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Non-consolidated Financial Results for the First Nine Months of the Fiscal Year Ending October 31, 2024 (Nine Months Ended July 31, 2024)

[Japanese GAAP]
September 10, 2024

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange
 Securities code: 4441 URL: <https://tobila.com>
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 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for 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 Nine Months (November 1, 2023 - July 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	%
Nine months ended Jul. 31, 2024	1,771	15.8	669	28.3	666	28.2	465	36.0
Nine months ended Jul. 31, 2023	1,529	22.3	521	25.3	519	27.6	342	40.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Jul. 31, 2024	44.69		44.41	
Nine months ended Jul. 31, 2023	32.49		32.26	

(2) Financial position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of Jul. 31, 2024	4,064	2,303	56.7
As of Oct. 31, 2023	3,646	2,136	58.6

Reference: Equity (million yen) As of Jul. 31, 2024: 2,303 As of Oct. 31, 2023: 2,136

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	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)				18.20	18.20

Note: Revision to the most recently announced dividend forecast: Yes

For more information, please refer to the "Notice Concerning Revisions of the Earnings Forecast (Upward Revision) and Dividend Forecast (Dividend Increase)" released today (September 10, 2024).

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		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,350	14.0	785	15.0	782	15.1	541	4.5	51.93

Note: Revision to the most recently announced earnings forecast: Yes

For more information, please refer to the "Notice Concerning Revisions of the Earnings Forecast (Upward Revision) and Dividend Forecast (Dividend Increase)" released today (September 10, 2024).

*** 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 Jul. 31, 2024:	10,632,600 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 Jul. 31, 2024:	217,450 shares	As of Oct. 31, 2023:	71,350 shares
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3) Average number of shares outstanding during the period

Nine months ended Jul. 31, 2024:	10,419,603 shares	Nine months ended Jul. 31, 2023:	10,543,233 shares
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* Review of the attached quarterly non-consolidated financial statements by a certified public accountant or auditing firm: None

* 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. Overview of Results of Operations

(1) 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. In addition, Tobila Systems started to provide its database for an optional service for the customers of J:COM MOBILE of JCOM Co., Ltd. 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 nine months of the fiscal year ending October 31, 2024, net sales increased 15.8% year on year to 1,771,850 thousand yen, operating profit increased 28.3% to 669,354 thousand yen, ordinary profit increased 28.2% to 666,703 thousand yen and profit was up 36.0% to 465,672 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) Financial Position

Total assets

Total assets increased 417,781 thousand yen from the end of the previous fiscal year to 4,064,683 thousand yen at the end of the third quarter of the current fiscal year. This was attributable mainly to increases of 497,892 thousand yen in cash and deposits, and 21,140 thousand yen in notes and accounts receivable-trade, and contract assets, and decreases of 33,249 thousand yen in merchandise and finished goods, 13,355 thousand yen in property, plant and equipment, and 49,428 thousand yen in goodwill.

Liabilities

Total liabilities increased 250,939 thousand yen from the end of the previous fiscal year to 1,761,004 thousand yen. The main factors include decreases of 15,290 thousand yen in accounts payable-trade, 54,073 thousand yen in income taxes payable and 37,530 thousand yen in long-term borrowings, and an increase of 375,821 thousand yen in contract liabilities.

Net assets

Total net assets increased 166,841 thousand yen from the end of the previous fiscal year to 2,303,679 thousand yen. The main factors include the booking of profit of 465,672 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 13,701 thousand yen in valuation difference on available-for-sale securities.

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

The earnings forecast and dividend forecast for the fiscal year ending on October 31, 2024 have been revised to reflect current results of operations. For more information, please refer to the “Notice Concerning Revisions of the Earnings Forecast (Upward Revision) and Dividend Forecast (Dividend Increase)” released today (September 10, 2024).

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

	(Thousands of yen)	
	FY10/23 (As of Oct. 31, 2023)	Third quarter of FY10/24 (As of Jul. 31, 2024)
Assets		
Current assets		
Cash and deposits	2,404,607	2,902,500
Notes and accounts receivable-trade, and contract assets	247,980	269,120
Electronically recorded monetary claims-operating	6,614	4,090
Merchandise and finished goods	95,825	62,575
Work in process	62	211
Raw materials and supplies	2,782	2,060
Other	58,405	76,795
Allowance for doubtful accounts	(268)	(785)
Total current assets	<u>2,816,009</u>	<u>3,316,569</u>
Non-current assets		
Property, plant and equipment	103,808	90,452
Intangible assets		
Goodwill	192,222	142,793
Software	193,077	181,233
Other	19,732	18,935
Total intangible assets	<u>405,032</u>	<u>342,963</u>
Investments and other assets	322,053	314,698
Total non-current assets	<u>830,893</u>	<u>748,114</u>
Total assets	<u>3,646,902</u>	<u>4,064,683</u>
Liabilities		
Current liabilities		
Accounts payable-trade	15,290	-
Income taxes payable	156,112	102,039
Contract liabilities	905,258	1,281,079
Provision for bonuses	-	20,269
Other	237,693	199,435
Total current liabilities	<u>1,314,354</u>	<u>1,602,824</u>
Non-current liabilities		
Long-term borrowings	195,710	158,180
Total non-current liabilities	<u>195,710</u>	<u>158,180</u>
Total liabilities	<u>1,510,064</u>	<u>1,761,004</u>
Net assets		
Shareholders' equity		
Share capital	332,358	332,709
Capital surplus		
Legal capital surplus	296,658	297,009
Total capital surpluses	<u>296,658</u>	<u>297,009</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,607,593	1,888,551
Total retained earnings	<u>1,607,593</u>	<u>1,888,551</u>
Treasury shares	(99,772)	(228,291)
Total shareholders' equity	<u>2,136,837</u>	<u>2,289,978</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-	13,701
Total valuation and translation adjustments	<u>-</u>	<u>13,701</u>
Total net assets	<u>2,136,837</u>	<u>2,303,679</u>
Total liabilities and net assets	<u>3,646,902</u>	<u>4,064,683</u>

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

(Thousands of yen)

	First nine months of FY10/23 (Nov. 1, 2022 – Jul. 31, 2023)	First nine months of FY10/24 (Nov. 1, 2023 – Jul. 31, 2024)
Net sales	1,529,738	1,771,850
Cost of sales	466,080	495,592
Gross profit	1,063,657	1,276,258
Selling, general and administrative expenses	542,133	606,903
Operating profit	521,523	669,354
Non-operating income		
Interest income	7	22
Cancellation income for services	21	24
Subsidy income	17	-
Other	5	82
Total non-operating income	51	129
Non-operating expenses		
Interest expenses	720	591
Loss on extinguishment of share-based payment expenses	783	2,014
Other	114	174
Total non-operating expenses	1,618	2,781
Ordinary profit	519,957	666,703
Extraordinary income		
Gain on sale of non-current assets	-	643
Gain on sale of investment securities	-	29,999
Total extraordinary income	-	30,643
Profit before income taxes	519,957	697,346
Income taxes-current	183,962	215,749
Income taxes-deferred	(6,518)	15,924
Total income taxes	177,444	231,673
Profit	342,512	465,672

(3) Notes to Quarterly Non-consolidated Financial Statements

Segment and Other Information

Segment information

I. First nine months of FY10/23 (Nov. 1, 2022 – Jul. 31, 2023)

See “First nine months of FY10/24 (Nov. 1, 2023 – Jul. 31, 2024), Information related to revisions for reportable segments.”

II. First nine months of FY10/24 (Nov. 1, 2023 – Jul. 31, 2024)

No segment information is provided because Tobila Systems has only a single reportable business segment of Fraud and Spam Prevention Business.

Information related to revisions for reportable segments

In prior years, Tobila Systems had a reportable segment of Fraud and Spam Prevention Business, and the businesses not included in the reportable segment, which were a website design and operation support service and development projects outsourced by other companies, included in Others. Beginning with the first quarter of FY10/24, we have changed to a single reportable business segment of Fraud and Spam Prevention Business.

This revision was made for two reasons. First is the decline in the importance of Others because of the sale of the website design and operation support service in FY10/23 and the decreasing volume of development projects outsourced by other companies. Second is the decision that unifying all businesses in the Fraud and Spam Prevention Business more accurately reflects current business operations, the allocation of resources and the structure of the management of business operations.

As a result of this revision, segment information for the first nine months of FY10/23 and FY10/24 is not presented.

Significant Changes in Shareholders' Equity

First nine months of FY10/23 (Nov. 1, 2022 – Jul. 31, 2023)

In accordance with a resolution approved by the Board of Directors on January 26, 2023, 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 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.

These actions, including those for the restricted stock, resulted in a decrease of 27,682 thousand yen in retained earnings and a decrease of 43,920 thousand yen in treasury shares for the first nine months of FY10/23.

First nine months of FY10/24 (Nov. 1, 2023 – Jul. 31, 2024)

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 5,225 thousand yen in retained earnings and an increase of 128,518 thousand yen in treasury shares for the first nine months of FY10/24.

Going Concern Assumption

Not applicable.

Notes to Non-consolidated Statement of Cash Flows

A quarterly non-consolidated statement of cash flows for the first nine months of FY10/24 has not been prepared. Depreciation (includes amortization expenses related to intangible assets) and amortization of goodwill for the first nine months of each fiscal year is as follows.

	(Thousands of yen)	
	First nine months of FY10/23 (Nov. 1, 2022 – Jul. 31, 2023)	First nine months of FY10/24 (Nov. 1, 2023 – Jul. 31, 2024)
Depreciation	86,937	90,162
Amortization of goodwill	49,428	49,428