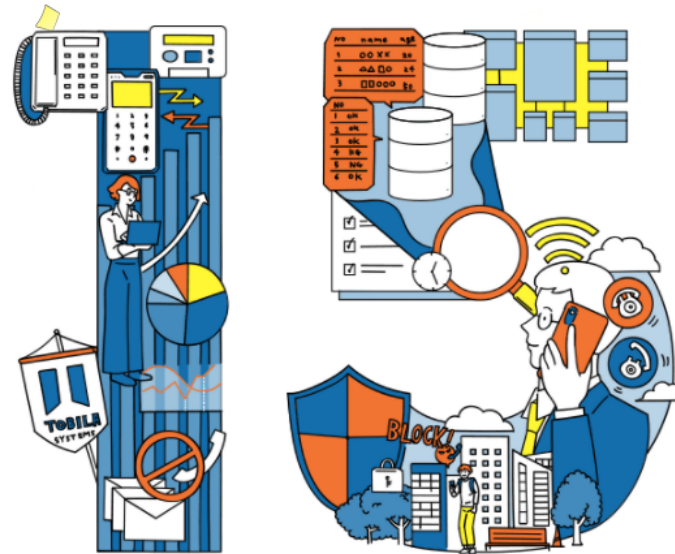


# TOBILA SYSTEMS



FY10/21

## Results of Operations for the Fiscal Year Ended October 31, 2021

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Tobila Systems Inc. (Tokyo Stock Exchange First Section 4441)

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**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.

# Company's History

## 2010

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

## June 2011

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

## March 2015

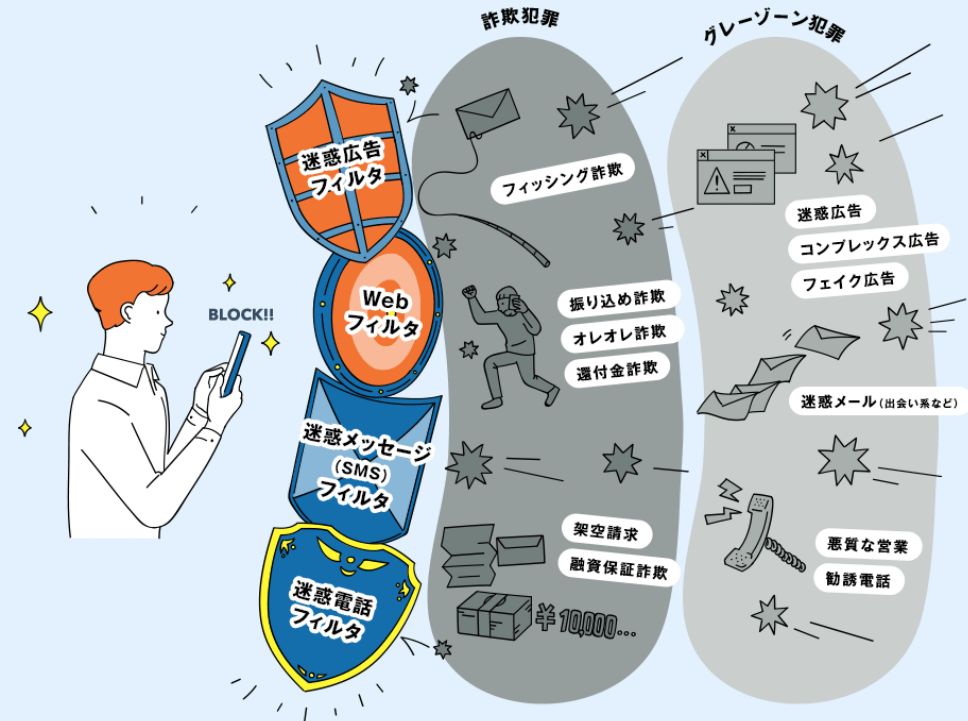
Signed a memorandum with the National Police Agency concerning telephone scams in order to establish a system for receiving information

## March 2016

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

## June 2021

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



# Why Did We Select the Telephone Scam Business?

We want to **eliminate** **¥4 trillion\*** of phone scams and “gray zone” crimes

“Our goal is to allow everyone to live without fear of fraudulent and other illegal activities”

We have been dedicated to this mission since our inception.

Now in our 20th year, we are continuing to take on the challenge of eliminating fraud and “gray zone” criminal activity.

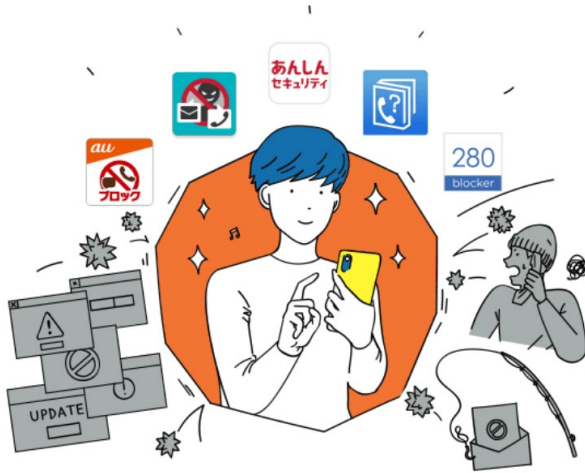


\*White Paper on Consumer Affairs 2021, Consumer Affairs Agency (95% confidence; ¥3.5-¥4 trillion estimate)

# Products

## Services for Using Phones with Confidence

### Mobile phone products



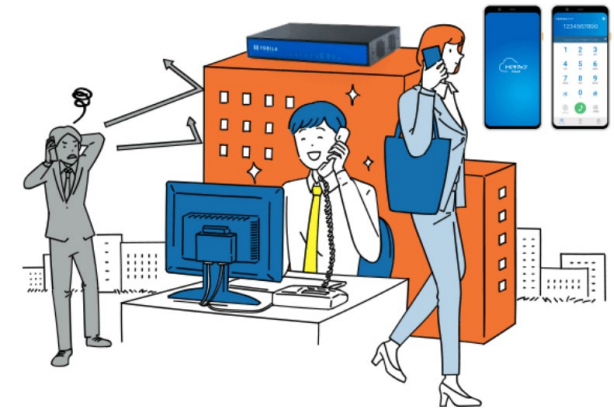
- Blocks fraudulent phone calls and SMS.
- Used by all three major Japanese cell phone carriers.

### Landline phone



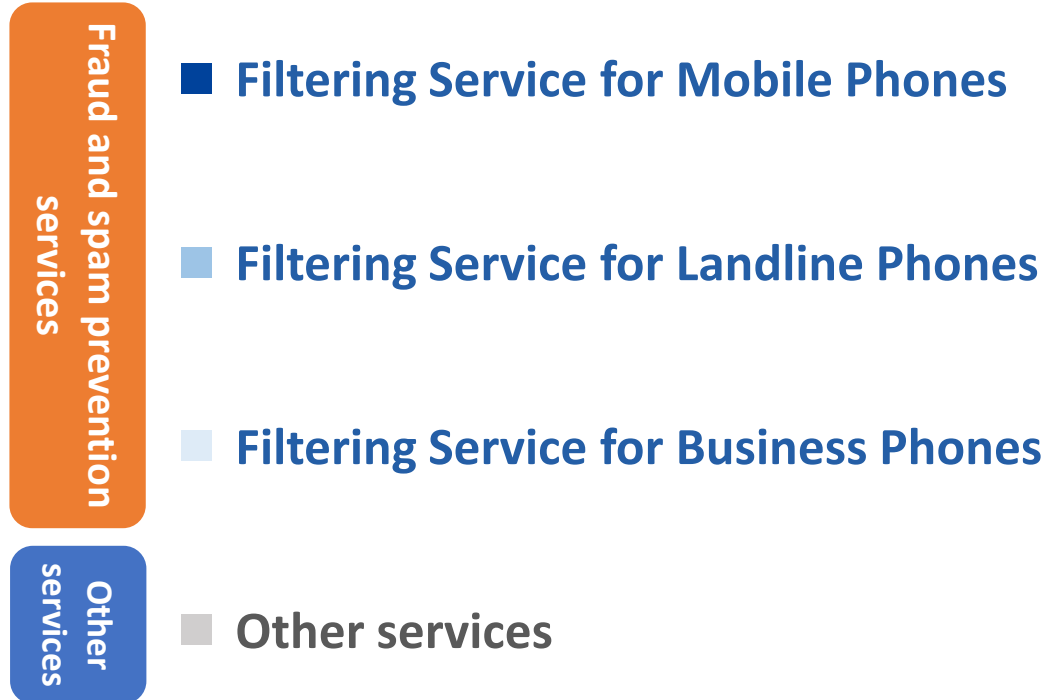
- Blocks unnecessary sales calls and fraudulent calls.
- Sold mainly as an option for IP phones.

### Business phone

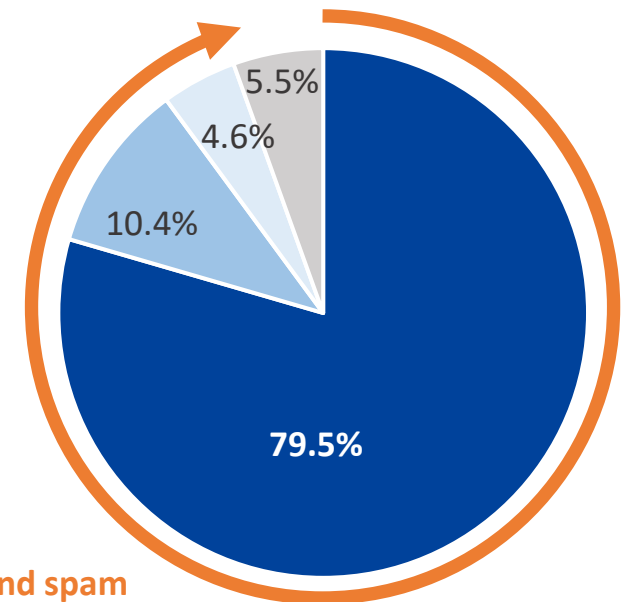


- This cloud-based telephone service uses a smartphone app to allow making and receiving calls by using a company's phone number.

The core business is fraud and spam prevention services with mobile phone filtering accounting for about 80% of sales.



FY10/21 sales composition



**Fraud and spam prevention services**  
94.5%



**2**

## FY10/21 Financial Results

## FY10/21 (November 2020 to October 2021) Highlights

## FY10/21 Results

		YoY
■ Net sales	¥1,424 million	+15.4%
■ Operating profit	¥579 million	+16.3%
■ Ordinary profit	¥577 million	+22.7%
■ Profit	¥386 million	+19.8%

## Growth continued as performance generally matched the plan

Unit: Millions of yen	FY10/21		
	Results	Initial plan	Vs. initial plan
Net sales	<b>1,424</b>	1,410	101.0%
Operating profit (Operating margin)	<b>579</b> <b>(40.7%)</b>	517	112.2%
Ordinary profit (Ordinary profit margin)	<b>577</b> <b>(40.6%)</b>	515	112.2%
Profit (Profit margin)	<b>386</b> <b>(27.1%)</b>	352	109.7%

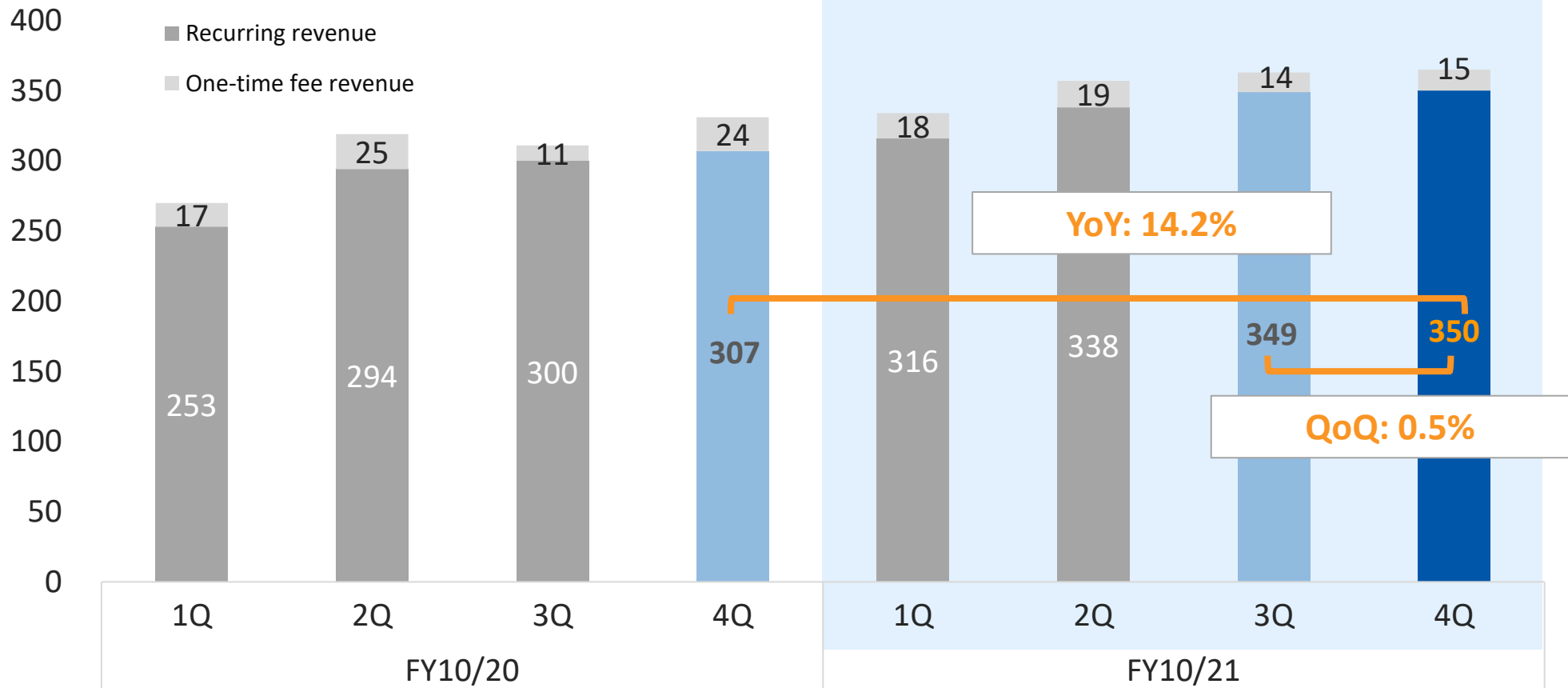
## Quarterly sales reached a record high

Unit: Millions of yen	4Q FY10/21		
	Results	QoQ	YoY
Net sales	<b>366</b>	100.7%	110.6%
Operating profit	<b>129</b>	78.8%	105.9%
Ordinary profit	<b>128</b>	78.7%	105.7%
Profit	<b>75</b>	67.5%	94.4 %

## Financial Summary (3/9) Quarterly Sales

Sales from sources of recurring revenue have been increasing. Fourth quarter recurring revenue was 14.2% higher than one year earlier and 0.5% higher than in the third quarter.

Unit: Millions of yen



## Financial Summary (4/9) Sales Composition

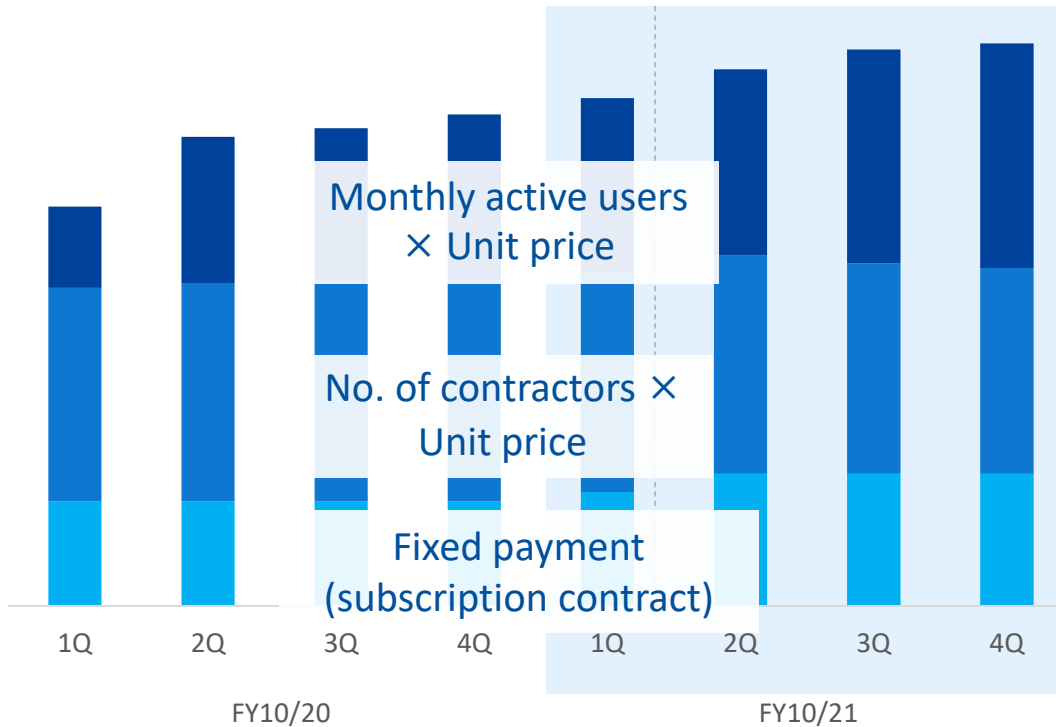
**Sales in the core mobile phone services category were close to the plan and sales of business phone services increased by about 140%**

Unit: Millions of yen	FY10/21		
	Results	YoY	Vs. initial plan
< Fraud and spam prevention services >	<b>1,346</b>	117.9%	100.3%
Mobile phone services	<b>1,132</b>	117.1%	99.1%
Landline phone services	<b>148</b>	100.8%	106.9%
Business phone services	<b>65</b>	242.9%	107.5%
Other services	<b>78</b>	84.3%	115.7%

## Financial Summary (5/9) Mobile Business Category Growth

### The number of monthly active users and unit prices increased steadily

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



\*Difference between 3Q and 4Q FY10/21

### Performance vs. Prior Quarter\*

- ▶ **Monthly active users × Unit price**

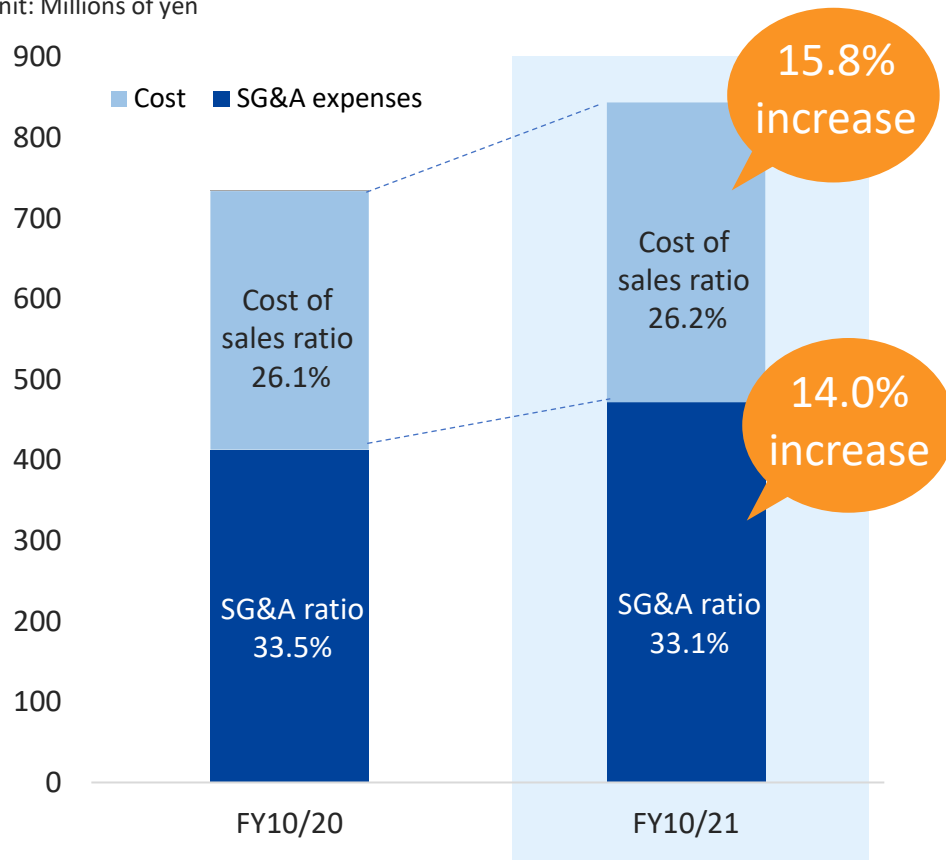
Sales	105.1%
Monthly active users	107.1%
  
- ▶ **No. of contractors × Unit price**

Sales	97.8%
Monthly active users	108.6%
  
- ▶ **Fixed payment (subscription contract)**

Sales	100.0%
Monthly active users	104.0%

**Increasing the workforce as planned, amortization of 280blocker goodwill and other factors raised expenses, but the cost of sales ratio and SG&A ratio were about the same as one year earlier**

Unit: Millions of yen



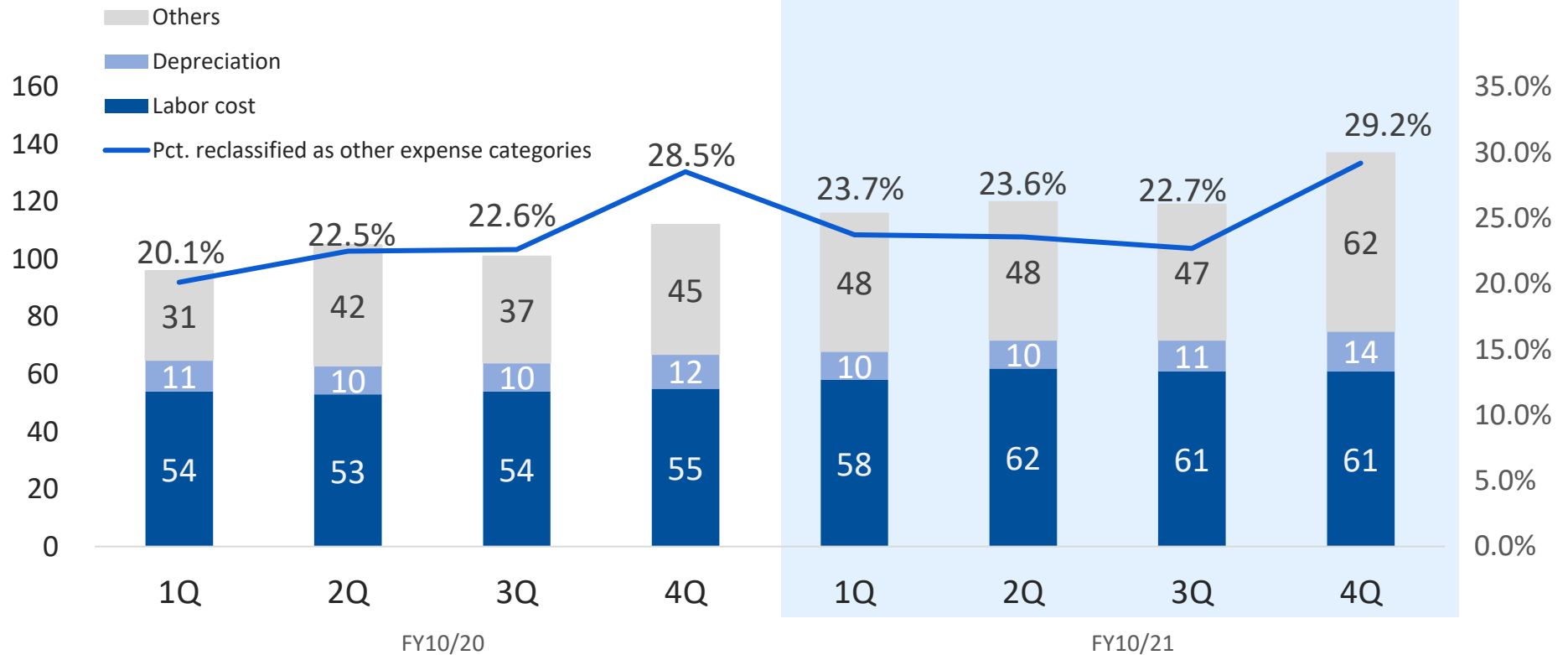
### Primary increases in expenses in FY10/21

- ▶ Advertising expenses
- ▶ Labor cost/personnel expenses
- ▶ Goodwill



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

Unit: Millions of yen



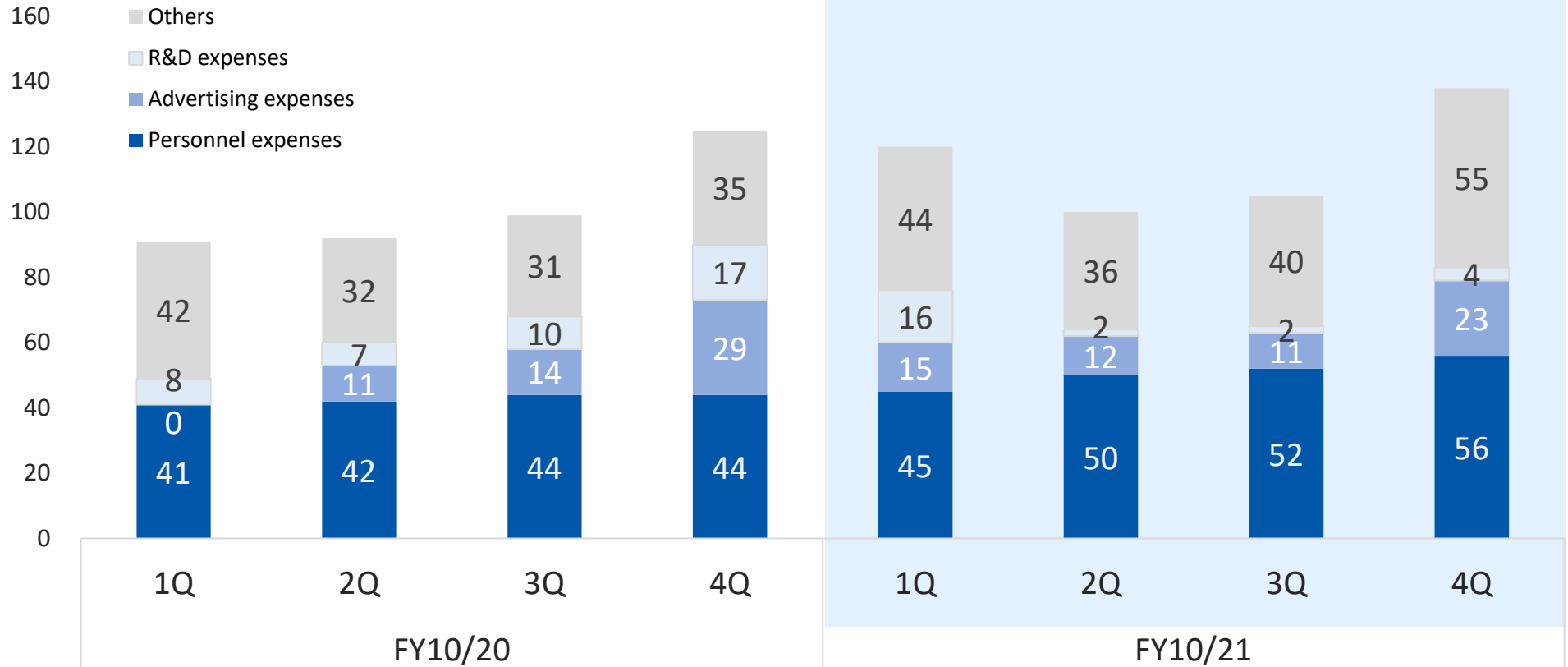
\* Pct. reclassified as other expense categories is the percentage of the cost of sales included in R&D expenses and assets due mainly to the characteristics of work performed by employees

\* 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

## Financial Summary (8/9) SG&amp;A Expenses

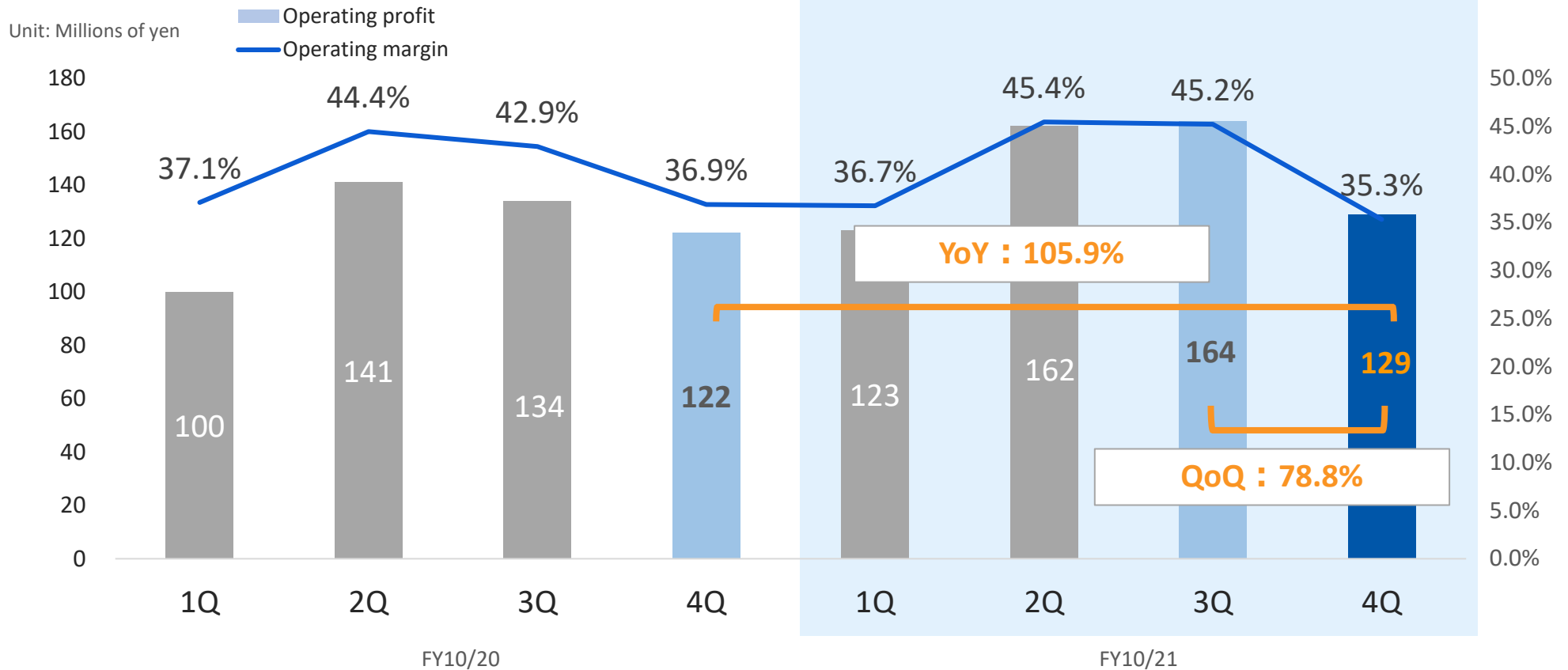
## SG&A expenses increased as planned due to investments for growth in the fourth quarter

Unit: Millions of yen



## Financial Summary (9/9) Operating Profit

The fourth quarter operating profit and operating margin were down from the third quarter because of increases in the cost of sales and SG&A expenses



**Expenses were controlled as expected as expenses were incurred as planned for building a stronger organization, expanding operations along with sales growth and other measures**

Unit: Millions of yen	FY10/21		
	Results	YoY	Vs. Plan
<b>Cost of sales</b>	<b>372</b>	<b>115.8%</b>	<b>93.5%</b>
Labor cost	243	111.7%	92.1%
Depreciation	47	103.7%	96.3%
Others	206	132.1%	86.8%
Pct. of cost of sales classified as R&D expenses and assets*	25.0%	105.9%	90.6%
<b>SG&amp;A expenses</b>	<b>472</b>	<b>114.0%</b>	<b>95.6%</b>
Personnel expenses	205	119.3%	95.9%
Advertising expenses	61	109.3%	83.1%
R&D expenses	26	61.5%	98.9%
Others	177	125.5%	99.9%

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

## FY10/21 Quarterly Expenses

## SG&A expenses increased due to investments for growth in the fourth quarter

Unit: Millions of yen	4Q FY10/21		
	Results	YoY	QoQ
<b>Cost of sales</b>	<b>97</b>	<b>117.3%</b>	<b>104.9%</b>
Labor cost	61	110.6%	99.9%
Depreciation	14	116.9%	118.6%
Others	62	138.6%	133.1%
Pct. of cost of sales classified as R&D expenses and assets*	29.2%	102.4%	128.5%
<b>SG&amp;A expenses</b>	<b>139</b>	<b>110.7%</b>	<b>130.9%</b>
Personnel expenses	56	127.2%	107.6%
Advertising expenses	23	79.2%	208.1%
R&D expenses	4	26.5%	204.7%
Others	55	157.4%	135.8%

\*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 soundness improved even more as net assets increased 10.5% and the equity ratio rose to 68.6%

Unit: Millions of yen	FY10/21	FY10/20	Change
Current assets	1,389	1,413	-24
Cash and deposits	1,145	1,218	-72
Trade receivables	181	150	31
Other	61	45	16
Non-current assets	780	234	546
Property, plant and equipment	49	65	-15
Intangible assets	509	114	395
Investments and other assets	221	54	167
Total assets	2,170	1,647	522
Liabilities	681	300	380
Current liabilities	385	288	96
Non-current liabilities	295	11	283
Net assets	1,489	1,347	141
Equity ratio	68.6%	81.7%	-13.1pt

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

**3**

## Upward Revision of the Medium-term Management Plan

## Upward Revision of the Medium-term Management Plan

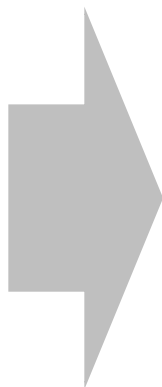
The operating profit target for the third year of the medium-term management plan announced in December 2020 was achieved in the plan's first year. The main reason was changes in the social climate, including the rapid increase in remote work. We have revised the target to reflect the current business climate and the plans for our services.

Medium-term Management Plan  
(FY10/21-FY10/23)  
announced on December 10, 2020

### FY10/23 Targets

Net sales	1,826
Operating profit	565

FY10/21 operating profit was  
¥579 million



New Medium-term Management Plan  
(FY10/22-FY10/24)  
announced December 10, 2021

### FY10/24 Targets

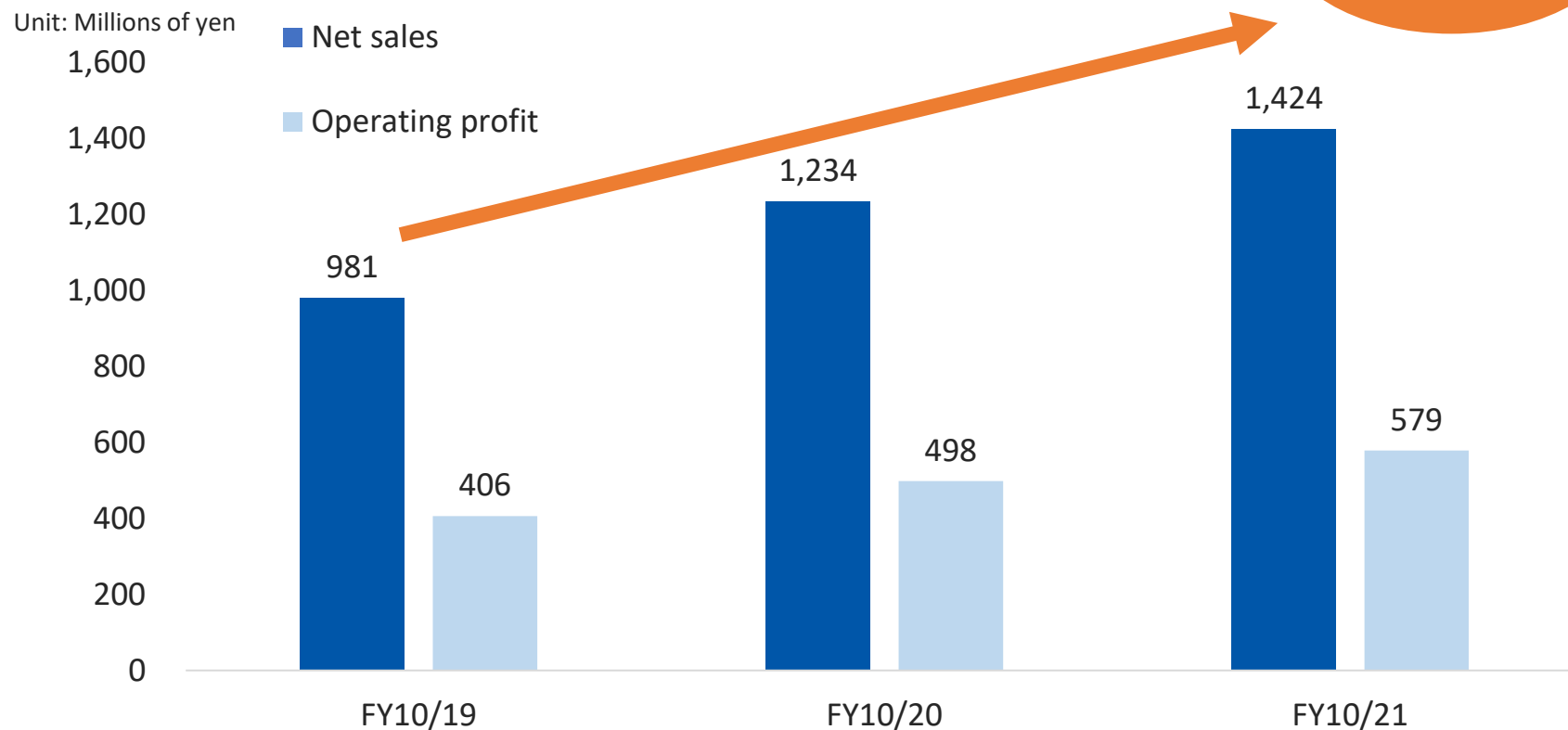
Net sales	2,510
Operating profit	1,186
Profit	800

(Unit: Millions of yen)



## Looking back on 3 years

## Average annual sales and operating profit growth rate of about 20% since the 2019 IPO continued



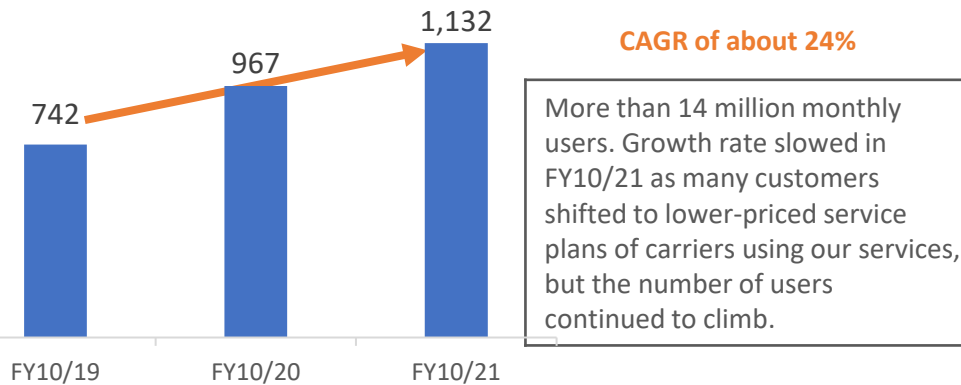
▶ Sales have increased every year since the establishment of Tobila Systems in 2006

\*Compound average growth rate

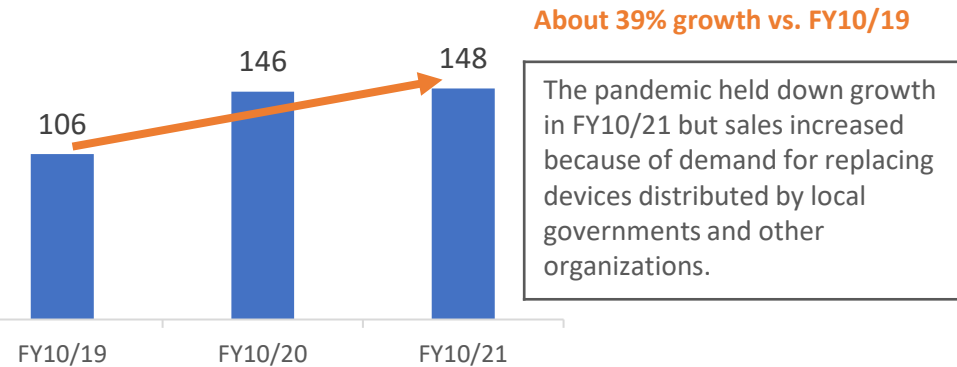
## Looking back on 3 years

# Double-digit growth of mobile, landline and business phone sales since the IPO

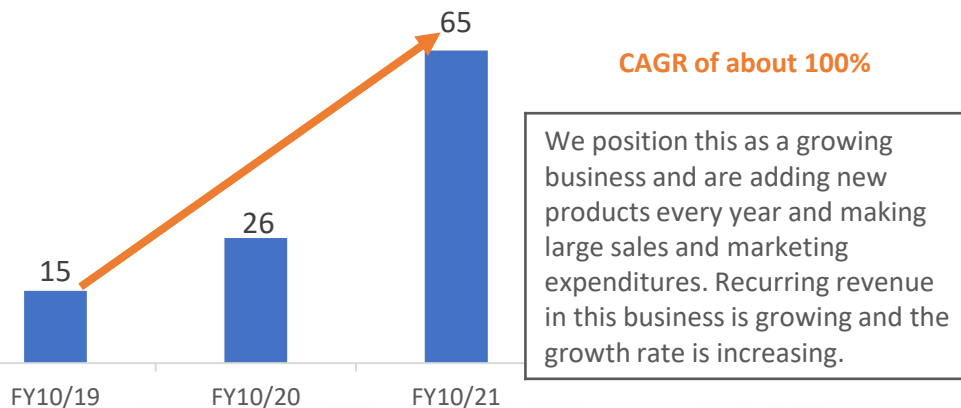
## Filtering Service for Mobile Phones



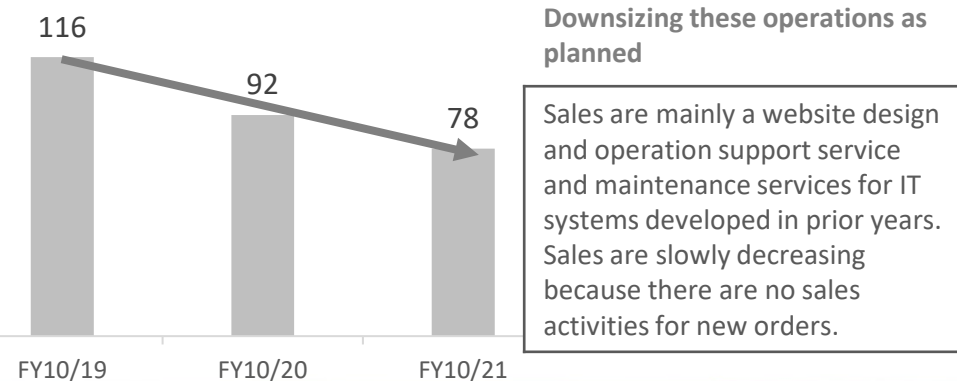
## Filtering Service for Landline Phones



## Filtering Service for Business Phones



## Other services



## Medium-term Management Plan Progress (1/2)

# All businesses basically achieved the targets of the plan announced in 2020

Medium-term Management Plan  
announced in December 2020  
(FY10/21-FY10/23)

### Major accomplishments of FY10/21

#### Filtering Service for Mobile Phones

- ▶ Strengthen ties with current mobile carriers
  - Increase rates by adding new functions
  - Increase the number of monthly users
- ▶ Sell services to new carriers

- More than 14 million monthly active users
- Sales of filtering service for mobile phones reached ¥1,132 million
- Started providing a phishing protection service to financial institutions

#### Filtering Service for Landline Phones

- ▶ Use alliances to expand the sales network

- Established an alliance with KDDI  
Created a business scheme that allows using cable TV for access to approximately 6.2 million phone lines

## Medium-term Management Plan Progress (2/2)

### Medium-term Management Plan announced in December 2020 (FY10/21-FY10/23)

#### Filtering Service for Business Phones

- ▶ TobilePhone Biz
  - Make TobilePhone Biz a certified and recommended product of sales agents
  - Use customer analysis to upgrade marketing capabilities
- ▶ TobilePhone Cloud
  - Use advertising expenditures to raise awareness of this service
  - Make big investments to add new functions

#### M&A Strategy

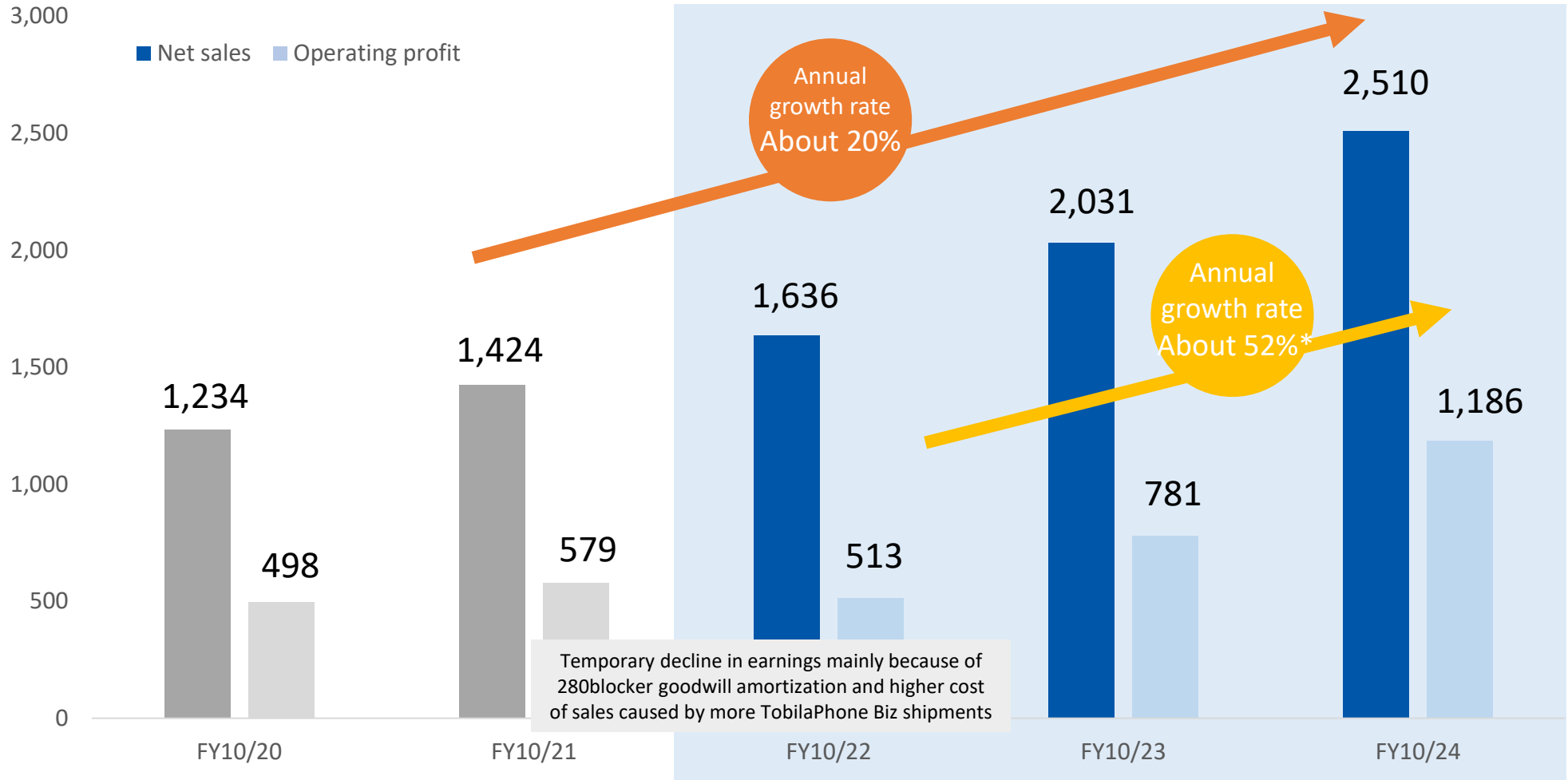
- ▶ Aim for non-linear growth
  - Make investments at 5x-10x EBITDA and seek M&A opportunities involving companies with similar product development and market development strategies

### Major accomplishments of FY10/21

- TobilePhone Biz
  - TobilePhone Biz became a certified product of NTT East and NTT West
- TobilePhone Cloud
  - Changed targeted customers based on results of market analysis
  - Strengthen the dashboard and other phone visualization functions
- Merged with 280blocker
  - Absorbing this company allows us to provide full coverage, including blocking fraudulent calls and SMS phishing as well as annoying web ads when viewing internet pages
- Investment in ageet
  - Investments in stages will raise ownership of ageet to 20% by October 2022, making this company an equity-method affiliate. We will use this company's voice technologies for joint development projects.

## Higher targets as we aim for even faster growth

Unit: Millions of yen



\*Growth rate on FY10/22 and afterward

## Upgrade the mobile phone filtering service and add alliance partners for landline phone filtering service

### Filtering Service for Mobile Phones

- **Goals are steady sales and expansion of current services to new markets**
  - Consistently generate revenue from current customers
  - Expand the SMS filtering and phishing blocking services, two of our main strengths
  - Capture synergies with 280blocker, acquired in August 2021 and absorbed in October (280blocker's ad blocking expertise and our fraudulent call filtering and SMS filtering expertise)

### Filtering Service for Landline Phones

- **Much potential for providing services to more landline phone users; large number of potential customers**

More than 50 million potential users of the optional service package for landline phones (IP phones)
- **The KDDI alliance is expected to speed up sales growth**

The installation by KDDI of fraudulent call filtering equipment within its network infrastructure will allow providing fraudulent call blocking to KDDI landline phone customers with no need for customers to buy and install a unit for this service. This new service is expected to increase the number of new users faster than with the previous system that required the use of blocking devices at home.

# Aiming for fast growth backed by higher sales of TobilaPhone Biz and the launch of a new service for TobilaPhone Cloud

## Filtering Service for Business Phones

### TobilaPhone Biz

- **Goal is rapid growth due to registration as a product sold by NTT East and NTT West**
- ▶ Utilize the ability for use with area codes to receive more orders
- ▶ Strengthen ties with sales partners to enable rapidly improving functions to match users' needs
- ▶ Maintain sufficient inventories by properly managing inventories during the semiconductor shortage

### TobilaPhone Cloud

- **Ability to use "03" and other area codes for voice communications**  
Utilize the ability for use with area codes to receive more orders
- **Start the Talk Book service, which is exclusively for inside sales**  
Meet customers' needs by starting a new service that, in addition to functioning as a telephone, can record phone calls, convert phone conversations to text, use CRM links, provides PC compatibility and has other features

**4**

## FY10/22 Earnings Forecast



## Forecast net sales of about ¥1,600 million and operating profit of ¥500 million in FY10/22

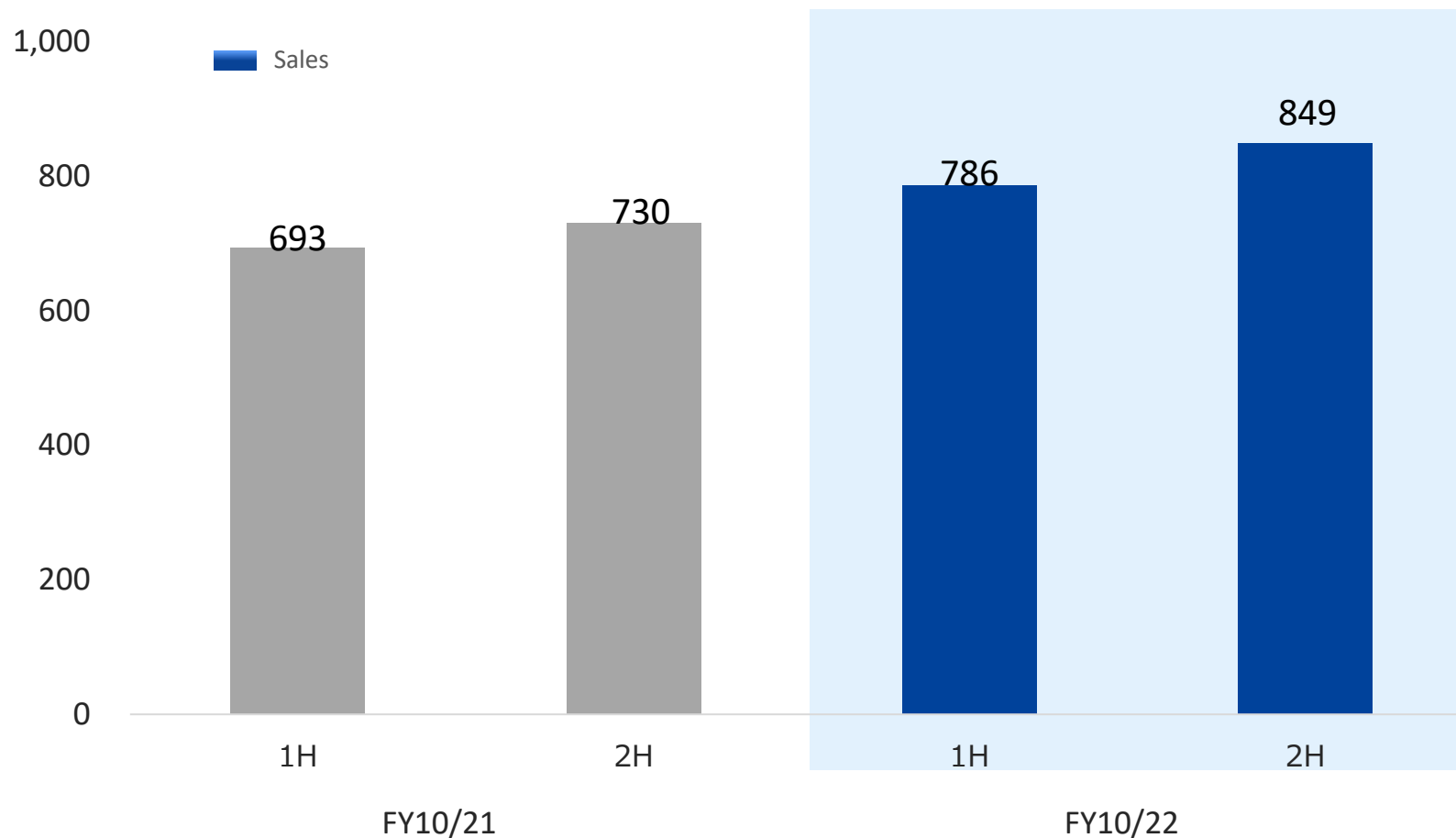
Unit: Millions of yen		FY10/20	FY10/21	FY10/22	YoY Change
Financial indicators	Net sales	1,234	1,424	<b>1,636</b>	<b>114.8%</b>
	Operating profit	498	579	<b>513</b>	<b>88.5%</b>
	Ordinary profit	471	577	<b>512</b>	<b>88.6%</b>
	Profit	322	386	<b>339</b>	<b>87.8%</b>
Profitability indicators	Operating margin	40.4%	40.7%	<b>31.4%</b>	
	ROE*	27.5%	27.2%	<b>22.7%</b>	
Financial soundness	Equity ratio	81.7%	68.6%	<b>65.8%</b>	

\*ROE is calculated by using average shareholders' equity in each fiscal year

## First and Second Half Sales Forecast

## Forecast steady growth of recurring revenue, the primary base for earnings

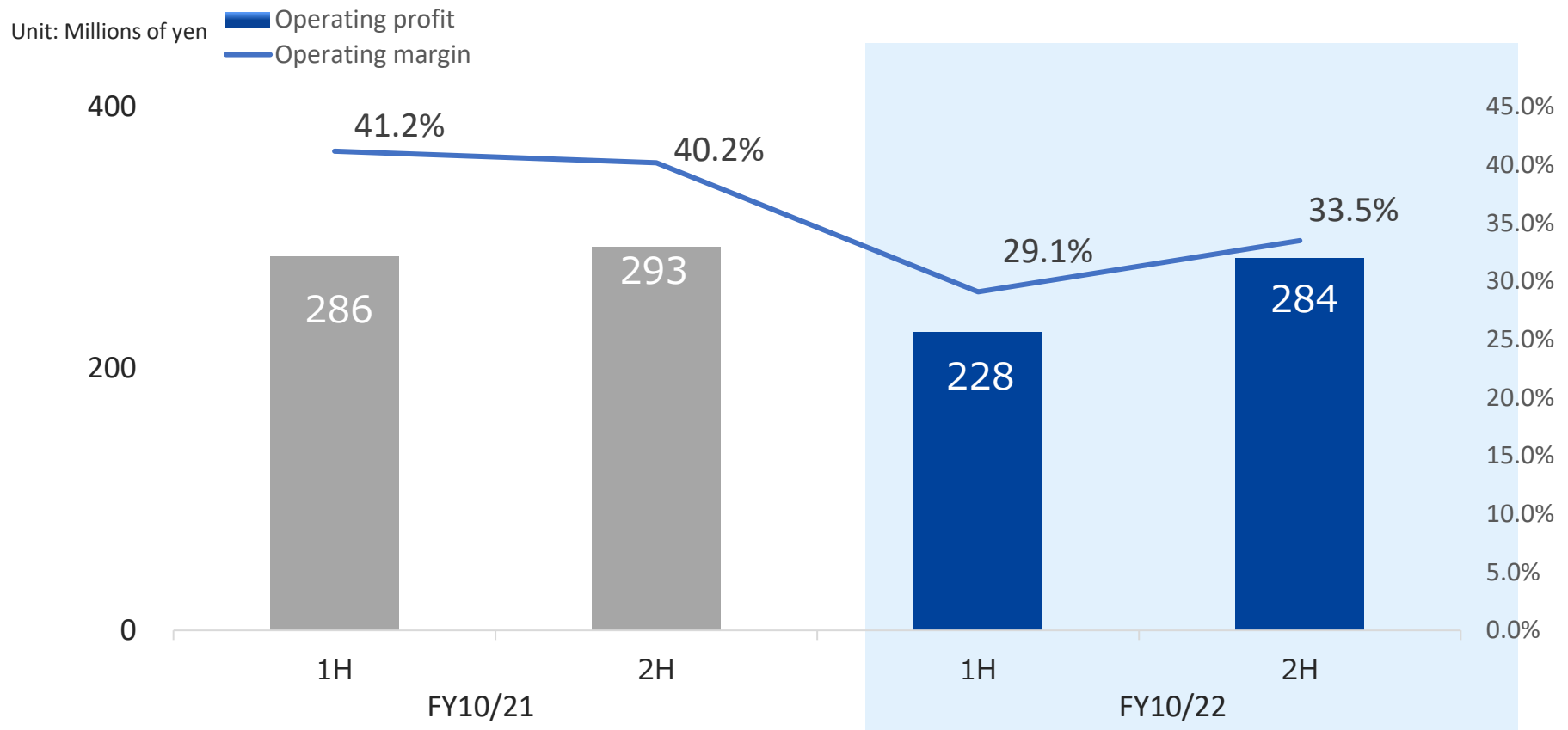
Unit: Millions of yen



\*Figures do not include one-time contributions to sales

## First and Second Half Operating Profit Forecast

**Forecast a temporary downturn in operating profit because of higher expenses for inventories and the amortization of goodwill**



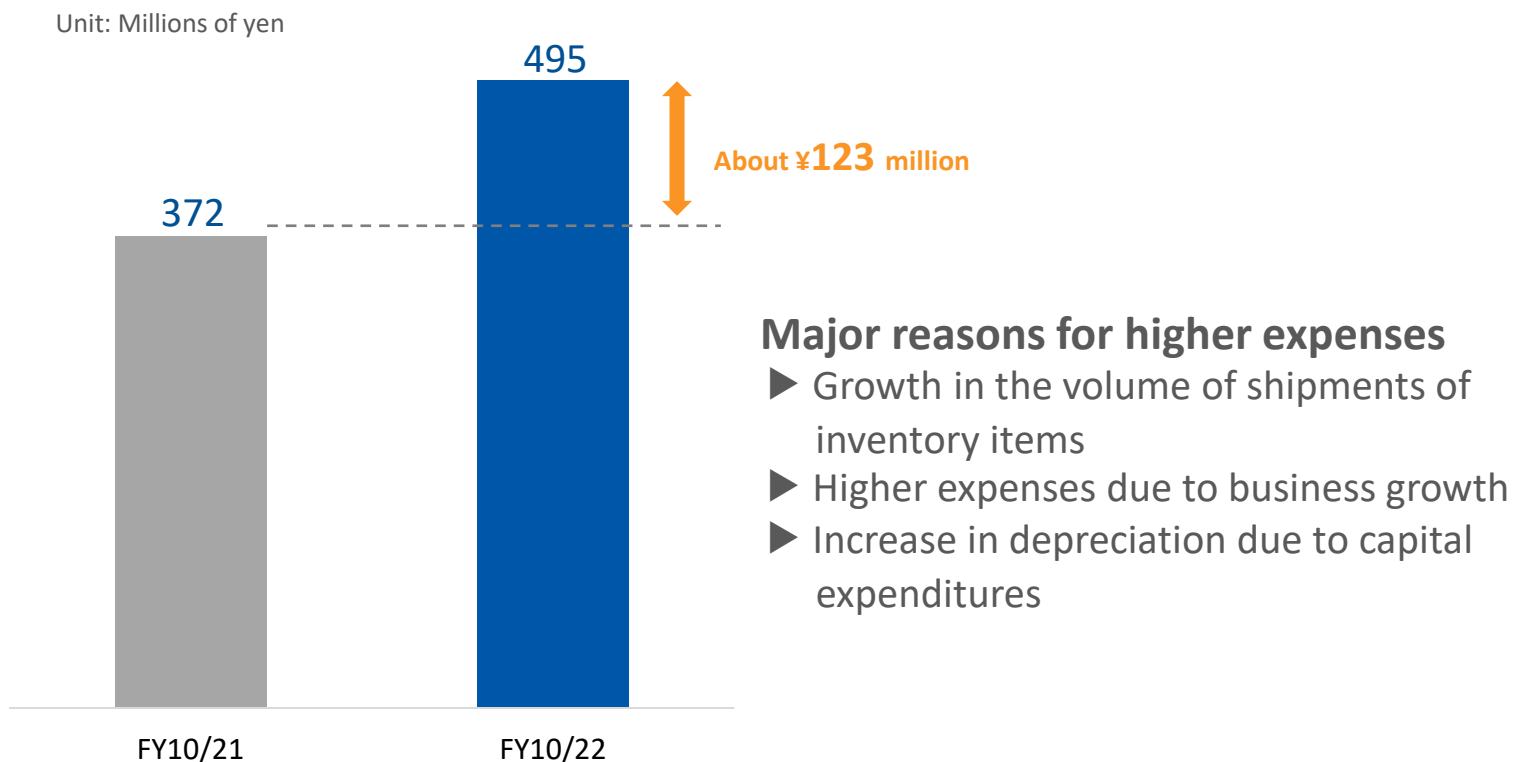
## Forecast consistent growth of mobile phone services sales and a big sales increase in the business phone services category

Unit: Millions of yen

	FY10/21		FY10/22	
	1H	2H	1H (YoY change)	2H (YoY change)
<b>Fraud and spam prevention services</b>	<b>652</b>	<b>694</b>	<b>755</b> (115.8%)	<b>822</b> (118.5%)
Mobile phone services	547	585	617 (112.9%)	619 (105.9%)
Landline phone services*1	76	71	72 (95.0%)	83 (115.4%)
Business phone services	28	36	65 (226.0%)	119 (326.2%)
Other services	41	36	31 (74.9%)	26 (73.2%)

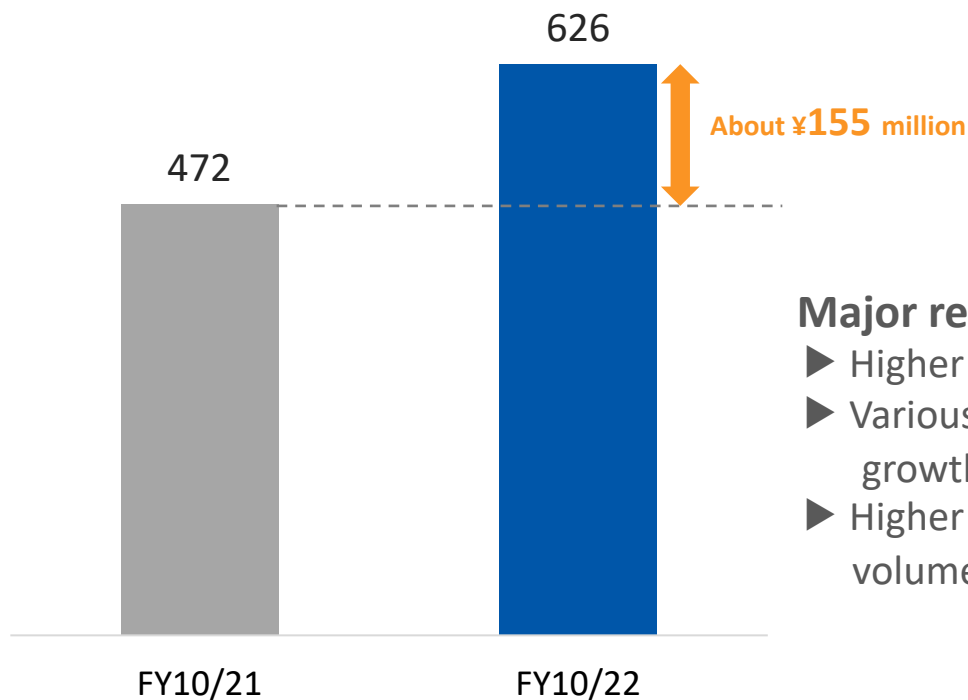
\*1 Do not anticipate one-time sales for the landline phone services

**Forecast an increase of about ¥123 million in the cost of sales because of higher expenses for inventories and the increase in expenses due to the growth in the scale of business operations**



## Forecast increase of about ¥155 million in SG&A expenses because of the outlook for higher amortization of goodwill and personnel expenses

Unit: Millions of yen



### Major reasons for higher expenses

- ▶ Higher amortization of goodwill
- ▶ Various expenses associated with workforce growth
- ▶ Higher administrative expenses for the growing volume of services provided

## **5** References

## 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>	78 (Includes 20 temporary employees; as of October 31, 2021)			
<b>Location</b>	Nagoya, Tokyo			
<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			



## FY10/21 Quarterly Results

Unit: Millions of yen	FY10/20				FY10/21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Net sales</b>	270	319	312	331	335	358	364	366
Fraud and spam prevention services	244	295	290	312	316	335	344	349
Other services	26	23	22	19	19	22	19	17
<b>Cost of sales</b>	77	82	78	83	89	92	92	97
Labor cost	54	53	54	55	58	62	61	61
Depreciation	11	10	10	12	10	10	11	14
Others	31	42	37	45	48	48	47	62
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%	29.2%
<b>SG&amp;A expenses</b>	93	94	99	126	122	102	106	139
Personnel expenses	41	42	44	44	45	50	52	56
Advertising expenses	0	11	14	29	15	12	11	23
R&D expenses	8	7	10	17	16	2	2	4
Others	42	32	31	35	44	36	40	55

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

## Disclaimer

- 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.



**TOBILA**  
SYSTEMS

トビラフォン

280  
blocker

トビラフォン  
Cloud