

**Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ending October 31, 2023  
(Three Months Ended January 31, 2023)**

**[Japanese GAAP]**

March 10, 2023

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange  
 Securities code: 4441 URL: <https://tobila.com>  
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Scheduled date of filing of Quarterly Report: March 10, 2023  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of 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, 2022 - January 31, 2023) of the Fiscal Year Ending October 31, 2023**

(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, 2023	487	24.5	182	35.3	181	43.6	120	93.5
Three months ended Jan. 31, 2022	391	16.7	134	9.2	126	2.9	62	(26.6)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jan. 31, 2023	11.45	11.37
Three months ended Jan. 31, 2022	5.97	5.89

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jan. 31, 2023	2,906	1,719	59.2
As of Oct. 31, 2022	2,667	1,710	64.1

Reference: Shareholders' equity (million yen) As of Jan. 31, 2023: 1,719 As of Oct. 31, 2022: 1,710

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Oct. 31, 2022	-	0.00	-	10.60	10.60
Fiscal year ending Oct. 31, 2023	-				
Fiscal year ending Oct. 31, 2023 (forecasts)		0.00	-	12.90	12.90

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

**3. Earnings Forecast for the Fiscal Year Ending October 31, 2023 (November 1, 2022 - October 31, 2023)**

*(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	994	18.6	315	12.4	314	15.7	207	32.1	19.72
Full year	2,000	18.9	600	10.9	599	12.5	394	22.3	37.35

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, 2023:	10,623,600 shares	As of Oct. 31, 2022:	10,623,600 shares
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2) Number of treasury shares at the end of the period

As of Jan. 31, 2023:	98,150 shares	As of Oct. 31, 2022:	98,150 shares
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3) Average number of shares outstanding during the period

Three months ended Jan. 31, 2023:	10,525,450 shares	Three months ended Jan. 31, 2022:	10,431,031 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

In the first quarter of the fiscal year ending October 31, 2023, Japan's economy recovered as the return to normal economic activity continued due to COVID-19 vaccinations, the easing of restrictions on various activities and foreign visitors, and other reasons. Although the economy is recovering, the outlook is becoming increasingly uncertain. Major sources of uncertainty are the increasing cost of raw materials caused by the Russia-Ukraine crisis, the high level of inflation worldwide and changes in foreign exchange rates and the rising consumer price index because of U.S. interest rate hikes.

Many types of new scams linked to events in the world are emerging in Japan in addition to the usual scams involving fund remittances. Examples are contribution scams involving alleged charitable programs to help people in Ukraine and victims of Turkey-Syria earthquake. The arrest overseas of individuals belonging to a large group engaged in these types of scams made headlines worldwide. We are also seeing an upturn in SMS phishing scams to steal credit card and other personal information, a type of fraud known as "smishing." Overall, the schemes used by scam artists, such as the impersonation of people at telecommunications carriers and the National Tax Agency, are becoming increasingly sophisticated.

Due to these problems, there is a growing need for measures for personal protection as well as for the protection of family members and friends from telephone fraud, phishing and other types of scams that are causing enormous financial losses. We have been focusing on our spam filter service to deter these criminal activities. In the landline filtering services category, our primary activity is the sale of Fraudulent Call Automatic Block, a service for KDDI landline phone customers using a cable TV connection. This malicious call automatic blocking service does not require an add-on unit and includes JCOM's fraudulent call automatic blocking service. The company encourages cooperation with local police departments through the service and contributes to public safety and security.

In October 2022, the Anshin Security service of NTT DOCOMO, INC. added to its service menu the fraudulent message protection service of Tobila Systems. As a result, all three of Japan's major telecommunication service carriers are now providing to their customers Tobila Systems' fraudulent telephone call protection services and fraudulent message protection services.

There were many activities for raising awareness of 280blocker, an app that blocks annoying advertisements. Also, an Android version of 280blocker, which is currently available only in an iOS version was released. In January 2023, OPTAGE Inc. decided to incorporate the 280blocker database in its new Ad-Free advertisement blocking function for its mineo cell phone service.

TobilaPhone Cloud, which is a cloud business phone service, has been our priority business. This service is extremely easy to use because there is no need for a special connection or equipment in order to use this service for internal and external calls, transferring calls, group calling, interactive voice response (IVR) and other activities. These actions and the quality of the service are highly evaluated by users. We received the "Leader" award at the "IT review Grid Award 2023 Winter" in three segments, PBX, IVR and IP telephone. The award is given to products with high customer satisfaction based on user reviews. We have received the "Leader" award for four consecutive years.

Orders for TobilaPhone Biz, an upgraded version of TobilaPhone for corporate users, have increased steadily because it was registered as a "Select Item" by NTT East and NTT West. In addition, work is under way for the development of new functions for more improvements in the efficiency and quality of customers' tasks involving telephone use.

We also provide Talk Book, an AI sales support tool for the visualization of sales discussions and data-driven sales. In addition, we are using various measures to increase the number of monthly active users (see note) for our services. As a result, more than 15 million users now use our services.

In the first quarter, net sales increased 24.5% year on year to 487,823 thousand yen, operating profit increased 35.3% to 182,106 thousand yen, ordinary profit increased 43.6% to 181,831 thousand yen and profit was up 93.5% to 120,538 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. 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, sales were 471,147 thousand yen, up 24.9% from one year earlier, and segment profit increased 25.8% to 290,260 thousand yen.

#### Others

Other services include a website design and operation support service (HP4U), development projects outsourced by other companies and other activities. We do not intend to increase the scale of operations in this segment. Sales increased 14.0% from one year earlier to 16,676 thousand yen, and the segment profit was 10,958 thousand yen, up 7.7%.

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. Corporate expenses increased 12.0% from one year earlier to 119,112 thousand yen mainly because of higher administrative expenses due to a larger number of administrative personnel and the larger scale of operations.

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

### **Total assets**

Total assets increased 239,643 thousand yen from the end of the previous fiscal year to 2,906,821 thousand yen at the end of the first quarter of the current fiscal year. This was attributable mainly to increases of 155,553 thousand yen in cash and deposits, 18,397 thousand yen in notes and accounts receivable-trade, and contract assets, 22,191 thousand yen in merchandise and finished goods and 49,584 thousand yen in property, plant and equipment, and a decrease of 12,391 thousand yen in intangible assets.

### **Liabilities**

Total liabilities increased 230,674 thousand yen from the end of the previous fiscal year to 1,187,059 thousand yen. The main factors include increases of 204,042 thousand yen in contract liabilities and 72,562 thousand yen in other current liabilities, and a decrease of 38,870 thousand yen in income taxes payable.

### **Net assets**

Total net assets increased 8,968 thousand yen from the end of the previous fiscal year to 1,719,761 thousand yen. The main factors include the booking of profit of 120,538 thousand yen and a decrease of 111,569 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, 2023 that was announced on December 9, 2022.

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

(Thousands of yen)

	FY10/22 (As of Oct. 31, 2022)	First quarter of FY10/23 (As of Jan. 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	1,435,764	1,591,318
Notes and accounts receivable-trade, and contract assets	248,282	266,680
Electronically recorded monetary claims-operating	3,348	5,374
Merchandise and finished goods	89,204	111,396
Raw materials and supplies	1,378	942
Other	58,578	70,286
Allowance for doubtful accounts	(182)	(185)
Total current assets	1,836,374	2,045,813
Non-current assets		
Property, plant and equipment	58,005	107,590
Intangible assets		
Goodwill	258,127	241,651
Software	194,425	182,812
Other	24,191	39,889
Total intangible assets	476,744	464,353
Investments and other assets	296,053	289,063
Total non-current assets	830,803	861,007
Total assets	2,667,177	2,906,821
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	18,565	7,085
Income taxes payable	106,138	67,267
Contract liabilities	419,774	623,817
Provision for bonuses	-	16,931
Other	166,156	238,718
Total current liabilities	710,635	953,819
Non-current liabilities		
Long-term borrowings	245,750	233,240
Total non-current liabilities	245,750	233,240
Total liabilities	956,385	1,187,059
<b>Net assets</b>		
Shareholders' equity		
Share capital	331,917	331,917
Capital surplus		
Legal capital surplus	296,217	296,217
Total capital surpluses	296,217	296,217
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,226,351	1,235,319
Total retained earnings	1,226,351	1,235,319
Treasury shares	(143,693)	(143,693)
Total shareholders' equity	1,710,792	1,719,761
Total net assets	1,710,792	1,719,761
Total liabilities and net assets	2,667,177	2,906,821

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

(Thousands of yen)

	First three months of FY10/22 (Nov. 1, 2021 – Jan. 31, 2022)	First three months of FY10/23 (Nov. 1, 2022 – Jan. 31, 2023)
Net sales	391,882	487,823
Cost of sales	103,645	138,628
Gross profit	288,237	349,194
Selling, general and administrative expenses	153,626	167,087
Operating profit	134,610	182,106
Non-operating income		
Interest income	0	-
Cancellation income for services	25	21
Subsidy income	50	9
Other	10	5
Total non-operating income	85	35
Non-operating expenses		
Interest expenses	312	253
Share issuance cost	123	57
Loss on extinguishment of share-based payment expenses	7,604	-
Total non-operating expenses	8,041	310
Ordinary profit	126,655	181,831
Extraordinary income		
Gain on donation of non-current assets	5,900	-
Total extraordinary income	5,900	-
Extraordinary losses		
Loss on valuation of investment securities	29,944	-
Total extraordinary losses	29,944	-
Profit before income taxes	102,610	181,831
Income taxes-current	49,757	63,047
Income taxes-deferred	(9,434)	(1,753)
Total income taxes	40,323	61,293
Profit	62,287	120,538

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

Not applicable.

**Segment and Other Information**

## Segment Information

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

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.

## II. First three months of FY10/23 (Nov. 1, 2022 – Jan. 31, 2023)

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)	411,295	411,295	12,155	423,450	-	423,450
Non-recurring revenue (Note 2)	59,852	59,852	4,520	64,372	-	64,372
Revenue from contracts with customers	471,147	471,147	16,676	487,823	-	487,823
External sales	471,147	471,147	16,676	487,823	-	487,823
Inter-segment sales and transfers	-	-	-	-	-	-
Total	471,147	471,147	16,676	487,823	-	487,823
Segment profit	290,260	290,260	10,958	301,219	(119,112)	182,106

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.



## Subsequent Events

Disposal of treasury stock for distribution of restricted stock

On January 26, 2023, the Tobila Systems Board of Directors approved a resolution for the disposal of treasury stock using the following terms. The receipt of payments for this stock was completed on February 24, 2023.

1. Summary of disposal of treasury stock (Numbers that differ from the original resolution terms are underlined.)

	Resolution of the Board of Directors	Actual result of the treasury stock disposal
(1) Deadline	February 24, 2023	February 24, 2023
(2) Type and number of shares	Common stock of Tobila Systems: <u>30,300</u> shares	Common stock of Tobila Systems: <u>30,000</u> shares
(3) Price	837 yen per share	837 yen per share
(4) Total proceeds	<u>25,361,100</u> yen	<u>25,110,000</u> yen
(5) Recipients of stock	4 Directors of Tobila Systems: 17,200 shares 3 Executive Officers of Tobila Systems: 7,500 shares <u>20</u> employees of Tobila Systems: <u>5,600</u> shares	4 Directors of Tobila Systems: 17,200 shares 3 Executive Officers of Tobila Systems: 7,500 shares <u>19</u> employees of Tobila Systems: <u>5,300</u> shares
(6) Other	For this disposal of stock, a securities notification has been submitted pursuant to the Financial Instruments and Exchange Act	For this disposal of stock, a securities notification has been submitted pursuant to the Financial Instruments and Exchange Act

2. Reasons for the disposal of treasury stock

The Tobila Systems Board of Directors approved a resolution on December 10, 2020 to establish a restricted stock compensation plan for employees and approved a resolution on December 21, 2022 to establish a restricted stock compensation plan for the directors (except Audit & Supervisory Board Members and outside directors) and executive officers of Tobila Systems. The purposes of this compensation are to give people an additional incentive to contribute to the growth of sales, earnings and corporate value and to align the interests of executives and employees with the interests of shareholders.

Eligible directors receive at no cost Tobila Systems common stock distributed by using the stock in this disposal and eligible executive officers and employees receive monetary claims that are used to purchase Tobila Systems common stock supplied through this disposal of treasury stock.

3. Reason for change in number of shares sold

There is a difference between the planned and actual number of recipients of this stock and number of shares because an individual who was to receive an allocation of stock no longer fulfilled the eligibility requirements at the time of the allocation.

*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.*