

**Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ending October 31, 2022
(Three Months Ended January 31, 2022)**

[Japanese GAAP]

March 10, 2022

Company name: Tobila Systems Inc.

Listing: Tokyo Stock Exchange, First Section

Securities code: 4441

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Scheduled date of filing of Quarterly Report:

March 10, 2022

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results:

Yes

Scheduled date of filing of Quarterly Report:

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, 2021 - January 31, 2022) of the Fiscal Year Ending October 31, 2022

(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, 2022	391	16.7	134	9.2	126	2.9	62	(26.6)
Three months ended Jan. 31, 2021	335	23.9	123	22.7	123	22.6	84	21.9

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jan. 31, 2022	5.97	5.89
Three months ended Jan. 31, 2021	8.21	8.00

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jan. 31, 2022	2,199	1,450	65.9
As of Oct. 31, 2021	2,170	1,489	68.6

Reference: Shareholders' equity (million yen) As of Jan. 31, 2022: 1,450 As of Oct. 31, 2021: 1,489

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Oct. 31, 2021	-	0.00	-	12.90	12.90
Fiscal year ending Oct. 31, 2022	-				
Fiscal year ending Oct. 31, 2022 (forecasts)		0.00	-	11.10	11.10

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

3. Earnings Forecast for the Fiscal Year Ending October 31, 2022 (November 1, 2021 - October 31, 2022)

(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	786	13.3	228	(20.0)	220	(23.0)	146	(25.7)	14.12
Full year	1,636	14.8	513	(11.5)	504	(12.8)	333	(13.7)	32.05

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: Yes

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, 2022:	10,617,000 shares	As of Oct. 31, 2021:	10,479,900 shares
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2) Number of treasury shares at the end of the period

As of Jan. 31, 2022:	97,850 shares	As of Oct. 31, 2021:	89,150 shares
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3) Average number of shares outstanding during the period

Three months ended Jan. 31, 2022:	10,431,031 shares	Three months ended Jan. 31, 2021:	10,334,715 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

Economic activity increased during the first quarter of the current fiscal year as the number of COVID-19 cases declined due to progress with vaccinations. However, there was subsequently an upturn in the pandemic caused by the omicron variant, which created concerns about a negative impact on economic activity. As a result, the outlook for the economy remains uncertain.

A variety of scams have been causing an enormous amount of losses. Examples include fraudulent messages about refunds concerning COVID-19 vaccines, fraudulent warnings about PCs and offers of assistance, and smishing, SMS phishing scams to steal personal information. In this manner, specialized fraud schemes are becoming ever more sophisticated as the world continues to change.

There is thus a growing need for protection against these scams, including for family members and friends. We have been focusing on our spam filter service to deter these criminal activities. In the landline filtering services category, we started offering with KDDI CORPORATION a service called the Fraudulent Call Automatic Block. This is Japan's first malicious call automatic blocking service for landline phones that does not require an add-on unit. Users do not require a special device because automatic blocking equipment for malicious calls is placed in KDDI's network. In addition, the TobilaPhone Mobile fraud and spam filtering service became the first app to be certified as an Outstanding Fraudulent Call Prevention Device recommended by the Japan National Crime Prevention Association. This certification further increases the recognition of the effectiveness of this app. Furthermore, there were many marketing campaigns for the purpose of raising awareness of 280blocker, an app that blocks malicious advertisements.

TobilaPhone Cloud, a cloud business phone service, has been a priority of ours for some time. To make this service even more convenient, we have launched an optional service that allows using an area code when making and receiving calls with a landline phone number. No special connection or equipment is needed. As a new business, we have developed and launched Talk Book, an AI sales support tool that realize the visualization of sales discussions and data-driven sales. In addition, we are implementing various measures to increase the number of monthly active users (see note) for our services. As a result, more than 14 million users now use our services.

The businesses and business models of Tobila Systems have received recognition in many ways. One example is the December 2021 selection of Tobila Systems by the Small and Medium Enterprise Agency of the Ministry of Economy, Trade and Industry for inclusion in the "300 Most Promising SMEs and Small Businesses." To strengthen corporate governance, we established a Nomination and Remuneration Committee for increasing the fairness, transparency and objectivity of the process used to determine nominations and remuneration for directors and other executives.

The Board of Directors resolved to select the Prime Market of the Tokyo Stock Exchange when the Tokyo Stock Exchange begins using its new trading categories in April 2022. We will continue to take actions aimed at achieving consistent growth of sales and earnings and the medium to long-term growth of corporate value.

In the first quarter, net sales increased 16.7% year-on-year to 391,882 thousand yen, operating profit increased 9.2% to 134,610 thousand yen, ordinary profit increased 2.9% to 126,655 thousand yen and profit was down 26.6% to 62,287 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. Our revenue is, however, not always directly affected by an increase or decrease in MAU because contracts with customers 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 377,252 thousand yen, up 19.2% from one year earlier, and segment profit increased 16.2% to 230,757 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 24.1% from one year earlier to 14,630 thousand yen, and the segment profit was 10,175 thousand yen, down 12.4%.

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 quarter, corporate expenses increased 22.4% from one year earlier to 106,322 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 29,951 thousand yen from the end of the previous fiscal year to 2,199,968 thousand yen at the end of the first quarter of the current fiscal year. This was attributable mainly to an increase of 42,298 thousand yen in cash and deposits, and a decrease of 29,156 thousand yen in investments and other assets.

Liabilities

Total liabilities increased 68,756 thousand yen from the end of the previous fiscal year to 749,764 thousand yen. The main factors include a decrease of 57,909 thousand yen in income taxes payable and an increase of 133,412 thousand yen in other current liabilities.

Net assets

Total net assets decreased 38,804 thousand yen from the end of the previous fiscal year to 1,450,204 thousand yen. The main factors include the booking of profit of 62,287 thousand yen, an increase in share capital and capital surplus of 16,040 thousand yen each due to the exercise of share acquisition rights, and a decrease of 134,040 thousand yen in retained earnings due to dividends paid.

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

We currently maintain the earnings forecast for the fiscal year ending October 31, 2022 that was announced on December 10, 2021.

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

(Thousands of yen)

	FY10/21 (As of Oct. 31, 2021)	First quarter of FY10/22 (As of Jan. 31, 2022)
Assets		
Current assets		
Cash and deposits	1,145,732	1,188,030
Accounts receivable-trade and contractual assets	181,343	188,968
Electronically recorded monetary claims-operating	562	80
Merchandise and finished goods	26,991	38,937
Work in process	527	13
Raw materials and supplies	978	898
Other	33,041	40,760
Allowance for doubtful accounts	(83)	(85)
Total current assets	1,389,094	1,457,604
Non-current assets		
Property, plant and equipment	49,849	50,957
Intangible assets		
Goodwill	325,221	307,556
Software	169,250	175,906
Other	14,826	15,326
Total intangible assets	509,297	498,788
Investments and other assets	221,774	192,618
Total non-current assets	780,921	742,363
Total assets	2,170,016	2,199,968
Liabilities		
Current liabilities		
Accounts payable-trade	7,194	414
Income taxes payable	111,310	53,401
Provision for bonuses	-	12,543
Other	266,712	400,125
Total current liabilities	385,217	466,484
Non-current liabilities		
Long-term borrowings	295,790	283,280
Total non-current liabilities	295,790	283,280
Total liabilities	681,007	749,764
Net assets		
Shareholders' equity		
Share capital	315,391	331,432
Capital surplus		
Legal capital surplus	279,691	295,732
Total capital surpluses	279,691	295,732
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,037,619	966,733
Total retained earnings	1,037,619	966,733
Treasury shares	(143,693)	(143,693)
Total shareholders' equity	1,489,008	1,450,204
Total net assets	1,489,008	1,450,204
Total liabilities and net assets	2,170,016	2,199,968

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

(Thousands of yen)

	First three months of FY10/21 (Nov. 1, 2020 – Jan. 31, 2021)	First three months of FY10/22 (Nov. 1, 2021 – Jan. 31, 2022)
Net sales	335,765	391,882
Cost of sales	89,715	103,645
Gross profit	246,050	288,237
Selling, general and administrative expenses	122,752	153,626
Operating profit	123,297	134,610
Non-operating income		
Interest income	-	0
Cancellation income for services	139	25
Commission income	36	-
Subsidy income	-	50
Other	0	10
Total non-operating income	176	85
Non-operating expenses		
Interest expenses	34	312
Loss on extinguishment of share-based payment expenses	-	7,604
Commission expenses	171	-
Other	129	123
Total non-operating expenses	335	8,041
Ordinary profit	123,138	126,655
Extraordinary income		
Gain on donation of non-current assets	-	5,900
Total extraordinary income	-	5,900
Extraordinary losses		
Loss on retirement of non-current assets	45	-
Loss on valuation of investment securities	-	29,944
Total extraordinary losses	45	29,944
Profit before income taxes	123,093	102,610
Income taxes-current	41,206	49,757
Income taxes-deferred	(2,975)	(9,434)
Total income taxes	38,231	40,323
Profit	84,862	62,287

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

Not applicable.

Significant Changes in Shareholders' Equity

Following the exercise of share acquisition rights as stock options, Tobila Systems issued 137,100 shares, resulting in an increase in share capital and capital surplus of 16,040 thousand yen each.

As a result, share capital and capital surplus amounted to 331,432 thousand yen and 295,732 thousand yen, respectively, at the end of the first quarter of the current fiscal year.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

Tobila Systems has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

As a result, for transactions where revenue was previously recognized at once upon the completion of a contract, revenue is recognized over a period based on a length of time with respect to a reasonable period involving the fulfillment of an obligation.

In addition, in prior years, revenue for the subcontracted development of software was recognized by using the percentage of completion method for contracts where there will be definite benefits of the portion where progress was made. For all other contracts, the completed contract method is used for the recognition of revenue. However, excluding contracts that are completed within a very short time, revenue was recognized over an applicable period as the obligation was fulfilled. For the estimation of the percentage of completion of the fulfillment of an obligation, the percentage is estimated by dividing the all costs recorded to date by the total estimated amount of costs that will be incurred for that obligation (input method) in cases where the benefits of the fulfillment of the obligation can be reliably measured. For contracts that are completed within a very short time, revenue is recognized when the obligation has been completely fulfilled.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. The effect of this change on the non-consolidated financial statements in the first quarter of the current fiscal year is insignificant.

Due to the application of the Accounting Standard for Revenue Recognition, accounts receivable-trade that were presented under the current assets in the non-consolidated balance sheets in the previous fiscal year is, from the first quarter of the current fiscal year, included in accounts receivable-trade and contractual assets. In accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), Tobila Systems has not presented the disaggregation of revenue from contracts with customers for the first quarter of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

Tobila Systems has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the current fiscal year, and has applied the new accounting standard set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

The effect of this change on the non-consolidated financial statements in the first quarter of the current fiscal year is insignificant.

Segment and Other Information

Segment Information

I. 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.

II. First three months of FY10/22 (Nov. 1, 2021 – Jan. 31, 2022)

1. Information related to net sales and profit or loss for the reportable segment and breakdown of revenue

(Thousands of yen)

	Reportable segment		Others (Note 3)	Total	Adjustment (Note 4)	Amounts shown on quarterly non- consolidated statement of income (Note 5)
	Fraud and spam prevention services	Subtotal				
Net sales						
Recurring revenue (Note 1)	336,828	336,828	14,490	351,319	-	351,319
Non-recurring revenue (Note 2)	40,423	40,423	139	40,563	-	40,563
Revenue from contracts with customers	377,252	377,252	14,630	391,882	-	391,882
External sales	377,252	377,252	14,630	391,882	-	391,882
Inter-segment sales and transfers	-	-	-	-	-	-
Total	377,252	377,252	14,630	391,882	-	391,882
Segment profit	230,757	230,757	10,175	240,933	(106,322)	134,610

Notes: 1. Recurring revenue is revenue recorded as sales for the provision of a service over a certain period.

2. Non-recurring revenue is revenue recorded as sales upon the delivery of a product and its acceptance by a customer.

3. Others is 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.

4. 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.

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

2. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, Tobila Systems has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of FY10/22 and changed the accounting method for revenue recognition, so the method for calculating profit or loss in the business segment has been changed as well. This change has a minimal impact on the information related to net sales and profit or loss.

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.