



TOBILA
S Y S T E M S

3Q FY10/21

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

Tobila Systems Inc.

(Tokyo Stock Exchange First Section 4441)

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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 TobilaPhone, a fraudulent call filtering service that aims to solve social problems of telephone scams

2010

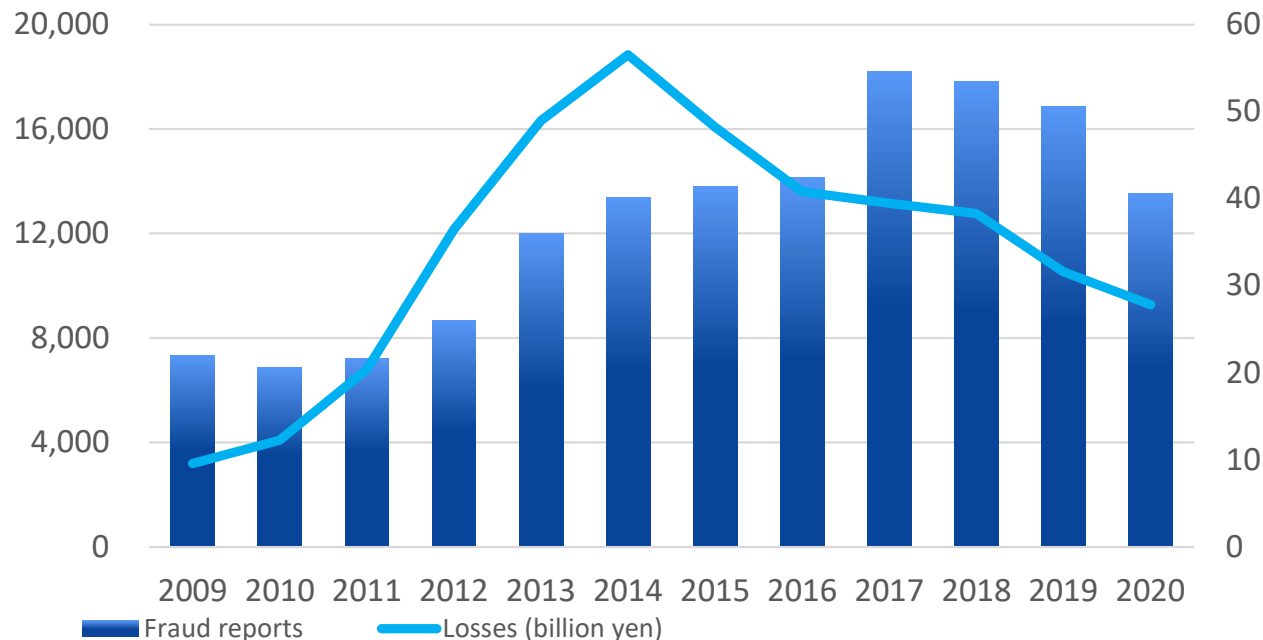
Tobila Systems President Atsushi Akita started developing a fraudulent telephone call filter after his grandfather was the victim of a telephone call scam

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.

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.

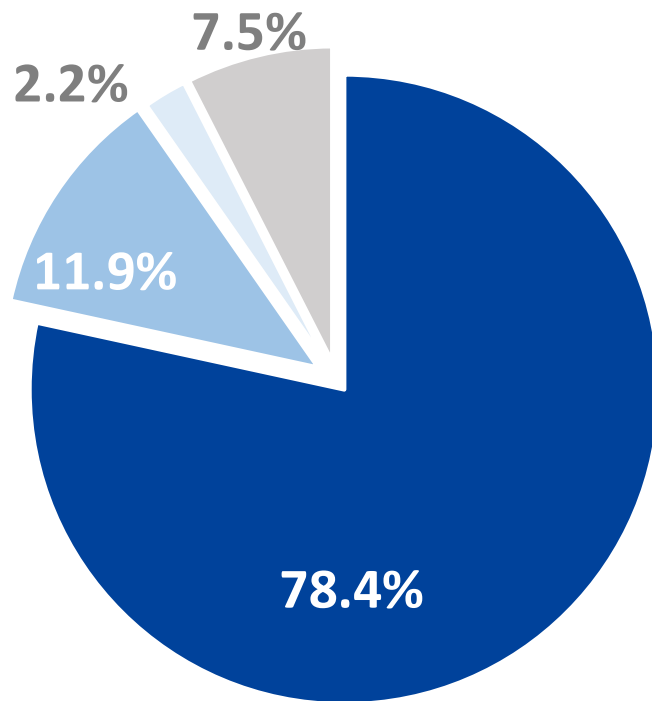
Landline phone

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

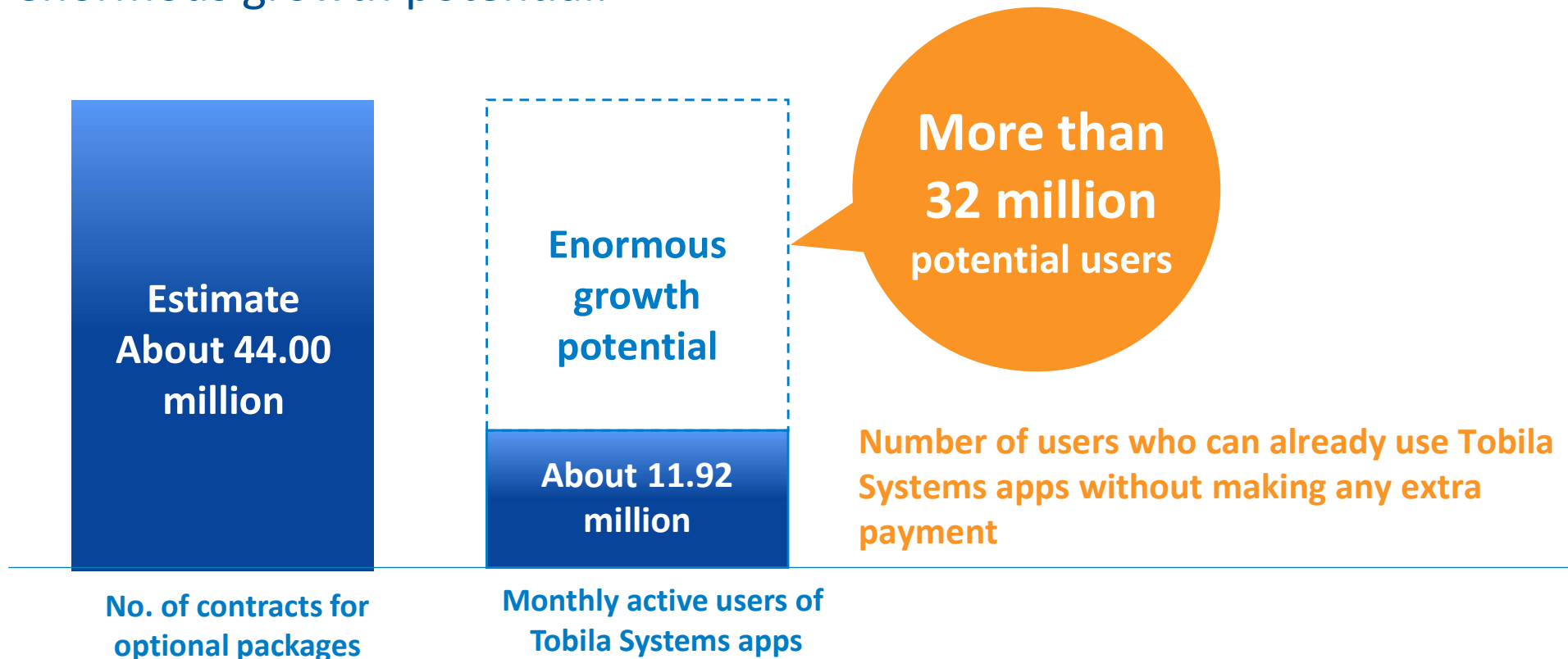
Results of Operations

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Growth Potential and Competitive Strengths

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

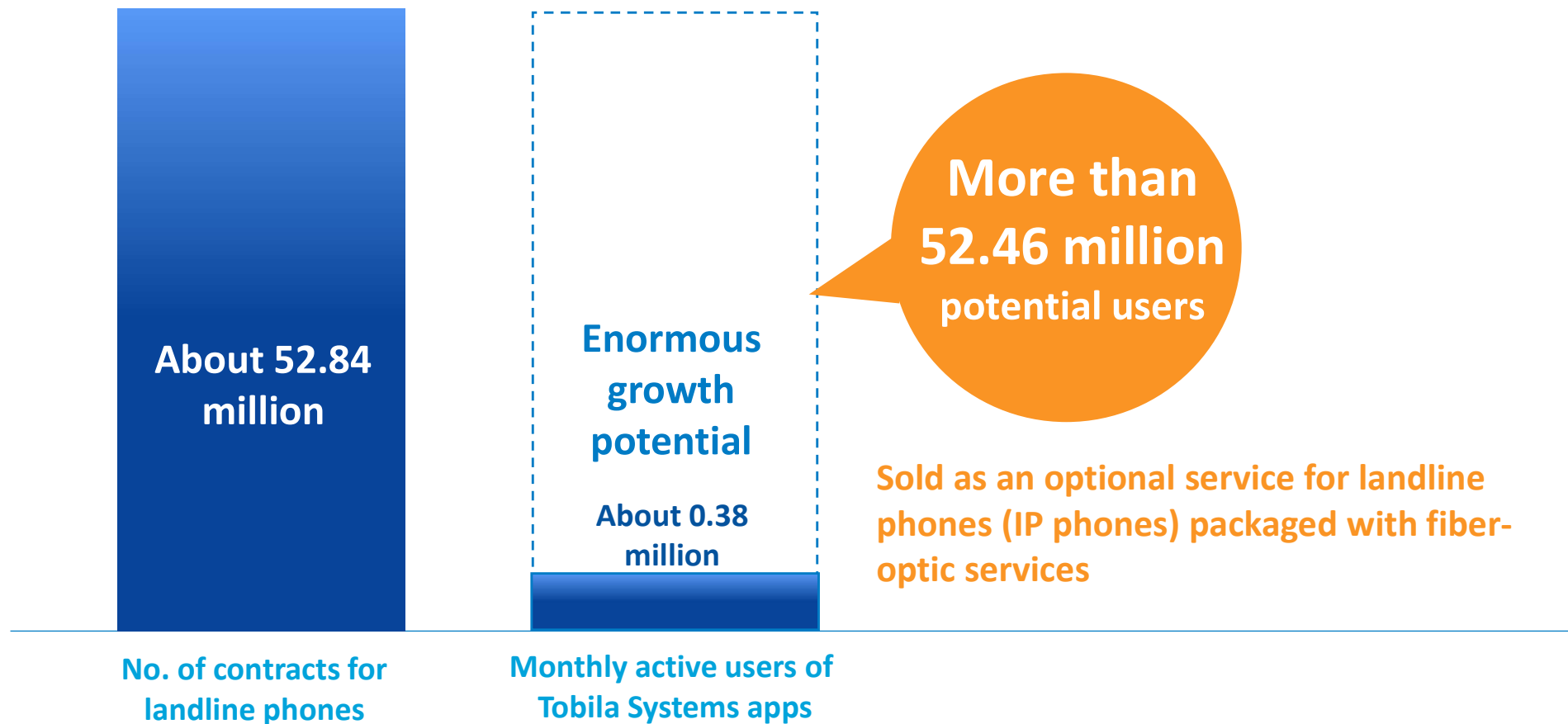
With an estimated about 44 million contracts for optional packages and more than 32 million potential monthly active users of Tobila Systems apps, there is enormous growth potential.



* Number of 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.

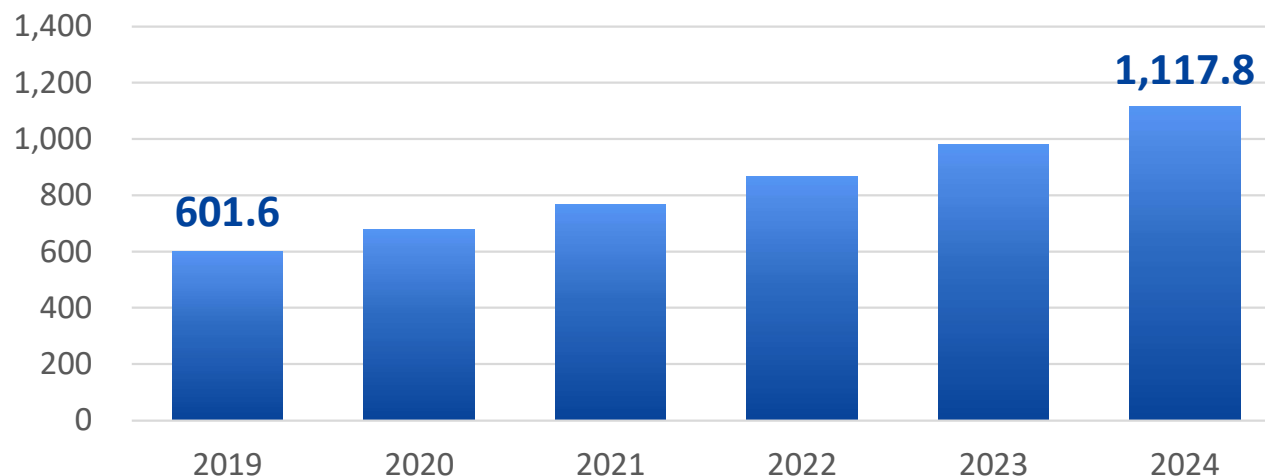
Enormous growth potential by establishing alliances with large companies



* Number of landline phone contracts: Quarterly Data on Telecommunications Service Contract Numbers and Market Share, Ministry of Internal Affairs and Communications (June 18, 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.



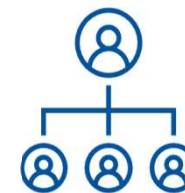
Links with many functions and additional functions



CTI



CRM



SFA

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

Effectively no competition

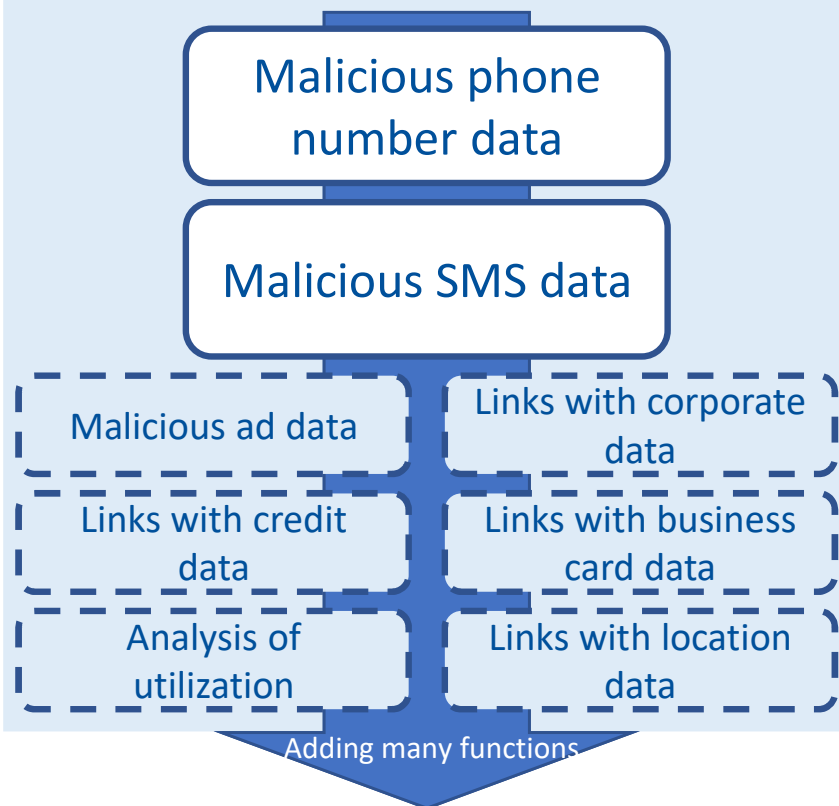
High barriers to entry because only Tobila Systems currently has the required resources and expertise

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

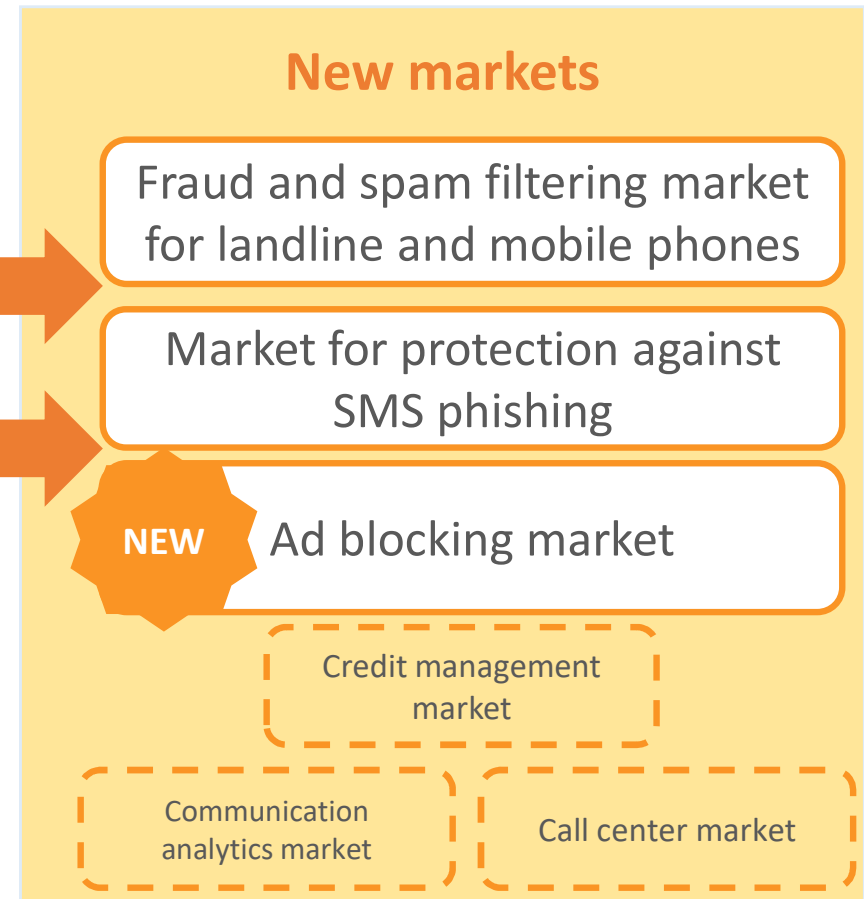
- ▶ Many unique algorithms for filtering have been patented
- ▶ Constantly updating the database by using a huge volume of data

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

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



Database



Medium-term Growth Projection

▶ Mobile phone services

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

▶ Landline phone services

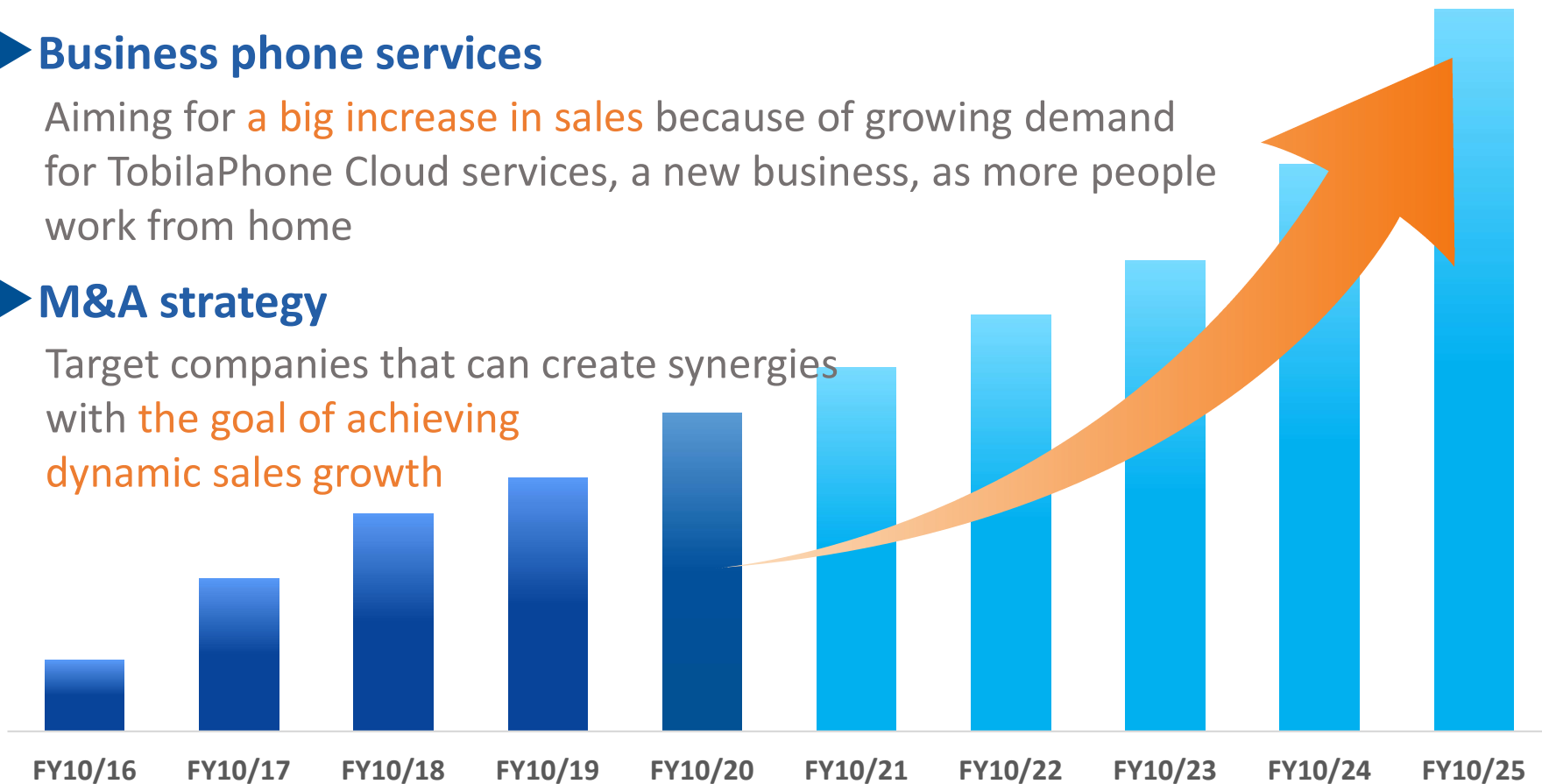
The goal is **steady sales growth** because of the large potential market for landline phone services and high level of interest in these services

▶ 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**



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Concrete Achievements as of 3Q FY10/21

Focus**Purchase of The “280blocker” Advertisement Blocking Application**

▶ **2 New Version of TobilaPhone Mobile**

▶ **3 Investment in Sonoligo, a Nagoya University Start-up Company**

Purchase of The “280blocker” Advertisement Blocking Application

280 blocker

Protection against fraudulent phone calls and as well as annoying and potentially malicious ads

Before using 280blocker

Content is hid(ed) by advertisement

**Using 280blocker**

Content is clearly visible without advertisement



- ▶ Acquired the leading ad blocking app (based on downloads) on the App Store
- ▶ One-stop protection against fraudulent phone calls and SMS and malicious ads
- ▶ Aim to boost direct sales of our services



Upgrades for TobilePhone Mobile

Improvements reinforce this app's protection against fraud using phone calls and other channels that avoid direct contact

Automatic
malicious
phone call
warning!



Shows the
identities
of callers!



Malicious
text
message
warning!



- ▶ Subscribing to the updated TobilePhone Mobile is even easier
- ▶ A starting point for providing services to people using a low-priced phone plan with no optional packages

Investment in Sonoligo, a Nagoya University Start-up Company



- ▶ Make a big contribution to a Tokai region start-up company and the ecosystem for these companies
- ▶ Utilize the innovative ideas and technologies of the two companies to help solve social issues
- ▶ Use the growth of businesses to help achieve the Sustainable Development Goals

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3Q FY10/21 Financial Results

Sales, operating profit and profit were higher than the planned
Considering large investments for growth beginning in FY10/22

Net sales

¥1,057 million

117.2% YoY

1Q-3Q vs. FY Plan: 75.0%

Operating profit

¥450 million

119.7% YoY

1Q-3Q vs. FY Plan: 87.1%

Profit

¥310 million

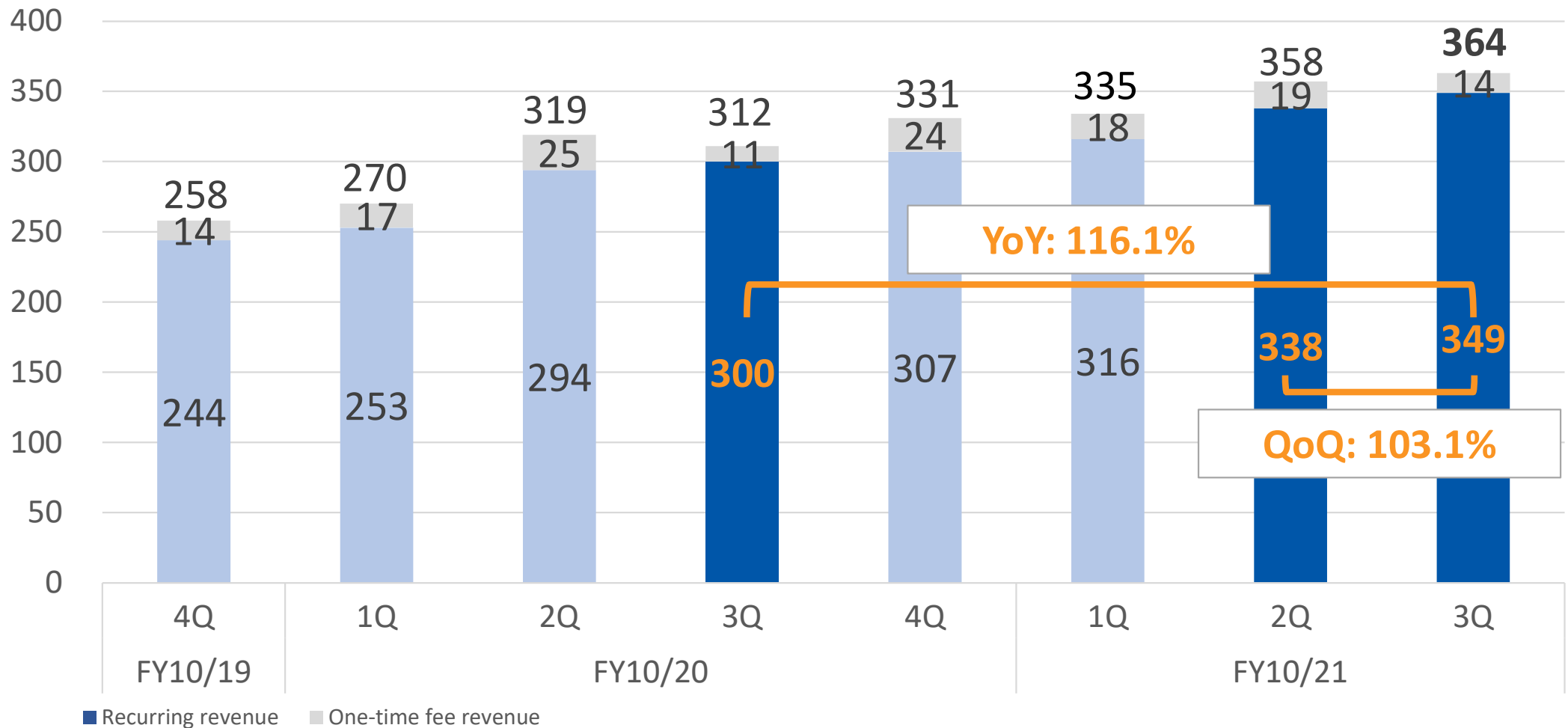
128.2% YoY

1Q-3Q vs. FY Plan: 88.1%

- ▶ Sales exceeded the plan due to steady growth of recurring revenue
- ▶ No change in FY10/21 earnings plan as advertising and other expenses are as scheduled
- ▶ Studies are now under way for making large investments for growth beginning in the next fiscal year

Sales from sources of recurring revenue have been increasing consistently since Tobila Systems' IPO. Third quarter recurring revenue was 16.1% higher than one year earlier and 3.1% higher than in the second quarter.

Unit: Millions of yen

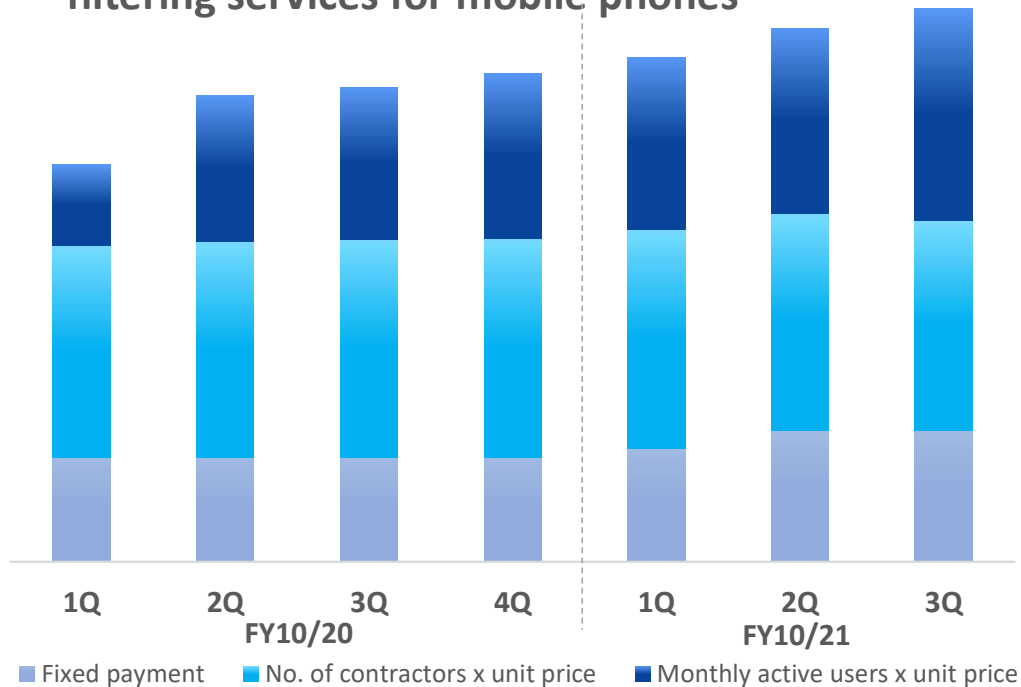


Overall sales from the fraud and spam prevention services were more than 18% higher than one year earlier

	3Q FY10/21 Results	2Q FY10/21		1Q-3Q FY10/20	
		Results	QoQ	Results	YoY
Unit: Millions of yen					
Fraud and spam prevention services	344	335	102.6%	290	118.9%
Mobile phone services	290	281	103.2%	248	116.7%
Landline phone services	37	37	100.8%	33	111.8%
Business phone services	16	17	97.7%	7	221.1%
Other services	19	22	86.7%	22	86.0%

The benefits of promotions increased the number of monthly active users and unit prices, resulting in sales growth of 14.8%

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



* Difference between 2Q and 3Q FY10/21

Performance vs. Prior Quarter*

▶ Monthly active users × Unit price	
Sales	114.8%
Monthly active users	123.6%
▶ No. of contractors × Unit price	
Sales	96.4%
Monthly active users	112.0%
▶ Fixed payment	
Sales	100.0%
Monthly active users	105.6%

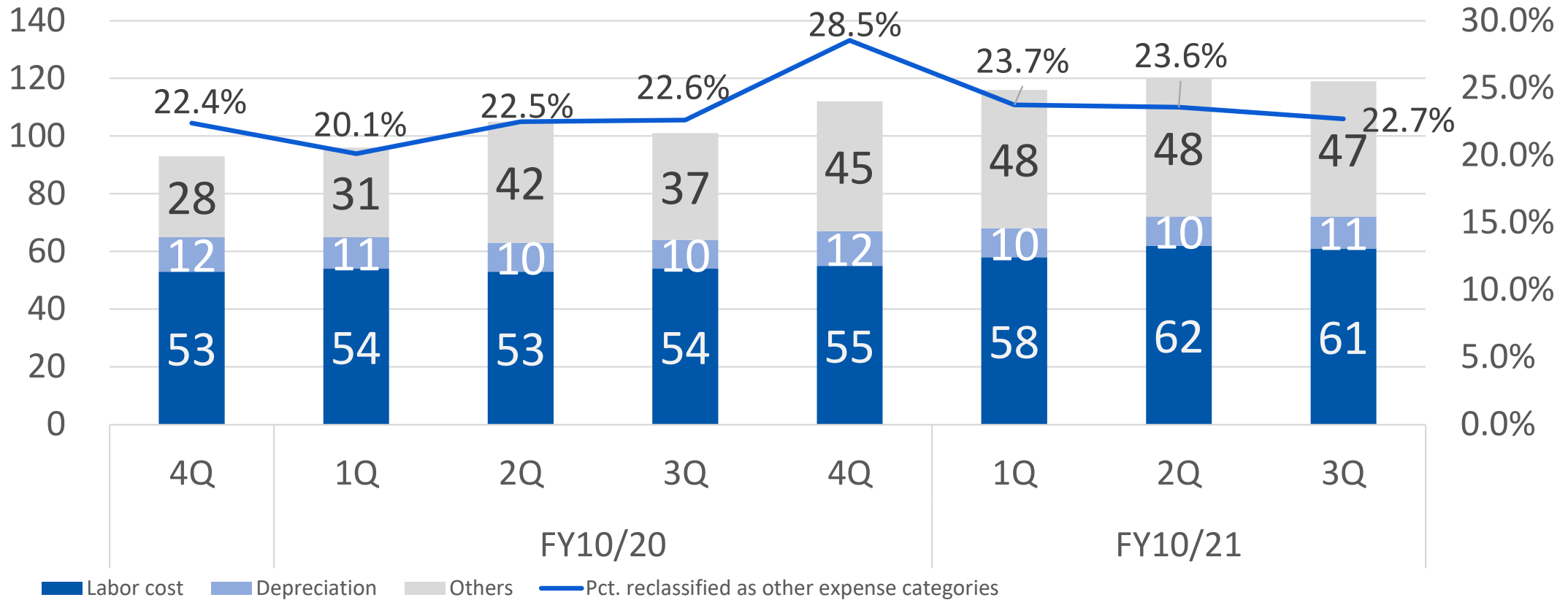
In the first nine months of FY10/21, all businesses have performed well. We expect to achieve the fiscal year sales plan mainly because of the consistent growth of recurring revenue.

Unit: Millions of yen

	1Q-3Q FY10/21 Results	FY10/21 Plan		1Q-3Q FY10/20	
		Plan	1Q-3Q vs. FY Plan	Results	YoY
Fraud and spam prevention services	997	1,342	74.3%	829	120.2%
Mobile phone services	837	1,142	73.3%	707	118.4%
Landline phone services	113	138	82.2%	103	109.8%
Business phone services	45	60	74.5%	17	253.3%
Other services	60	67	90.0%	73	83.2%

Cost of sales is as planned due to cost controls to maintain the proper balance with sales

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.

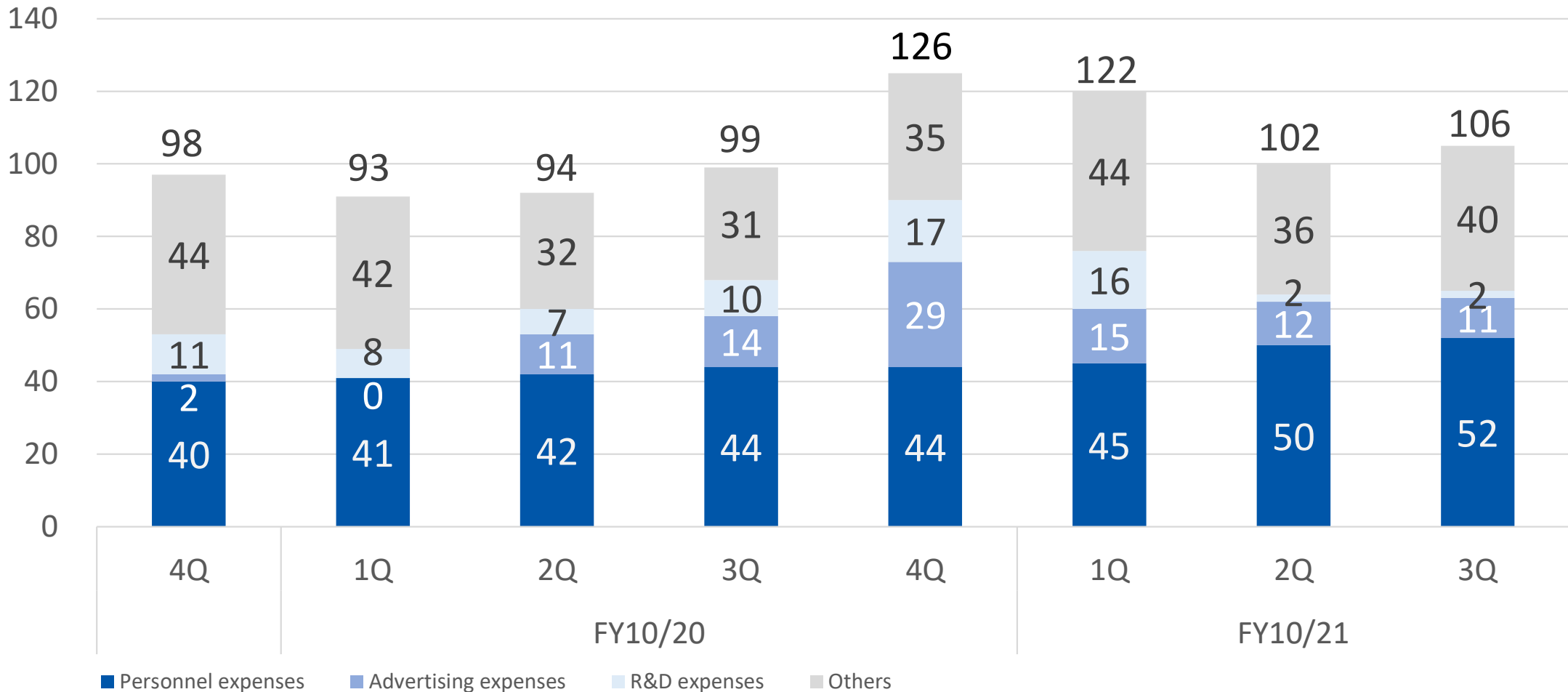
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Financial Summary (6/8) SG&A Expenses

R&D expenses are roughly on the same level as product development continued from the second quarter onward.

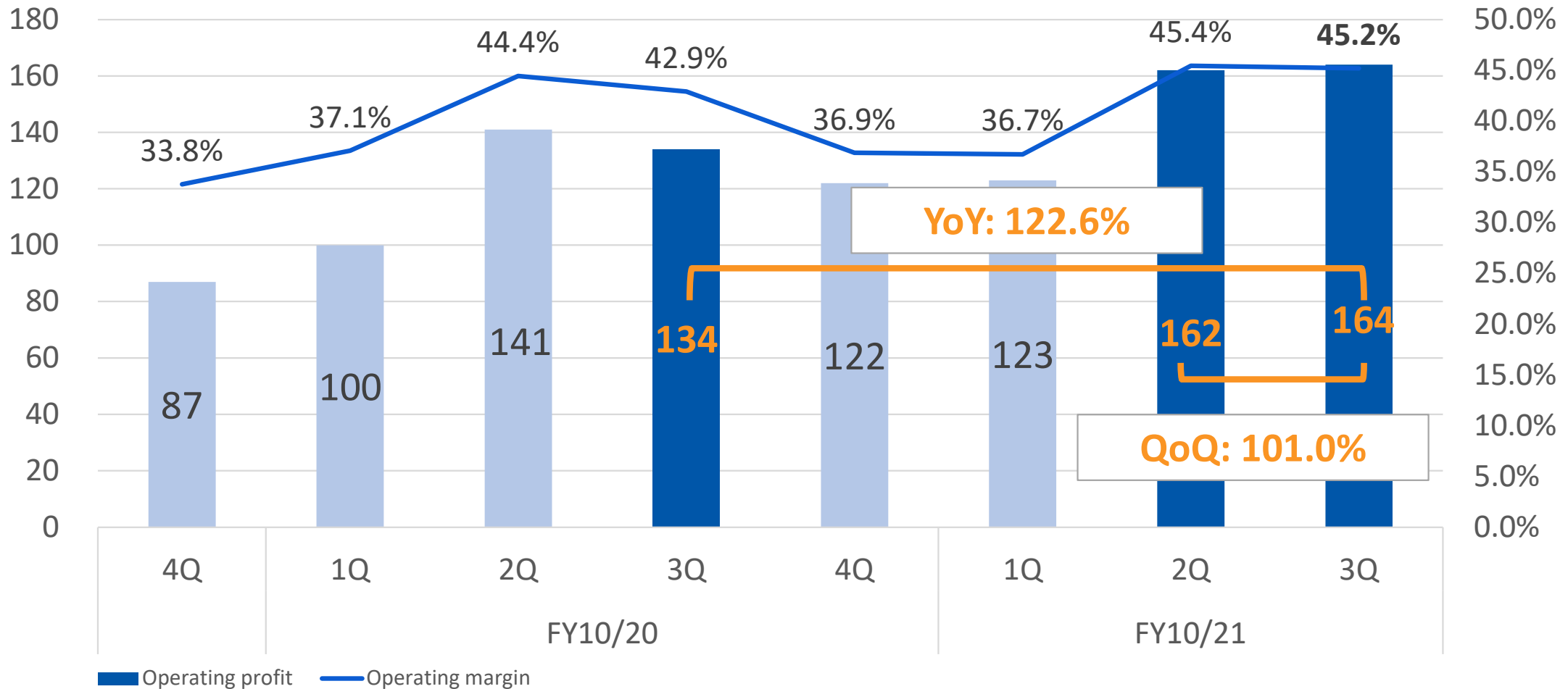
We plan to increase advertising expenses in the fourth quarter.

Unit: Millions of yen



Operating profit remained high in the third quarter due to the decrease in SG&A expenses. Large investments for growth are planned in the fourth quarter.

Unit: Millions of yen



Earnings at all levels were higher than planned

Despite a big increase in operating profit, no change in FY10/21 operating profit forecast because of the plan for higher advertising expenses during FY10/21

Unit: Millions of yen	1Q-3Q FY10/21	FY10/21		3Q FY10/20	
		Plan	1Q-3Q vs. FY Plan	Results	YoY
Net sales	1,057	1,410	75.0%	902	117.2%
Operating profit	450	517	87.1%	376	119.7%
Ordinary profit	449	515	87.3%	349	128.6%
Profit	310	352	88.1%	241	128.2%

We plan to make substantial investments in our businesses and distribute earnings to shareholders while maintaining financial soundness

Unit: Millions of yen

	3Q FY10/21	FY10/20	Change
Current assets	1,410	1,413	-3
Cash and deposits	1,179	1,218	-38
Trade receivables	170	150	+20
Other	60	45	+15
Non-current assets	319	234	+85
Property, plant and equipment	53	65	-11
Intangible assets	153	114	+39
Investments and other assets	113	54	+58
Total assets	1,730	1,647	+82
Liabilities	327	300	+26
Current liabilities	325	288	+36
Non-current liabilities	2	11	-9
Net assets	1,403	1,347	+56
Equity ratio	81.1%	81.7%	-0.7pt

* All amounts are rounded down to the nearest million yen

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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

Company name	Tobila Systems Inc.			
Securities code	4441			
Established	December 1, 2006 (Founded on April 1, 2004)			
Head office address	Pacific Square Nagoya Nishiki 7F 2-5-12, Nishiki, Naka-ku, Nagoya, Aichi			
Business	Development and provision of fraud and spam prevention systems			
Management	Atsushi Akita Takuya Yuki	Tomoki Matsushita Akemitsu Nakahama	Toshihito Goto Tomoyuki Matsui	Hisashi Tanaami
No. of employees	68 (Includes 17 temporary employees; as of July 31, 2021)			
Location	Nagoya, Tokyo, Osaka			
Major memberships	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			



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	3Q
Net sales	270	319	312	331	335	358	364
Fraud and spam prevention services	244	295	290	312	316	335	344
Other services	26	23	22	19	19	22	19
Cost of sales	77	82	78	83	89	92	92
Labor cost	54	53	54	55	58	62	61
Depreciation	11	10	10	12	10	10	11
Others	30	42	36	47	48	48	47
Pct. of cost of sales classified as R&D expenses and assets*	20.1%	22.5%	22.6%	28.5%	23.7%	23.6%	22.7%
SG&A expenses	93	94	99	126	122	102	106
Personnel expenses	41	42	44	44	45	50	52
Advertising expenses	0	11	14	29	15	12	11
R&D expenses	8	7	10	17	16	2	2
Others	42	32	31	35	44	36	40

*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.