



Results of Operations

for the First Quarter
of the Fiscal Year Ending October 31, 2022

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





INDEX

Contents

- 1 Business Overview
- 2 1Q FY10/22 Financial Results
- 3 Medium-term Management Plan Progress
- 4 References

1

Business Overview

Corporate Philosophy and Guidelines for Action

Using technologies for the challenge of solving social issues

Corporate Philosophy

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

Guidelines for Action

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.

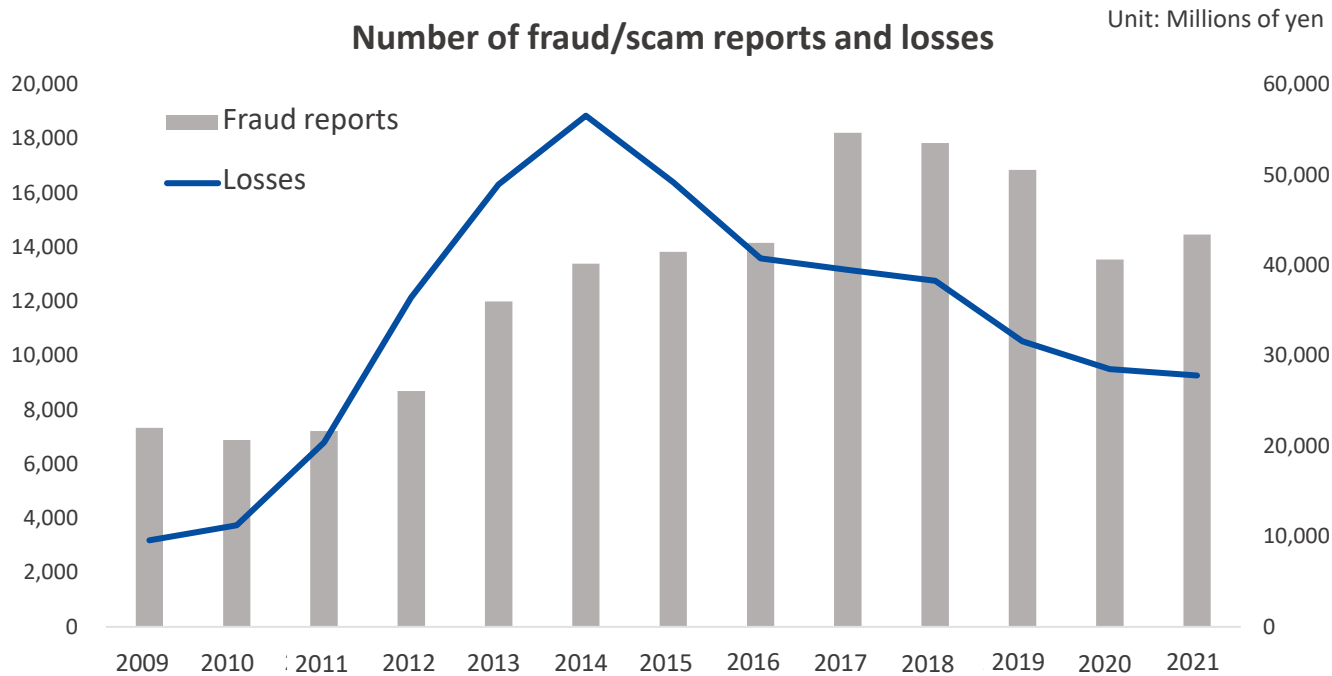
We will strive to solve social issues using security for people in order to create a society with peace of mind.

The Reason for Our Dedication to Helping Solve Social Issues

Losses in Japan caused by fraud/scams and “gray zone” crimes are estimated to be about **¥4,000 billion***

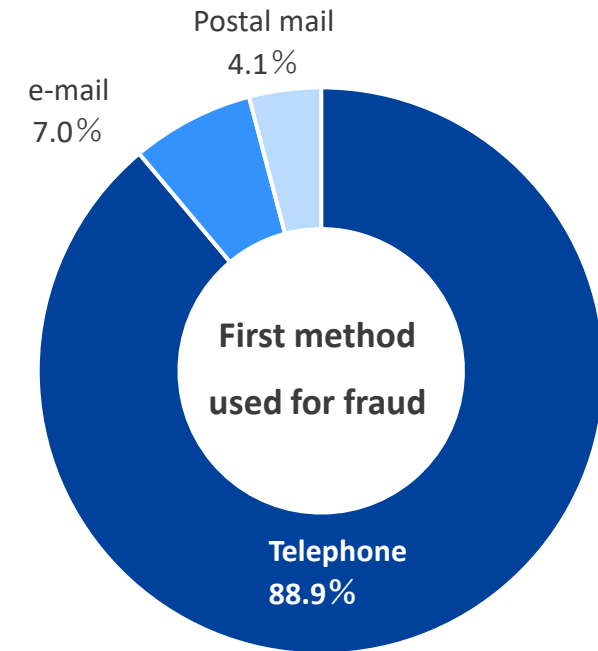
Losses caused by fraud/scams

Recorded cases of fraud/spam activities: 14,461
Financial losses: ¥27.81 billion



Communication channels used for fraud

Telephone calls are the primary method used for fraudulent activities.



Source: Identification and Control of Special Fraud in 2021, National Police Agency

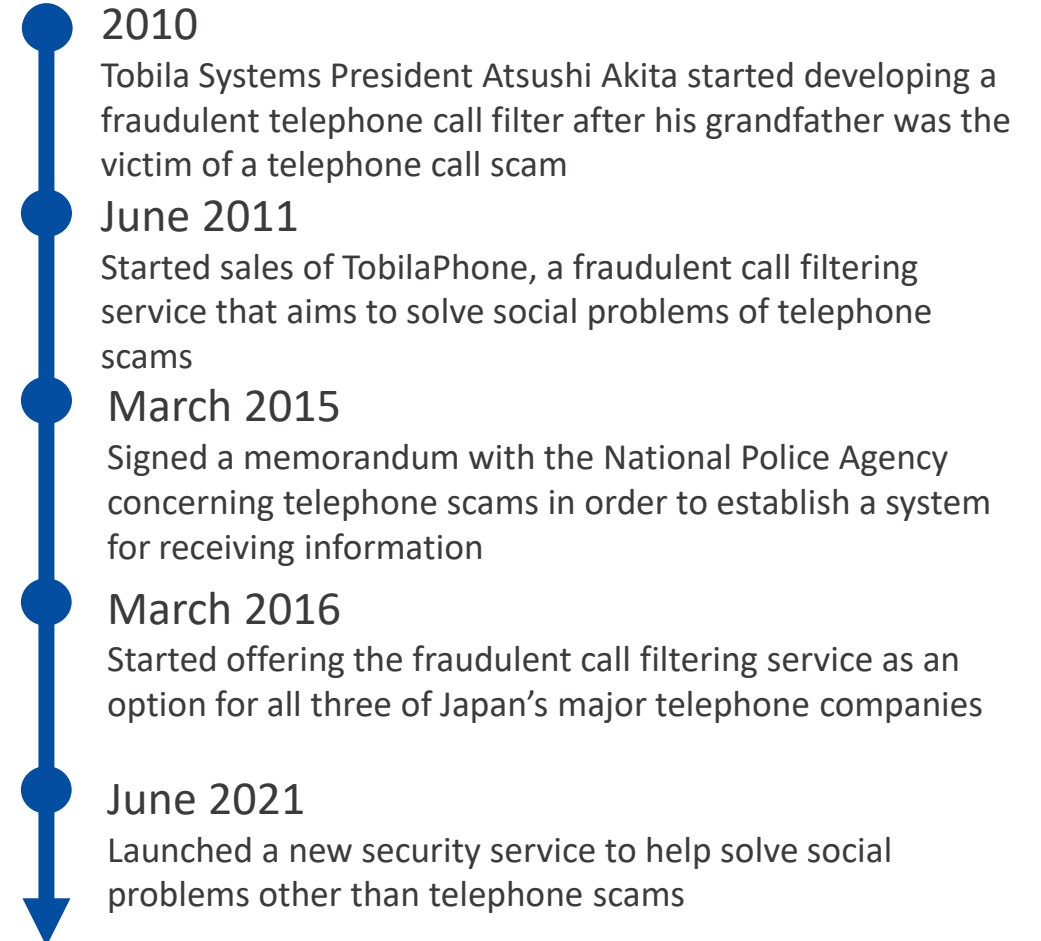
*White Paper on Consumer Affairs 2020, Consumer Affairs Agency (95% confidence; ¥3.5-¥4 trillion estimate)

Company Overview and History

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
Management	Atsushi Akita, Takuya Yuki, Haruo Matsubara, Kazuya Kataoka, Hisashi Tanaami, Akemitsu Nakahama, Tomoyuki Matsui
No. of employees	77 (Includes 21 temporary employees; as of January 31, 2022)
Location	Nagoya, Tokyo

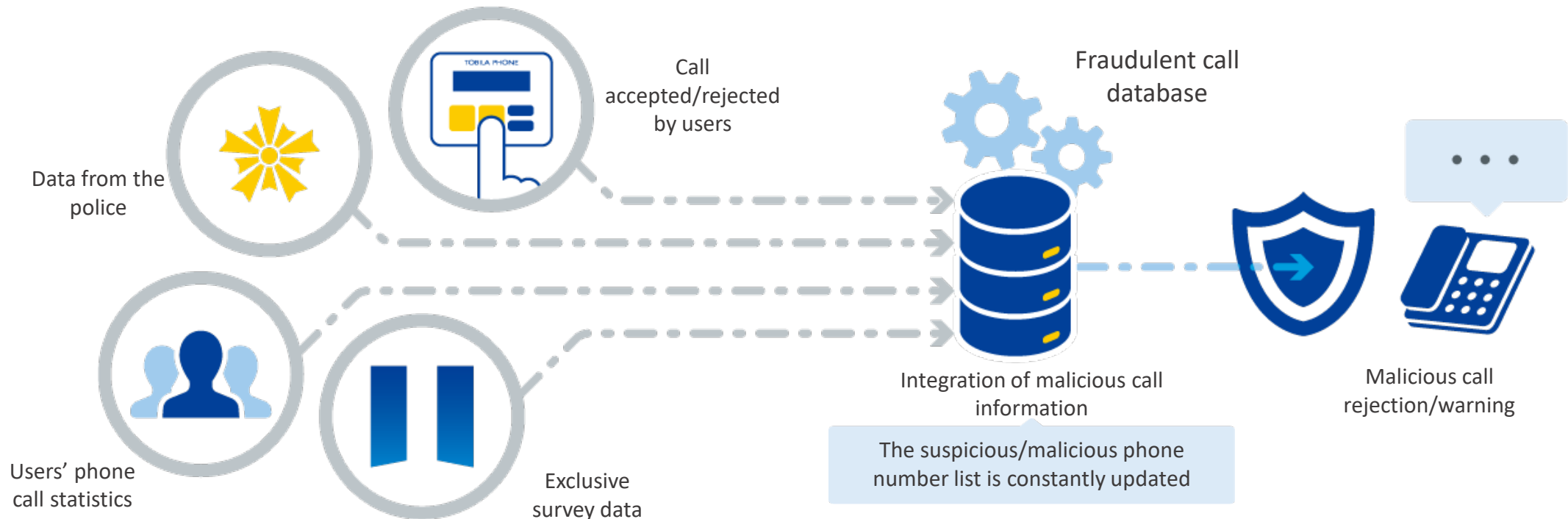
History



Tobila Systems' Strengths

The high barriers to entry of the fraud and spam prevention services

- Tobila Systems is effectively the only source of this service in Japan. We have more than 10 patents for our unique algorithms.
- A cyclical system in which data accuracy improves as the number of users increases.



Business Segments

The core business is fraud and spam prevention services

- Mobile phone filtering accounting for about 80% of sales of the fraud and spam prevention services

Fraud and spam prevention services

■ Filtering Service for Mobile Phones

- A smartphone app-type fraud and spam prevention services
- 280blocker

■ Filtering Service for Landline Phones

- With attachment for landline phones, for HGW and CATV

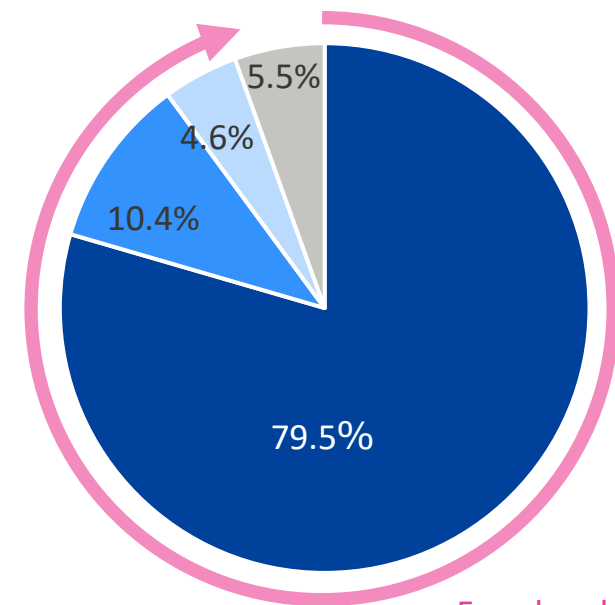
■ Filtering Service for Business Phones

- TobilaPhone Biz, TobilaPhone Cloud, Talk Book

Other services

■ Other services

FY10/21 sales composition



Fraud and spam prevention services
94.5%

Outline of Services

Fraud and spam prevention services for using phones with confidence

Mobile phone products



- Blocks fraudulent phone calls and SMS.
- Blocks uncomfortable ads.

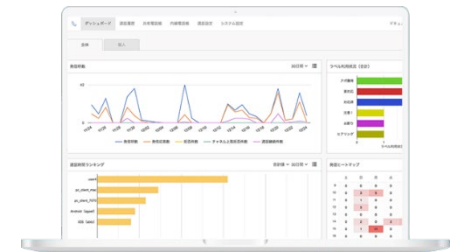
Landline phone products



ケーブルプラス電話

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

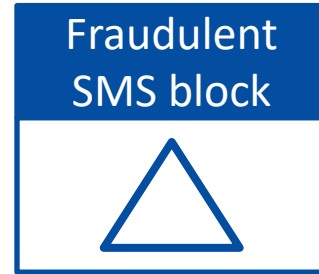
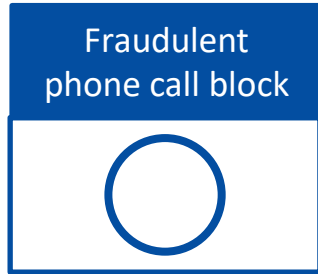
Business phone products



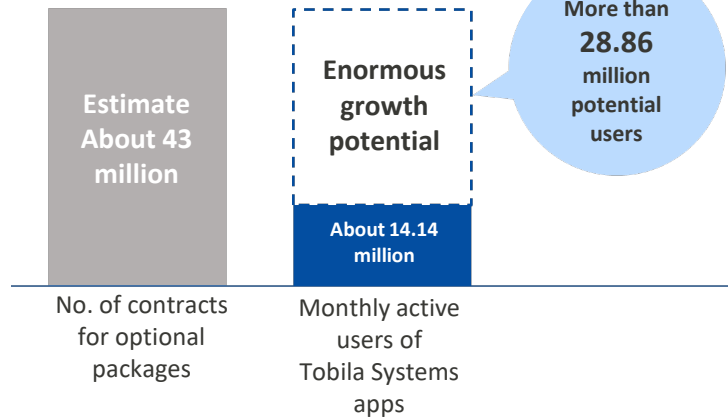
- TobilaPhone Biz
- TobilaPhone Cloud
- Talk Book

Growth Strategy for Mobile Phone Services

Optional packages



Sales activities are under way to have all mobile carriers offer the fraudulent SMS block service as an option to their customers.

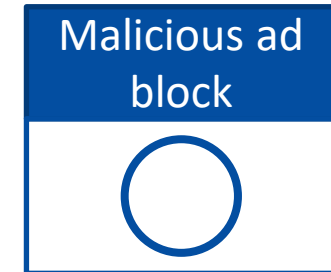
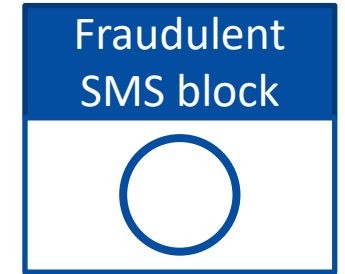
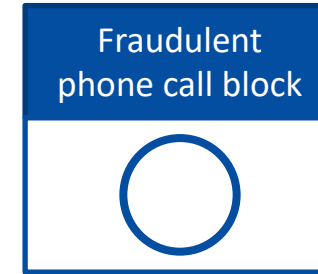


Many potential users who can use Tobila Systems apps without making any extra payment

Tobila Systems apps



280 blocker

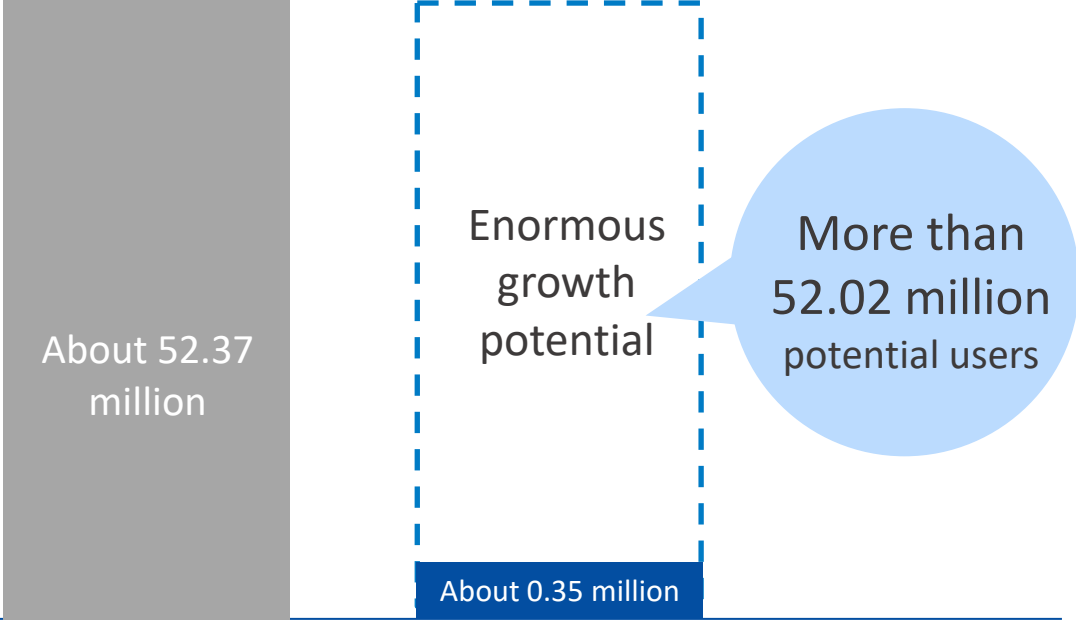


Tobila Systems apps provide all-direction protection from improper activities involving telephones, SMS and the internet.

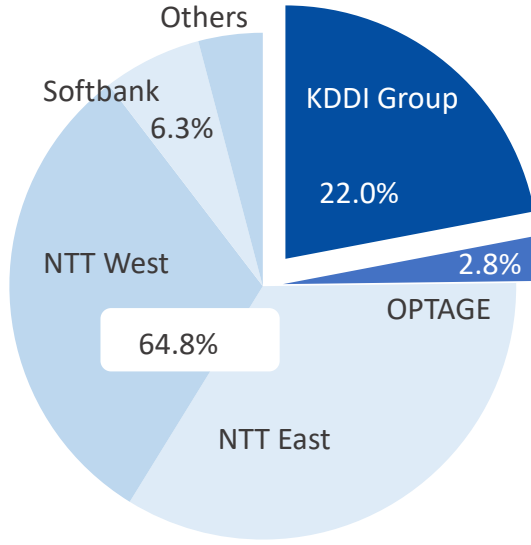
There are promotional activities to encourage mobile phone users who have not signed up for optional packages to use Tobila Systems apps.

Growth Strategy for Landline Phone Services

No. of contracts for landline phones and monthly active users of Tobila Systems app



Landline Phone Market Share



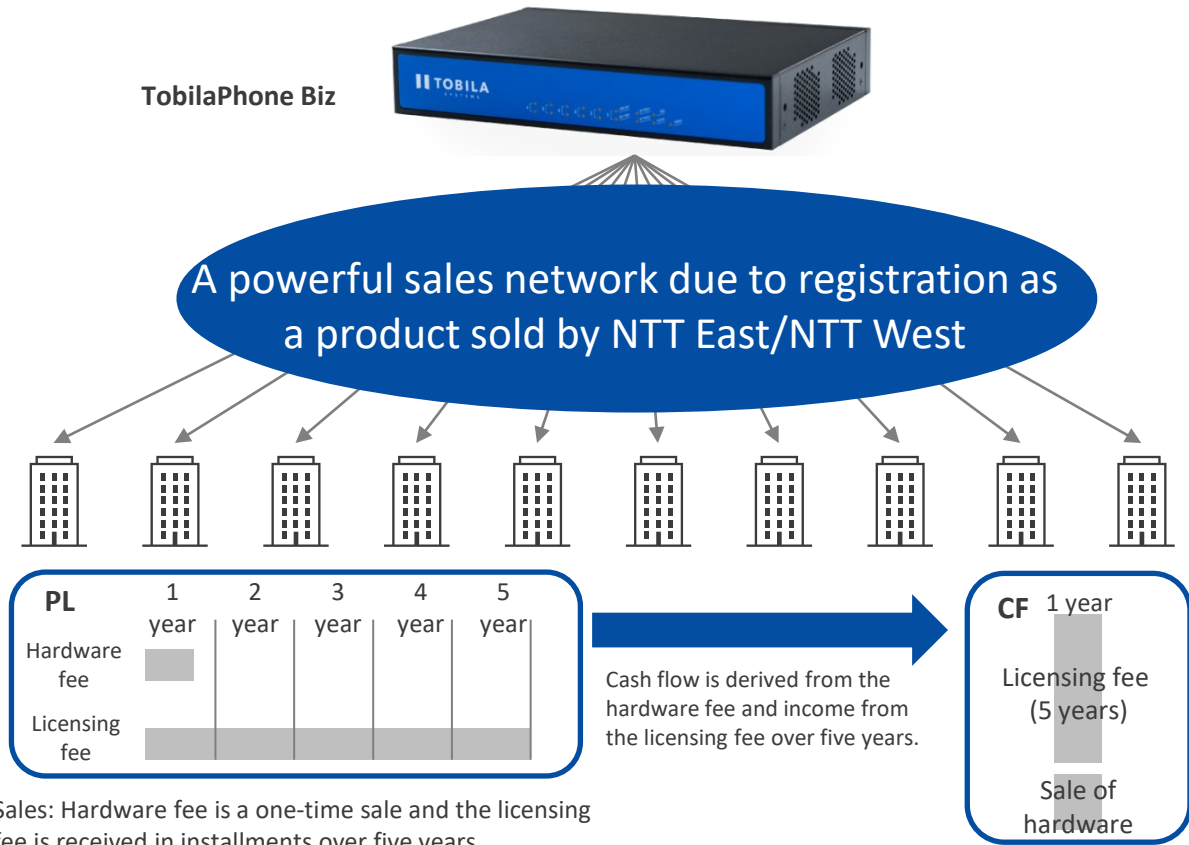
Cooperation with KDDI will enable us to use cable TV company alliance partners of KDDI provides access to users of approximately 6.2 million phone lines

The number of users of this service is still small, resulting in more than 52.02 million potential users.

Continuing fraudulent call filter sales activities targeting NTT East/NTT West, which have the largest share of the landline phone market, Softbank and other companies

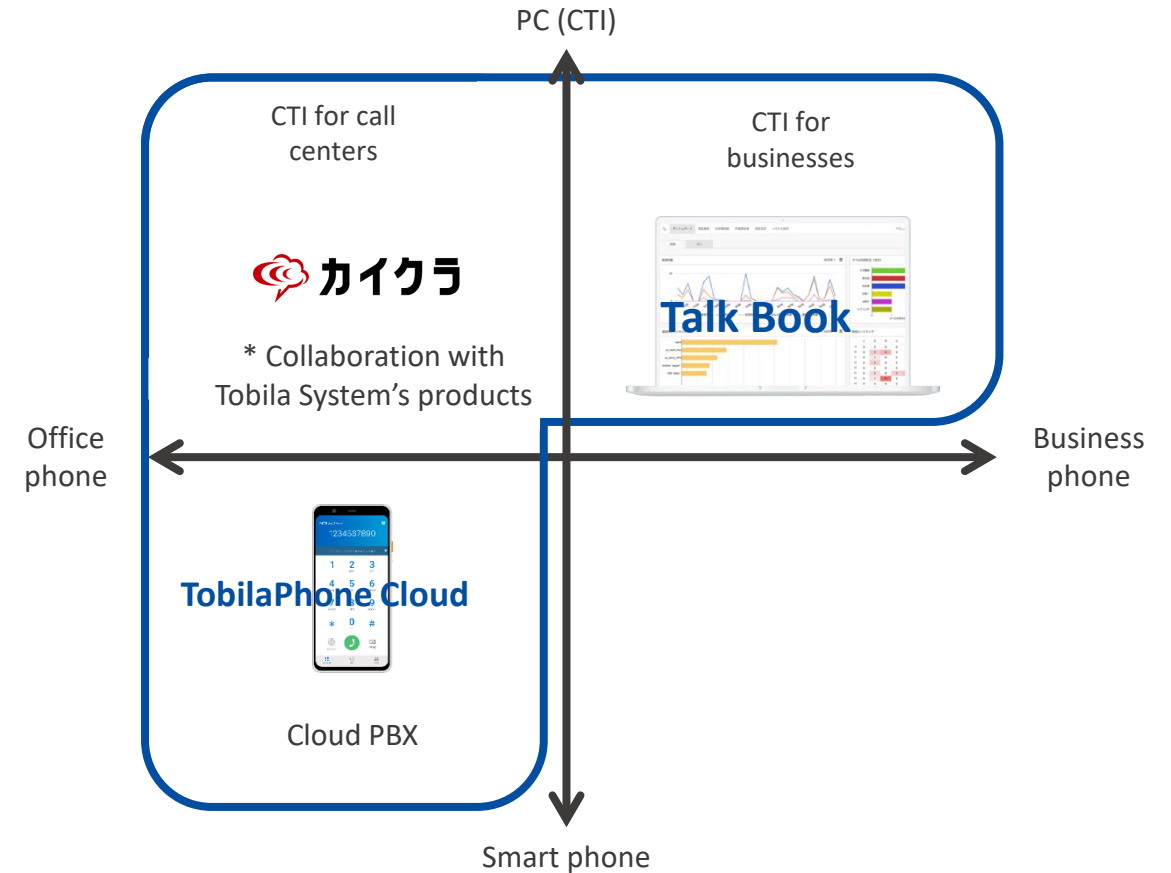
Source: No. of contracts for landline phones: Quarterly Data on the Number of Telecommunications Service Contracts and Market Share (announced on December 18, 2021), Ministry of Internal Affairs and Communications

Growth Strategy for Business Phone Services



Sales: Hardware fee is a one-time sale and the licensing fee is received in installments over five years.

The goal is to use NTT East/NTT West for building stronger sales channels and for using additional functions for upselling activities.



Targeting business phone needs in many ways in the SaaS market, which is expected to continue to grow

2

**1Q FY10/22
Financial Results**

Financial Highlights

1Q FY10/22 Business Summary (Nov. 2021 – Jan. 2022)

- Net sales were ¥390 million, **up 16.7%** YoY
- Operating profit was ¥130 million, **up 9.2%** YoY, with operating margin of 34.3%

Expect a temporary decline in earnings for FY10/22 mainly because of goodwill amortization resulting from absorbing 280blocker and the higher cost of sales caused by more TobilaPhone Biz shipments

- Sales steadily **increased 17.3%** YoY in the core filtering service for mobile phones
- Sales of the filtering service for business phones were **2.6 times higher** than one year earlier

1Q FY10/22 QoQ and YoY Comparisons

Quarterly sales continued to grow, reaching a record high

Unit: Millions of yen

	1Q FY10/22 Results	4Q FY10/21		1Q FY10/21	
		Results	QoQ	Results	YoY
Net sales	391	366	106.9%	335	116.7%
Operating profit	134	129	104.0%	123	109.2%
Ordinary profit	126	128	98.6%	123	102.9%
Profit	62	75	82.0%	84	73.4%

FY10/22 Forecast

No change in the fiscal year forecast as first quarter sales and earnings were generally as planned

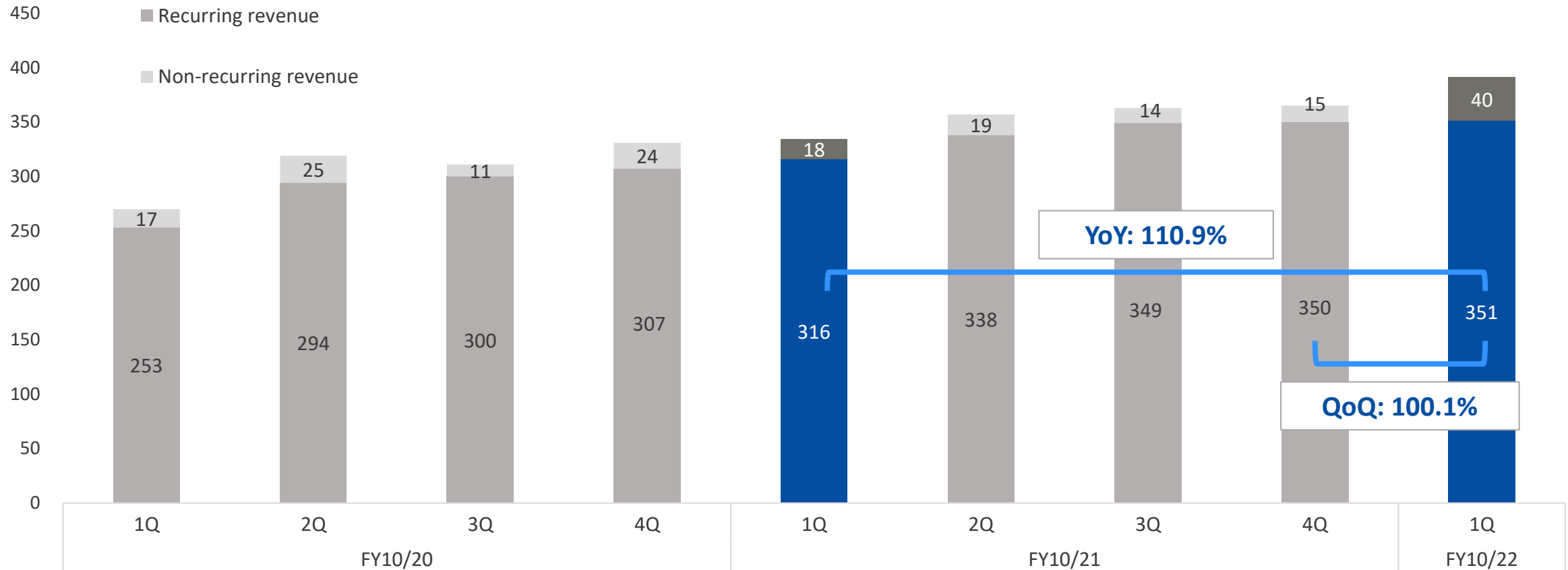
Unit: Millions of yen

	1Q FY10/22 Results	FY10/22 Plan	1Q vs. FY10/22 Plan
Net sales	391	1,636	24.0%
Operating profit	134	513	26.2%
Ordinary profit	126	504	25.1%
Profit	62	333	18.7%

Quarterly Sales (Recurring Revenue and Non-recurring Revenue)

Sales from sources of recurring revenue increased 10.9% YoY, showing a steady growth

Unit: Millions of yen



Sales Composition

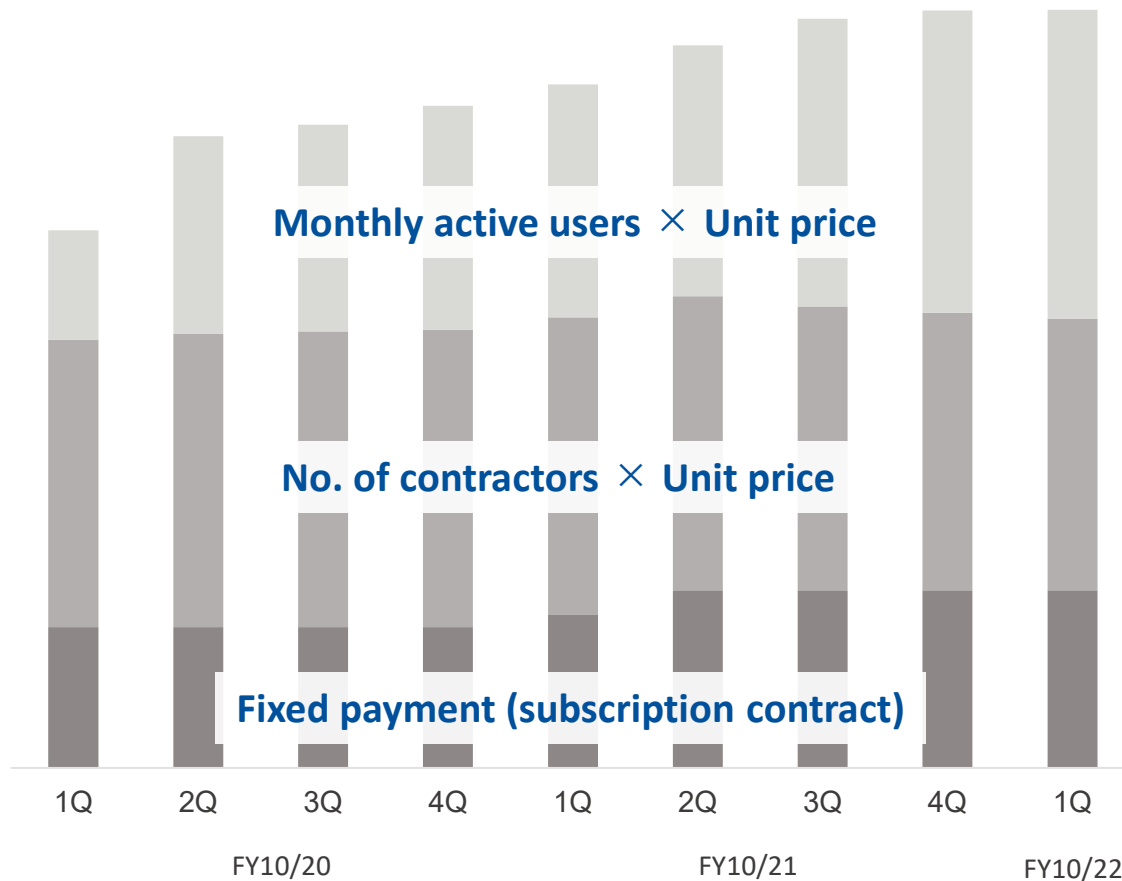
- Mobile phones filtering service remains strong
- Sales of the filtering service for landline phones decreased YoY due to a one-time increase in sales one year earlier
The contribution of Fraudulent Call Automatic Block, an automatic blocking service requiring no add-on unit and offered with KDDI, will start in the 2Q
- Sales of the filtering service for business phones steadily increased; about 2.6 times higher than one year earlier

Unit: Millions of yen

	1Q FY10/22 Results	4Q FY10/21		1Q FY10/21	
		Results	QoQ	Results	YoY
Fraud and spam prevention services	377	349	108.0%	316	119.2%
Mobile phone services	311	295	105.7%	265	117.3%
Landline phone services	34	34	100.2%	38	88.3%
Business phone services	31	20	155.0%	11	264.6%
Other services	14	17	84.2%	19	75.9%

Filtering Services for Mobile Phones: Major Sales Composition

Quarterly sales of major contract categories



Performance vs. Prior Quarter*

▶ Monthly active users × Unit price

Sales:	102.1%
Monthly active users:	102.8%

▶ No. of contractors × Unit price

Sales:	97.9%
Monthly active users:	106.7%

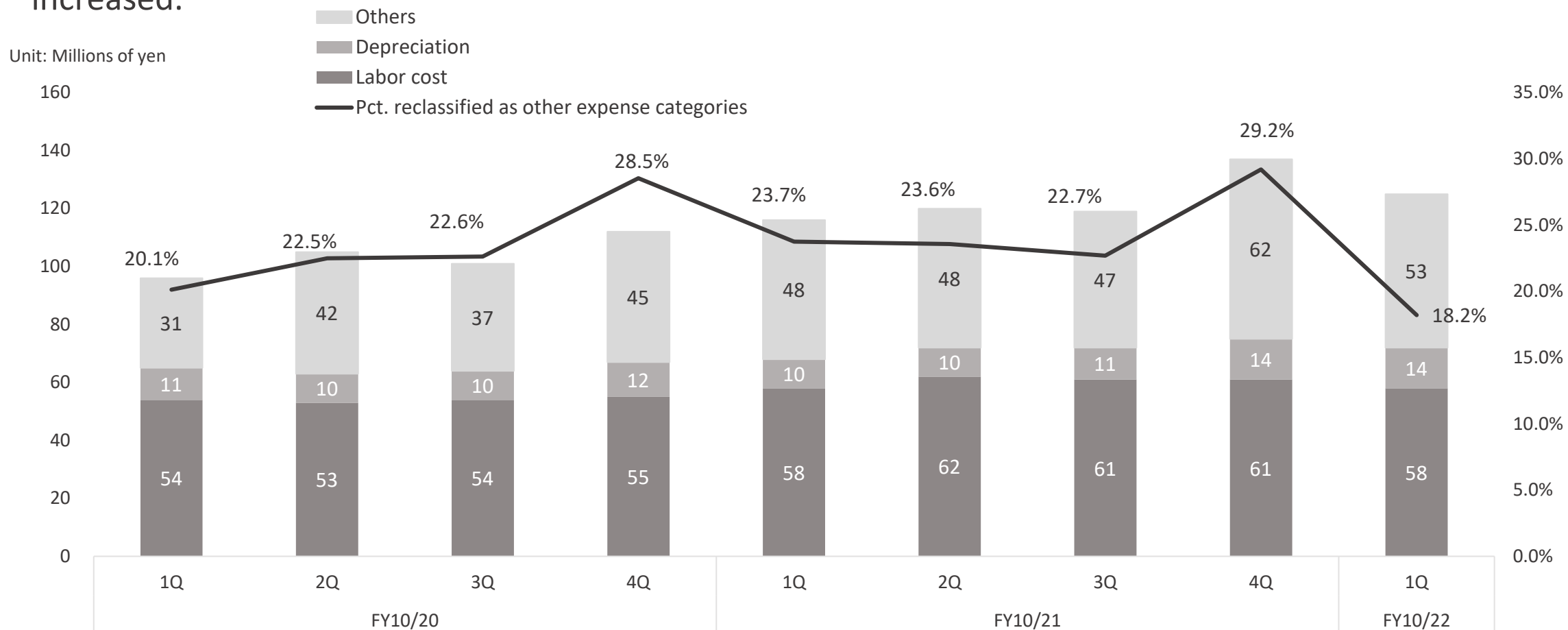
▶ Fixed payment (subscription contract)

Sales:	100.0%
Monthly active users:	104.0%

*Difference between 4Q FY10/21 and 1Q FY10/22

Cost of Sales

Generally in line with the plan, although the pct. of the cost of sales reclassified as expenses in other categories decreased because some expenditures were pushed back and the operation of products increased.



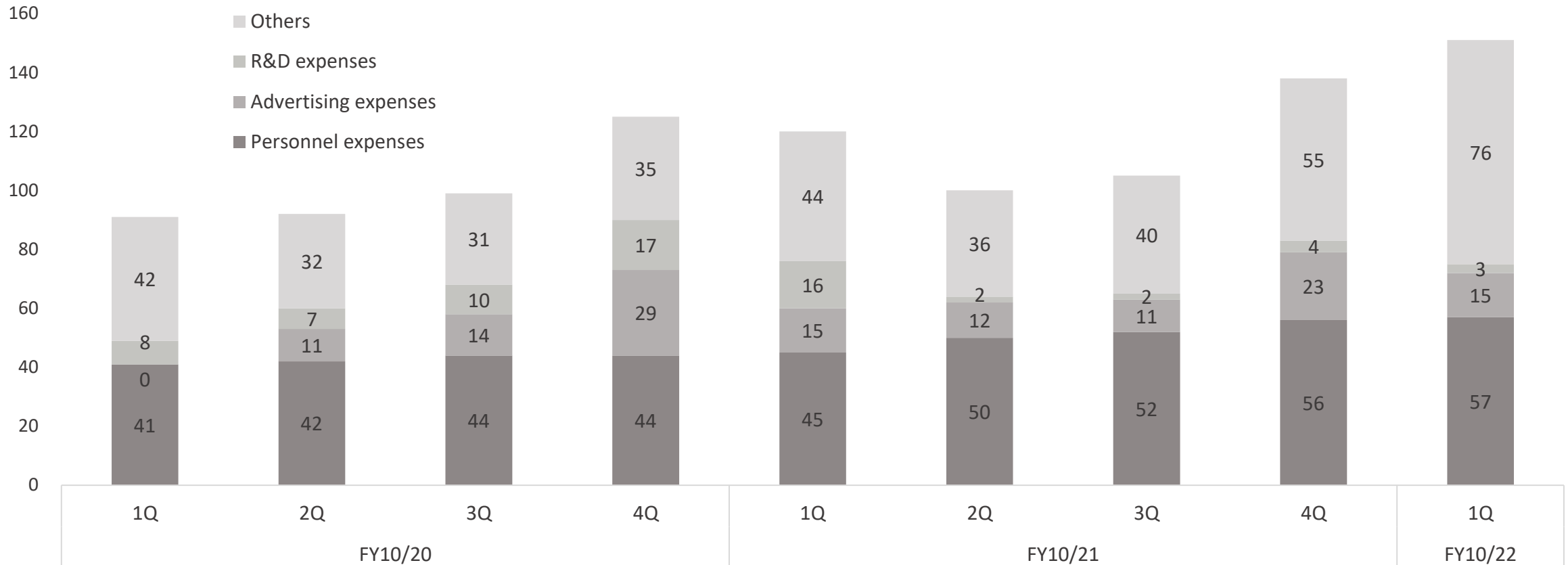
* Pct. reclassified as other expense categories is the percentage of the cost of sales included in R&D expenses and assets due mainly to the characteristics of work performed by employees

* 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

SG&A Expenses

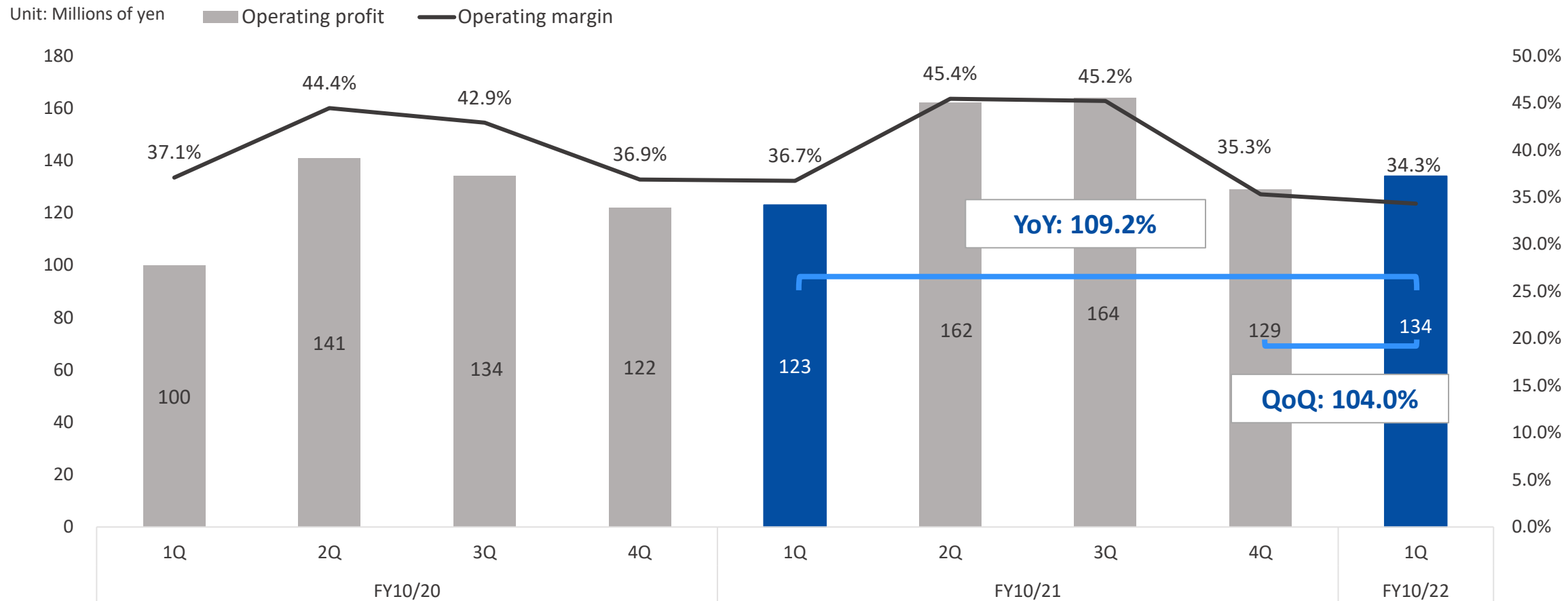
An increase in other expenses include goodwill amortization of 280blocker and advisory expenses related to marketing activities

Unit: Millions of yen



Operating Profit

No change in FY10/22 earnings forecast due to goodwill amortization and the higher cost of inventories for TobilaPhone Biz expected for FY10/22



Expenses

Unit: Millions of yen

	1Q FY10/22 Results	4Q FY10/21		1Q FY10/21	
		Results	QoQ	Results	YoY
Cost of sales	103	97	106.3%	89	115.5%
Labor cost	58	61	95.9%	58	99.7%
Depreciation	14	14	100.0%	10	134.9%
Others	53	62	84.9%	48	110.2%
Pct. of cost of sales classified as R&D expenses and assets*	18.2%	29.2%	62.3%	23.7%	76.7%
SG&A expenses	153	139	109.9%	122	125.2%
Personnel expenses	57	56	102.1%	45	126.5%
Advertising expenses	15	23	67.1%	15	103.0%
R&D expenses	3	4	77.6%	16	21.0%
Others	76	55	138.5%	44	170.5%

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

Balance Sheet

Unit: Millions of yen

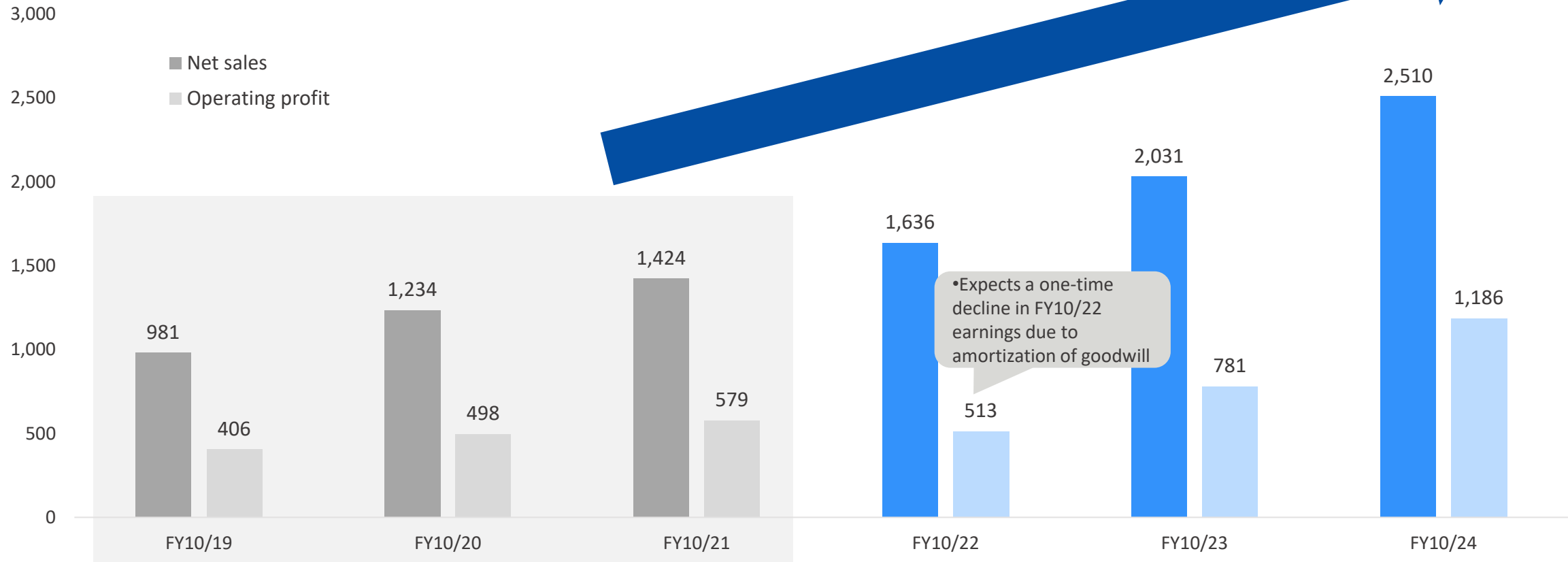
	1Q FY10/22	4Q FY10/21	Change
Current assets	1,457	1,389	68
Cash and deposits	1,188	1,145	42
Trade receivables	189	181	7
Other	80	61	19
Non-current assets	742	780	-38
Property, plant and equipment	50	49	1
Intangible assets	498	509	-10
Investments and other assets	192	221	-29
Total assets	2,199	2,170	29
Liabilities	749	681	68
Current liabilities	466	385	81
Non-current liabilities	283	295	-12
Net assets	1,450	1,489	-38
Equity ratio	65.9%	68.6%	-2.7pt

3 Medium-term Management Plan Progress

Medium-term Management Targets

- Maintain an annual growth rate in net sales of about 20%
- For operating profit, aim for a high annual growth rate of 52%

Unit: Millions of yen



* Targets for FY10/22 and afterward

Filtering Service for Mobile Phones and Landline Phones

Medium-term Management Plan announced in December 2021 (FY10/22-FY10/24)

Accomplishments up to 1Q FY10/22

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
- More synergies with 280blocker



- Certified as an Outstanding Fraudulent Call Prevention Device by the Japan Crime Prevention Association
- Marketing campaign for 280blocker raised awareness of this product

Filtering Service for Landline Phones

More activities with KDDI to further enlarge and strengthen this alliance

- Use cable TV company alliance partners of KDDI provides access to users of approximately 6.2 million phone lines

Increase alliance partners for the use of the Tobila Systems filtering service as an option

- Continue activities for the establishment of partnerships with NTT East, NTT West, SoftBank and other companies



- Started providing in February 2022 the Fraudulent Call Automatic Block service to KDDI cable TV customers. This service automatically blocks fraudulent calls to landline phones and requires no add-on unit.

Filtering Service for Business Phones

Filtering Service for Business Phones

Medium-term Management Plan announced in December 2021 (FY10/22-FY10/24)

TobilaPhone Biz

- Goal is rapid growth due to registration as a product sold by NTT East and NTT West
- Use ties with sales partners to enable rapidly improving functions to match users' needs

TobilaPhone Cloud

- Utilize the ability for use of "03" and other area codes to receive more orders

Talk Book

- Covers cloud PBX as well as CTI for businesses in the growing SaaS market



Accomplishments up to 1Q FY10/22

- Orders are increasing because of registration as a product sold by NTT East/NTT West
- Properly managed inventories during the semiconductor shortage in order to prevent the loss of sales opportunities

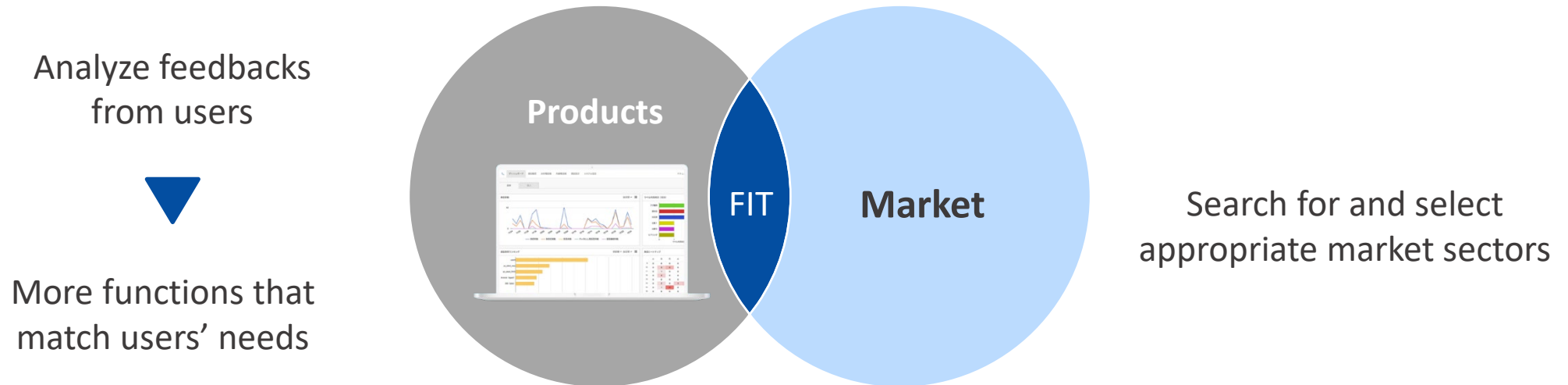
- Ability to use "03" and other area codes for voice communications
- Developed Talk Book, a sales tool with artificial intelligence, and started sales of this product

Priorities for FY10/22

Filtering Services for Mobile Phones: The goal is adding the fraudulent SMS block to the optional packages of all mobile carriers

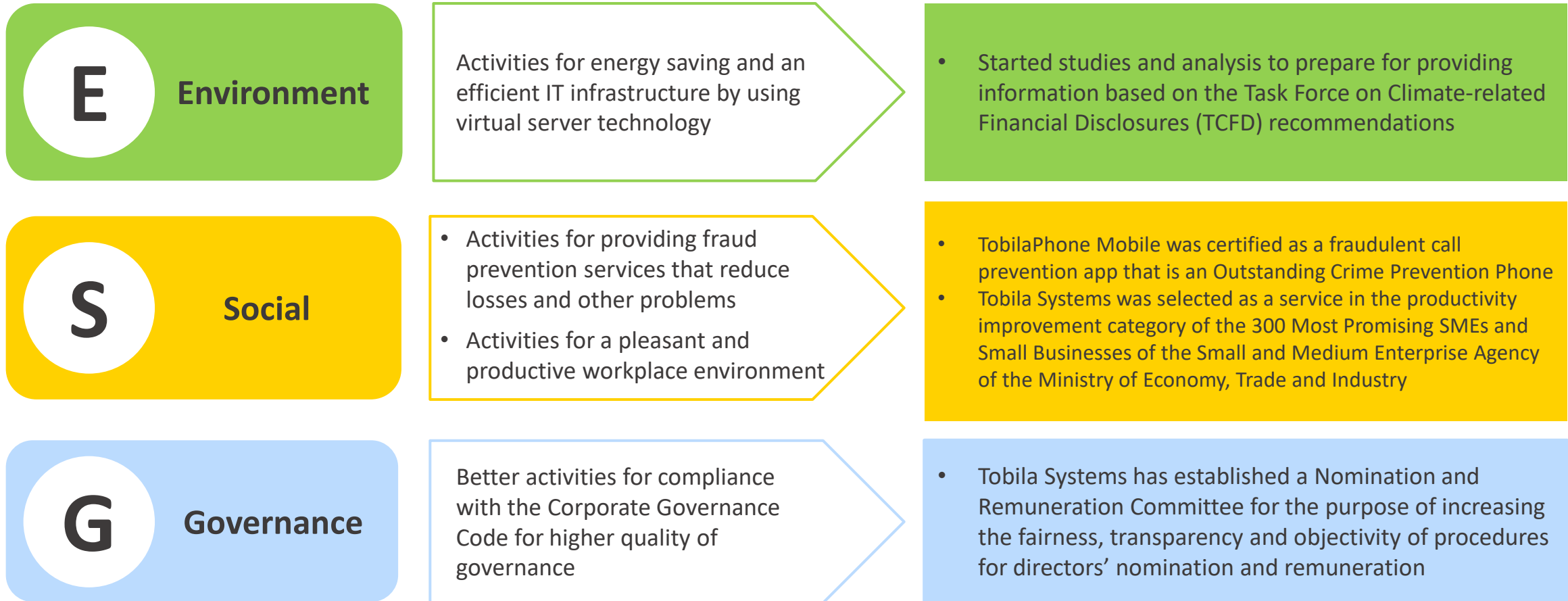


Filtering Service for Business Phones: Identify and select the best product/market fit for the new Talk Book service



ESG Activities

A commitment to ESG activities for sustained growth of our businesses and for environmental and social sustainability



4

References

FY10/22 Financial Status: Quarterly Results

Unit: Millions of yen	FY10/20				FY10/21				FY10/22
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net sales	270	319	312	331	335	358	364	366	391
Fraud and spam prevention services	244	295	290	312	316	335	344	349	377
Other services	26	23	22	19	19	22	19	17	14
Cost of sales	77	82	78	83	89	92	92	97	103
Labor cost	54	53	54	55	58	62	61	61	58
Depreciation	11	10	10	12	10	10	11	14	14
Others	31	42	37	45	48	48	47	62	53
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%	18.2%
SG&A expenses	93	94	99	126	122	102	106	139	153
Personnel expenses	41	42	44	44	45	50	52	56	57
Advertising expenses	0	11	14	29	15	12	11	23	15
R&D expenses	8	7	10	17	16	2	2	4	3
Others	42	32	31	35	44	36	40	55	76

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.