



**TOBILA**  
S Y S T E M S

**1H FY10/21**

**Results of Operations for the Second Quarter  
of the Fiscal Year Ending October 31, 2021**

**Tobila Systems Inc.**

(Tokyo Stock Exchange First Section 4441)

- 1** Business Overview
- 2** Competitive Strengths
- 3** 1H FY10/21 Highlights
- 4** 1H FY10/21 Financial Results
- 5** References

Results of Operations

1

Business Overview

# Corporate Philosophy

**We open the door to a better future for our lives and the world**

## **Using technologies for the challenge of solving social issues**

We are constantly changing without any fear of failure and challenging conventional thinking to realize a better future which we dream of. We will be a source of products that help solve social issues and have benefits for people. We will also pursue appropriate earnings for steady growth as we expand and upgrade our operations. We believe that maintaining an environment where we can live in peace with our loved ones will lead directly to our growth and a better life for people worldwide.

We will strive to solve social issues using security for people in order to create a society with peace of mind.



**Growth by providing security that protects people's weaknesses**

**June 2021**

*Launched a new security service to help solve social problems other than telephone scams*

**March 2016**

*Started offering the fraudulent call filtering service as an option for all three of Japan's major telephone companies*

**March 2015**

*Signed a memorandum with the National Police Agency concerning telephone scams in order to establish a system for receiving information*

**June 2011**

*Started sales of TobilPhone, a fraudulent call filtering service that aims to solve social problems of telephone scams*

**2010**

*Tobila Systems President Atsushi Akita started developing a fraudulent telephone call filter after his grandfather was the victim of a telephone call scam*

You know right away!

## A powerful barrier against fraudulent calls



Mobile app



Landline  
phone



For  
businesses



### Mobile phone

**Blocks fraudulent phone calls and SMS. Used by all three major Japanese cell phone carriers.**

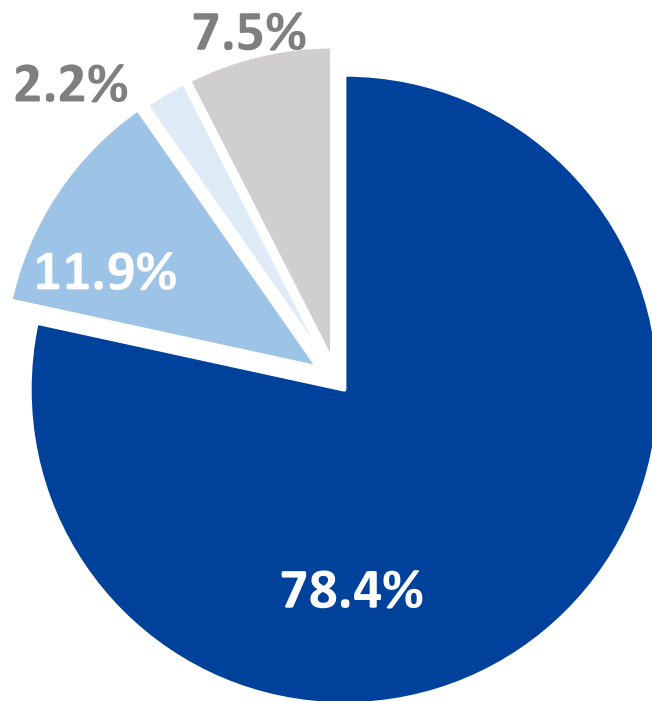
### Landline phone

**Blocks unnecessary sales calls and fraudulent calls. Sold mainly as an option for IP phones.**

### Business phone

**This cloud-based telephone service uses a smartphone app to allow making and receiving calls by using a company's phone number.**

## Fraud and spam prevention services are the primary source of growth



FY10/20 Sales composition

### Fraud and spam prevention services

■ Filtering Service for Mobile Phones

■ Filtering Service for Landline Phones

■ Filtering Service for Business Phones

■ Other services

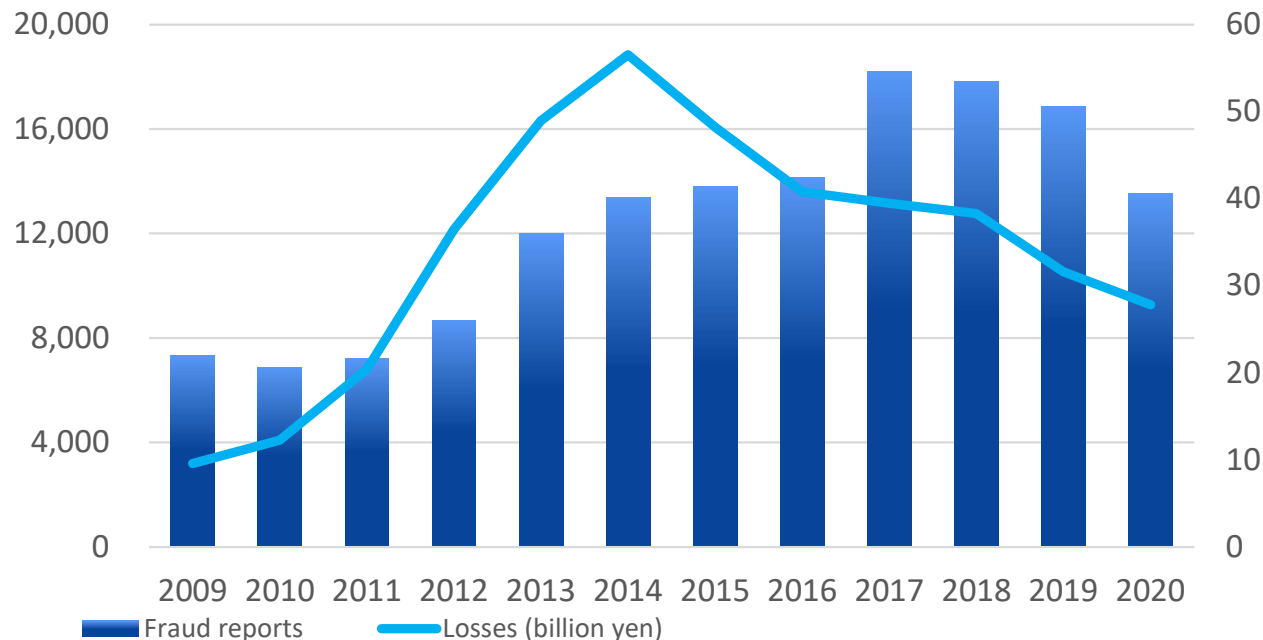
- ▶ Steady growth is expected for both mobile and landline phone services
- ▶ Investments for R&D for new sources of growth, business alliances and business phone filters

# Why Did We Select the Telephone Scam Business?

## Enormous losses caused by scams in Japan

13,526 recorded  
cases of fraud  
and spam  
activities

Financial  
losses  
About  
¥27.8 billion



Source: Identification and Control of Special Fraud in 2020, National Police Agency



### Dedicated to creating solutions

Company president Atsushi Akita started this business after his grandfather was the victim of a scam.

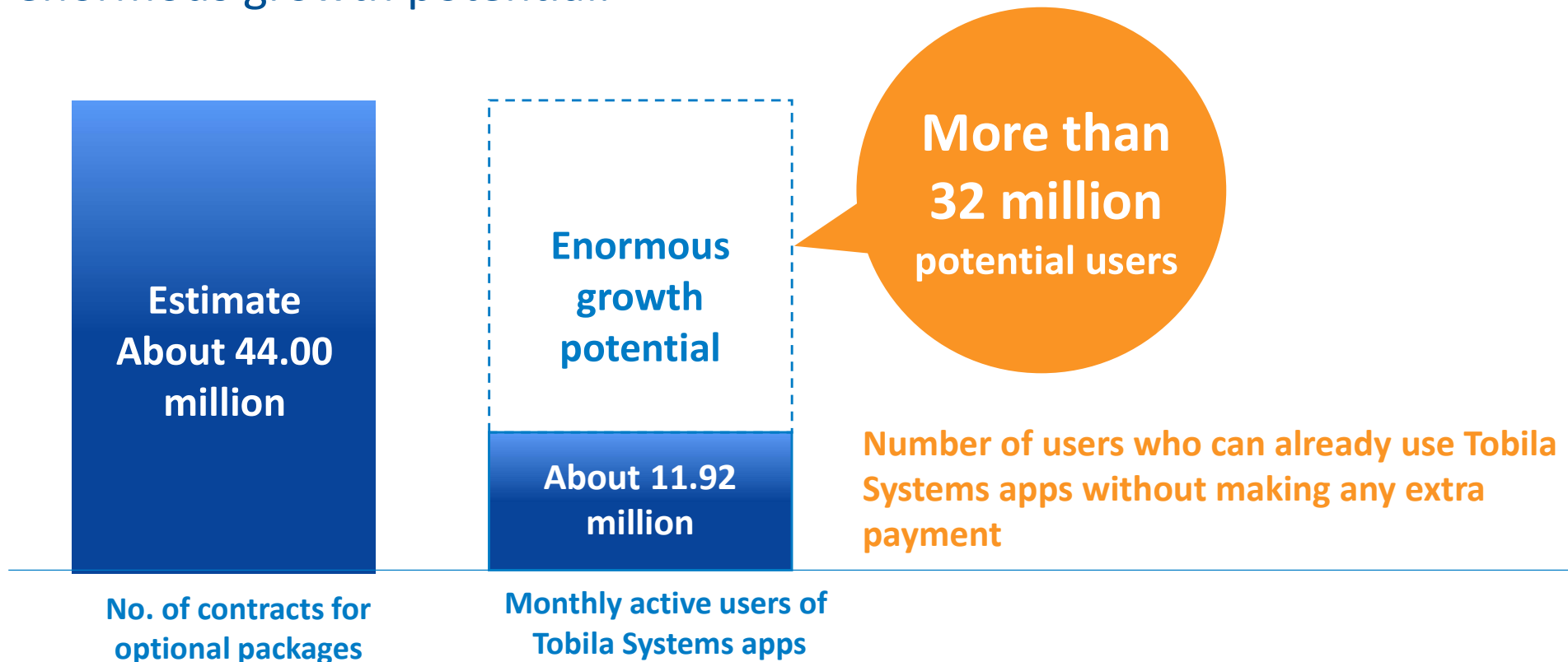
Smartphone app development skills  
Big data analysis skills  
Service infrastructure construction skills  
Security countermeasures skills

Tobila Systems is constantly updating and upgrading services by using the latest technologies.



# The Market and Growth Potential in Japan for Filtering Service for Mobile Phones

With an estimated about 44 million contracts for optional packages and more than 32 million potential monthly active users of Tobila Systems apps, there is enormous growth potential.

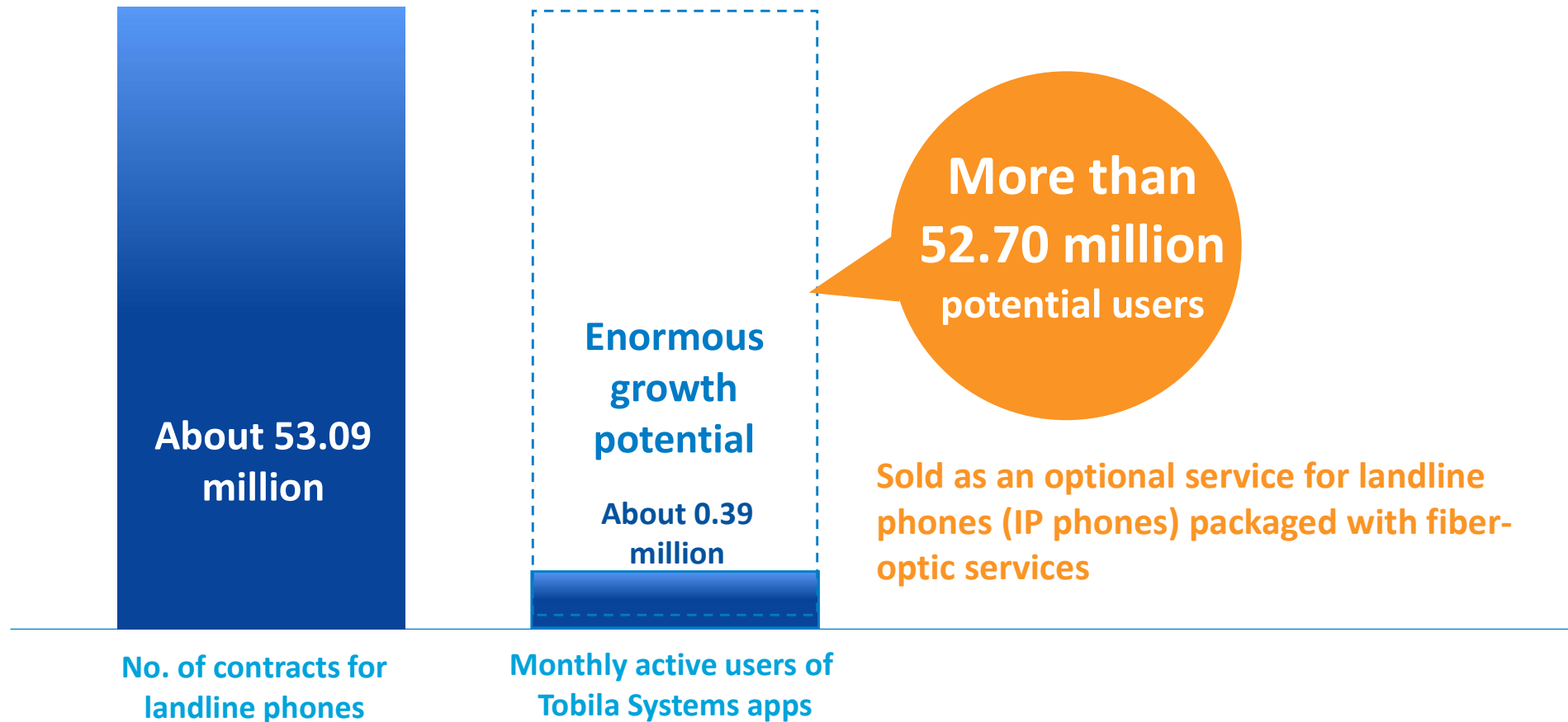


\* Number of cell phone contracts: Quarterly Data on Telecommunications Service Contract Numbers and Market Share, Ministry of Internal Affairs and Communications (March 19, 2021)

\* Number of contracts for options: Tobila Systems estimate based on data collected by Tobila Systems for SoftBank, Smart Pass and Smart Pass Premium contracts as announced by KDDI for au (<https://www.kddi.com/corporate/ir/finance/report-segment/>), and the number of contracts for options announced on December 19, 2018 for NTT Docomo

\* Number of the monthly active users includes some provisional figures. The data may vary somewhat when the finalized figures are released and reflected in the data.

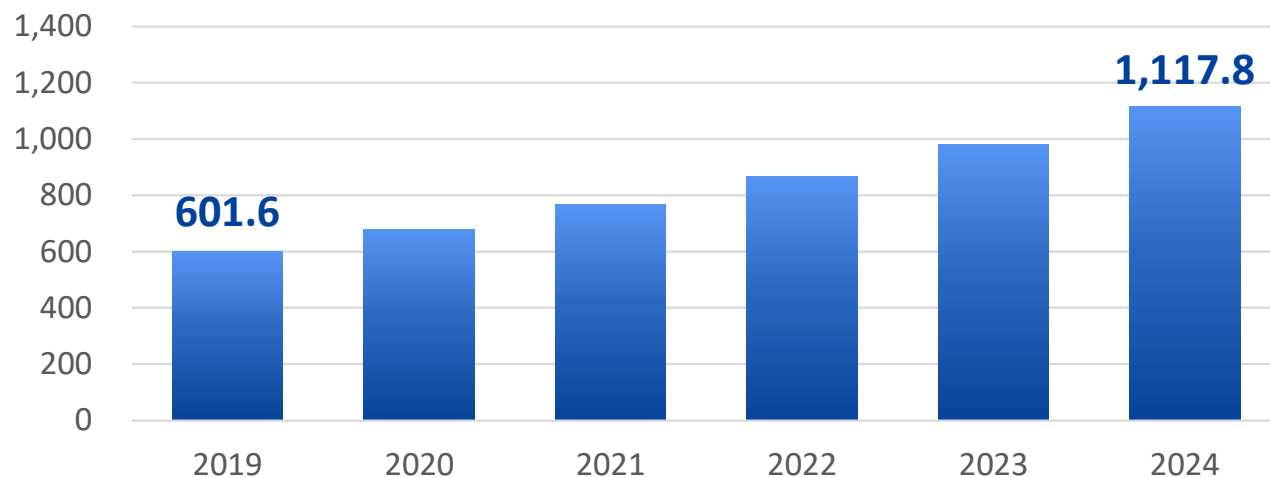
## Enormous growth potential by establishing alliances with large companies



\* Number of landline phone contracts: Quarterly Data on Telecommunications Service Contract Numbers and Market Share, Ministry of Internal Affairs and Communications (March 19, 2021)

## Upgrading TobilaPhone Cloud for growth in the expanding SaaS market

Unit: Billions of yen



The goal is sales of ¥10 billion in the growing SaaS and business cell phone markets.

\*SaaS market size is based on "SaaS Industry Report 2020" by Smartcamp Co., Ltd.



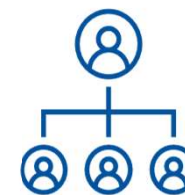
### Links with many functions and additional functions



CTI



CRM



SFA

Results of Operations

# 2

Competitive Strengths

## The High Barriers to Entry of the Fraud and Spam Prevention Services

**Effectively no competition**

**High barriers to entry because only Tobila Systems currently has the required resources and expertise**

	<b>Tobila Systems</b>	Foreign Company A	Japanese Company B
Relationships with police	○	×	×
Number of users	○	△	×
Used by telecom companies	○	×	×

- ▶ Many unique algorithms for filtering have been patented
- ▶ Constantly updating the database by using a huge volume of data

## Strategies for R&D and M&A

The strategic objective is to use R&D and M&A activities to enhance our “only one” capabilities with the goal of expanding to more markets where our strengths can make us competitive

Strengthen “only one” capabilities  
(fraud and spam filtering)

Malicious phone  
number data

Malicious SMS data

Malicious ad data

Links with corporate  
data

Links with credit  
data

Links with business  
card data

Analysis of  
utilization

Links with location  
data

Adding many functions

Database



Markets where these strengths  
can make us competitive

Fraud and spam filtering market  
for landline and mobile phones

Market for protection against  
SMS phishing

Ad blocking market

Credit management  
market

Communication analytics  
market

Call center market

## Medium-term Growth Projection

### ▶ Mobile phone services

Expect **rapid sales growth** to continue because there is still substantial growth potential

### ▶ Landline phone services

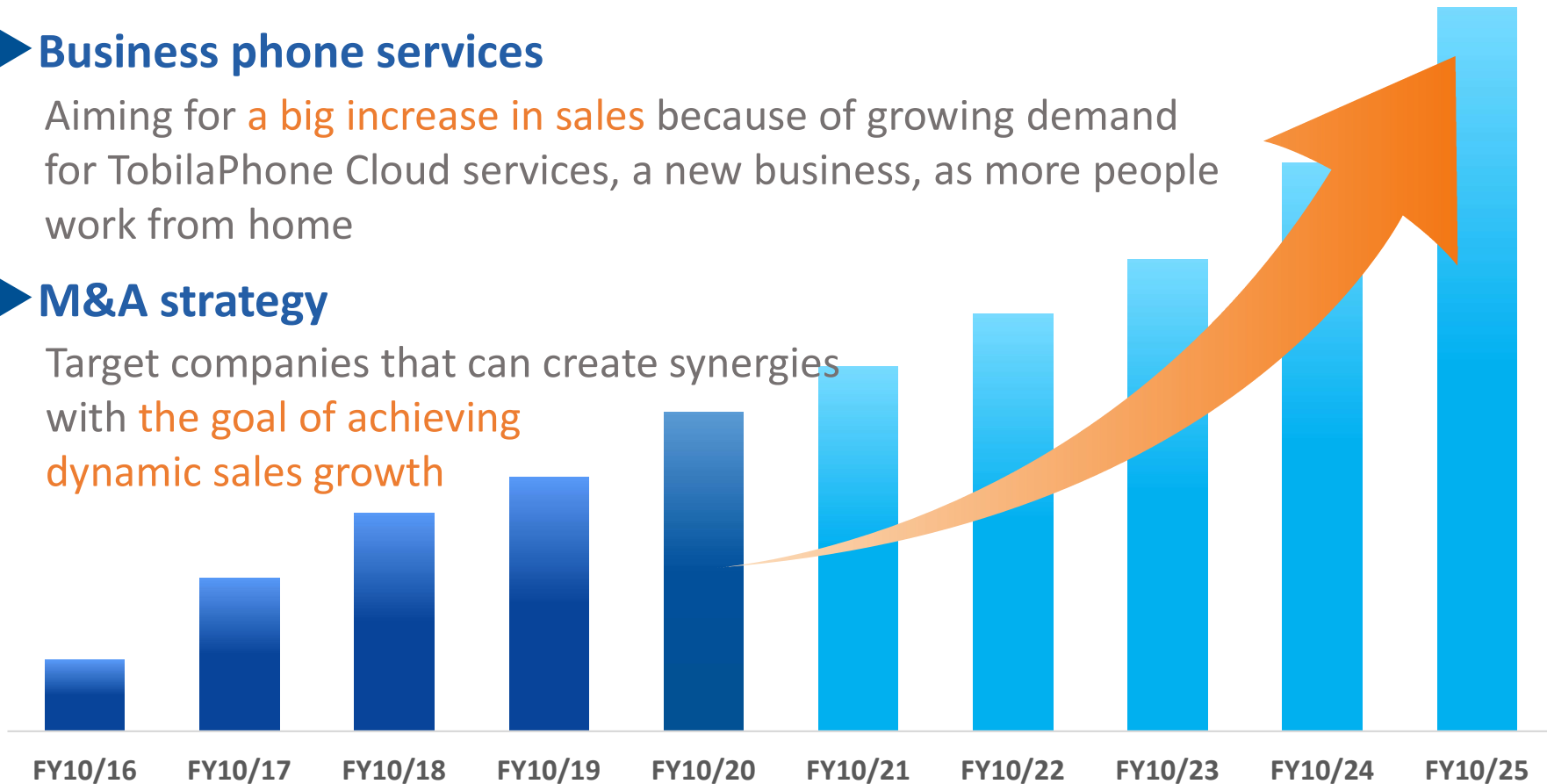
The goal is **steady sales growth** because of the large potential market for landline phone services and high level of interest in these services

### ▶ Business phone services

Aiming for **a big increase in sales** because of growing demand for TobilaPhone Cloud services, a new business, as more people work from home

### ▶ M&A strategy

Target companies that can create synergies with **the goal of achieving dynamic sales growth**



Results of Operations

3

1H FY10/21 Highlights



## Sales and earnings in line with the plan

Sales were more than 15% higher than one year earlier

### Net sales

**¥693 million**

117.6% YoY

101.8% vs. plan

1H vs. FY Plan: 49.2%

### Operating profit

**¥286 million**

118.1% YoY

118.7% vs. plan

1H vs. FY Plan: 55.3%

### Profit

**¥197 million**

132.5% YoY

120.3% vs. plan

1H vs. FY Plan: 56.1%

- ▶ Steady growth of steady revenue resulted in sales growth as planned
- ▶ Earnings exceeded the plan due to slowing growth of SG&A expenses
- ▶ No change in FY10/21 earnings plan due to substantial 2H investments

▶ **1 Monthly active users exceeded 12 million**

▶ **2 Won first place in the app ranking**

▶ **3 Started linking the functions of TobilaPhone Cloud and Kaikura**

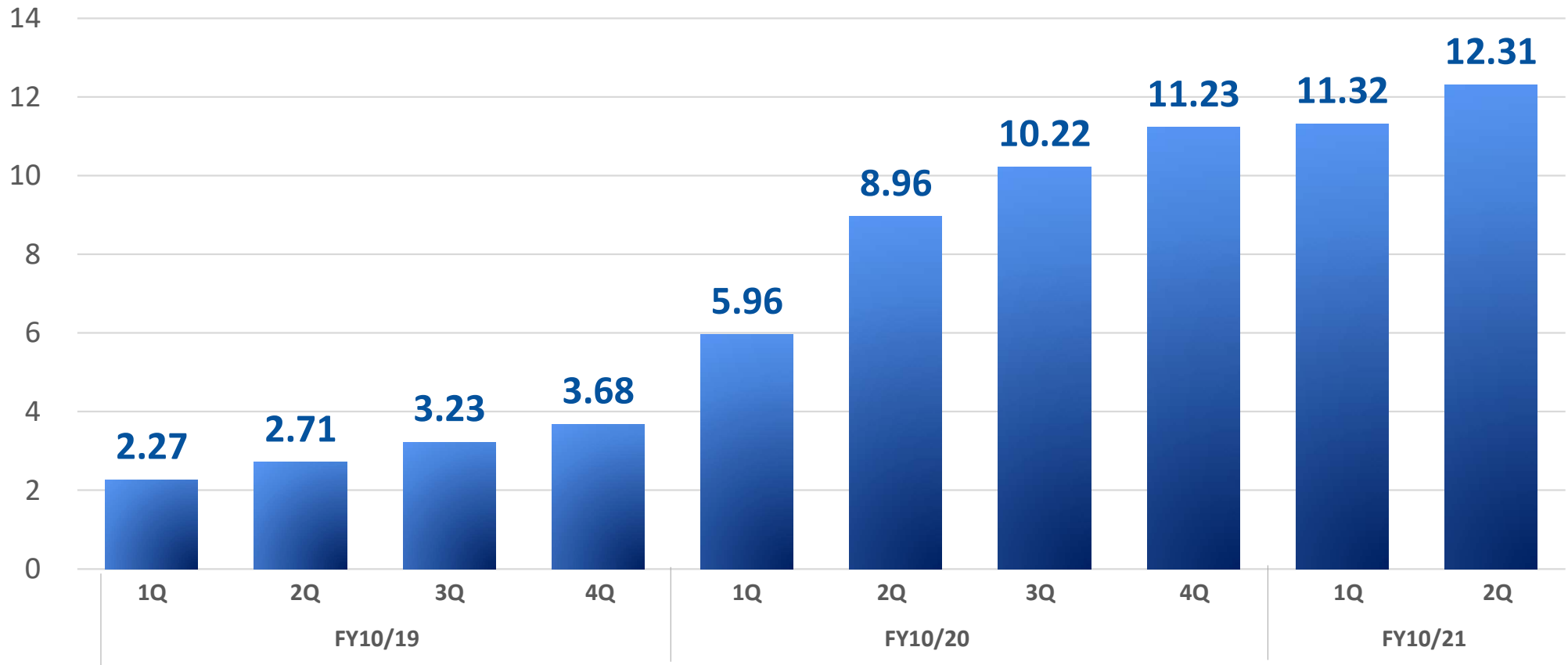
▶ **4 Strengthen the management and analysis capabilities of TobilaPhone Cloud**

**Focus** ▶ **5 Started introduction of fraud and spam database to a financial institution**

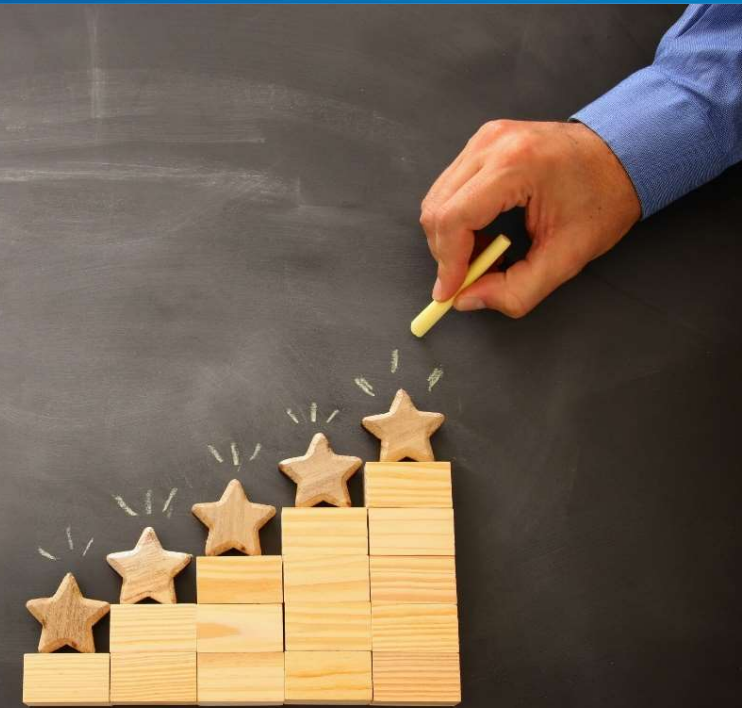
## Steady growth of monthly mobile phone filtering service users continued

Growth in Monthly Active Users of Fraud and Spam Prevention Service

Unit: Millions



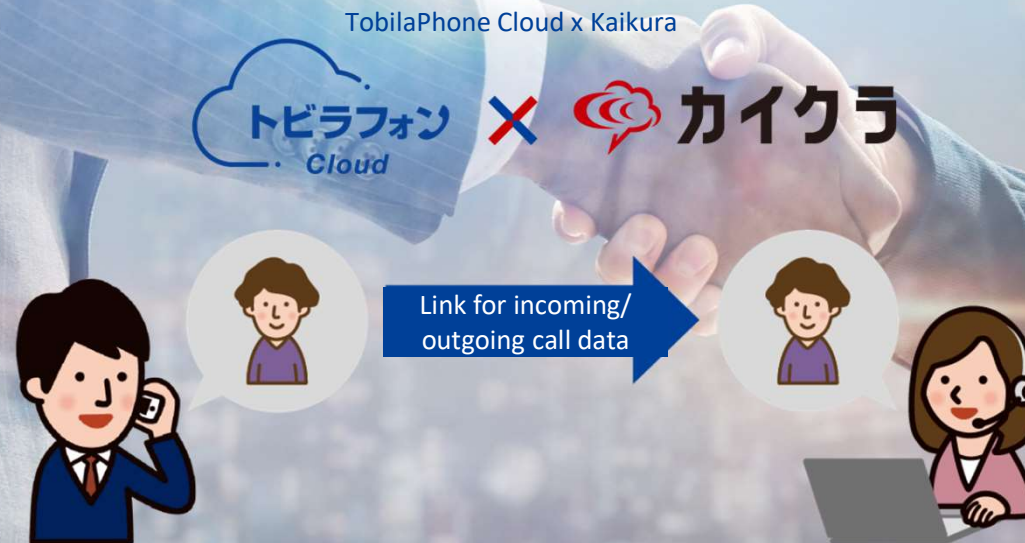
# Meiwaku Message/Denwa Block Ranked First Among Leading Apps!



- ▶ Meiwaku Message/Denwa Block, which is provided by KDDI, ranked first in the Google Play free app ranking (As of May 27, 2021)

## Started Linking the Functions of TobilaPhone Cloud and Kaikura

Linked products with services of Thinca, where Tobila made an investment in December 2020

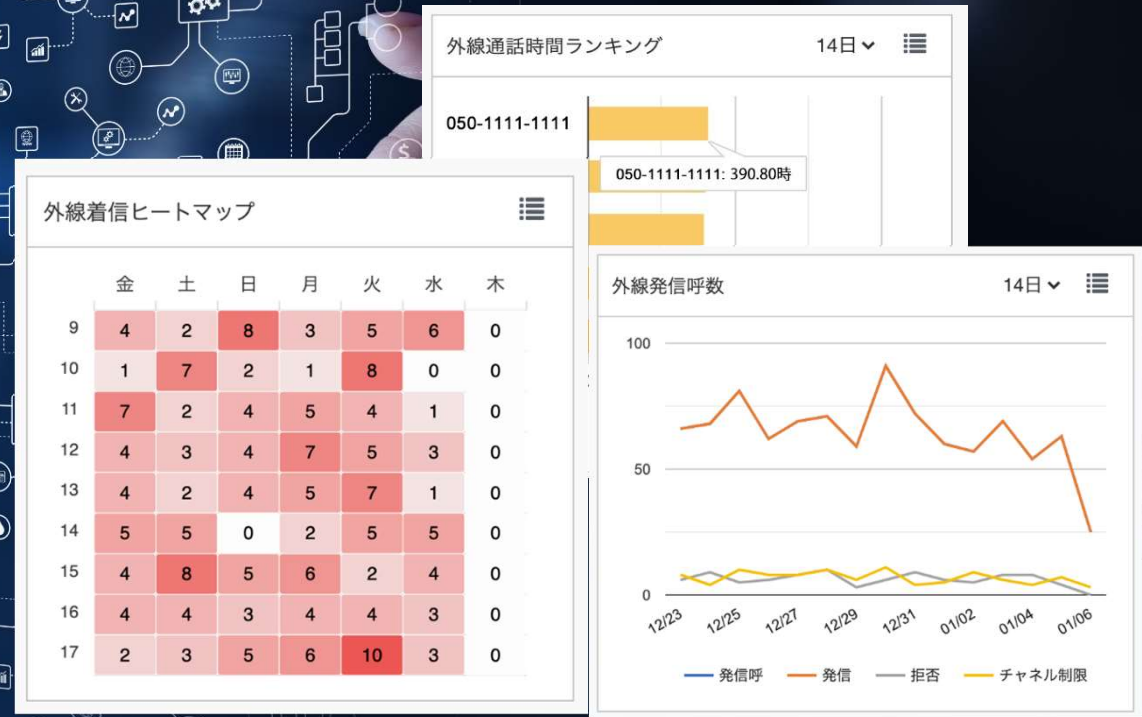


- ▶ Creating a link between TobilaPhone Cloud and Kaikura will contribute to the digital transformation of small call centers
- ▶ This link is expected to increase synergies with Thinca, a company where Tobila has invested, and lead to more growth

# Telephone visualization for digital transformation progress




**DATA  
MANAGEMENT**



- ▶ The dashboard function allows managing and analyzing telephone data
- ▶ A service that transforms a voice communication app into a service that also includes business process analysis

## Started Introduction of Fraud and Spam Database to a Financial Institution



**Prevents phishing by providing financial institutions with phishing URL information obtained by using exclusive algorithms to collect data from e-mail received from telecommunications carriers**

- ▶ **URL information collected by the fraudulent mail filtering service will be provided to financial institutions that are having problems with phishing scams**
- ▶ **We plan to provide this service to an increasing number of financial institutions**

Results of Operations

4

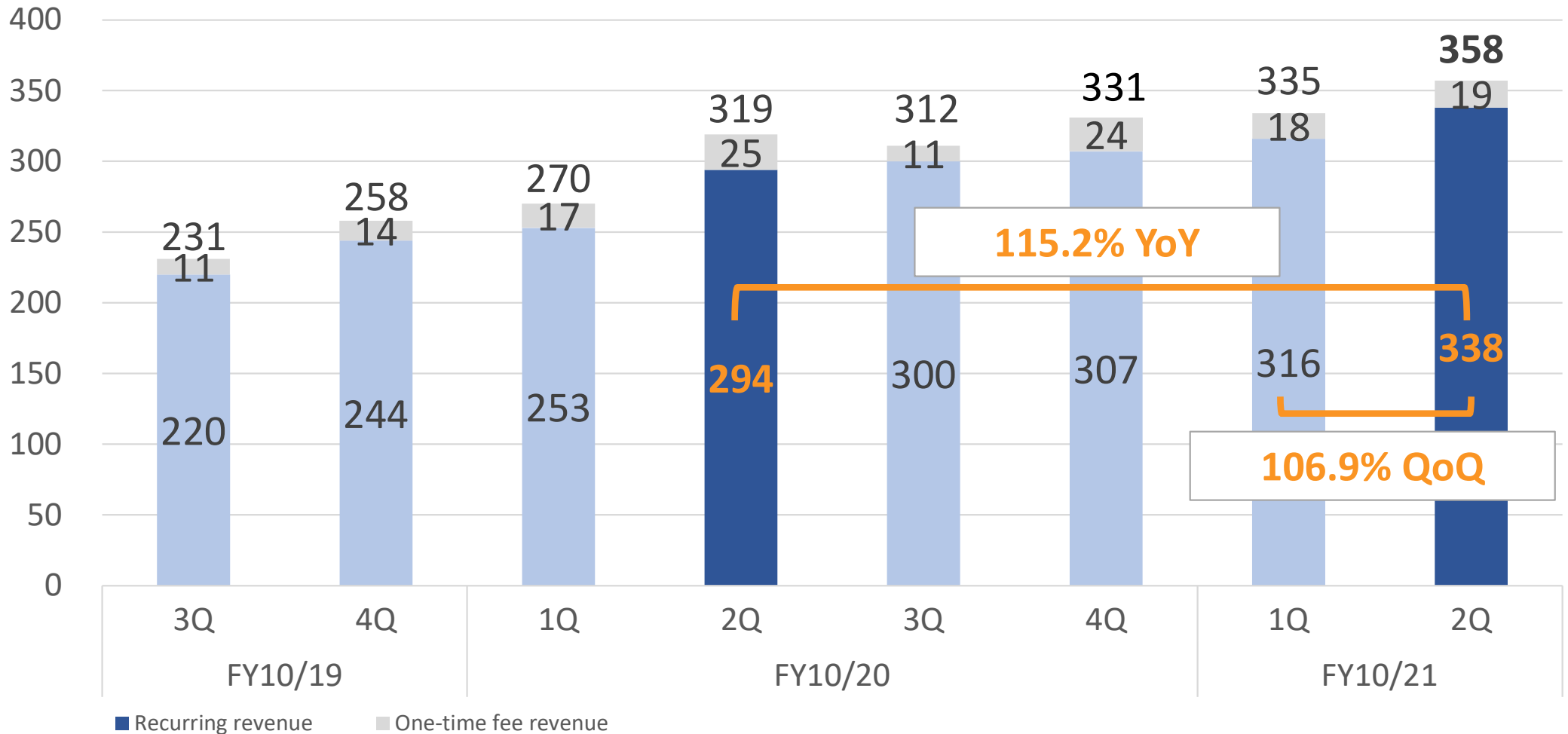
1H FY10/21 Financial Results



## Financial Summary (1/9) Sales

The base for earnings is steadily growing. Second quarter recurring revenue was 15.2% higher than one year earlier and 6.9% higher than in the first quarter.

Unit: Millions of yen



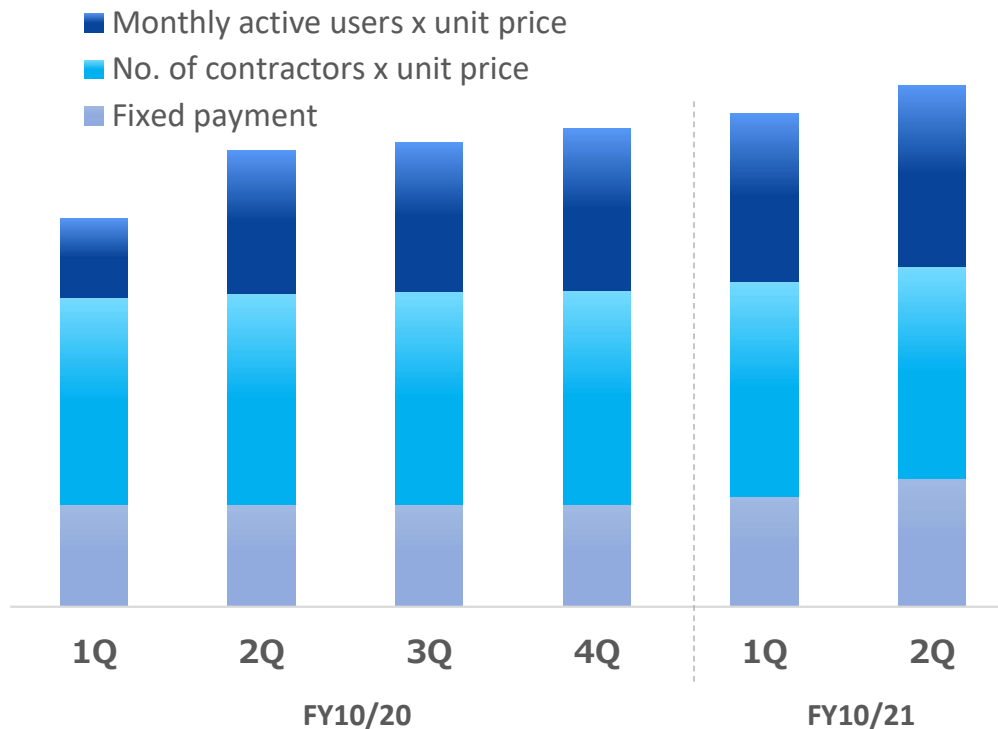
## Consistent quarter-to-quarter growth in the core mobile phone services category

	2Q FY10/21 Results	1Q FY10/21		2Q FY10/20	
		Results	QoQ	Results	YoY
Unit: Millions of yen					
Fraud and spam prevention services	335	316	106.1%	295	113.8%
Mobile phone services	<b>281</b>	<b>265</b>	<b>105.8%</b>	247	113.9%
Landline phone services	37	38	96.5%	42	88.2%
Business phone services	17	11	144.3%	5	297.8%
Other services	22	19	115.4%	23	92.8%

## Financial Summary (3/9) Mobile Business Category Growth

Although the number of contractors x unit price is on a downward trend due to the introduction of low-cost plans by various companies, monthly active users x unit price is growing steadily

Quarterly sales of major contract categories of filtering services for mobile phones



\* Difference between 1Q and 2Q FY10/21

### Performance vs. Prior Quarter\*

#### ▶ Monthly active users × Unit price

**Sales** 107.6%  
Monthly active users 111.9%

#### ▶ No. of contractors × Unit price

Sales 98.9%  
Monthly active users 107.4%

#### ▶ Fixed payment

**Sales** 116.0%  
Monthly active users 108.3%

## Financial Summary (4/9) Sales Composition (cumulative)

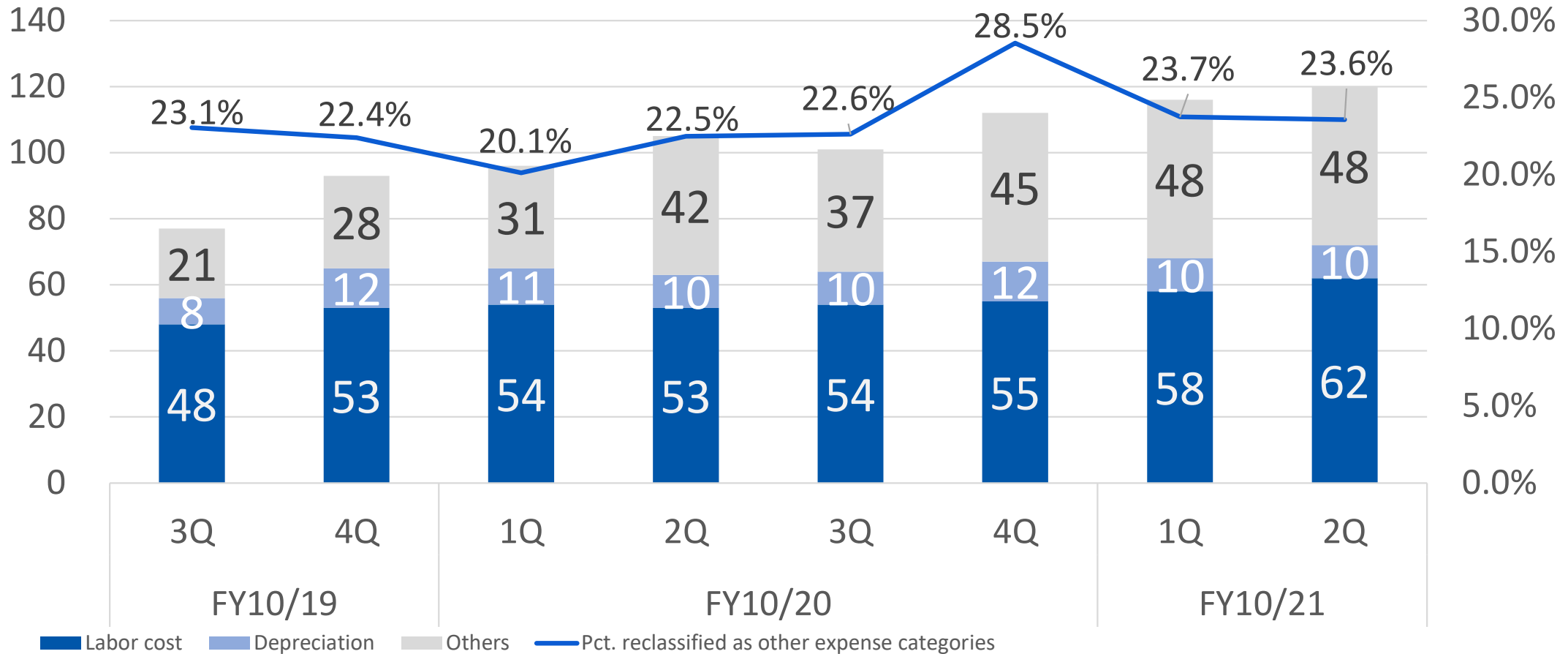
Sales for the mainstay mobile phone services grew 19.2% YoY, but fell short of the plan.

Unit: Millions of yen	1H FY10/21	1H FY10/21		1H FY10/20	
		Plan	Achievement rate	Results	YoY
Fraud and spam prevention services	652	645	101.1%	539	120.9%
Mobile phone services	547	555	98.6%	459	119.2%
Landline phone services	76	68	111.8%	70	108.8%
Business phone services	28	22	129.7%	10	276.9%
Other services	41	36	114.5%	50	82.0%

## Financial Summary (5/9) Cost of Sales

The cost of sales is increasing along with the growth of business activities but appropriate cost controls are holding down the growth rate.

Unit: Millions of yen



\*Pct. reclassified as other expense categories is the percentage of the cost of sales included in R&D expenses and assets due mainly to the characteristics of work performed by employees

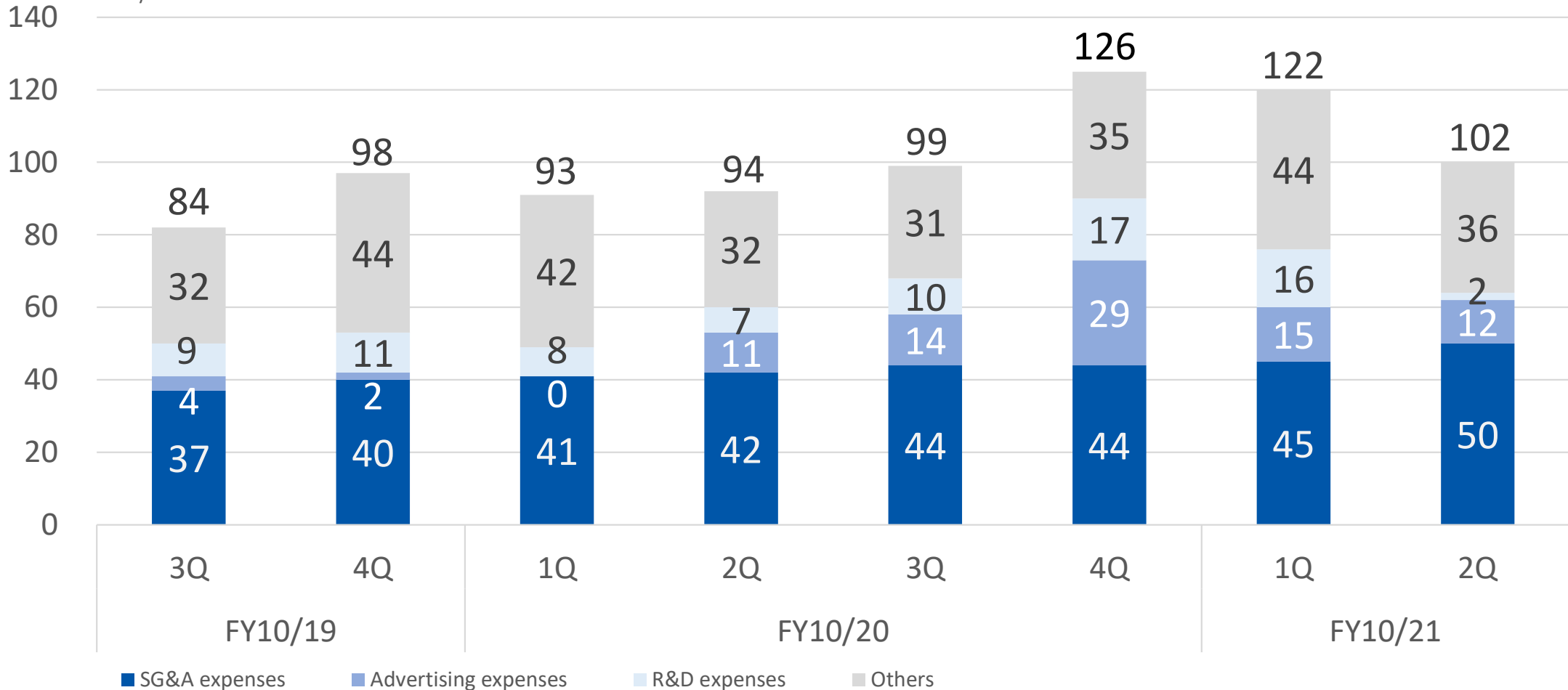
\*The sum of labor cost, depreciation and others does not match the total cost of sales on the income statement because these figures are before adjustments for reclassified expenses and work in process transfers.

# 4

## Financial Summary (6/9) SG&A Expenses

**R&D expenses temporarily declined because of emphasis on product development activities. Second half SG&A expenses are expected to increase because more expenditures are planned.**

Unit: Millions of yen



**The cost of sales remained at an appropriate level and SG&A expenses declined because of a temporary decrease in R&D expenses**

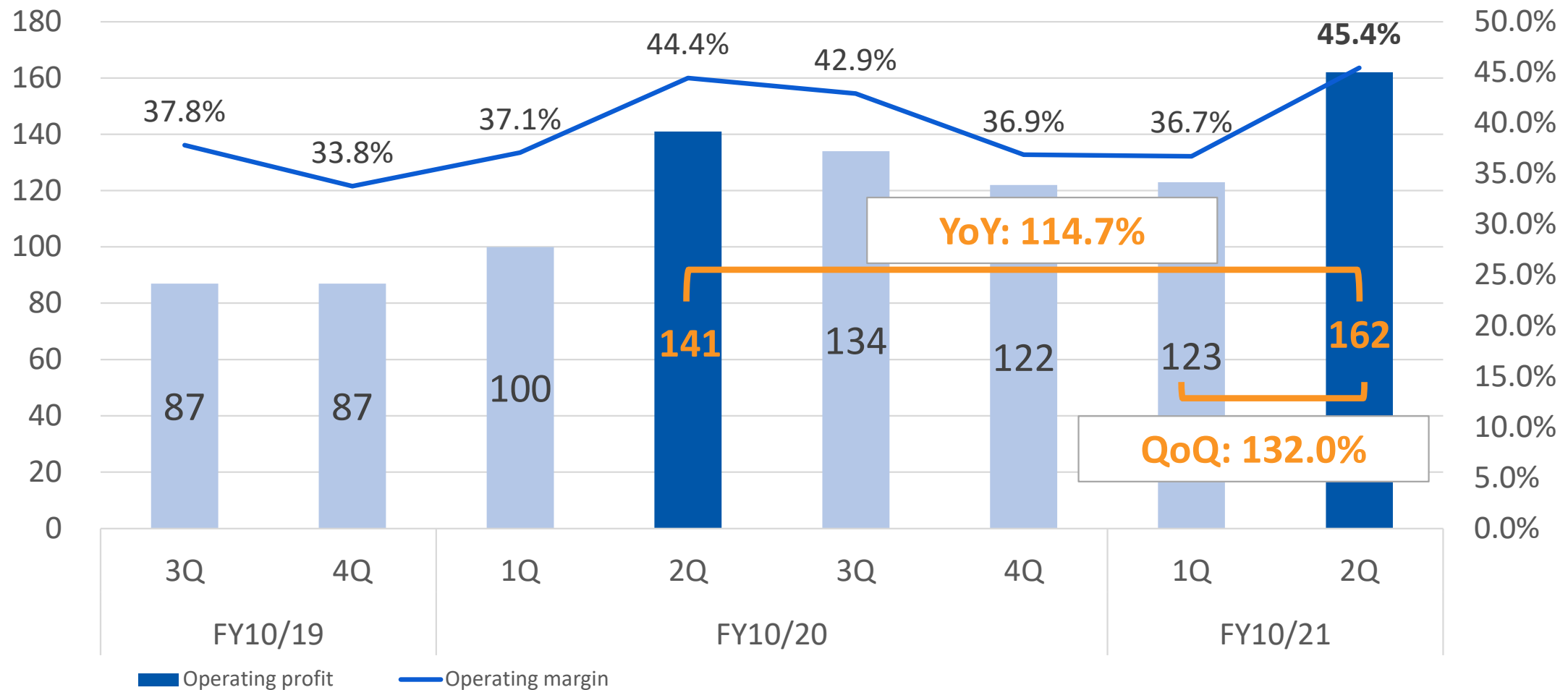
Unit: Millions of yen	1H FY10/21	1Q FY10/21		1H FY10/20	
		Results	QoQ	Results	YoY
<b>Cost of sales</b>	92	89	103.3%	77	112.1%
Labor cost	62	58	106.2%	53	117.1%
Depreciation	10	10	102.7%	10	99.5%
Others	48	48	99.4%	42	113.4%
Pct. of cost of sales classified as R&D expenses and assets*	23.6%	23.7%	99.3%	22.5%	104.8%
<b>SG&amp;A expenses</b>	102	122	83.7%	94	108.5%
Personnel expenses	50	45	111.6%	42	119.7%
Advertising expenses	12	15	79.6%	11	101.2%
R&D expenses	2	16	17.1%	7	37.4%
Others	36	44	81.9%	32	113.4%

\*The percentage of the cost of sales included in R&D expenses and assets due mainly to the characteristics of work performed by employees

## Financial Summary (8/9) Operating Profit

Operating profit increased 14.7% YoY and 32.0% QoQ because of sales growth and a temporary decrease in SG&A expenses

Unit: Millions of yen





## Financial Summary (9/9) Progress vs. Plan

**First half performance was mostly consistent with the FY plan**

**First half operating profit was higher than planned due to a temporary decrease in SG&A expenses**

**No change in FY10/21 forecasts because of the plan for higher advertising expenses in the second half**

Unit: Millions of yen	1H FY10/21	1H FY10/21		FY10/21	
		Plan	Achievement rate	Plan	1H vs. FY Plan
Net sales	693	681	101.8%	1,410	49.2%
Operating profit	286	241	118.7%	517	55.3%
Ordinary profit	286	240	119.1%	515	55.5%
Profit	197	164	120.3%	352	56.1%

**Financial soundness remains high with an equity ratio of more than 80%. Funds will be used for business investments and shareholder distributions while maintaining financial soundness.**

Unit: Millions of yen	1H FY2021	FY2020	Change
Current assets	1,260	1,413	-153
Cash and deposits	<b>1,048</b>	<b>1,218</b>	-170
Trade receivables	164	150	+14
Other	47	45	+2
Non-current assets	304	234	+70
Property, plant and equipment	56	65	-8
Intangible assets	137	114	+23
Investments and other assets	110	54	+55
Total assets	1,565	1,647	-82
Liabilities	275	300	-24
Current liabilities	270	288	-18
Non-current liabilities	5	11	-6
Net assets	1,289	1,347	-57
<b>Equity ratio</b>	<b>82.4%</b>	<b>81.7%</b>	<b>+0.6pt</b>

\* All amounts are rounded down to the nearest million yen

Results of Operations

# 5

References

3-year average ROE

34.9%

FY10/20 ROE

27.4%

**Tobila Systems has the third-highest ROE among Nikkei NEXT1000 companies**

(February 9, 2021)

**Tobila Systems maintains high profitability while making small investments and has businesses with high barriers to entry**

**Furthermore, the financial position is controlled in a suitable manner**

Payout ratio

**35%**

**Policy of consistent  
shareholder distribution**

**Average payout ratio for all  
listed companies in Japan:**

**About 30%**

**Dividend payout ratio ranked 13th among Nikkei NEXT1000 companies**

(February 23, 2021)

**End-December 2020    Repurchased stock**

**September 2019    Three-for-one stock split**

# Company Overview

<b>Company name</b>	Tobila Systems Inc.			
<b>Securities code</b>	4441			
<b>Established</b>	December 1, 2006 (Founded on April 1, 2004)			
<b>Head office address</b>	Pacific Square Nagoya Nishiki 7F 2-5-12, Nishiki, Naka-ku, Nagoya, Aichi			
<b>Business</b>	Development and provision of fraud and spam prevention systems			
<b>Management</b>	Atsushi Akita Takuya Yuki	Tomoki Matsushita Akemitsu Nakahama	Toshihito Goto Tomoyuki Matsui	Hisashi Tanaami
<b>No. of employees</b>	69 (Includes 15 temporary employees; as of April 30, 2021)			
<b>Location</b>	Nagoya, Tokyo, Osaka			
<b>Major memberships</b>	Council of Anti-Phishing Japan Aichi Prefecture Crime Prevention Association Gifu Prefecture Crime Prevention Society Mie Prefecture Crime Prevention Association Shizuoka Prefecture Crime Prevention Association			

## Directors and Executives

**Atsushi Akita**

Representative Director and President

Born in 1980



Director

**Tomoki Matsushita**Managing Director and CFO,  
General Manager of  
Administration Dept.**Toshihito Goto**Director, Full-time Member  
of the Audit and Supervisory  
Committee**Takuya Yuki**Outside Director, Part-time  
Member of the Audit and  
Supervisory Committee**Akemitsu Nakahama**Outside Director, Part-time  
Member of the Audit and  
Supervisory Committee**Tomoyuki Matsui**Outside Director, Part-time  
Member of the Audit and  
Supervisory Committee**Hisashi Tanaami**

## FY10/21 Quarterly Results

Unit: Millions of yen	FY10/20				FY10/21	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Net sales</b>	270	319	312	331	335	358
Fraud and spam prevention services	244	295	290	312	316	335
Other services	26	23	22	19	19	22
<b>Cost of sales</b>	77	82	78	83	89	92
Labor cost	54	53	54	55	58	62
Depreciation	11	10	10	12	10	10
Others	30	42	36	47	48	48
Pct. of cost of sales classified as R&D expenses and assets*	20.1%	22.5%	22.6%	28.5%	23.7%	23.6%
<b>SG&amp;A expenses</b>	93	94	99	126	122	102
Personnel expenses	41	42	44	44	45	50
Advertising expenses	0	11	14	29	15	12
R&D expenses	8	7	10	17	16	2
Others	42	32	31	35	44	36

\*The percentage of the cost of sales included in R&D expenses and assets due mainly to the characteristics of work performed by employees



- This presentation includes forward-looking statements that incorporate the current outlook, forecasts and risk factors. There are many uncertainties that may cause actual performance to differ from these statements.
- Risk factors and uncertainties include the economic environment in Japan and other countries, such as the industry and markets where Tobil Systems operates and changes in interest rates and foreign exchange rates.
- Tobil Systems has no obligation to update or revise the forward-looking statements in this presentation even if there is new information, a future event or any other reason for an update or revision.