

**Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2024
(Six Months Ended April 30, 2024)**

[Japanese GAAP]

June 10, 2024

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange
 Securities code: 4441 URL: <https://tobila.com>
 Representative: Atsushi Akita, Representative Director and President
 Contact: Norimasa Kanemachi, Director and CFO, General Manager of Administration Dept.
 E-mail: ir@tobila.com
 Scheduled date of filing of Quarterly Report: June 10, 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 Second Quarter (November 1, 2023 - April 30, 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	%
Six months ended Apr. 30, 2024	1,154	14.3	437	22.5	437	22.6	312	32.5
Six months ended Apr. 30, 2023	1,009	20.3	357	27.5	356	31.2	235	49.8

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Apr. 30, 2024	29.97	29.78
Six months ended Apr. 30, 2023	22.38	22.22

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Apr. 30, 2024	3,830	2,152	56.2
As of Oct. 31, 2023	3,646	2,136	58.6

Reference: Shareholders' equity (million yen) As of Apr. 30, 2024: 2,152 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	-	0.00			
Fiscal year ending Oct. 31, 2024 (forecasts)			-	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
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 Apr. 30, 2024:	10,629,600 shares	As of Oct. 31, 2023:	10,629,600 shares
----------------------	-------------------	----------------------	-------------------

2) Number of treasury shares at the end of the period

As of Apr. 30, 2024:	215,350 shares	As of Oct. 31, 2023:	71,350 shares
----------------------	----------------	----------------------	---------------

3) Average number of shares outstanding during the period

Six months ended Apr. 30, 2024:	10,423,074 shares	Six months ended Apr. 30, 2023:	10,536,188 shares
---------------------------------	-------------------	---------------------------------	-------------------

* 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.

Contents of Attachments

1. Qualitative Information on Quarterly Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Earnings Forecast and Other Forward-looking Statements	3
2. Quarterly Non-consolidated Financial Statements and Notes	4
(1) Quarterly Non-consolidated Balance Sheet	4
(2) Quarterly Non-consolidated Statement of Income	5
For the Six-month Period	5
(3) Quarterly Non-consolidated Statement of Cash Flows	6
(4) Notes to Quarterly Non-consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7

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, as in the first quarter, 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 half of the fiscal year ending October 31, 2024, net sales increased 14.3% year on year to 1,154,034 thousand yen, operating profit increased 22.5% to 437,998 thousand yen, ordinary profit increased 22.6% to 437,038 thousand yen and profit was up 32.5% to 312,430 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

1) Assets, liabilities and net assets

Total assets

Total assets increased 183,981 thousand yen from the end of the previous fiscal year to 3,830,883 thousand yen at the end of the second quarter of the current fiscal year. This was attributable mainly to increases of 187,826 thousand yen in cash and deposits, 27,764 thousand yen in notes and accounts receivable-trade, and contract assets, and 14,001 thousand yen in investments and other assets, and decreases of 18,248 thousand yen in property, plant and equipment and 32,952 thousand yen in goodwill.

Liabilities

Total liabilities increased 168,726 thousand yen from the end of the previous fiscal year to 1,678,791 thousand yen. The main factors include an increase of 217,548 thousand yen in contract liabilities, and decreases of 20,711 thousand yen in other current liabilities and 25,020 thousand yen in long-term borrowings.

Net assets

Total net assets increased 15,254 thousand yen from the end of the previous fiscal year to 2,152,092 thousand yen. The main factors include the booking of profit of 312,430 thousand yen, a decrease of 179,490 thousand yen in retained earnings due to dividends paid, and increases of 128,518 thousand yen in treasury shares and 16,938 thousand yen in valuation difference on available-for-sale securities.

2) Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the first half of the current fiscal year increased 187,826 thousand yen from the end of the previous fiscal year to 2,592,433 thousand yen. Cash flows by category are as described below.

Cash flows from operating activities

Net cash provided by operating activities amounted to 596,052 thousand yen compared with 546,152 thousand yen provided in the same period of the previous fiscal year. This was mainly due to profit before income taxes of

467,038 thousand yen, depreciation of 56,577 thousand yen, amortization of goodwill of 32,952 thousand yen, a decrease of 19,688 thousand yen in long-term prepaid expenses, and increases of 17,763 thousand yen in accounts payable-other and 217,548 thousand yen in contract liabilities, while there were income taxes paid of 145,844 thousand yen, an increase of 28,072 thousand yen in trade receivables and contract assets and gain on sale of investment securities of 29,999 thousand yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 15,721 thousand yen compared with 110,245 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 15,471 thousand yen, proceeds from sale of investment securities of 30,000 thousand yen and purchase of intangible assets of 30,393 thousand yen.

Cash flows from financing activities

Net cash used in financing activities amounted to 392,504 thousand yen compared with 136,389 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, purchase of treasury shares of 188,171 thousand yen and dividends paid of 179,313 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, 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)	Second quarter of FY10/24 (As of Apr. 30, 2024)
Assets		
Current assets		
Cash and deposits	2,404,607	2,592,433
Notes and accounts receivable-trade, and contract assets	247,980	275,744
Electronically recorded monetary claims-operating	6,614	6,922
Merchandise and finished goods	95,825	91,592
Work in process	62	-
Raw materials and supplies	2,782	2,169
Other	58,405	77,850
Allowance for doubtful accounts	(268)	(223)
Total current assets	2,816,009	3,046,489
Non-current assets		
Property, plant and equipment	103,808	85,559
Intangible assets		
Goodwill	192,222	159,270
Software	193,077	185,236
Other	19,732	18,273
Total intangible assets	405,032	362,780
Investments and other assets	322,053	336,054
Total non-current assets	830,893	784,393
Total assets	3,646,902	3,830,883
Liabilities		
Current liabilities		
Accounts payable-trade	15,290	14,874
Income taxes payable	156,112	153,438
Contract liabilities	905,258	1,122,806
Other	237,693	216,981
Total current liabilities	1,314,354	1,508,101
Non-current liabilities		
Long-term borrowings	195,710	170,690
Total non-current liabilities	195,710	170,690
Total liabilities	1,510,064	1,678,791
Net assets		
Shareholders' equity		
Share capital	332,358	332,358
Capital surplus		
Legal capital surplus	296,658	296,658
Total capital surpluses	296,658	296,658
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,607,593	1,734,428
Total retained earnings	1,607,593	1,734,428
Treasury shares	(99,772)	(228,291)
Total shareholders' equity	2,136,837	2,135,154
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-	16,938
Total valuation and translation adjustments	-	16,938
Total net assets	2,136,837	2,152,092
Total liabilities and net assets	3,646,902	3,830,883

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

(Thousands of yen)

	First six months of FY10/23 (Nov. 1, 2022 – Apr. 30, 2023)	First six months of FY10/24 (Nov. 1, 2023 – Apr. 30, 2024)
Net sales	1,009,621	1,154,034
Cost of sales	296,841	318,044
Gross profit	712,779	835,989
Selling, general and administrative expenses	355,358	397,991
Operating profit	357,420	437,998
Non-operating income		
Interest income	7	11
Cancellation income for services	21	24
Subsidy income	17	-
Other	5	6
Total non-operating income	51	41
Non-operating expenses		
Interest expenses	488	403
Loss on extinguishment of share-based payment expenses	342	423
Other	57	174
Total non-operating expenses	887	1,002
Ordinary profit	356,584	437,038
Extraordinary income		
Gain on sale of investment securities	-	29,999
Total extraordinary income	-	29,999
Profit before income taxes	356,584	467,038
Income taxes-current	131,747	143,988
Income taxes-deferred	(10,920)	10,618
Total income taxes	120,826	154,607
Profit	235,758	312,430

(3) Quarterly Non-consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY10/23 (Nov. 1, 2022 – Apr. 30, 2023)	First six months of FY10/24 (Nov. 1, 2023 – Apr. 30, 2024)
Cash flows from operating activities		
Profit before income taxes	356,584	467,038
Depreciation	53,726	56,577
Amortization of goodwill	32,952	32,952
Increase (decrease) in allowance for doubtful accounts	50	(44)
Interest and dividend income	(7)	(11)
Interest expenses	488	403
Loss on extinguishment of share-based payment expenses	342	423
Decrease (increase) in trade receivables and contract assets	(14,737)	(28,072)
Decrease (increase) in inventories	(21,188)	4,908
Decrease (increase) in long-term prepaid expenses	(12,180)	19,688
Increase (decrease) in trade payables	(11,480)	(416)
Increase (decrease) in accounts payable-other	40,094	17,763
Loss (gain) on sale of investment securities	-	(29,999)
Increase (decrease) in contract liabilities	213,222	217,548
Increase (decrease) in accrued consumption taxes	5,529	(16,195)
Other, net	212	(275)
Subtotal	643,609	742,289
Interest and dividend income received	7	11
Interest expenses paid	(488)	(403)
Income taxes paid	(96,976)	(145,844)
Net cash provided by (used in) operating activities	546,152	596,052
Cash flows from investing activities		
Purchase of property, plant and equipment	(71,072)	(15,471)
Proceeds from sale of investment securities	-	30,000
Purchase of intangible assets	(39,325)	(30,393)
Proceeds from refund of leasehold and guarantee deposits	152	144
Net cash provided by (used in) investing activities	(110,245)	(15,721)
Cash flows from financing activities		
Repayments of long-term borrowings	(25,020)	(25,020)
Purchase of treasury shares	-	(188,171)
Dividends paid	(111,309)	(179,313)
Other, net	(59)	-
Net cash provided by (used in) financing activities	(136,389)	(392,504)
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	299,517	187,826
Cash and cash equivalents at beginning of period	1,435,764	2,404,607
Cash and cash equivalents at end of period	1,735,282	2,592,433

(4) Notes to Quarterly Non-consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Tobila Systems repurchased 200,000 shares (repurchase amount: 188,000 thousand yen) on December 11, 2023 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.

Furthermore, in accordance with a resolution approved by the Board of Directors on January 23, 2024, Tobila Systems disposed of treasury shares as the restricted stock compensation for directors and completed payment procedures for disposal of treasury shares due to the allotment of the restricted stock to executive officers and employees on February 22, 2024. These activities resulted in the sale of 58,100 shares of Tobila Systems common stock at a price of 895 yen per share and total proceeds of 51,999 thousand yen.

These actions, including those for the restricted stock, resulted in a decrease of 6,105 thousand yen in retained earnings and an increase of 128,518 thousand yen in treasury shares for the first half of the current fiscal year.

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.