

**Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ending October 31, 2024
(Three Months Ended January 31, 2024)**

[Japanese GAAP]

March 8, 2024

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 8, 2024

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 First Quarter (November 1, 2023 - January 31, 2024) of the Fiscal Year Ending October 31, 2024

(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, 2024	567	16.4	202	11.2	201	11.0	155	28.7
Three months ended Jan. 31, 2023	487	24.5	182	35.3	181	43.6	120	93.5

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jan. 31, 2024	14.86	14.76
Three months ended Jan. 31, 2023	11.45	11.37

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jan. 31, 2024	3,452	1,927	55.8
As of Oct. 31, 2023	3,646	2,136	58.6

Reference: Shareholders' equity (million yen) As of Jan. 31, 2024: 1,927 As of Oct. 31, 2023: 2,136

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Oct. 31, 2023	-	0.00	-	17.00	17.00
Fiscal year ending Oct. 31, 2024	-				
Fiscal year ending Oct. 31, 2024 (forecasts)		0.00	-	17.00	17.00

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

3. Earnings Forecast for the Fiscal Year Ending October 31, 2024 (November 1, 2023 - October 31, 2024)

(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	1,154	14.3	366	2.4	366	2.6	242	2.6	23.21
Full year	2,350	14.0	755	10.6	754	11.0	500	(3.4)	47.96

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, 2024:	10,629,600 shares	As of Oct. 31, 2023:	10,629,600 shares
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2) Number of treasury shares at the end of the period

As of Jan. 31, 2024:	273,150 shares	As of Oct. 31, 2023:	71,350 shares
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3) Average number of shares outstanding during the period

Three months ended Jan. 31, 2024:	10,444,873 shares	Three months ended Jan. 31, 2023:	10,525,450 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 operations of Tobila Systems are guided by the corporate philosophy of “We open the door to a better future for our lives and the world.” Based on this philosophy, the primary objective of business activities is using innovative technologies to create solutions for social issues that require actions but for which solutions have not yet been found. Our core business is fraud and spam prevention services that shield people from malicious phone calls and other communications, such as fund remittance scam phone calls and fraudulent smartphone and short message service (SMS) communications. The fraud and spam prevention business consists of three sectors of filtering services: mobile phones, landline phones and business phones.

In the mobile phone filtering services sector, rates were increased as contracts with telecommunication carriers were renewed. Furthermore, there are activities to raise awareness of the 280blocker app that blocks annoying advertisements to increase sales of this app. In the landline phone filtering services sector, sales continue to increase to users of JCOM’s Cable Plus Phone service. In the business phone filtering services sector, there were brisk sales of TobilaPhone Biz, a telephone service with many convenient functions required by office workers, and TobilaPhone Cloud, a cloud business phone service.

In the first quarter of the fiscal year ending October 31, 2024, net sales increased 16.4% year on year to 567,882 thousand yen, operating profit increased 11.2% to 202,448 thousand yen, ordinary profit increased 11.0% to 201,894 thousand yen and profit was up 28.7% to 155,184 thousand yen.

Beginning with the first quarter of the current fiscal year, no segment information is provided because we have changed to a single reportable business segment of Fraud and Spam Prevention Business.

(2) Explanation of Financial Position

Total assets

Total assets decreased 194,210 thousand yen from the end of the previous fiscal year to 3,452,691 thousand yen at the end of the first quarter of the current fiscal year. This was attributable mainly to decreases of 205,836 thousand yen in cash and deposits, 24,035 thousand yen in intangible assets and 19,692 thousand yen investments and other assets, and an increase of 53,938 thousand yen in notes and accounts receivable-trade, and contract assets.

Liabilities

Total liabilities increased 14,914 thousand yen from the end of the previous fiscal year to 1,524,978 thousand yen. The main factors include an increase of 156,281 thousand yen in contract liabilities, and decreases of 15,290 thousand yen in accounts payable-trade, 84,832 thousand yen in income taxes payable and 48,158 thousand yen in other current liabilities.

Net assets

Total net assets decreased 209,124 thousand yen from the end of the previous fiscal year to 1,927,713 thousand yen. The main factors include the booking of profit of 155,184 thousand yen, a decrease of 179,490 thousand yen in retained earnings due to dividends paid and an increase of 190,196 thousand yen in treasury shares.

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

We currently maintain the earnings forecast for the fiscal year ending October 31, 2024 that was announced on December 8, 2023.

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

(Thousands of yen)

	FY10/23 (As of Oct. 31, 2023)	First quarter of FY10/24 (As of Jan. 31, 2024)
Assets		
Current assets		
Cash and deposits	2,404,607	2,198,770
Notes and accounts receivable-trade, and contract assets	247,980	301,918
Electronically recorded monetary claims-operating	6,614	5,471
Merchandise and finished goods	95,825	101,777
Work in process	62	-
Raw materials and supplies	2,782	2,368
Other	58,405	65,210
Allowance for doubtful accounts	(268)	(262)
Total current assets	2,816,009	2,675,255
Non-current assets		
Property, plant and equipment	103,808	94,078
Intangible assets		
Goodwill	192,222	175,746
Software	193,077	193,858
Other	19,732	11,390
Total intangible assets	405,032	380,996
Investments and other assets	322,053	302,361
Total non-current assets	830,893	777,435
Total assets	3,646,902	3,452,691
Liabilities		
Current liabilities		
Accounts payable-trade	15,290	-
Income taxes payable	156,112	71,280
Contract liabilities	905,258	1,061,539
Provision for bonuses	-	19,424
Other	237,693	189,534
Total current liabilities	1,314,354	1,341,778
Non-current liabilities		
Long-term borrowings	195,710	183,200
Total non-current liabilities	195,710	183,200
Total liabilities	1,510,064	1,524,978
Net assets		
Shareholders' equity		
Share capital	332,358	332,358
Capital surplus		
Legal capital surplus	296,658	296,658
Other capital surplus	-	5,376
Total capital surpluses	296,658	302,035
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,607,593	1,583,288
Total retained earnings	1,607,593	1,583,288
Treasury shares	(99,772)	(289,968)
Total shareholders' equity	2,136,837	1,927,713
Total net assets	2,136,837	1,927,713
Total liabilities and net assets	3,646,902	3,452,691

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

(Thousands of yen)

	First three months of FY10/23 (Nov. 1, 2022 – Jan. 31, 2023)	First three months of FY10/24 (Nov. 1, 2023 – Jan. 31, 2024)
Net sales	487,823	567,882
Cost of sales	138,628	163,800
Gross profit	349,194	404,081
Selling, general and administrative expenses	167,087	201,632
Operating profit	182,106	202,448
Non-operating income		
Cancellation income for services	21	10
Subsidy income	9	-
Other	5	1
Total non-operating income	35	11
Non-operating expenses		
Interest expenses	253	209
Share issuance cost	57	-
Loss on extinguishment of share-based payment expenses	-	181
Commission expenses	-	171
Other	-	3
Total non-operating expenses	310	565
Ordinary profit	181,831	201,894
Extraordinary income		
Gain on sale of investment securities	-	29,999
Total extraordinary income	-	29,999
Profit before income taxes	181,831	231,894
Income taxes-current	63,047	66,774
Income taxes-deferred	(1,753)	9,934
Total income taxes	61,293	76,709
Profit	120,538	155,184

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

Not applicable.

Significant Changes in Shareholders' Equity

Tobila Systems repurchased 200,000 shares in accordance with a resolution approved by the Board of Directors on December 8, 2023. In addition, Tobila Systems acquired with no compensation 1,500 shares of restricted stock as the holder no longer had the right to own this stock because this individual is no longer a director of Tobila Systems. This stock is part of the restricted stock distributed to directors at no cost in accordance with a resolution approved by the Board of Directors on January 26, 2023.

These actions resulted in an increase of 190,196 thousand yen in treasury shares for the first three months of the current fiscal year and 289,968 thousand yen of treasury shares as of January 31, 2024.

Subsequent Events

Disposal of treasury stock for distribution of restricted stock

On January 23, 2024, 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 22, 2024.

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 22, 2024	February 22, 2024
(2) Type and number of shares	Common stock of Tobila Systems: <u>60,100</u> shares	Common stock of Tobila Systems: <u>58,100</u> shares
(3) Price	895 yen per share	895 yen per share
(4) Total proceeds	<u>53,789,500</u> yen	<u>51,999,500</u> yen
(5) Recipients of stock	3 Directors of Tobila Systems: 3,000 shares 4 Executive Officers of Tobila Systems: 4,000 shares <u>38</u> employees of Tobila Systems: <u>53,100</u> shares	3 Directors of Tobila Systems: 3,000 shares 4 Executive Officers of Tobila Systems: 4,000 shares <u>37</u> employees of Tobila Systems: <u>51,100</u> shares
(6) Other	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.