

**Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2023
(Six Months Ended April 30, 2023)**

[Japanese GAAP]

June 9, 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: June 9, 2023
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of financial results meeting: Yes

(All amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for the Second Quarter (November 1, 2022 - April 30, 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	%
Six months ended Apr. 30, 2023	1,009	20.3	357	27.5	356	31.2	235	49.8
Six months ended Apr. 30, 2022	838	20.9	280	(2.0)	271	(5.0)	157	(20.3)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Apr. 30, 2023	22.38	22.22
Six months ended Apr. 30, 2022	15.03	14.87

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Apr. 30, 2023	3,057	1,848	60.5
As of Oct. 31, 2022	2,667	1,710	64.1

Reference: Shareholders' equity (million yen) As of Apr. 30, 2023: 1,848 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	-	0.00	-	-	-
Fiscal year ending Oct. 31, 2023 (forecasts)	-	-	-	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
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 Apr. 30, 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 Apr. 30, 2023:	69,050 shares	As of Oct. 31, 2022:	98,150 shares
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3) Average number of shares outstanding during the period

Six months ended Apr. 30, 2023:	10,536,188 shares	Six months ended Apr. 30, 2022:	10,474,237 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 half of the fiscal year ending October 31, 2023, Japan's economy recovered as the return to normal economic activity continued due to the easing of pandemic safety measures. Although the economy is recovering, the outlook is becoming increasingly uncertain. Increasing cost of raw materials due to the prolonged Russia-Ukraine crisis and high level of inflation worldwide are having a negative impact on consumer spending in Japan.

In Japan, in addition to the usual scams involving fund remittances, there is a lot of fraudulent activities involving global events. Examples are fraudulent requests for donations to help Ukraine and fraudulent investments targeting young people. There are also significant problems in Japan involving malicious telephone calls to obtain information about an individual's assets in order to steal valuables from the individual's home afterward and calls seeking people to perform fraudulent activities using SNS. Furthermore, large groups in other countries that conduct telephone call and other types of fraud are becoming an increasingly serious social problem. 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 cell phone companies and the National Tax Agency, are becoming increasingly sophisticated. We had many activities to educate people about fraudulent activity in order to protect them from becoming a victim. Activities include announcements of the results of the analysis of methods used by scam artists and the distribution of information during cybersecurity month that allows people to easily learn about the danger of smishing and how to avoid becoming a victim.

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 mobile phone filtering services, which is our core business, the optional Anshin Security Set service of UQ mobile, provided by KDDI CORPORATION and Okinawa Cellular Telephone Company, began offering these services. The addition of this channel has further increased the breadth of users that use these services. 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.

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. To provide more services that useful for businesses, we added interactive voice response (IVR) and voice-to-text conversion functions.

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, IVR and other activities. In current fiscal year, we made it possible to link TobilaPhone Cloud with the HubSpot customer relationship management service and the Sansan sales digital transformation (DX) service for supporting sales activities. These actions and the quality of the service are highly evaluated by users. We received the "Leader" award at the "ITreview Grid Award 2023 Spring" 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 five consecutive years. To further increase the quality of TobilaPhone Cloud, we became a member in March 2023 of the Japan Unified Communications Service Provider Association (JUSA), which consists of companies in the cloud PBX and other unified communication sectors.

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 March 2023, OPTAGE Inc. added the 280blocker database in its new Ad-Free advertisement blocking function for its mineo cell phone service.

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 March 2023, we received certification of Health & Productivity Management Outstanding Organizations 2023 (SME category) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program by the Ministry of Economy, Trade and Industry. We will remain firmly committed to health and productivity management in order to provide workplace environments that support the physical and mental wellbeing of our employees.

In the first half, net sales increased 20.3% year on year to 1,009,621 thousand yen, operating profit increased 27.5% to 357,420 thousand yen, ordinary profit increased 31.2% to 356,584 thousand yen and profit was up 49.8% to 235,758 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, sales were 981,417 thousand yen, up 21.4% from one year earlier, and segment profit increased 26.1% to 588,594 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 decreased 8.3% from one year earlier to 28,203 thousand yen, and the segment profit was 18,636 thousand yen, down 10.7%.

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 20.6% from one year earlier to 249,810 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

1) Assets, liabilities and net assets

Total assets

Total assets increased 390,079 thousand yen from the end of the previous fiscal year to 3,057,257 thousand yen at the end of the second quarter of the current fiscal year. This was attributable mainly to increases of 299,517 thousand yen in cash and deposits, 19,636 thousand yen in merchandise and finished goods, 48,784 thousand yen in property, plant and equipment and 27,071 thousand yen in investments and other assets.

Liabilities

Total liabilities increased 252,415 thousand yen from the end of the previous fiscal year to 1,208,800 thousand yen. The main factors include increases of 34,356 thousand yen in income taxes payable, 213,222 thousand yen in contract liabilities and 41,337 thousand yen in other current liabilities, and a decrease of 25,020 thousand yen in long-term borrowings.

Net assets

Total net assets increased 137,663 thousand yen from the end of the previous fiscal year to 1,848,456 thousand yen. The main factors include the booking of profit of 235,758 thousand yen, disposal of treasury shares of 43,920 thousand yen, a decrease of 111,569 thousand yen in retained earnings due to dividends paid and a decrease of 30,444 thousand yen in the sale of treasury stock and distribution of restricted stock.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the first half of the current fiscal year increased 299,517 thousand yen from the end of the previous fiscal year to 1,735,282 thousand yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 546,152 thousand yen compared with 347,227 thousand yen provided in the same period of the previous fiscal year. This was mainly due to profit before income taxes of 356,584 thousand yen, depreciation of 53,726 thousand yen, amortization of goodwill of 32,952 thousand yen, an increase of accounts payable-other of 40,094 thousand yen and an increase of 213,222 thousand yen in contract liabilities, while there were income taxes paid of 96,976 thousand yen and increases of 14,737 thousand yen in trade receivables and contract assets, 21,188 thousand yen in inventories and 12,180 thousand yen in long-term prepaid expenses.

Cash flows from investing activities

Net cash used in investing activities amounted to 110,245 thousand yen compared with 81,754 thousand yen used in the same period of the previous fiscal year. The main factors include payments for the purchase of property, plant and equipment of 71,072 thousand yen and purchase of intangible assets of 39,325 thousand yen.

Cash flows from financing activities

Net cash used in financing activities amounted to 136,389 thousand yen compared with 133,372 thousand yen used in the same period of the previous fiscal year. This was mainly due to repayments of long-term borrowings of 25,020 thousand yen and dividends paid of 111,309 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, 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)	Second quarter of FY10/23 (As of Apr. 30, 2023)
Assets		
Current assets		
Cash and deposits	1,435,764	1,735,282
Notes and accounts receivable-trade, and contract assets	248,282	266,147
Electronically recorded monetary claims-operating	3,348	220
Merchandise and finished goods	89,204	108,841
Raw materials and supplies	1,378	2,929
Other	58,578	69,042
Allowance for doubtful accounts	(182)	(232)
Total current assets	1,836,374	2,182,230
Non-current assets		
Property, plant and equipment	58,005	106,789
Intangible assets		
Goodwill	258,127	225,175
Software	194,425	208,568
Other	24,191	11,368
Total intangible assets	476,744	445,111
Investments and other assets	296,053	323,124
Total non-current assets	830,803	875,026
Total assets	2,667,177	3,057,257
Liabilities		
Current liabilities		
Accounts payable-trade	18,565	7,085
Income taxes payable	106,138	140,494
Contract liabilities	419,774	632,997
Other	166,156	207,493
Total current liabilities	710,635	988,070
Non-current liabilities		
Long-term borrowings	245,750	220,730
Total non-current liabilities	245,750	220,730
Total liabilities	956,385	1,208,800
Net assets		
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	1,320,094
Total retained earnings	1,226,351	1,320,094
Treasury shares	(143,693)	(99,772)
Total shareholders' equity	1,710,792	1,848,456
Total net assets	1,710,792	1,848,456
Total liabilities and net assets	2,667,177	3,057,257

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

(Thousands of yen)

	First six months of FY10/22 (Nov. 1, 2021 – Apr. 30, 2022)	First six months of FY10/23 (Nov. 1, 2022 – Apr. 30, 2023)
Net sales	838,953	1,009,621
Cost of sales	250,775	296,841
Gross profit	588,177	712,779
Selling, general and administrative expenses	307,787	355,358
Operating profit	280,389	357,420
Non-operating income		
Interest income	5	7
Cancellation income for services	31	21
Subsidy income	50	17
Insurance claim income	33	-
Other	10	5
Total non-operating income	131	51
Non-operating expenses		
Interest expenses	603	488
Loss on extinguishment of share-based payment expenses	7,858	342
Other	261	57
Total non-operating expenses	8,723	887
Ordinary profit	271,798	356,584
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	247,753	356,584
Income taxes-current	110,217	131,747
Income taxes-deferred	(19,853)	(10,920)
Total income taxes	90,363	120,826
Profit	157,389	235,758

(3) Quarterly Non-consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY10/22 (Nov. 1, 2021 – Apr. 30, 2022)	First six months of FY10/23 (Nov. 1, 2022 – Apr. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	247,753	356,584
Depreciation	38,624	53,726
Amortization of goodwill	32,932	32,952
Increase (decrease) in allowance for doubtful accounts	23	50
Interest and dividend income	(5)	(7)
Interest expenses	603	488
Loss on extinguishment of share-based payment expenses	7,858	342
Loss (gain) on valuation of investment securities	29,944	-
Gain on donation of non-current assets	(5,900)	-
Decrease (increase) in trade receivables and contract assets	(37,300)	(14,737)
Decrease (increase) in inventories	972	(21,188)
Decrease (increase) in long-term prepaid expenses	(82,574)	(12,180)
Increase (decrease) in trade payables	12,687	(11,480)
Increase (decrease) in accounts payable-other	24,872	40,094
Increase (decrease) in contract liabilities	218,178	213,222
Increase (decrease) in accrued consumption taxes	(11,717)	5,529
Other, net	(25,224)	212
Subtotal	451,729	643,609
Interest and dividend income received	5	7
Interest expenses paid	(602)	(488)
Income taxes paid	(103,905)	(96,976)
Net cash provided by (used in) operating activities	347,227	546,152
Cash flows from investing activities		
Purchase of property, plant and equipment	(25,363)	(71,072)
Purchase of intangible assets	(56,640)	(39,325)
Proceeds from refund of leasehold and guarantee deposits	250	152
Net cash provided by (used in) investing activities	(81,754)	(110,245)
Cash flows from financing activities		
Repayments of long-term borrowings	(31,524)	(25,020)
Proceeds from issuance of shares	31,820	-
Dividends paid	(133,668)	(111,309)
Other, net	-	(59)
Net cash provided by (used in) financing activities	(133,372)	(136,389)
Effect of exchange rate changes on cash and cash equivalents	0	-
Net increase (decrease) in cash and cash equivalents	132,100	299,517
Cash and cash equivalents at beginning of period	1,145,732	1,435,764
Cash and cash equivalents at end of period	1,277,833	1,735,282

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

Not applicable.

Significant Changes in Shareholders' Equity

In accordance with a resolution approved on January 26, 2023 by the Tobila Systems Board of Directors, treasury stock was disposed of (sold) for use as restricted stock remuneration for directors and for the distribution of restricted stock to executive officers and employees. The receipt of payments for this stock was completed on February 24, 2023. These activities resulted in the sale of 30,000 shares of Tobila Systems common stock at a price of 837 yen per share and total proceeds of 25,110 thousand yen.

Due to the sale of treasury stock and distribution of restricted stock, retained earnings decreased 30,444 thousand yen and treasury stock decreased 43,920 thousand yen during the first half of the current fiscal year.

Segment and Other Information

Segment Information

I. First six months of FY10/22 (Nov. 1, 2021 – Apr. 30, 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)	683,873	683,873	30,502	714,376	-	714,376
Non-recurring revenue (Note 2)	124,315	124,315	261	124,577	-	124,577
Revenue from contracts with customers	808,188	808,188	30,764	838,953	-	838,953
External sales	808,188	808,188	30,764	838,953	-	838,953
Inter-segment sales and transfers	-	-	-	-	-	-
Total	808,188	808,188	30,764	838,953	-	838,953
Segment profit	466,713	466,713	20,876	487,590	(207,200)	280,389

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 six months of FY10/23 (Nov. 1, 2022 – Apr. 30, 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)	837,929	837,929	23,651	861,581	-	861,581
Non-recurring revenue (Note 2)	143,487	143,487	4,551	148,039	-	148,039
Revenue from contracts with customers	981,417	981,417	28,203	1,009,621	-	1,009,621
External sales	981,417	981,417	28,203	1,009,621	-	1,009,621
Inter-segment sales and transfers	-	-	-	-	-	-
Total	981,417	981,417	28,203	1,009,621	-	1,009,621
Segment profit	588,594	588,594	18,636	607,231	(249,810)	357,420

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.

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.