,730,760
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	115	10,665
Income taxes payable	92,788	70,063
Provision for bonuses	-	12,238
Other	196,067	232,410
Total current liabilities	288,971	325,376
Non-current liabilities		
Long-term borrowings	11,884	2,128
Total non-current liabilities	11,884	2,128
Total liabilities	300,855	327,504
<b>Net assets</b>		
Shareholders' equity		
Share capital	304,961	315,110
Capital surplus		
Legal capital surplus	269,261	279,410
Total capital surpluses	269,261	279,410
Retained earnings		
Other retained earnings		
Retained earnings brought forward	772,977	963,387
Total retained earnings	772,977	963,387
Treasury shares	(90)	(154,653)
Total shareholders' equity	1,347,109	1,403,255
Total net assets	1,347,109	1,403,255
Total liabilities and net assets	1,647,964	1,730,760

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

	(Thousands of yen)	
	First nine months of FY10/20 (Nov. 1, 2019 – Jul. 31, 2020)	First nine months of FY10/21 (Nov. 1, 2020 – Jul. 31, 2021)
Net sales	902,645	1,057,966
Cost of sales	238,623	275,253
Gross profit	664,022	782,712
Selling, general and administrative expenses	287,636	332,265
Operating profit	376,385	450,446
Non-operating income		
Interest income	4	5
Cancellation income for services	294	186
Subsidy income	570	570
Other	5	36
Total non-operating income	875	798
Non-operating expenses		
Interest expenses	275	128
Share issuance cost	256	417
Listing expenses	25,601	-
Loss on cancellation of share-based payment expenses	-	1,015
Other	1,460	171
Total non-operating expenses	27,593	1,734
Ordinary profit	349,667	449,510
Extraordinary losses		
Loss on retirement of non-current assets	83	45
Total extraordinary losses	83	45
Profit before income taxes	349,583	449,465
Income taxes-current	113,813	142,595
Income taxes-deferred	(6,174)	(3,254)
Total income taxes	107,639	139,341
Profit	241,944	310,124

**(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.

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 963,387 thousand yen and 154,653 thousand yen, respectively, at the end of the third quarter of the current fiscal year.

**Segment and Other Information**

## Segment Information

## I. First nine months of FY10/20 (Nov. 1, 2019 – Jul. 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	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 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 nine months of FY10/21 (Nov. 1, 2020 – Jul. 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	997,118	997,118	60,847	1,057,966	-	1,057,966
Inter-segment sales and transfers	-	-	-	-	-	-
Total	997,118	997,118	60,847	1,057,966	-	1,057,966
Segment profit	673,523	673,523	36,743	710,266	(259,820)	450,446

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

### Significant Loan

The Board of Directors of Tobila Systems approved a resolution on August 18, 2021 to borrow funds and signed a loan contract with Sumitomo Mitsui Banking Corporation on September 8, 2021.

Summary of the loan contract is as follows.

- |                       |                                     |
|-----------------------|-------------------------------------|
| (1) Use of the funds: | Funds for investments               |
| (2) Lender:           | Sumitomo Mitsui Banking Corporation |
| (3) Amount borrowed:  | 350,000 thousand yen                |
| (4) Interest rate:    | 0.350% annum                        |
| (5) Borrowing date:   | September 10, 2021                  |
| (6) Length of loan:   | 7 years                             |
| (7) Collateral:       | No collateral or guarantee          |

### Business combination through acquisition and absorption-type merger

On August 31, 2021, the Board of Directors of Tobila Systems approved a resolution to acquire all of the equity interests of 280blocker LLC and a contract to purchase this equity interests was signed on the same day. In addition, the Board of Directors of Tobila Systems also approved a resolution on September 10, 2021 for the merger of 280blocker LLC on the effective date of October 26, 2021 and a contract was signed on the same day.

A summary of the business combination through acquisition and the absorption-type merger is set out below. Since this is an absorption-type merger involving a wholly owned subsidiary of Tobila Systems, the disclosure of certain items and details has been omitted from this announcement.

#### 1. Business combination through acquisition

##### (1) Summary of business combination

###### a. Acquired company and its business activities

Name: 280blocker LLC

Business activities: Development and supply of the “280blocker” ad-blocking application

###### b. Reasons for acquisition

Based on our corporate philosophy of “We open the door to a better future for our lives and the world” the business policy of Tobila Systems is to use innovative technology to solve the social issues that someone must solve but that no one has yet been able to succeed in providing such solutions.” Toward this goal, we are striving to develop and deliver fraudulent call filtering services that can automatically detect and block unwanted calls and SMS, etc.

280blocker LLC supplies the iOS application “280blocker,” which blocks unwanted advertising content on the ‘Safari’ web browser. “280blocker” has been ranked No.1 among all paid apps in the App Store for three consecutive years from 2017 and is one of the most popular paid ad blocking apps in use today.

With the acquisition of this equity stake, Tobila Systems' fraudulent call filtering business will be able to cover the whole spectrum of unwanted phone calls and SMS as well as unwanted web advertising. We believe that this acquisition will enhance the value we offer to our users and help us achieve our goal of delivering “security that protects people.”

###### c. Acquisition date

August 31, 2021

###### d. Legal form of acquisition

Equity Interests

###### e. Company’s names after acquisition

There is no change in the company’s names.

###### f. Percentage of voting rights acquired

100%

###### g. Basis for choosing the company to acquire

Tobila Systems acquired the equity interests in exchange for cash.

## (2) Acquisition cost of companies and breakdown by type of consideration

Payment for the acquisition	Cash	375,000 thousand yen
<hr/>		
Acquisition cost		375,000 thousand yen

## (3) Details of major acquisition-related costs

Advisory fees 2,000 thousand yen (estimated amount)

## (4) Goodwill resulting from the acquisition

Not yet determined.

## (5) Major assets acquired and liabilities assumed on the acquisition date

Not yet determined.

## 2. Business combination through absorption-type merger (Transaction under common control)

## (1) Purpose of merger

We decided to absorb 280blocker LLC through an absorption-type merger because it was necessary to integrate databases, infrastructure, and organizations to maximize the synergies between the two companies.

## (2) Summary of merger

## a. Schedule of absorption-type merger

Date of resolution by the Board of Directors: September 10, 2021

Signing of merger contract: September 10, 2021

Merger date: October 26, 2021 (tentative)

No General Meeting of Shareholders will be held to approve the merger, as it is a simple merger pursuant to Article 796, Paragraph 2 of the Companies Act for Tobila Systems.

## b. Method of absorption-type merger

An absorption-type merger between Tobila Systems, which will be the surviving company, and 280blocker LLC, which will be liquidated.

## c. Distribution of stock associated with the absorption-type merger

There will be no distribution of stock, cash or other considerations in association with this merger because 280blocker LLC a wholly owned subsidiary of Tobila Systems.

## d. Treatment of share acquisition rights and bonds with share acquisition rights in association with the absorption-type merger

There will be no share acquisition rights or bonds with share acquisition rights issued by 280blocker LLC.

## (3) Absorption-type merger profile

There will be no change in the company name, location, representative, business activities, capital and fiscal year end of Tobila Systems as a result of this absorption-type merger.

## (4) Summary of accounting methods applied

As a transaction of units under the same control, the transaction will be processed in accordance with the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

## (5) Outlook

While the effect of this acquisition on Tobila Systems' business performance is currently being reviewed, we expect to have only a negligible effect on our results of operations for the fiscal year ending October 31, 2021.

*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.*