

**Non-consolidated Financial Results for the Third Quarter of the Fiscal Year Ending October 31, 2022
(Nine Months Ended July 31, 2022)**

[Japanese GAAP]

September 9, 2022

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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 (Video distribution is planned)

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

1. Non-consolidated Financial Results for the Third Quarter (November 1, 2021 - July 31, 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	%
Nine months ended Jul. 31, 2022	1,250	18.2	416	(7.6)	407	(9.4)	244	(21.1)
Nine months ended Jul. 31, 2021	1,057	17.2	450	19.7	449	28.6	310	28.2

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Jul. 31, 2022	23.32	23.09
Nine months ended Jul. 31, 2021	29.94	29.29

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jul. 31, 2022	2,578	1,632	63.3
As of Oct. 31, 2021	2,170	1,489	68.6

Reference: Shareholders' equity (million yen) As of Jul. 31, 2022: 1,632 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 Jul. 31, 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 Jul. 31, 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

Nine months ended Jul. 31, 2022:	10,489,271 shares	Nine months ended Jul. 31, 2021:	10,358,183 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 nine months of the fiscal year ending October 31, 2022, Japan's economy recovered gradually as the severe situation that restricted economic activity eased due to progress with COVID-19 vaccinations. Economic activity also showed signs of recovery as Japan started allowing foreign tourists into the country and took other measures. However, the outlook remains uncertain as COVID-19 infections are rising again, and the economy has yet to recover to the pre-pandemic level. Moreover, rising raw material prices due to heightened Russia-Ukraine tensions and accelerating inflation worldwide have also created growing uncertainty over the outlook for the global economy.

Numerous scams about refund concerning COVID-19 vaccines, smishing, SMS phishing scams to steal credit card data and 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. Examples include the offering of JCOM's fraudulent call automatic blocking service. JCOM Co., Ltd. is a group company of KDDI. The company encourages cooperation with local police departments through the service and contributes to the realization of safe and secure communities.

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, there were many activities 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 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 Summer" in three segments, PBX, IVR and IP telephone. The award is given to products with high customer satisfaction based on user reviews. We won the "Leader" award for the second consecutive term.

Orders for TobilaPhone Biz, an upgraded version of TobilaPhone for corporate users, have increased significantly compared to the previous fiscal year as it was registered as a "Select Item" by NTT East and NTT West. As a new business, we provide 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 15 million users now use our services as of July 31, 2022.

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." In June 2022, Tobila Systems received the Tokai Information Communication Conference Chairman's Award at an event to celebrate Wireless Telecommunication Day and Info-Communications Promotion Month. The award recognizes Tobila Systems' contributions to the use of wireless telecommunications and progress in the field of information communications.

In the nine months, net sales increased 18.2% year-on-year to 1,250,792 thousand yen, operating profit decreased 7.6% to 416,317 thousand yen, ordinary profit decreased 9.4% to 407,463 thousand yen and profit was down 21.1% to 244,572 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 in the first nine months were 1,205,443 thousand yen, up 20.9% from one year earlier, and segment profit increased 3.4% to 696,462 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 in the first nine months decreased 25.5% from one year earlier to 45,349 thousand yen, and the segment profit was 30,399 thousand yen, down 17.3%.

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 nine months, corporate expenses increased 19.5% from one year earlier to 310,544 thousand yen mainly because of higher administrative expenses because of the larger scale of operations.

(2) Explanation of Financial Position

Total assets

Total assets increased 408,595 thousand yen from the end of the previous fiscal year to 2,578,612 thousand yen at the end of the third quarter of the current fiscal year. This was attributable mainly to increases of 265,084 thousand yen in cash and deposits, 46,344 thousand yen in accounts receivable-trade and contractual assets, 15,932 thousand yen in property, plant and equipment, 25,187 thousand yen in software and 52,050 thousand yen in investments and other assets.

Liabilities

Total liabilities increased 265,236 thousand yen from the end of the previous fiscal year to 946,243 thousand yen. The main factors include increases of 11,611 thousand yen in accounts payable-trade and 377,420 thousand yen in contractual liabilities, and decreases of 27,501 thousand yen in accounts payable-other, 44,284 thousand yen in income taxes payable and 37,530 thousand yen in long-term borrowings.

Net assets

Total net assets increased 143,359 thousand yen from the end of the previous fiscal year to 1,632,368 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 244,572 thousand yen, and a decrease of 134,040 thousand yen in retained earnings due to dividends paid.

(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)	Third quarter of FY10/22 (As of Jul. 31, 2022)
Assets		
Current assets		
Cash and deposits	1,145,732	1,410,817
Accounts receivable-trade and contractual assets	181,343	227,688
Electronically recorded monetary claims-operating	562	296
Merchandise and finished goods	26,991	57,484
Work in process	527	-
Raw materials and supplies	978	1,644
Other	33,041	54,644
Allowance for doubtful accounts	(83)	(107)
Total current assets	1,389,094	1,752,468
Non-current assets		
Property, plant and equipment	49,849	65,781
Intangible assets		
Goodwill	325,221	274,603
Software	169,250	194,437
Other	14,826	17,496
Total intangible assets	509,297	486,537
Investments and other assets	221,774	273,824
Total non-current assets	780,921	826,143
Total assets	2,170,016	2,578,612
Liabilities		
Current liabilities		
Accounts payable-trade	7,194	18,805
Income taxes payable	111,310	67,026
Contractual liabilities	52,445	429,866
Provision for bonuses	-	14,594
Other	214,267	157,690
Total current liabilities	385,217	687,983
Non-current liabilities		
Long-term borrowings	295,790	258,260
Total non-current liabilities	295,790	258,260
Total liabilities	681,007	946,243
Net assets		
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	1,148,896
Total retained earnings	1,037,619	1,148,896
Treasury shares	(143,693)	(143,693)
Total shareholders' equity	1,489,008	1,632,368
Total net assets	1,489,008	1,632,368
Total liabilities and net assets	2,170,016	2,578,612

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

(Thousands of yen)

	First nine months of FY10/21 (Nov. 1, 2020 – Jul. 31, 2021)	First nine months of FY10/22 (Nov. 1, 2021 – Jul. 31, 2022)
Net sales	1,057,966	1,250,792
Cost of sales	275,253	372,586
Gross profit	782,712	878,206
Selling, general and administrative expenses	332,265	461,888
Operating profit	450,446	416,317
Non-operating income		
Interest income	5	5
Cancellation income for services	186	31
Subsidy income	570	50
Insurance claim income	-	33
Other	36	25
Total non-operating income	798	146
Non-operating expenses		
Interest expenses	128	880
Loss on extinguishment of share-based payment expenses	1,015	7,858
Other	589	261
Total non-operating expenses	1,734	9,000
Ordinary profit	449,510	407,463
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
Other	-	2,022
Total extraordinary losses	45	31,967
Profit before income taxes	449,465	381,396
Income taxes-current	142,595	150,351
Income taxes-deferred	(3,254)	(13,528)
Total income taxes	139,341	136,823
Profit	310,124	244,572

(3) 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 third 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 nine months of the current fiscal year increased by 20,099 thousand yen; cost of sales increased by 3,026 thousand yen; and operating profit, ordinary profit and profit before income taxes increased by 17,073 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 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 nine months 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 nine months of the current fiscal year is insignificant.

Segment and Other Information

Segment Information

I. First nine months of FY10/21 (Nov. 1, 2020 – Jul. 31, 2021)

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

	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	997,118	997,118	60,847	1,057,966	-	1,057,966
Inter-segment sales and transfers	-	-	-	-	-	-
Total	997,118	997,118	60,847	1,057,966	-	1,057,966
Segment profit	673,523	673,523	36,743	710,266	(259,820)	450,446

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 nine months of FY10/22 (Nov. 1, 2021 – Jul. 31, 2022)

1. Information related to net sales and profit or loss for the reportable segment and breakdown of revenue

	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)	1,044,596	1,044,596	43,092	1,087,689	-	1,087,689
Non-recurring revenue (Note 2)	160,846	160,846	2,256	163,103	-	163,103
Revenue from contracts with customers	1,205,443	1,205,443	45,349	1,250,792	-	1,250,792
External sales	1,205,443	1,205,443	45,349	1,250,792	-	1,250,792
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,205,443	1,205,443	45,349	1,250,792	-	1,250,792
Segment profit	696,462	696,462	30,399	726,862	(310,544)	416,317

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, Tobila 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 19,044 thousand yen and to increase segment profit by 16,508

thousand yen in the fraud and spam prevention services, and to increase sales by 1,055 thousand yen and to increase segment profit by 565 thousand yen in others for the first nine 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. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.