

**Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2022  
(Six Months Ended April 30, 2022)**

**[Japanese GAAP]**

June 10, 2022

Company name: Tobila Systems Inc. Listing: Tokyo Stock Exchange  
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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, 2021 - April 30, 2022) of the Fiscal Year Ending October 31, 2022**

(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, 2022	838	20.9	280	(2.0)	271	(5.0)	157	(20.3)
Six months ended Apr. 30, 2021	693	17.6	286	18.1	286	32.7	197	32.5

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Apr. 30, 2022	15.03	14.87
Six months ended Apr. 30, 2021	19.09	18.65

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Apr. 30, 2022	2,425	1,545	63.7
As of Oct. 31, 2021	2,170	1,489	68.6

Reference: Shareholders' equity (million yen) As of Apr. 30, 2022: 1,545 As of Oct. 31, 2021: 1,489

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Oct. 31, 2021	-	0.00	-	12.90	12.90
Fiscal year ending Oct. 31, 2022	-	0.00			
Fiscal year ending Oct. 31, 2022 (forecasts)			-	11.10	11.10

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

**3. Earnings Forecast for the Fiscal Year Ending October 31, 2022 (November 1, 2021 - October 31, 2022)**

*(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	1,636	14.8	513	(11.5)	504	(12.8)	333	(13.7)	32.05

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: Yes

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, 2022:	10,617,000 shares	As of Oct. 31, 2021:	10,479,900 shares
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2) Number of treasury shares at the end of the period

As of Apr. 30, 2022:	98,150 shares	As of Oct. 31, 2021:	89,150 shares
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3) Average number of shares outstanding during the period

Six months ended Apr. 30, 2022:	10,474,237 shares	Six months ended Apr. 30, 2021:	10,348,144 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 current fiscal year, economic activity in Japan recovered gradually as the severe situation that restricted economic activity eased due to progress with vaccinations of COVID-19. However, the outlook remains uncertain as the economy has yet to recover to the pre-pandemic level. Moreover, rising raw material prices and volatility in the financial and capital markets due to the ongoing Russia-Ukraine tensions has created growing uncertainty over the outlook for the global economy.

Japan lowered the age of adulthood from 20 to 18. As a result, a variety of scams targeting these new adults have emerged. Moreover, numerous scams about refund concerning COVID-19 vaccines, smishing, SMS phishing scams to steal personal information, and Russia-Ukraine war charity donations have caused enormous amount of losses. In this manner, specialized fraud schemes are becoming ever more sophisticated as the world continues to change.

There is thus a growing need for protection against these scams, including for family members and friends. We have been focusing on our spam filter service to deter these criminal activities. In the landline filtering services category, we started offering with KDDI CORPORATION a service called the Fraudulent Call Automatic Block. This is Japan's first malicious call automatic blocking service for landline phones that does not require an add-on unit. Users do not require a special device because automatic blocking equipment for malicious calls is placed in KDDI's network.

The TobilaPhone Mobile fraud and spam filtering service became the first app to be certified as an Outstanding Fraudulent Call Prevention Device recommended by the Japan National Crime Prevention Association. This certification further increases the recognition of the effectiveness of this app. In addition, "Fraudulent Message Automatic Block" service that automatically blocks malicious SMS and e-mail messages and displays a warning was provided free to au, UQ mobile and povo users of KDDI CORPORATION and OKINAWA CELLULAR TELEPHONE COMPANY. This expansion has led to an increase in the number of users of our service. There were many marketing campaigns for the purpose of raising awareness of 280blocker, an app that blocks malicious advertisements.

TobilaPhone Cloud, a cloud business phone service, has been a priority business of us. To make this service even more convenient, we have launched an optional service that allows users to select an area code when making and receiving calls with a landline phone number. No special connection or equipment is needed. These actions and the quality of our service are highly evaluated by users. We received the "Leader" award at the "IT review Grid Award 2022 Spring" in three segments, PBX, IVR and IP telephone. The award is given to products with high customer satisfaction based on user reviews.

Orders for TobilaPhone Biz, an upgraded version of TobilaPhone for corporate users, have increased significantly as it was registered as a "Select Item" by NTT East and NTT West. As a new business, we have developed and launched Talk Book, an AI sales support tool that realize 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 14 million users now use our services.

The businesses and business models of Tobila Systems have received recognition in many ways. One example is the December 2021 selection of Tobila Systems by The Small and Medium Enterprise Agency of the Ministry of Economy, Trade and Industry for inclusion in the "300 Most Promising SMEs and Small Businesses."

The Board of Directors resolved to select the Prime Market of the Tokyo Stock Exchange began using its new trading categories in April 2022. We will continue to take actions aimed at achieving consistent growth of sales and earnings and the medium to long-term growth of corporate value.

In the first half, net sales increased 20.9% year-on-year to 838,953 thousand yen, operating profit decreased 2.0% to 280,389 thousand yen, ordinary profit decreased 5.0% to 271,798 thousand yen and profit was down 20.3% to 157,389 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, first half sales were 808,188 thousand yen, up 23.9% from one year earlier, and segment profit increased 8.2% to 466,713 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. First half sales decreased 25.9% from one year earlier to 30,764 thousand yen, and the segment profit was 20,876 thousand yen, down 16.5%.

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. In the first half, corporate expenses increased 21.6% from one year earlier to 207,200 thousand yen mainly because of higher administrative expenses because of the larger scale of operations.

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

### **1) Assets, liabilities and net assets**

#### **Total assets**

Total assets increased 255,094 thousand yen from the end of the previous fiscal year to 2,425,110 thousand yen at the end of the second quarter of the current fiscal year. This was attributable mainly to increases of 132,100 thousand yen in cash and deposits, 38,463 thousand yen in accounts receivable-trade and contractual assets and 65,896 thousand yen in investments and other assets.

#### **Liabilities**

Total liabilities increased 198,917 thousand yen from the end of the previous fiscal year to 879,925 thousand yen. The main factors include increases of 12,687 thousand yen in accounts payable-trade and 217,971 thousand yen in contractual liabilities and a decrease of 25,020 thousand yen in long-term borrowings.

#### **Net assets**

Total net assets increased 56,176 thousand yen from the end of the previous fiscal year to 1,545,185 thousand yen. The main factors include an increase in share capital and capital surplus of 16,040 thousand yen each due to the exercise of share acquisition rights as stock options and the booking of profit of 157,389 thousand yen, and a decrease of 134,040 thousand yen in retained earnings due to dividends paid.

### **2) Cash flows**

Cash and cash equivalents (hereinafter, "net cash") at the end of the first half of the current fiscal year increased 132,100 thousand yen from the end of the previous fiscal year to 1,277,833 thousand yen. Cash flows by category are as described below.

#### **Cash flows from operating activities**

Net cash provided by operating activities amounted to 347,227 thousand yen compared with 203,184 thousand yen in the same period of the previous fiscal year. This was mainly due to profit before income taxes of 247,753

thousand yen, depreciation of 38,624 thousand yen, the booking of amortization of goodwill of 32,932 thousand yen and an increase of 218,178 thousand yen in contractual liabilities, while there were income taxes paid of 103,905 thousand yen, an increase of 37,300 thousand yen in trade receivables and contractual assets, and an increase of 82,574 thousand yen in long-term prepaid expenses.

**Cash flows from investing activities**

Net cash used in investing activities amounted to 81,754 thousand yen compared with 78,070 thousand yen in the same period of the previous fiscal year. The main factors include payments for the purchase of property, plant and equipment of 25,363 thousand yen and intangible assets of 56,640 thousand yen

**Cash flows from financing activities**

Net cash used in financing activities amounted to 133,372 thousand yen compared with 295,117 thousand yen in the same period of the previous fiscal year. This was mainly due to proceeds from the exercise of share acquisition rights of 31,820 thousand yen, while there were repayments of long-term borrowings of 31,524 thousand yen and dividends paid of 133,668 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, 2022 that was announced on December 10, 2021.

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

	(Thousands of yen)	
	FY10/21 (As of Oct. 31, 2021)	Second quarter of FY10/22 (As of Apr. 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	1,145,732	1,277,833
Accounts receivable-trade and contractual assets	181,343	219,806
Electronically recorded monetary claims-operating	562	374
Merchandise and finished goods	26,991	26,180
Work in process	527	18
Raw materials and supplies	978	1,327
Other	33,041	52,891
Allowance for doubtful accounts	(83)	(107)
Total current assets	1,389,094	1,578,325
Non-current assets		
Property, plant and equipment	49,849	67,897
Intangible assets		
Goodwill	325,221	291,079
Software	169,250	182,531
Other	14,826	17,605
Total intangible assets	509,297	491,216
Investments and other assets	221,774	287,671
Total non-current assets	780,921	846,785
Total assets	2,170,016	2,425,110
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	7,194	19,882
Income taxes payable	111,310	117,912
Contractual liabilities	52,445	270,416
Other	214,267	200,944
Total current liabilities	385,217	609,155
Non-current liabilities		
Long-term borrowings	295,790	270,770
Total non-current liabilities	295,790	270,770
Total liabilities	681,007	879,925
<b>Net assets</b>		
Shareholders' equity		
Share capital	315,391	331,432
Capital surplus		
Legal capital surplus	279,691	295,732
Total capital surpluses	279,691	295,732
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,037,619	1,061,713
Total retained earnings	1,037,619	1,061,713
Treasury shares	(143,693)	(143,693)
Total shareholders' equity	1,489,008	1,545,185
Total net assets	1,489,008	1,545,185
Total liabilities and net assets	2,170,016	2,425,110

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

(Thousands of yen)

	First six months of FY10/21 (Nov. 1, 2020 – Apr. 30, 2021)	First six months of FY10/22 (Nov. 1, 2021 – Apr. 30, 2022)
Net sales	693,939	838,953
Cost of sales	182,371	250,775
Gross profit	511,568	588,177
Selling, general and administrative expenses	225,491	307,787
Operating profit	286,076	280,389
Non-operating income		
Interest income	5	5
Cancellation income for services	190	31
Subsidy income	570	50
Insurance claim income	-	33
Other	36	10
Total non-operating income	802	131
Non-operating expenses		
Interest expenses	104	603
Share issuance cost	358	261
Loss on extinguishment of share-based payment expenses	-	7,858
Commission expenses	171	-
Other	-	0
Total non-operating expenses	633	8,723
Ordinary profit	286,245	271,798
Extraordinary income		
Gain on donation of non-current assets	-	5,900
Total extraordinary income	-	5,900
Extraordinary losses		
Loss on retirement of non-current assets	45	-
Loss on valuation of investment securities	-	29,944
Total extraordinary losses	45	29,944
Profit before income taxes	286,200	247,753
Income taxes-current	98,322	110,217
Income taxes-deferred	(9,691)	(19,853)
Total income taxes	88,630	90,363
Profit	197,569	157,389

**(3) Quarterly Non-consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY10/21 (Nov. 1, 2020 – Apr. 30, 2021)	First six months of FY10/22 (Nov. 1, 2021 – Apr. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	286,200	247,753
Depreciation	27,274	38,624
Amortization of goodwill	-	32,932
Increase (decrease) in allowance for doubtful accounts	22	23
Interest and dividend income	(5)	(5)
Interest expenses	104	603
Share issuance cost	358	261
Loss on extinguishment of share-based payment expenses	-	7,858
Loss (gain) on valuation of investment securities	-	29,944
Gain on donation of non-current assets	-	(5,900)
Decrease (increase) in trade receivables and contractual assets	(14,288)	(37,300)
Decrease (increase) in inventories	3,104	972
Decrease (increase) in long-term prepaid expenses	3,078	(82,574)
Increase (decrease) in trade payables	(115)	12,687
Increase (decrease) in accounts payable-other	(9,233)	24,872
Increase (decrease) in contractual liabilities	7,874	218,178
Increase (decrease) in accrued consumption taxes	(11,072)	(11,717)
Other, net	(3,999)	(25,485)
Subtotal	289,302	451,729
Interest and dividend income received	5	5
Interest expenses paid	(105)	(602)
Income taxes paid	(86,018)	(103,905)
Net cash provided by (used in) operating activities	203,184	347,227
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,510)	(25,363)
Purchase of intangible assets	(40,212)	(56,640)
Purchase of investment securities	(30,039)	-
Proceeds from refund of leasehold and guarantee deposits	1,692	250
Net cash provided by (used in) investing activities	(78,070)	(81,754)
Cash flows from financing activities		
Repayments of long-term borrowings	(6,504)	(31,524)
Proceeds from issuance of shares	18,736	31,820
Purchase of treasury shares	(195,411)	-
Dividends paid	(111,938)	(133,668)
Net cash provided by (used in) financing activities	(295,117)	(133,372)
Effect of exchange rate changes on cash and cash equivalents	-	0
Net increase (decrease) in cash and cash equivalents	(170,004)	132,100
Cash and cash equivalents at beginning of period	1,218,358	1,145,732
Cash and cash equivalents at end of period	1,048,354	1,277,833

#### **(4) Notes to Quarterly Non-consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Share capital and capital surplus increased by 16,040 thousand yen each due to the issuance of 137,100 shares upon exercise of stock acquisition rights as stock options.

As a result, share capital and capital surplus were 331,432 thousand yen and 295,732 thousand yen, respectively, at the end of the second quarter of the current fiscal year.

##### **Changes in Accounting Policies**

###### **Application of the Accounting Standard for Revenue Recognition**

Tobila Systems has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

As a result, for transactions where revenue was previously recognized at once upon the completion of a contract, revenue is recognized over a period based on a length of time with respect to a reasonable period involving the fulfillment of an obligation.

In addition, in prior years, revenue for the subcontracted development of software was recognized by using the percentage of completion method for contracts where there will be definite benefits of the portion where progress was made. For all other contracts, the completed contract method is used for the recognition of revenue. However, excluding contracts that are completed within a very short time, revenue was recognized over an applicable period as the obligation was fulfilled. For the estimation of the percentage of completion of the fulfillment of an obligation, the percentage is estimated by dividing the all costs recorded to date by the total estimated amount of costs that will be incurred for that obligation (input method) in cases where the benefits of the fulfillment of the obligation can be reliably measured. For contracts that are completed within a very short time, revenue is recognized when the obligation has been completely fulfilled.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment prescribed in Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales for the first half of the current fiscal year increased by 13,870 thousand yen; cost of sales increased by 1,554 thousand yen; and operating profit, ordinary profit and profit before income taxes increased by 12,315 thousand yen each. The impact on the balance of retained earnings at the beginning of the current fiscal year is immaterial.

Due to the application of the Accounting Standard for Revenue Recognition, accounts receivable-trade that were presented under the current assets in the non-consolidated balance sheets in the previous fiscal year is, from the first quarter of the current fiscal year, included in accounts receivable-trade and contractual assets, and advances received that were presented under the current liabilities included in contractual liabilities. In addition, decrease (increase) in trade receivables that were presented under cash flows from operating activities in the quarterly non-consolidated statement of cash flows in the first half of the previous fiscal year is, from the first half of the current fiscal year, included in decrease (increase) in trade receivables and contractual assets, and increase (decrease) in advances received included in increase (decrease) in contractual liabilities.

In accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), Tobila Systems has not presented the disaggregation of revenue from contracts with customers for the first half of the previous fiscal year.

## Application of the Accounting Standard for Fair Value Measurement

Tobila Systems has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the current fiscal year, and has applied the new accounting standard set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

The effect of this change on the non-consolidated financial statements in the first half of the current fiscal year is insignificant.

## Segment and Other Information

## Segment Information

## I. First six months of FY10/21 (Nov. 1, 2020 – Apr. 30, 2021)

Information related to net sales and profit or loss for the reportable segment

(Thousands of yen)

	Reportable segment		Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly non- consolidated statement of income (Note 3)
	Fraud and spam prevention services	Subtotal				
Net sales						
External sales	652,401	652,401	41,538	693,939	-	693,939
Inter-segment sales and transfers	-	-	-	-	-	-
Total	652,401	652,401	41,538	693,939	-	693,939
Segment profit	431,535	431,535	24,992	456,528	(170,451)	286,076

Notes: 1. Others represent the 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.

2. 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.

3. Segment profit is adjusted to be consistent with operating profit in the quarterly non-consolidated statement of income.

## II. First six months of FY10/22 (Nov. 1, 2021 – Apr. 30, 2022)

## 1. 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.

2. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, Tobira Systems has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of FY10/22 and changed the accounting method for revenue recognition, so the method for calculating profit or loss in the business segment has been changed as well.

The effect of this change was to increase sales by 14,280 thousand yen and to increase segment profit by 12,315 thousand yen in the fraud and spam prevention services, and to decrease sales in the others by 409 thousand yen for the first six months of FY10/22, compared with the previous method.

*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.*