



Results of Operations

for the Fiscal Year Ended October 31, 2022

Tobila Systems Inc.
(Tokyo Stock Exchange Prime Market, 4441)





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1

Business Overview

Our Vision for a Better Future

Corporate Philosophy / Code of Conduct

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

Using technologies for the challenge of solving social issues

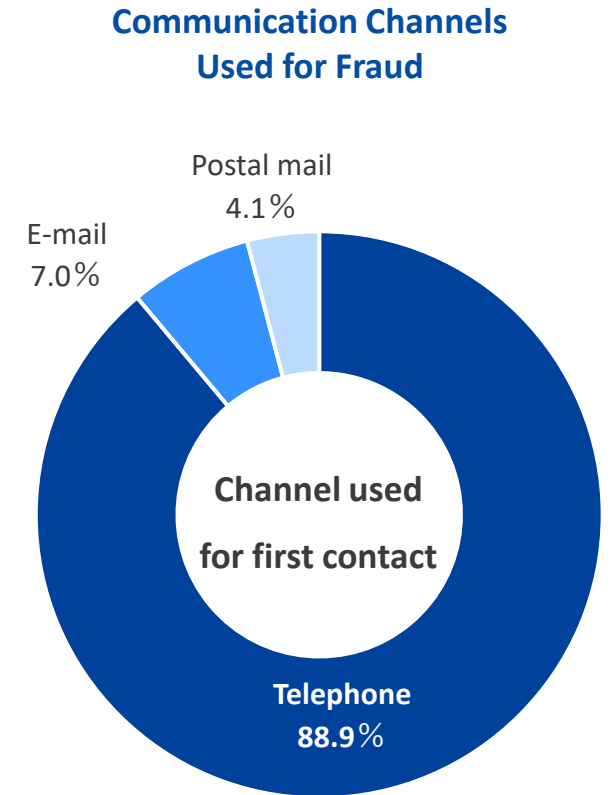
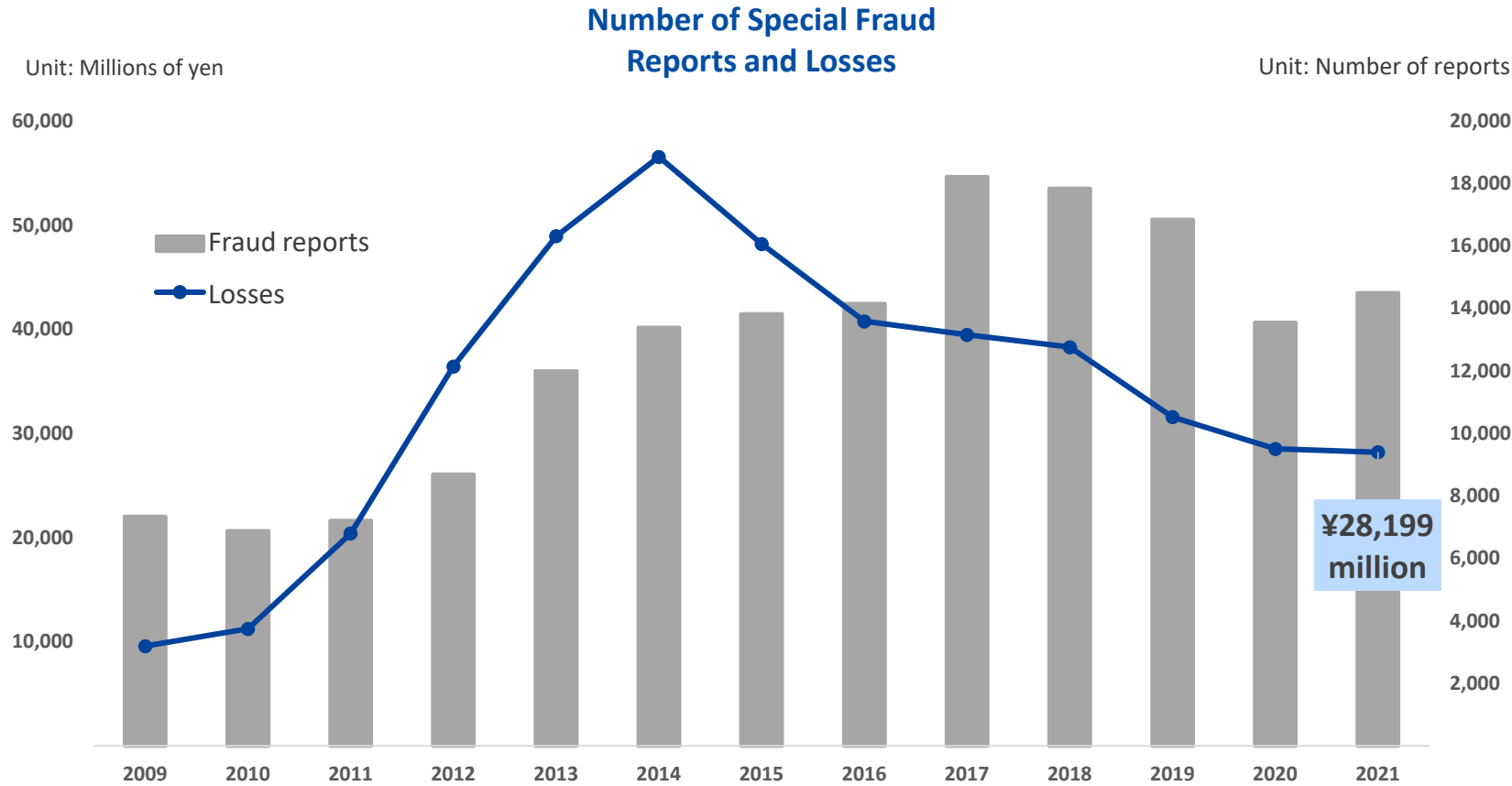
We are constantly changing without any fear of failure and challenging conventional thinking to realize a better future which we dream of.

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.

Dedicated to Solving a Serious Social Problem – Special Fraud/“Gray Zone” Criminal Activity

- Losses in Japan caused by special fraud, including “gray zone” crimes, total about ¥4 trillion*1
- In 2021, special fraud remained a serious problem with 14,498 fraud reports and losses of ¥28.2 billion



Source: Identification and Control of Special Fraud in 2021 (Finalized figures), National Police Agency; Identification and Control of Special Fraud in 2021

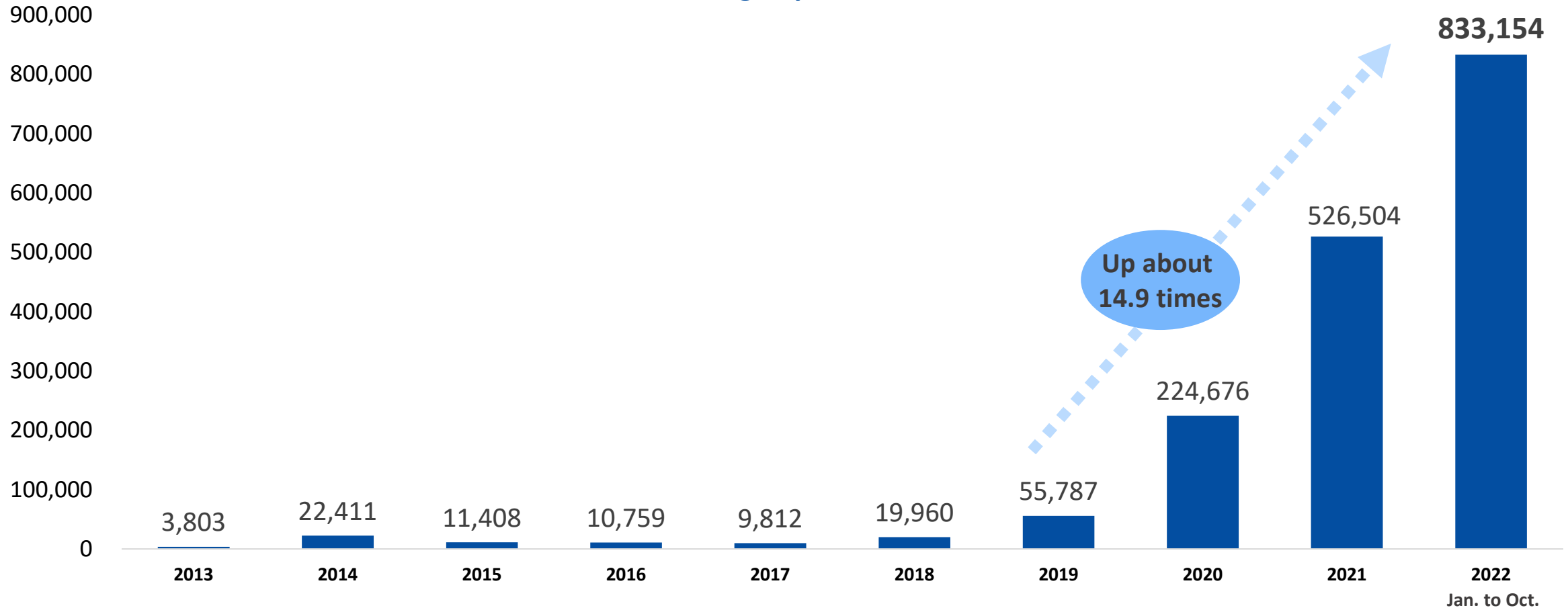
*1: White Paper on Consumer Affairs 2020, Consumer Affairs Agency (95% confidence; ¥3.5-¥4 trillion estimate)

Dedicated to Solving a Serious Social Problem – Phishing in Japan

- The number of phishing reports in Japan has been increasing significantly since 2020
- In 2022, one in 150 people in Japan are estimated to have received a phishing e-mail*1

Unit: Number of reports

Phishing Reports

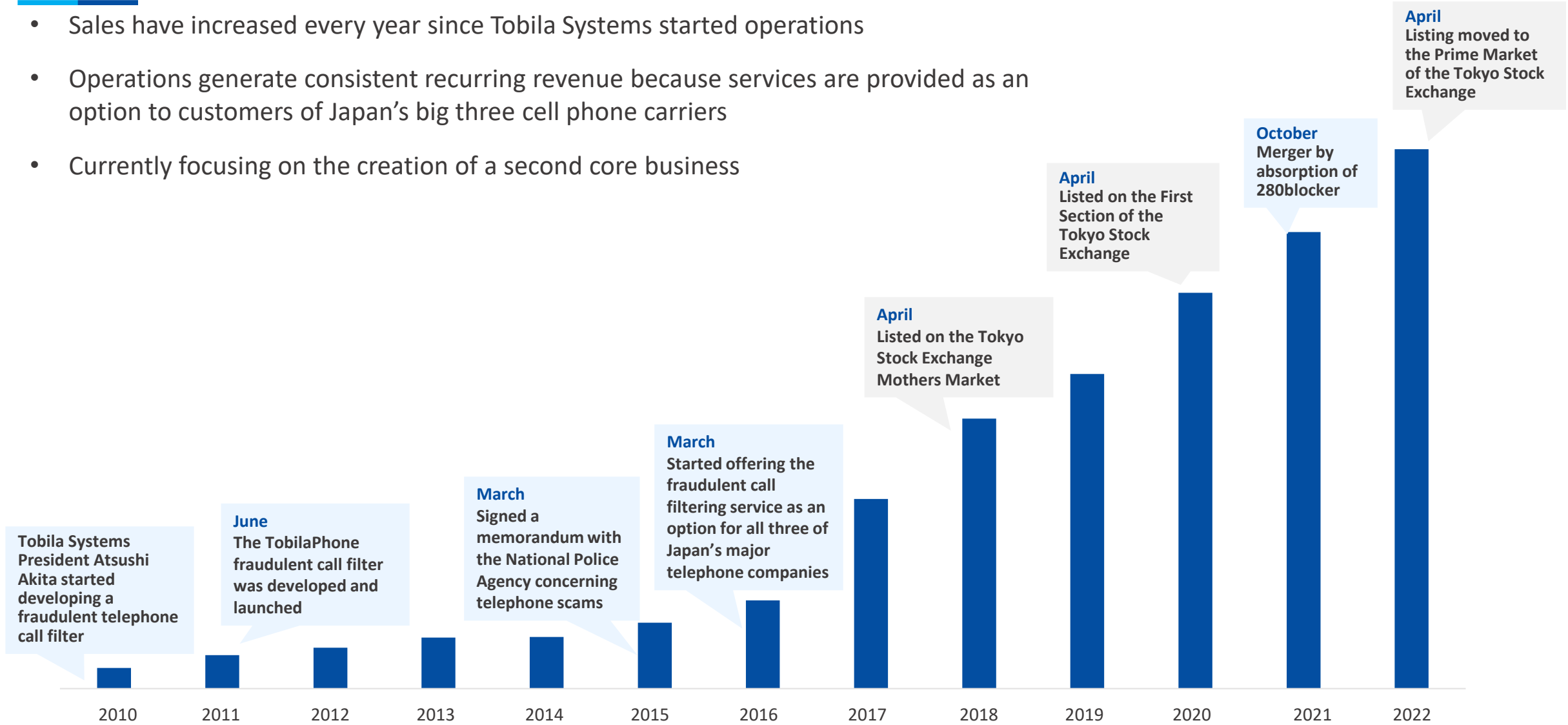


Source: Council of Anti-Phishing Japan

*1: Using population of Japan of 125,194,000 as of Feb. 1, 2022 based on government data

Company History

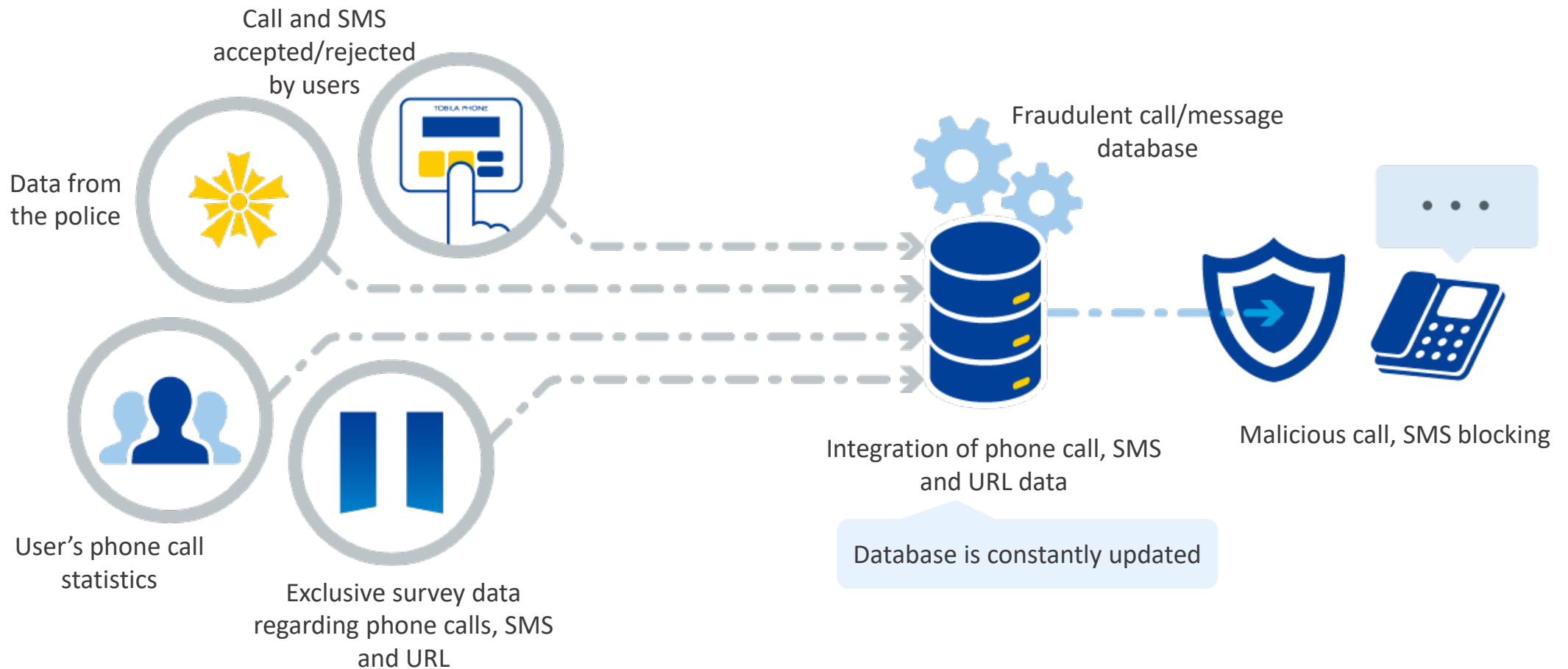
- Sales have increased every year since Tobil Systems started operations
- Operations generate consistent recurring revenue because services are provided as an option to customers of Japan’s big three cell phone carriers
- Currently focusing on the creation of a second core business



Note: Bar graphs are sales

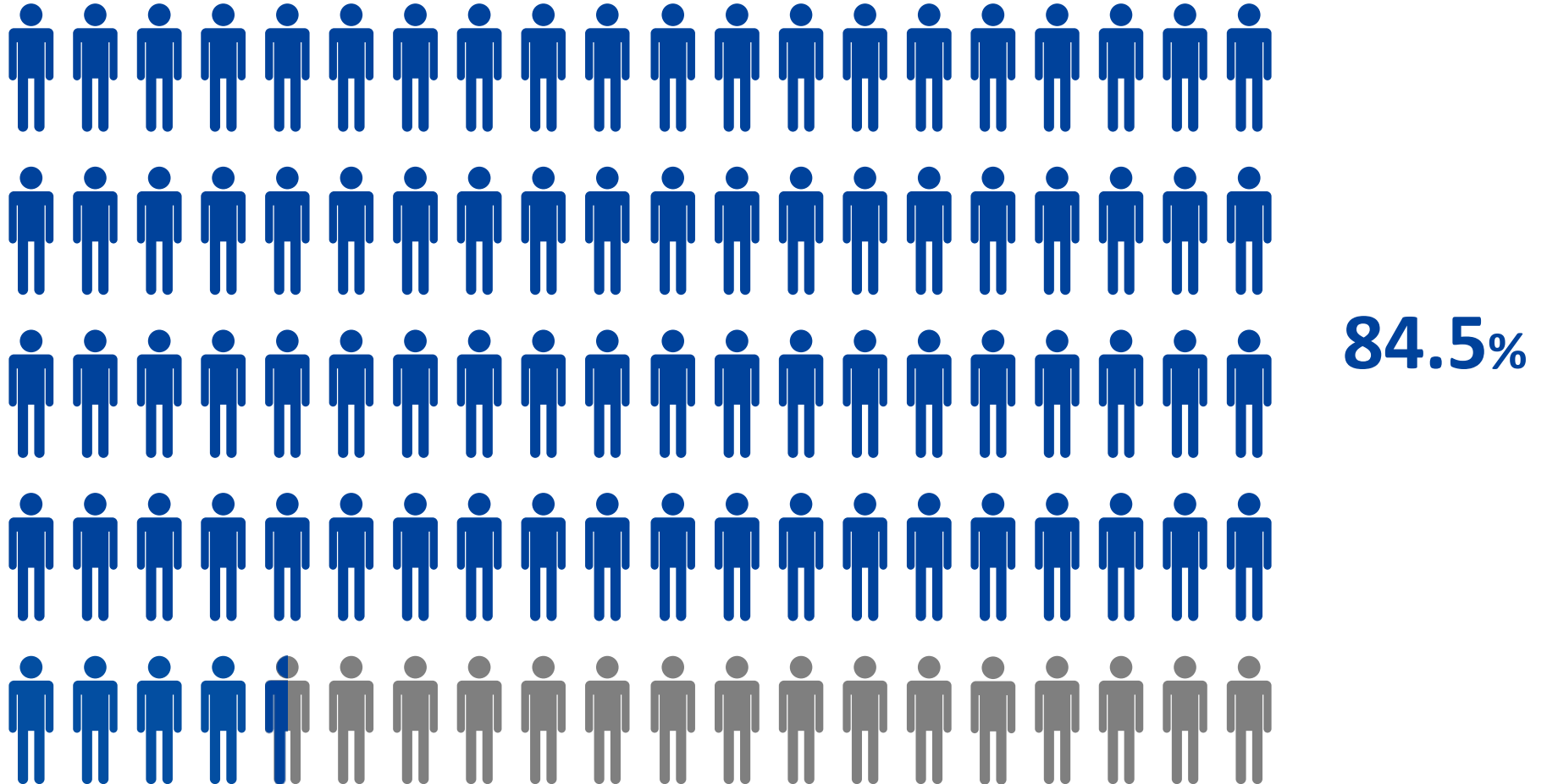
Strengths of Our Fraudulent Call/Message Database

- Contains malicious phone numbers, URLs in malicious SMS and other information in order to block incoming calls and messages from these sources
- Receipt from the police of information about suspicious phone numbers and URL used for criminal activity is a key strength of Tobila Systems
- The volume of data increases along with the number of users, resulting in a cyclical system for the constant improvement of phone call and SMS blocking accuracy



The Strength of Tobila Systems' Coverage

- 84.5%*¹ of all cell phone users in Japan have access to Tobila Systems services, which are offered as an option by all three major Japanese cell phone carriers
- This expansive coverage of cell phone users adds even more value to the fraudulent call/message database of Tobila Systems

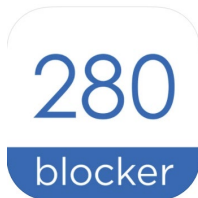


*1: Number of cell phone contracts: Tobila Systems estimate based on Quarterly Data on Telecommunications Service Contract Numbers and Market Share, Ministry of Internal Affairs and Communications (September 16, 2022)

Outline of Services

- For all-inclusive protection, the fraud and spam prevention services has three categories of services: mobile phones, landline phones and business phones

Mobile phone products



- Provided mainly as a mobile carrier app
- Blocks fraudulent phone calls and SMS.
- Blocks uncomfortable ads.

Landline phone products



ケーブルプラス電話

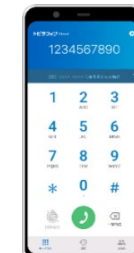
Launched on February 16, 2022

- Sold as an external or built-in unit and as function incorporated into a carrier's network infrastructure
- Blocks unnecessary sales calls and fraudulent calls.

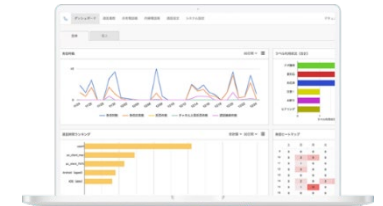
Business phone products



TobilaPhone Biz



TobilaPhone Cloud



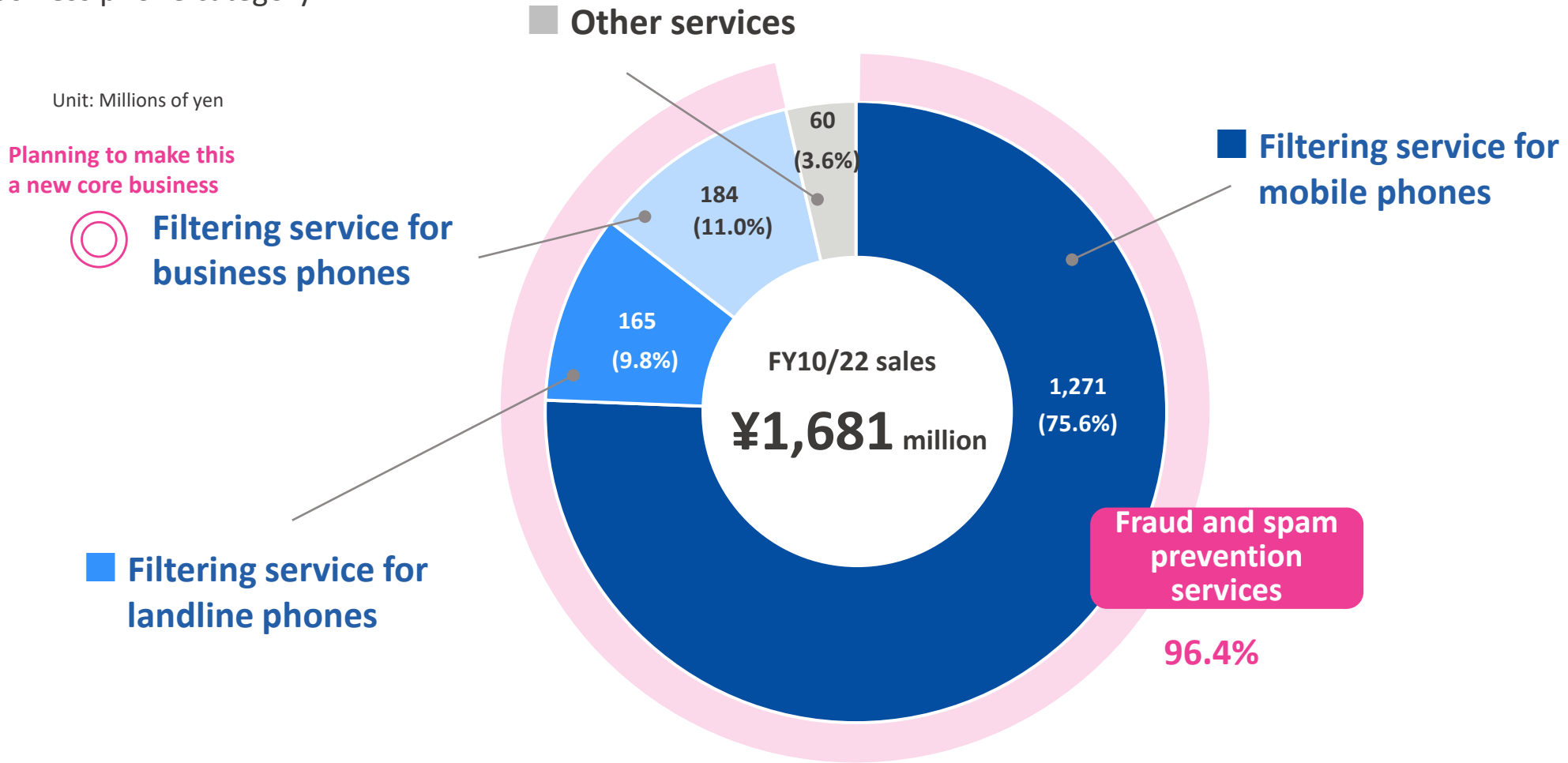
Talk Book

Launched on January 12, 2022

- Services for corporations
- Provided TobilaPhone Biz, TobilaPhone Cloud and Talk Book

Business Segments

- In the core fraud and spam prevention services, filtering services for mobile phones are about 75.6% of sales
- Consistent earnings of mobile phone services are used to fund expenditures in the rapidly growing filtering services for business phone category

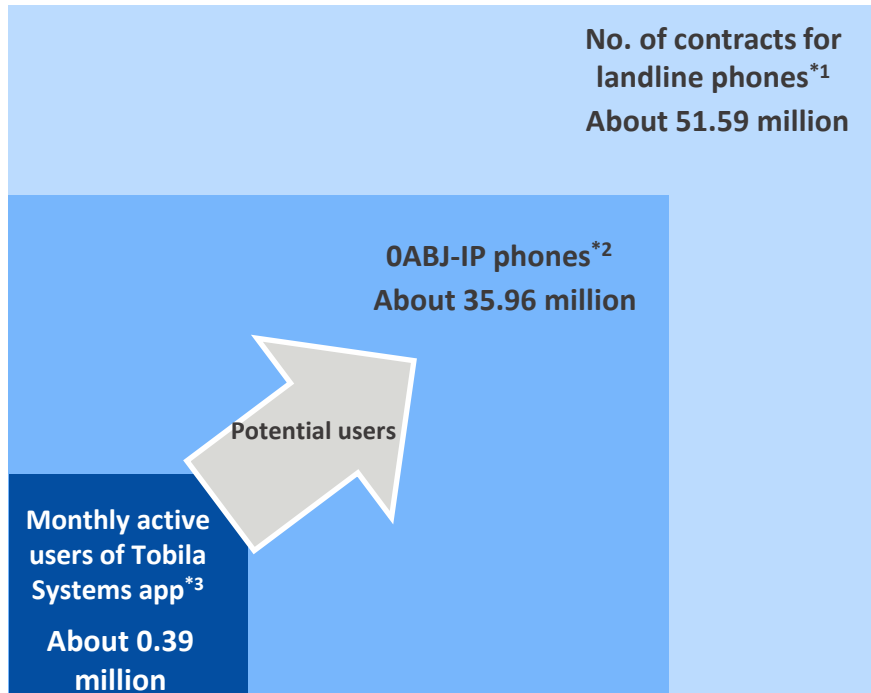


Landline Phone Services

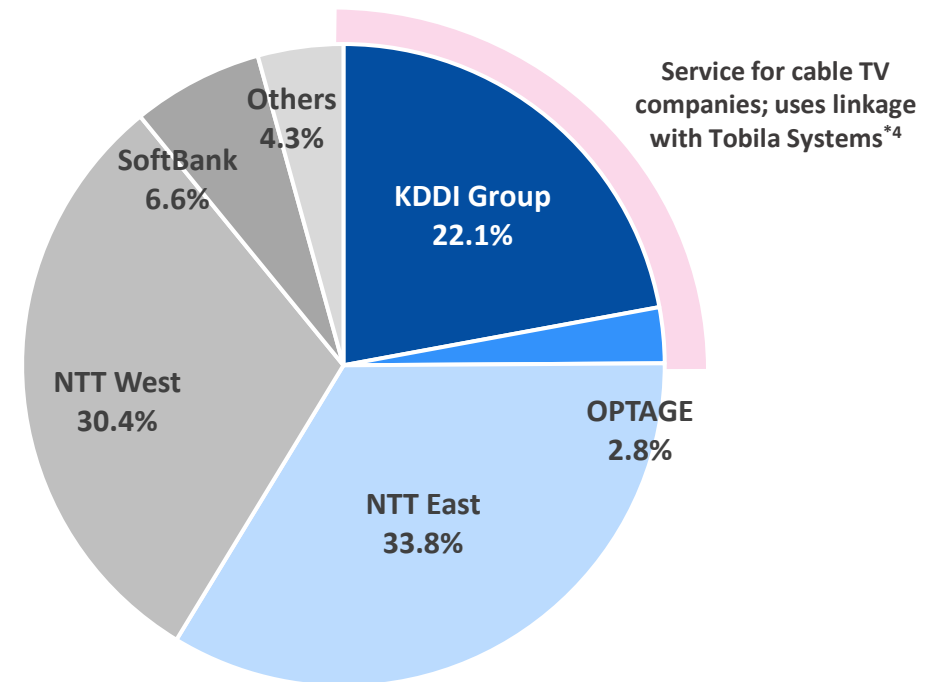
Growth Potential for Landline Phone Services

- The landline phone exchange facilities of NTT East and NTT West are expected to be no longer useable in about 2025. As a result, the IP phone sector has significant growth potential because many landline users are expected to shift to IP phones.

Potential Market Size



Landline Phone Market Share in Japan



*1: No. of contracts for landline phones: Quarterly Data on the Number of Telecommunications Service Contracts and Market Share (announced on September 16, 2022), Ministry of Internal Affairs and Communications (https://www.soumu.go.jp/main_content/000836132.pdf)

*2: No. of contracts for OABJ-IP phones: Quarterly Data on the Number of Telecommunications Service Contracts and Market Share (announced on September 16, 2022), Ministry of Internal Affairs and Communications (https://www.soumu.go.jp/main_content/000836132.pdf)

*3: Number of the monthly active users as of October 31, 2022, includes some provisional figures. The data may vary somewhat when the finalized figures are released and reflected in the data.

*4: Provision of the Fraudulent Call Automatic Blocker, Japan's first automatic call blocking service for a landline phone that requires no external call blocking attachment (<https://tobila.com/news/release/p1093/>) 12

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FY10/22 Financial Results

FY10/22 Financial Highlights

Net sales

¥1,681 million

(Up 18.0% YoY)

Fraud and spam prevention services segment sales

- Mobile phone services **¥1,271 million (up 12.2% YoY)**
- Landline phone services **¥165 million (up 11.8% YoY)**
- Business phone services **¥184 million (up 181.1% YoY)**

Mobile phone services

All three major cell phone carriers use the fraudulent call/SMS blocking service of Tobila Systems

Landline phone services

A large order from a municipality, a one-time event
An increase in applications for the fraud/spam filtering option offered with the phone service KDDI provides to cable TV operators

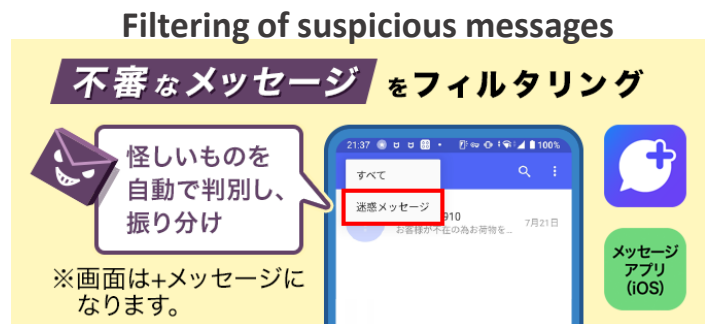
Business phone services

TobilaPhone Biz sales significantly increased following registration as a product sold by NTT East/NTT West.

NTT Docomo Launch of a Fraudulent SMS Protection Service

- On October 27, 2022, NTT Docomo added to its Anshin Security menu a fraudulent SMS protection service*¹ that uses the Tobila Systems database

Anshin Security (Fraudulent SMS blocking)



- Start of service*²
October 27, 2022

- Fee
¥220 every month (including tax)
(No charge for first 60 days)

- Contribution to sales*³
The contract with NTT Docomo to provide this service is expected to increase sales during the contract period. The provision of this service is expected to increase fiscal year sales by at least 10% of total sales in FY10/21.

*1: More information about this service is on the NTT Docomo corporate website. (https://www.docomo.ne.jp/service/anshin_security_sms/)

*2: Press release: "NTT Docomo adds fraudulent SMS blocking using Tobila Systems database to its Anshin Security menu" (<https://tobila.com/news/release/p1277/>)

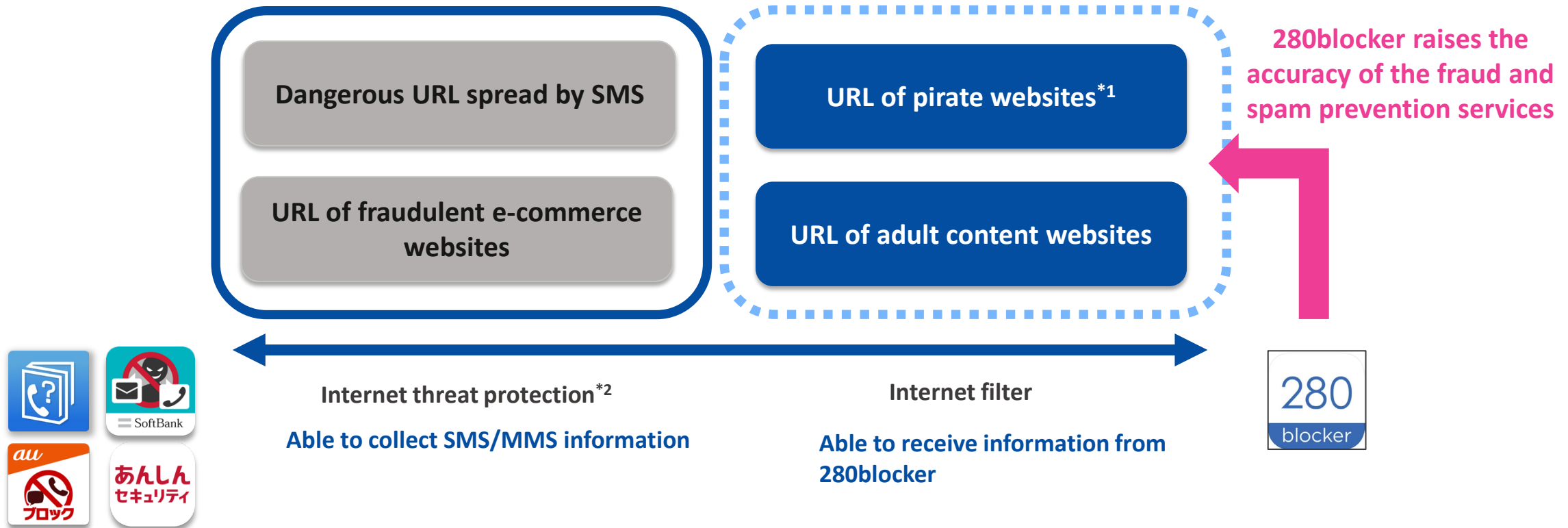
*3: Announcement: "Notice of start by NTT Docomo of fraudulent message protection service using Tobila Systems database" (<https://contents.xj-storage.jp/xcontents/AS05546/a1629fa5/9906/44fc/8b4c/b44911379c96/140120221027550361.pdf>)

Mobile Phone Services

Acquisition of 280blocker Adds Value to the Fraudulent Call/message Database

- The acquisition of 280blocker gives Tobile Systems access to information about more websites, which adds even more value to the database
- This information greatly strengthens the ability of Tobile Systems to sell its fraudulent SMS blocking service to cell phone carriers

Four major categories of malicious URL




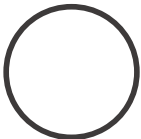
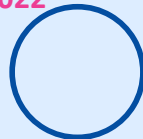

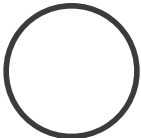
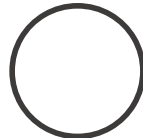

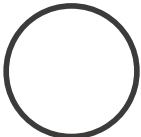
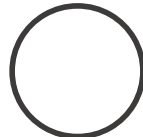
*1: Pirate websites: Websites that copy and post on the internet movies, manga and other copyrighted content without permission

*2: Internet threat protection: A service for the personal protection of individuals

Mobile Phone Services

Utilization of the Fraudulent Call/message Database

- In 2022, Tobila Systems accomplished the goal of providing fraudulent call and fraudulent SMS blocking functions to all three of Japan's major cell phone carriers

App with Tobila Systems function	Fraudulent calls	Fraudulent SMS
 <p>Anshin Security</p>	 <p>Provided</p>	<p>Started in October 2022</p>  <p>Started</p>
 <p>Meiwaku Denwa Block</p>	 <p>Provided</p>	 <p>Provided</p>
 <p>Meiwaku Message & Denwa Block</p>	 <p>Provided</p>	 <p>Provided</p>

Public and Investor Relations Activities in FY10/22

- Many activities using SNS in order to raise awareness of Tobila Systems

YouTube channel

Fraud information video

Calls to phone numbers used for fraud are made to demonstrate the danger of using these phone numbers



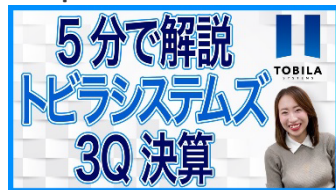
When we called the number of a person involved with fraud, the person became angry and called us stupid.



When we made a telephone call to a suspicious SMS number, we received a request to make a payment that was fictitious accompanied by a surprisingly thorough and convincing explanation.

Five-minute information videos

Tobila Systems provides videos for brief explanations of results of operations and business operations



[3Q FY10/22 results of operations](#)



[History of Tobila Systems](#)



[The Businesses of Tobila Systems](#)

Twitter



Tobila Systems Inc. [@tobilasystems](#)

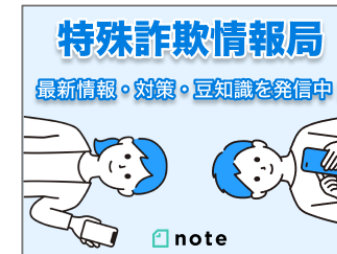


Tobila Systems investor relations manager [@iinakod](#)

note



[Fraud information bureau](#)



Latest data on methods used for fraud, protection services and key points to keep in mind



[IR note](#)



Additional information about Tobila Systems, mainly for IR

Media Reports about Tobila Systems in FY10/22

- Media reports about our activities have established a solid reputation as a specialist in the prevention of phone and SMS fraud

Selected FY10/22 articles about Tobila Systems

	Media	Theme
December 24, 2021	TBS Television “N Sta”	Technical support fraud
January 20, 2022	Tokai Television “News One”	Smishing fraud
January 24, 2022	TBS Television “Shin Joho 7days News Caster”	Technical support fraud
February 10, 2022	Fuji Television “Live News Itto!”	Smishing fraud
June 8, 2022	TV Asahi “Morning Show”	Technical support fraud
July 3, 2022	TV Asahi “Beat Takeshi no TV Tackle”	Technical support fraud
September 10, 2022	Nikkei Shimbun “NIKKEI Plus 1”	Scams with no face-to-face contact
November 10, 2022	Nippon Television “ZIP!”	Smishing fraud
November 17, 2022	Yomiuri TV “Su Matan! ZIP!”	Fictitious billing fraud

ageet Becomes an Equity-method Affiliate

- A business alliance agreement with ageet Corporation^{*1} was signed on September 30, 2021 as planned and additional stock was purchased on September 30, 2022
- Holding of more than 20% of ageet stock makes this company an equity-method affiliate



ageet operates a VoIP (Voice over Internet Protocol) business, enabling customers to send and receive audio data using an IP network

- ageet has considerable expertise involving audio technologies for conversation apps. This alliance is expected to increase the audio quality of TobilaPhone Cloud.
- Planning to use synergies created by alliance for capturing a larger share of the IP phone market.
- Priorities are improving the quality of TobilaPhone Cloud services and strengthening the ability to constantly create new services.

*1: ageet Corporation website (<https://www.ageet.com/>)

FY10/22 Financial Summary

- Sales increased and earnings decreased as planned. Sales, operating profit and ordinary profit surpassed the initial plan.
- Profit was slightly below the plan mainly because of an investment security valuation loss

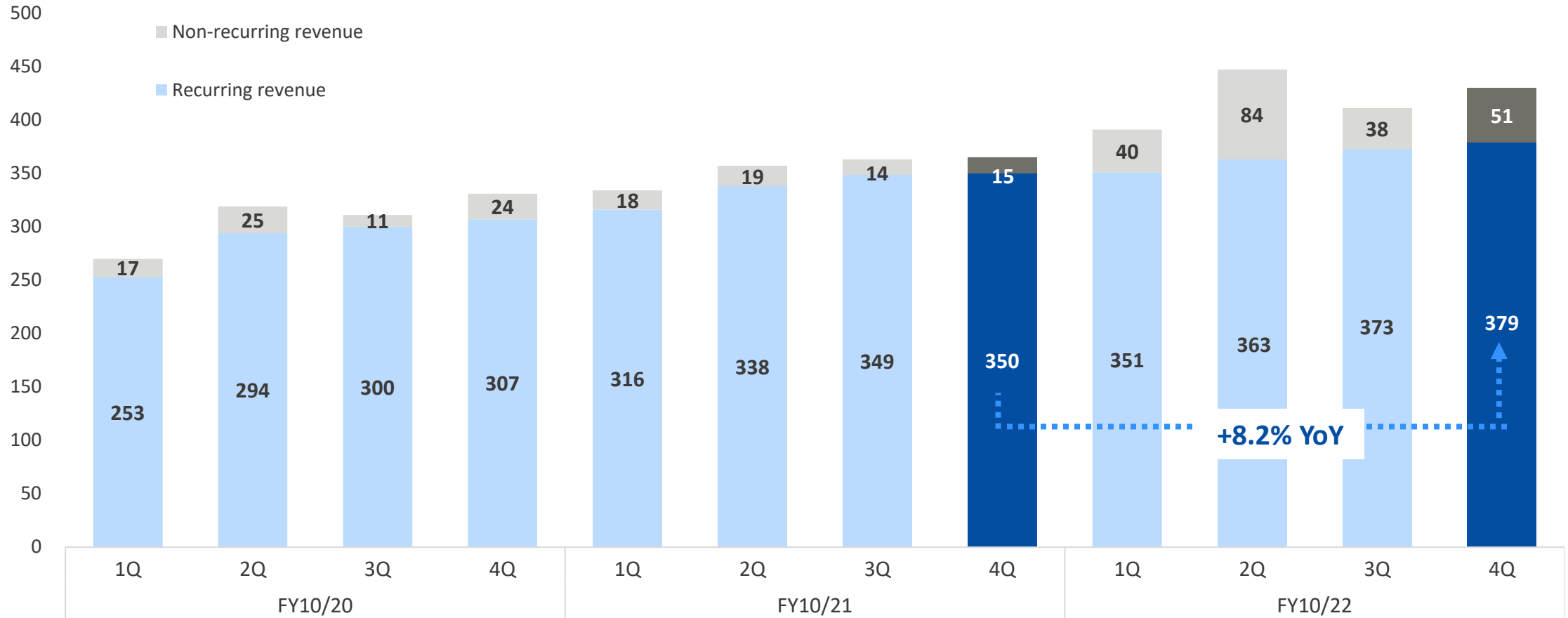
Unit: Millions of yen	FY10/22 Results	FY10/22		FY10/21	
		Initial plan	Vs. plan	Results	YoY
Net sales	1,681	1,636	102.8%	1,424	118.0%
EBITDA* ¹	693	676	102.6%	645	107.4%
Operating profit	540	513	105.4%	579	93.3%
Ordinary profit	532	504	105.6%	577	92.1%
Profit	322	333	96.7%	386	83.4%

*1: EBITA = Operating profit + Depreciation + Goodwill amortization

Quarterly Sales (Recurring Revenue and Non-recurring Revenue)

- Recurring revenue increased 8.2% YoY in the fourth quarter as the consistent growth of this revenue continued
- Sales from non-recurring revenue include sales of 280blocker, TobilaPhone and TobilaPhone Biz units*¹

Unit: Millions of yen



*1: Non-recurring revenue increased in 2Q FY10/22 because of a large TobilaPhone order and a large volume of TobilaPhone Biz orders

FY10/22 Sales Composition By Category

- Mobile phone service sales increased 12.2% YoY because of the increasing number of users of the new malicious SMS blocking service
- Landline phone service sales increased 11.8% YoY mainly because of a large order received from a municipality
- Business phone service sales were up 181.1% YoY because of rapid growth of TobilaPhone Biz sales

Unit: Millions of yen

	FY10/22 results	FY10/22		FY10/21	
		Initial plan	Vs. plan	Results	YoY
Fraud and spam prevention services	1,621	1,577	102.7%	1,346	120.4%
Mobile phone services	1,271	1,237	102.7%	1,132	112.2%
Landline phone services	165	155	106.6%	148	111.8%
Business phone services	184	184	99.6%	65	281.1%
Other services ^{*1}	60	57	104.6%	78	77.5%

*1: No activities for growth of the other services category are planned

Major Contract Formats for Mobile Phone Filtering Services

- Tobilas Systems filtering services are included in the optional packages of major carriers; there are three types of contract formats
- Focusing on raising the accuracy of the Tobilas Systems app to enable sales through major carriers

Fixed payment

This fixed payment format generates sales that are not affected by changes in the number of contracts or monthly users.

Fixed payment
(Subscription contract)

- Service provided for a fixed monthly fee
- Steady sales because changes in the number of contracts or monthly users does not change sales

No. of contracts × Unit price

Sales are linked to the number of optional package contracts that permit the use of Tobilas Systems services.

No. of contracts × Unit price

- The number of people with an optional package contract is decreasing as more people switch to low-cost smartphones
- The number of users of Tobilas Systems services is increasing

Monthly active users × Unit price

Sales are linked to monthly users of Tobilas Systems services

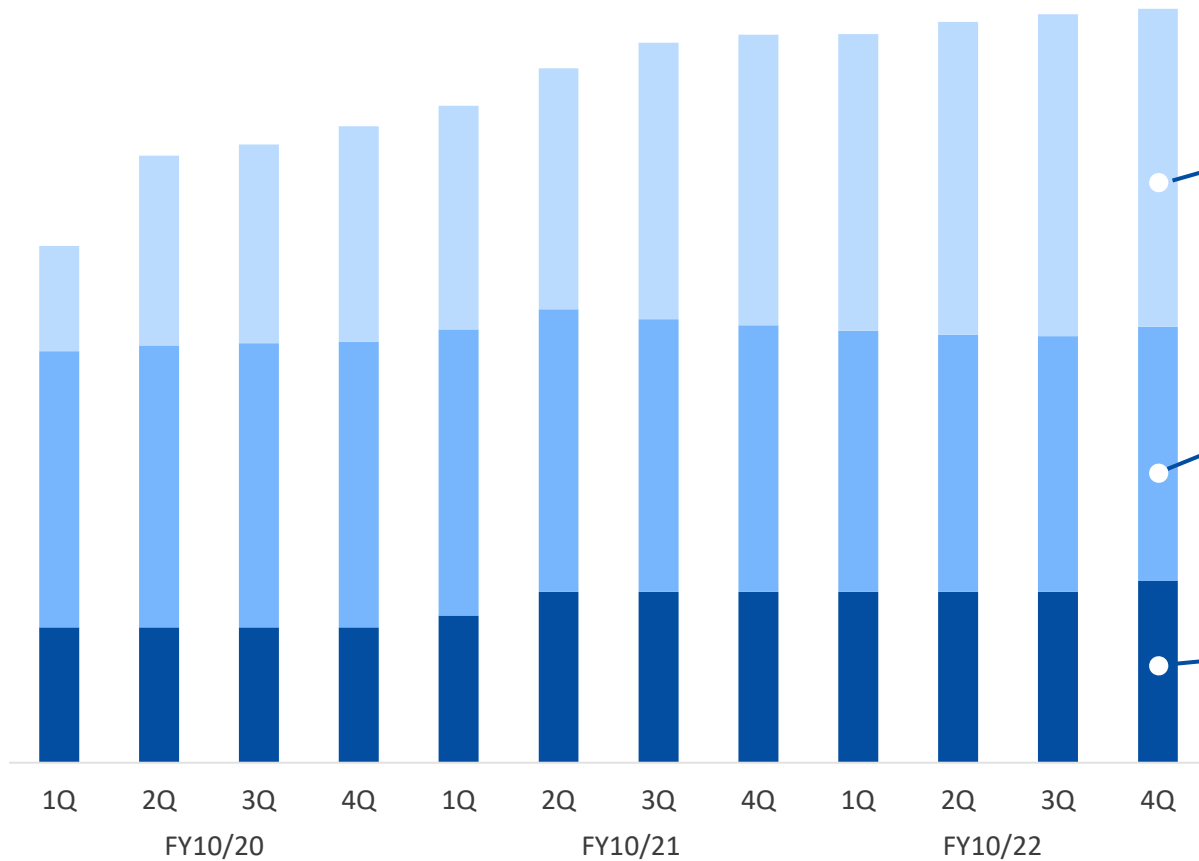
Monthly active users × Unit price

- Although the change in the number of monthly active users of Tobilas Systems must be monitored closely, the characteristics of this contract format make it easy to conduct highly effective activities for attracting more users

Quarterly Sales Composition for Mobile Phone Filtering Services

- Steady growth in the number of active monthly users in the “contracts x unit price” and “fixed payment” categories
- In the “monthly active users x unit price” category, the number of active monthly users in the fourth quarter was down 1.6% from the previous quarter; this number will have to be watched closely in FY10/23

Quarterly sales composition of major contract formats



Performance vs. prior quarter

Difference between 3Q FY10/22 and 4Q FY10/22

Monthly active users × Unit price

Sales:	98.8%
Monthly active users:	98.4%

Contracts × Unit price

Sales:	99.3%
Monthly active users:	102.9%

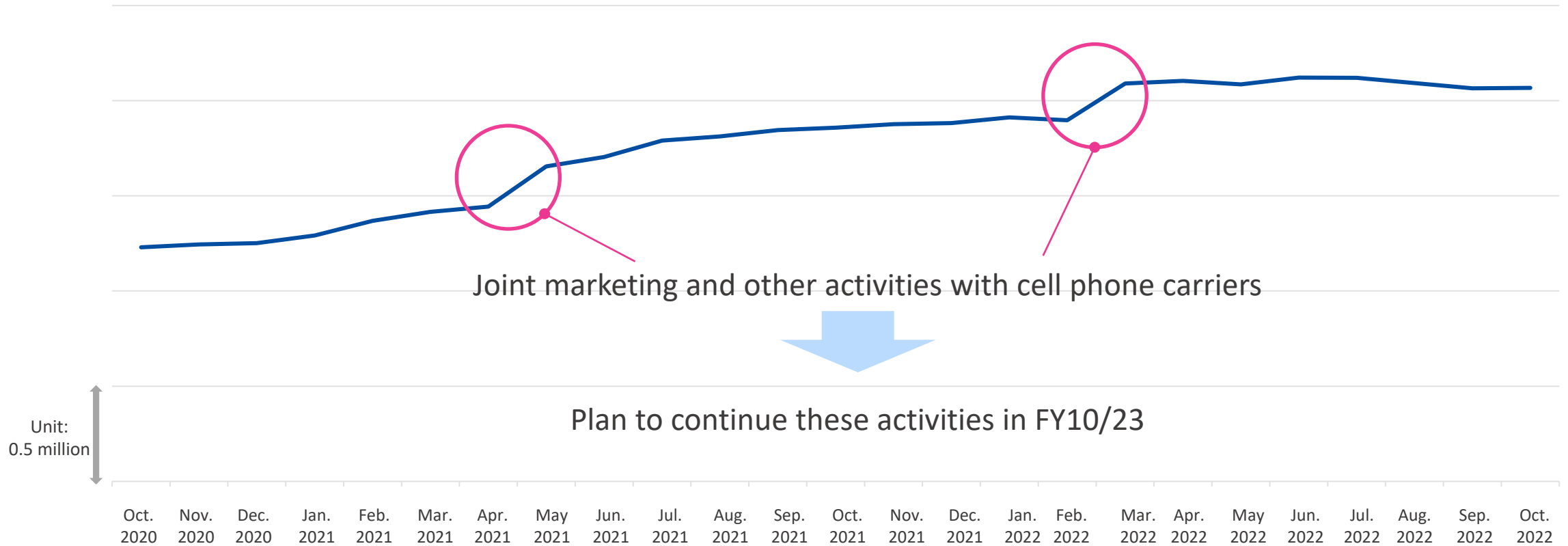
Fixed payment (subscription contract)

Sales:	103.1%
Monthly active users:	101.9%

Number of monthly active users in the monthly users x unit price category

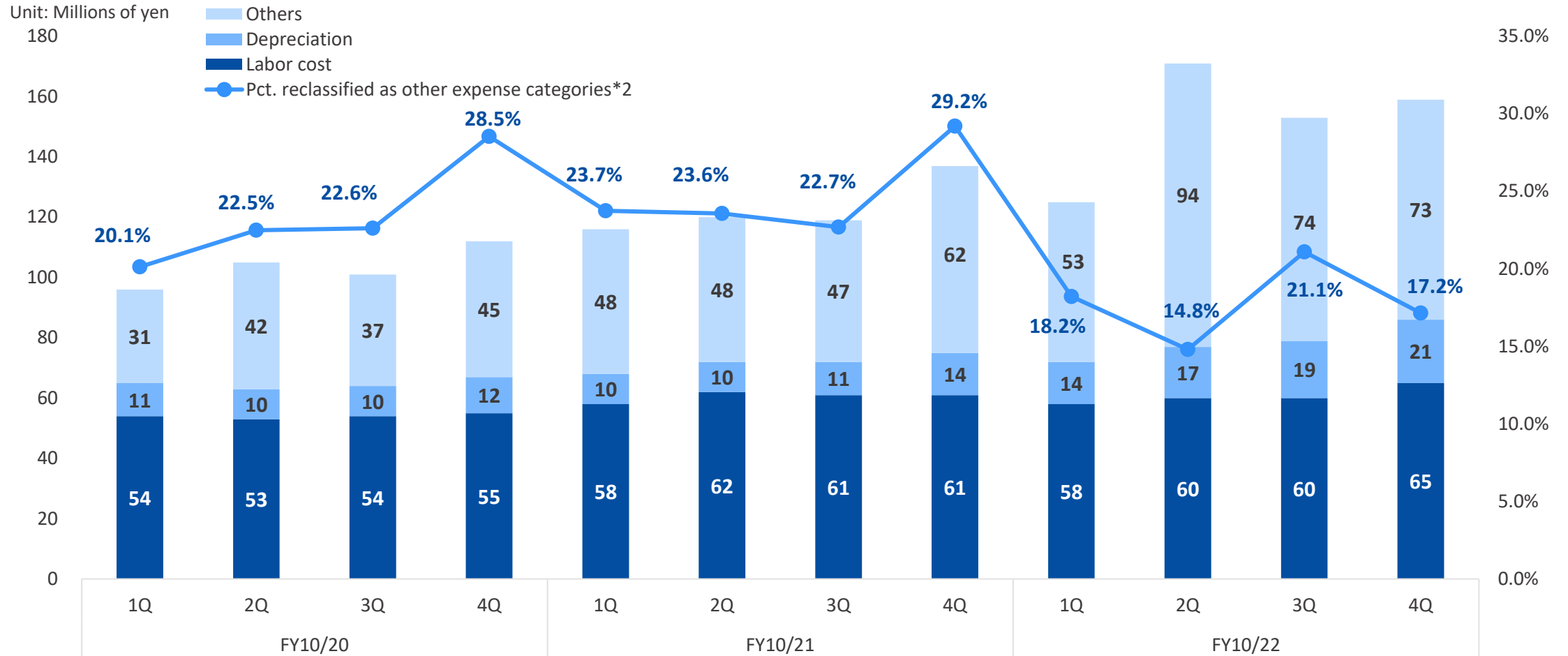
- The quarter-to-quarter decrease of 1.6% shows that operations have reached a key point regarding progress with business activities
- Planning on joint marketing activities with cell phone carriers and other activities in FY10/23 and continuing to monitor changes in performance

Change in number of users (Monthly active users x Unit price)



Cost of Sales

- The cost of sales ^{*1} was generally controlled as planned
- The fourth quarter labor cost increase was caused by a larger number of employees



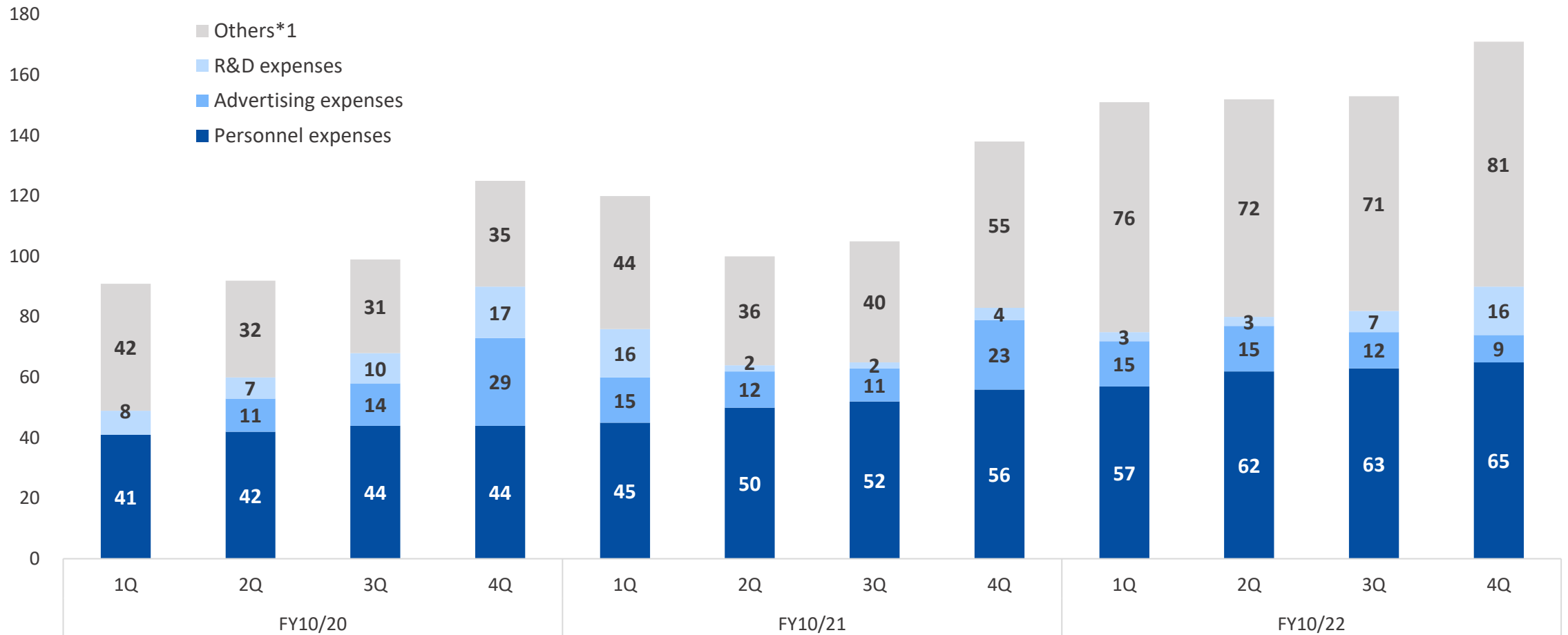
*1: The sum of labor cost, depreciation and others does not match the total cost of sales on the income statement because these figures are before adjustments for reclassified expenses and work in process transfers

*2: 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

SG&A Expenses

- SG&A expenses were generally controlled as planned
- Fourth quarter personnel and R&D expenses increased because of an increase in the number of employees and the continuation of R&D activities as planned
- Other expenses increased mostly because of the temporary outsourcing of business processes

Unit: Millions of yen



*1: "Others" include amortization of goodwill, depreciation, and commission expenses

FY10/22 Expenses

Unit: Millions of yen	FY10/22 results	FY10/22		FY10/21	
		Initial plan	Vs. plan	Results	YoY
Cost of sales	505	495	102.1%	372	135.7%
Labor cost	245	237	103.3%	243	100.9%
Depreciation	72	81	89.1%	47	153.4%
Others	296	297	99.6%	206	143.3%
Pct. of cost of sales classified as R&D expenses and assets ^{*1}	17.7%	19.6%	-1.9pt	25.0%	-7.3pt
SG&A expenses	634	626	101.3%	472	134.5%
Personnel expenses	250	262	95.2%	205	121.5%
Advertising expenses	52	60	86.3%	61	85.5%
R&D expenses	30	33	91.3%	26	113.6%
Others	301	270	111.8%	177	169.6%

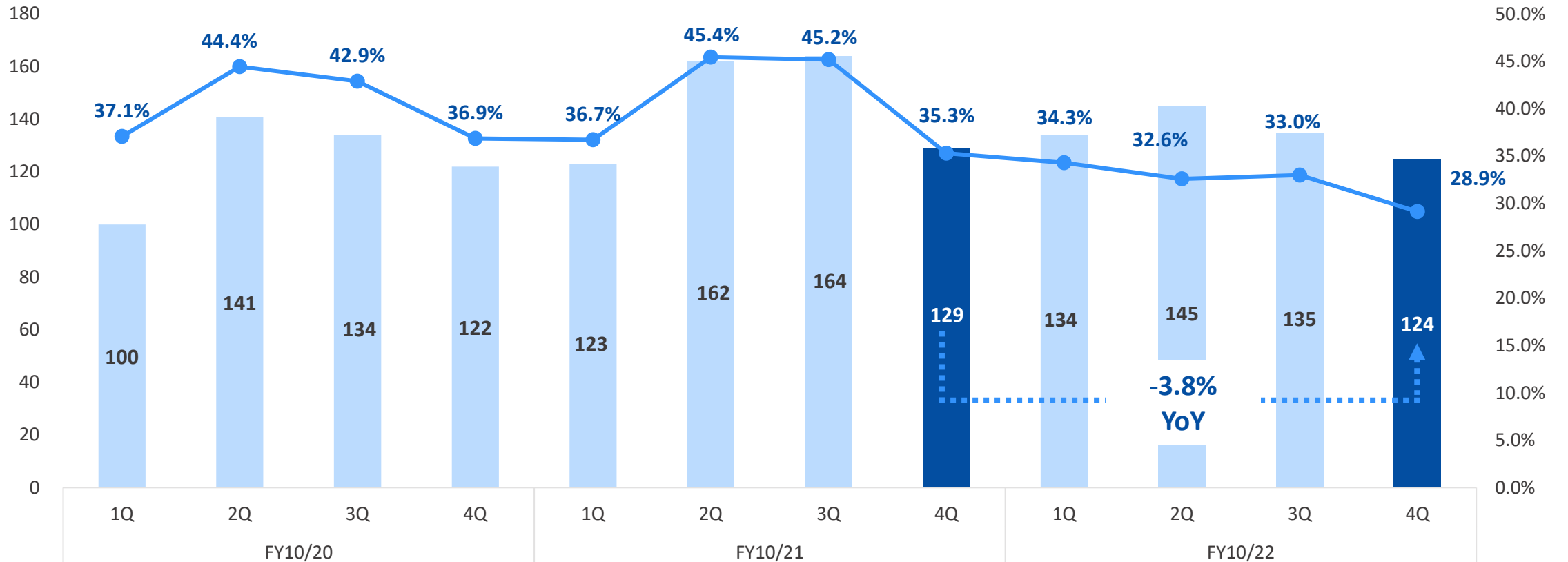
*1: The percentage of the cost of sales included in R&D expenses and assets due mainly to the characteristics of work performed by employees

Operating Profit

- Operating profit and operating margin were down YoY but generally as expected due to the planned decline in FY10/22 earnings because of goodwill amortization and an increase in inventories

Unit: Millions of yen

Operating profit Operating margin



Balance Sheet

Unit: Millions of yen

	FY10/22	FY10/21	Change
Current assets	1,836	1,389	447
Cash and deposits	1,435	1,145	290
Trade receivables and contract assets	251	181	69
Other	148	61	87
Non-current assets	830	780	49
Property, plant and equipment	58	49	8
Intangible assets	476	509	-32
Investments and other assets	296	221	74
Total assets	2,667	2,170	497
Liabilities	956	681	275
Current liabilities	710	385	325
Non-current liabilities	245	295	-50
Net assets	1,710	1,489	221
Equity ratio	64.1%	68.6%	-4.5pt

Shareholder Distribution

- Distributing earnings to shareholders is one of our highest priorities. The basic policy is to pay dividends with a payout ratio of about 35% while maintaining sufficient retained earnings as needed to improve financial soundness and fund expenditures for more growth.
- Based on FY10/22 results of operations, the FY10/22 dividend has been decided to 10.60 yen

Payout ratio

35%

	FY10/21	FY10/22	FY10/23 (forecast)
Dividend per share (year-end)	12.90 yen	10.60 yen	-
Dividend forecast	11.70 yen	11.10 yen	12.90 yen

3

FY10/23 Earnings Forecast

FY10/22 Analysis and FY10/23 Initiatives

- Sales of mobile phone and landline phone services were above the plan
- Although business phone performance is slightly below the plan, investments are continuing to achieve medium and long-term growth

FY10/22 results vs. plan				FY10/22 analysis		FY10/23 initiatives	
Unit: Millions of yen	FY10/22 results	FY10/22		Mobile phone services	Landline phone services	Business phone services	
		Initial plan	Vs. initial plan				
Fraud and spam prevention services	1,621	1,577	102.7%	<ul style="list-style-type: none"> • Carriers and others reinforced measures to prevent phishing as the number of phishing scams increased • There was widespread recognition of the effectiveness of the Tobila Systems fraudulent call/message database 	<ul style="list-style-type: none"> • Many activities for selling services to MVNO, financial institutions and other categories of potential users • Seek opportunities for alliances with other security companies 		
Mobile phone services	1,271	1,237	102.7%				
Landline phone services	165	155	106.6%	<ul style="list-style-type: none"> • Big order from a municipality in the second quarter • Growth of sales to cable TV companies nationwide due to the KDDI alliance 	<ul style="list-style-type: none"> • Continue sales activities targeting cable TV companies • Large volume of sales activities targeting NTT East and NTT West, which have a large share of Japan's landline phone market 		
Business phone services	184	184	99.6%				
Other services	60	57	104.6%	<ul style="list-style-type: none"> • Big increase in TobilaPhone Biz sales due to registration as a product sold by NTT East/NTT West • Activities for accomplishing PMF *1 for TobilaPhone Cloud and Talk Book 	<ul style="list-style-type: none"> • For TobilaPhone Biz, more sales agents and more functions for upselling activities • Continue activities for accomplishing PMF for TobilaPhone Cloud and Talk Book 		

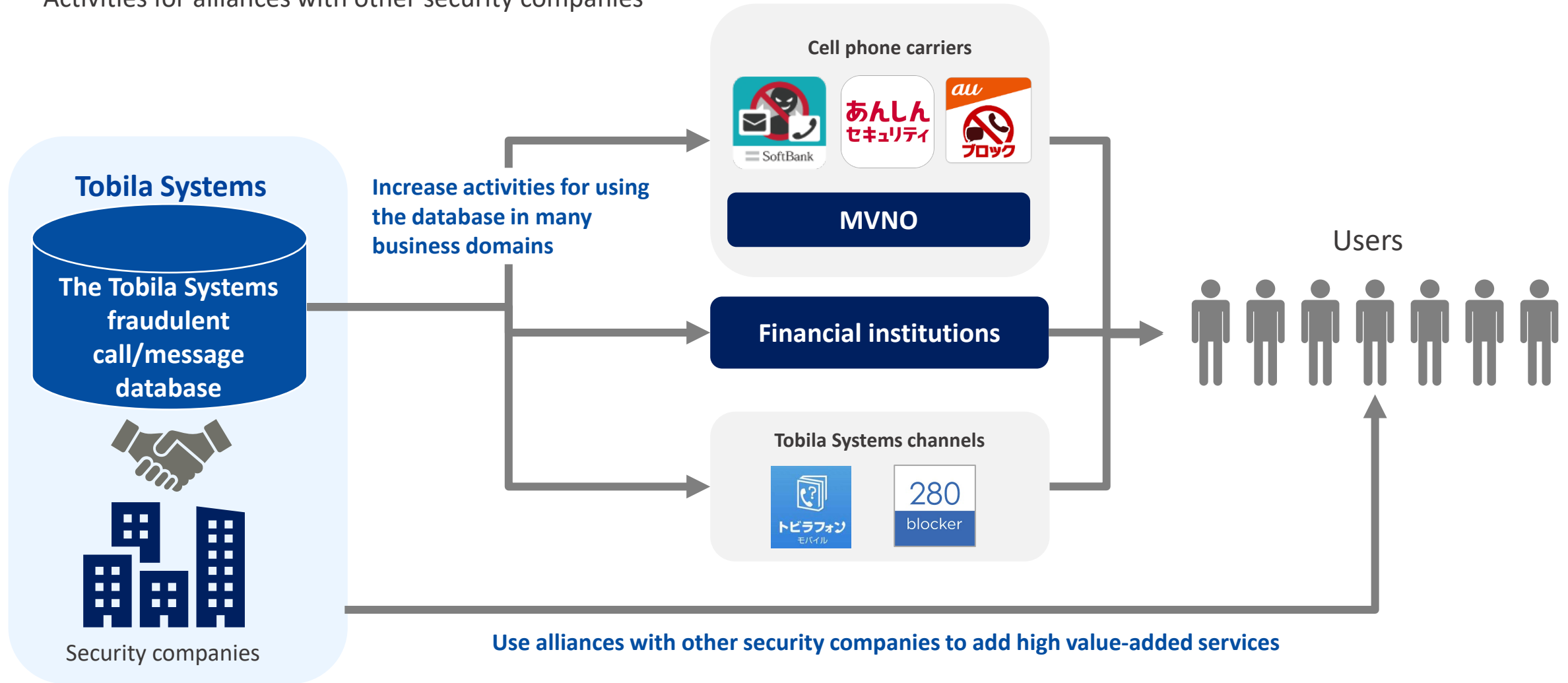
*1: Product-market fit (PMF) means being in a good market with a product or service that can satisfy that market

Continue making investments for growth

Mobile Phone Services

FY10/23 Initiatives

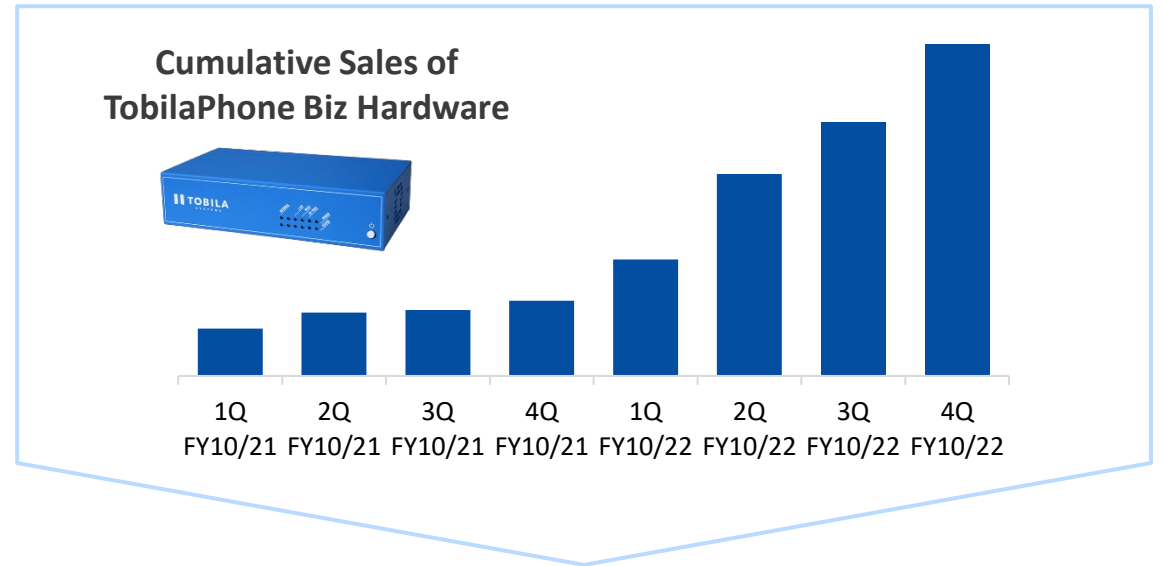
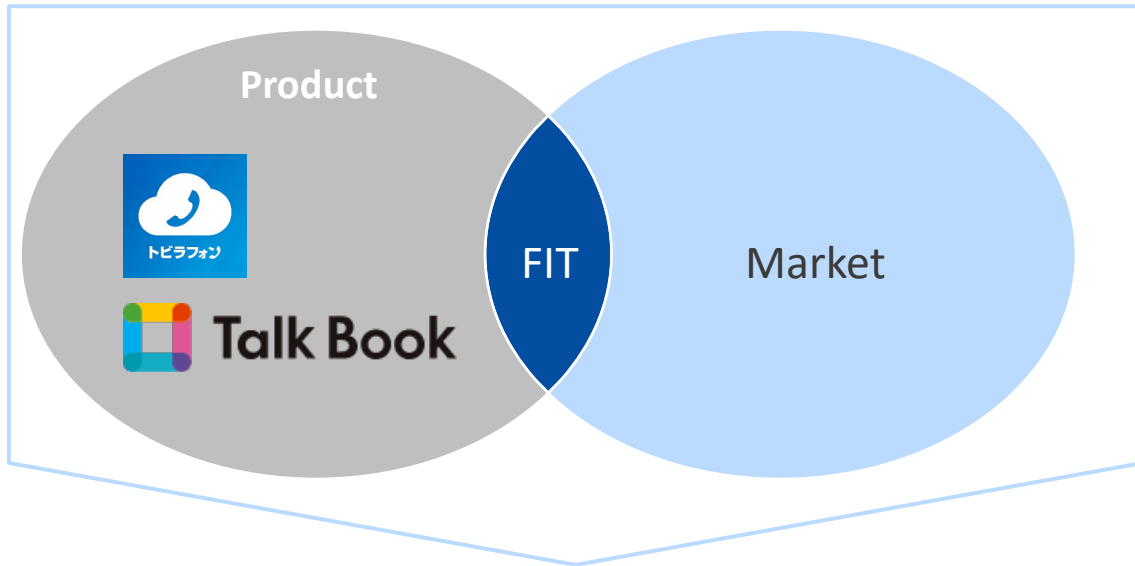
- Increase activities for using in many business domains services backed by the fraudulent call/message database
- Activities for alliances with other security companies



Business Phone Services

FY10/23 Initiatives

- Continue PMF*¹ due to the ongoing shift from the need for simple business communications from anywhere to the need for the visualization of communications



The visualization of communication is a need of all users
Examples: Leave a text record of voice communications; monitor utilization load based on the volume of voice communications

Constantly monitor users' needs, add functions to meet these needs and strengthen sales techniques

*1: Product-market fit (PMF) means being in a good market with a product or service that can satisfy that market

FY10/23 Forecast

- Based on FY10/23 initiatives, we forecast net sales of ¥2,000 million and operating profit of ¥600 million

Unit: Millions of yen	FY10/21 Results	FY10/22 Results	FY10/23 Forecast	YoY
Net sales	1,424	1,681	2,000	118.9%
EBITDA	645	693	720	103.9%
Operating profit	579	540	600	110.9%
Ordinary profit	577	532	599	112.5%
Profit	386	322	394	122.3%
Operating margin	40.7%	32.2%	30.0%	-
ROE*1	27.2%	20.1%	21.1%	-
Equity ratio	68.6%	64.1%	61.3%	-

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

FY10/23 Sales Forecast by Category

- Forecast steady growth in all categories of mobile phone, landline phone and business phone services

Unit: Millions of yen	FY10/21 Results	FY10/22 Results	FY10/23 Forecast	YoY
Fraud and spam prevention services	1,346	1,621	1,953	120.5%
Mobile phone services	1,132	1,271	1,447	113.9%
Landline phone services	148	165	174	105.2%
Business phone services	65	184	331	180.2%
Other services ^{*1}	78	60	46	76.6%

*1: No activities for growth of the other services category are planned

FY10/23 Forecast for Expenses

- Forecast cost of sales increasing to ¥643 million due to increases in labor cost, outsourced processes and other reasons
- Forecast SG&A expenses of ¥757 million mainly due to higher expenses for personnel, recruiting, and activities for business phone services

Unit: Millions of yen

	FY10/21 Results	FY10/22 Results	FY10/23 Forecast	YoY
Cost of sales	372	505	643	127.1%
SG&A expenses	472	634	757	119.3%

4

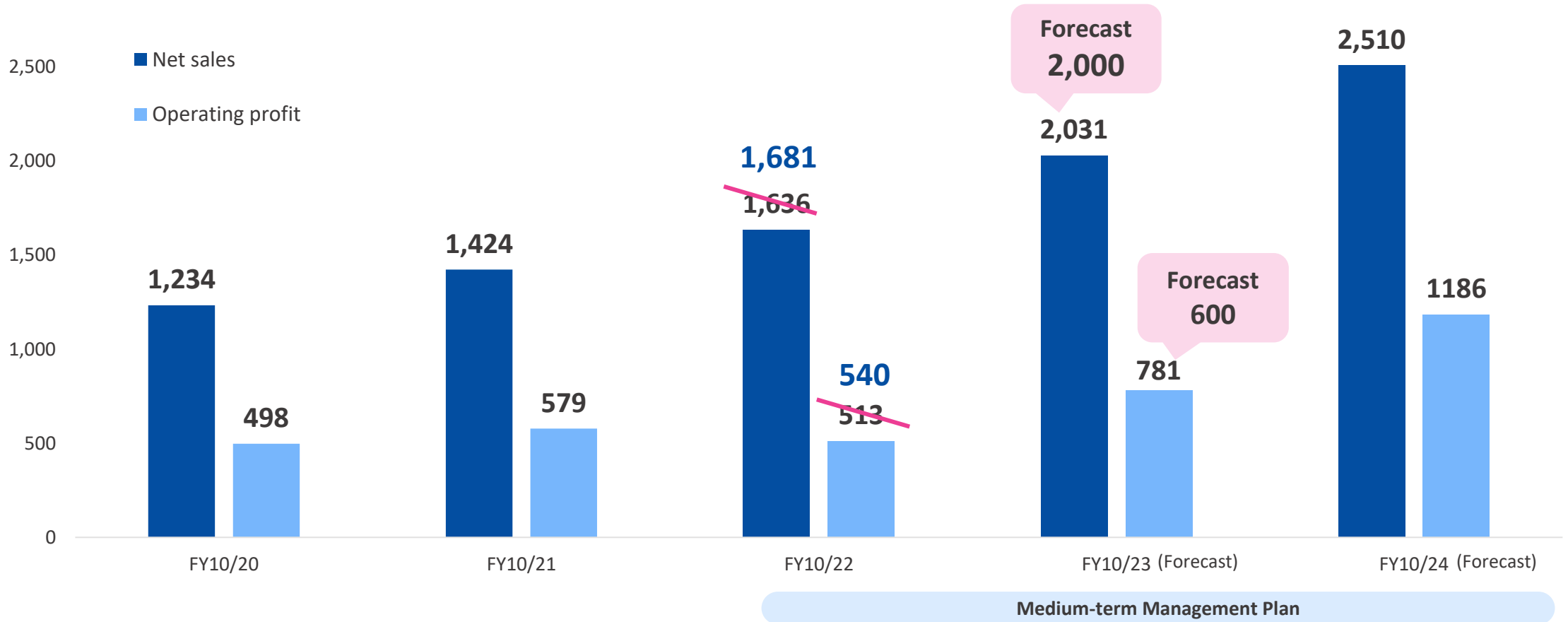
Medium-term Management Plan Progress

Medium-term Management Plan

- Sales and operating profit in FY10/22, the plan’s first year, were higher than planned
- Sales and earnings forecasts for 10/23 are below the medium-term plan targets
- Stepping up business activities in order to accomplish the targets for FY10/24, the plan’s final year

Unit: Millions of yen

3,000



Medium-term Plan, FY10/22 Results and FY10/23 Forecasts

- Forecasts for FY10/23 are the sum of sales and earnings with a relatively high degree of certainty. Although total net sales forecasts are somewhat below the medium-term plan, sales in all service categories are expected to continue to grow.

Unit: Millions of yen	Medium-term management plan	FY10/22	FY10/23			Analysis
			Initial plan	Vs. medium-term management plan	Vs. FY10/22	
Total net sales	2,031	1,681	2,000	98.5%	118.9%	Mobile phone services <ul style="list-style-type: none"> Carriers and other companies are stepping up phishing prevention measures due to the current upturn in phishing incidents. One measure is the use of malicious SMS blocking services. Aiming for faster growth by continuing sales activities targeting MVNO and other potential users.
Fraud and spam prevention services	1,978	1,621	1,953	98.8%	120.5%	
Mobile phone services	1,285	1,271	1,447	112.7%	113.9%	Landline phone services <ul style="list-style-type: none"> Sales to cable TV companies nationwide are climbing steadily due to joint activities with KDDI. Aiming to reach the medium-term plan target by taking actions for speeding up growth. Large volume of sales activities targeting NTT East and NTT West, which have a large share of Japan's landline phone market.
Landline phone services	187	165	174	93.0%	105.2%	
Business phone services	506	184	331	65.6%	180.2%	Business phone services <ul style="list-style-type: none"> Big increase in TobilaPhone Biz sales due to registration as a product sold by NTT East/NTT West. For TobilaPhone Cloud and Talk Book, the priority was activities for achieving product-market fit. To continue the growth of this category, reinforcing sales operations and taking steps to raise the pct. of sales contacts that result in new business.
Other services	53	60	46	86.8%	76.6%	
Operating profit	781	540	600	76.8%	110.9%	Operating profit <ul style="list-style-type: none"> For medium/long-term growth, employee benefits will be upgraded and expenditures for recruiting activities must continue. Expenditures for R&D must continue for more advances in Tobila Systems' database technology. Continuing to concentrate on activities for achieving product-market fit for TobilaPhone Cloud and Talk Book.

Sustainability Activities

● The basic stance of Tobil Systems regarding sustainability*1

Members who work with Tobil Systems are the foundation for all business operations. We believe that building a base for the happiness of members and associated people is vital for inventing and increasing the use of innovative technologies.

We place emphasis on reexamining our personnel systems and skill development programs and on upgrading employee benefits in order to reflect changes in society and give our people opportunities to pursue a broad range of career paths.

Furthermore, we will endeavor to diversify human resources. We believe that the diversity will lead to better decision-making based on diverse values, thinking, and ideas.



- Tobil Systems is registered as a supporter of COOL CHOICE (smart choices), a program backed by the Ministry of the Environment for combating global warming
- Tobil Systems is involved with many activities for achieving a carbon-free society, such as conserving electricity, using a variety of working styles, 3R (reduce, reuse, recycle) programs, and the procurement of environmentally friendly products

- TobilPhone Mobile was certified as a fraudulent call prevention app that is an Outstanding Crime Prevention Phone
- Tobil Systems was selected as a service in the productivity improvement category of the 300 Most Promising SMEs and Small Businesses of the Small and Medium Enterprise Agency of the Ministry of Economy, Trade and Industry
- Received Chairman’s Award of the Tokai Information Communication Conference at a ceremony for the Wireless Communication Day/Info-Communications Month
- Certified as a Health Declaration Challenge business

- Tobil Systems has established a Nomination and Remuneration Committee for the purpose of increasing the fairness, transparency and objectivity of procedures for directors’ nomination and remuneration

*1: Excerpts from the message from the president

The Tobila Systems Sustainability Website

- The sustainability section of the Tobila Systems website*1 has information about the company’s programs for helping achieve a sustainable society

E Environment

		FY10/22
Electricity used CO2 emissions (kg-CO2)	SCOPE 1 (kg-CO2)	0
	SCOPE 2 (kg-CO2)	46,952.05
	Total	46,952.05
CO2 emissions/Sales (t/million yen)		0.0279
Electricity used (kwh)		108,434.30

Figures are for the Nagoya head office, Tokyo branch and Nagoya warehouse
 CO2 coefficient is 0.433kg of CO2 per kwh
 Source of coefficient data: <https://ghg-santeikohyo.env.go.jp/calc>

*1: Sustainability website: <https://tobila.com/sustainability/>

S Social

	FY10/22
Employees (full-time)	58
Female employees	11
Female pct.	18.9%
Managers	10
Female managers	1
Female pct.	10%
Avg. overtime/month	16 hours
Vacation time use	46.0%
Use of child care time off (men)	100% (3 of 3 eligible men)
Use of child care time off (women)	No eligible employees

Social data are for only full-time employees.

Investor Relations Event for Individual Investors

- Tobila Systems will hold an information meeting for individual investors. Use the following address for more information and to apply to attend in this event.

Time and date	Name	Format
---------------	------	--------

Saturday, January 14, 2023
13:25 to 17:50

33rd Kobe Investor Seminar (Tokyo)
“Five companies in two hours” IR seminar
<https://twipla.jp/events/532600>

Only face-to-face

Disclaimer

● Precautions about this presentation

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.

Tobila 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 plans to announce FY10/23 first quarter results of operations at 17:00 on March 10, 2023 (Friday).



Contact

Investor Relations, Tobila Systems Inc.

E-mail ir@tobila.com

Website <https://tobila.com/contact/>



<https://note.com/tobila4441>



<https://twitter.com/iinakod>

Appendix

Company Overview



Company name	Tobila Systems Inc.
Securities code	TSE Prime Market 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	89 (Includes directors, outside directors and 24 temporary employees) as of October 31, 2022
Location	Nagoya, Tokyo

4Q FY10/22 Financial Summary

- Sales continued to increase both quarter-on-quarter and year-on-year
- As planned, earnings at all levels were down due to the continuation of expenditures to strengthen recruiting and R&D activities and to an investment security valuation loss

Unit: Millions of yen	4Q FY10/22 Results	3Q FY10/22		4Q FY10/21	
		Results	QoQ	Results	YoY
Net sales	430	411	104.6%	366	117.5%
EBITDA* ¹	166	175	94.6%	152	108.7%
Operating profit	124	135	91.6%	129	96.2%
Ordinary profit	124	135	92.0%	128	97.1%
Profit	77	87	88.8%	75	102.0%

*1: EBITA = Operating profit + Depreciation + Goodwill amortization

4Q FY10/22 Sales Composition by Category

- Steady growth in all categories of fraud and spam prevention services both quarter-on-quarter and year-on-year
- Other services sales were down 12.1% YoY as expected because this is not a sector where growth is planned

Unit: Millions of yen

	4Q FY10/22 Results	3Q FY10/22		4Q FY10/21	
		Results	QoQ	Results	YoY
Fraud and spam prevention services	415	397	104.6%	394	119.0%
Mobile phone services	314	313	100.4%	295	106.7%
Landline phone services	41	38	107.3%	34	121.7%
Business phone services	59	44	132.1%	20	295.3%
Other services ^{*1}	15	14	104.7%	17	87.9%

*1: No activities for growth of the other services category are planned

FY10/22 Quarterly Sales Composition by Category

Unit: Millions of yen

	FY10/20				FY10/21				FY10/22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Fraud and spam prevention services	244	295	290	312	316	335	344	349	377	430	397	415
Mobile phone services	211	247	248	259	265	281	290	295	311	331	313	314
Landline phone services	27	42	33	43	38	37	37	34	34	51	38	41
Business phone services	4	5	7	9	11	17	16	20	31	48	44	59
Other services	26	23	22	19	19	22	19	17	14	16	14	15

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	2Q	3Q	4Q
Net sales	270	319	312	331	335	358	364	366	391	447	411	431
Fraud and spam prevention services	244	295	290	312	316	335	344	349	377	430	397	415
Other services	26	23	22	19	19	22	19	17	14	16	14	15
Cost of sales	77	82	78	83	89	92	92	97	103	147	121	133
Labor cost	54	53	54	55	58	62	61	61	58	60	60	65
Depreciation	11	10	10	12	10	10	11	14	14	17	19	21
Others	31	42	37	45	48	48	47	62	53	94	74	73
Pct. of cost of sales classified as R&D expenses and assets ^{*1}	20.1%	22.5%	22.6%	28.5%	23.7%	23.6%	22.7%	29.2%	18.2%	14.8%	21.1%	17.2%
SG&A expenses	93	94	99	126	122	102	106	139	153	154	154	173
Personnel expenses	41	42	44	44	45	50	52	56	57	62	63	65
Advertising expenses	0	11	14	29	15	12	11	23	15	15	12	9
R&D expenses	8	7	10	17	16	2	2	4	3	3	7	16
Others	42	32	31	35	44	36	40	55	76	72	71	81

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

FY10/22 Questions and Answers

Q. Why did you lower the dividend and why is the dividend below the forecast?

Distributing earnings to shareholders is one of our highest priorities. The basic policy is to pay dividends with a payout ratio of about 35% while maintaining sufficient retained earnings as needed to improve financial soundness and fund expenditures for more growth.

Based on this policy, the decision was made to pay a FY10/22 dividend of ¥10.60, which is ¥0.50 less than the original forecast. The main reasons are FY10/22 earnings announced on December 9, 2022 that were below our most recent forecast and our plan to make substantial expenditures and investments for more growth.

Q. Why was the profit below your plan?

Profit was lower than planned because of a loss on the disposal of non-current assets and an investment security valuation loss.

Q. Do FY10/22 mobile phone filtering service sales include any sales from the fraudulent SMS blocking service for NTT Docomo that started on October 27?

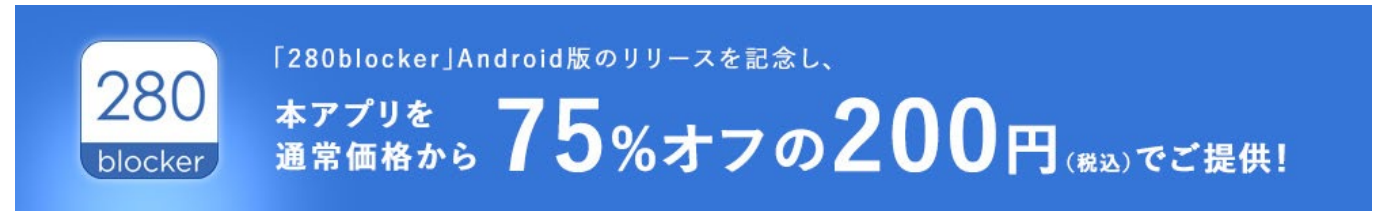
Yes. Sales during the last few days of October are included.

Launch of the Android Version of the 280blocker Advertisement Blocking App

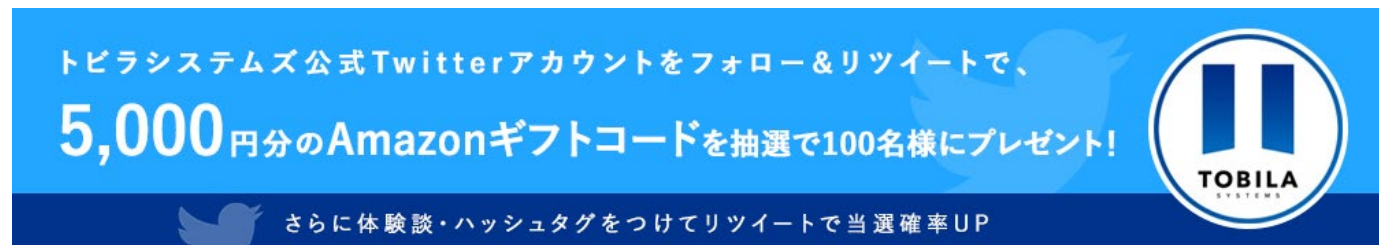
- On November 26, 2022, Tobilas Systems started providing an Android version of the 280blocker advertisement blocking app that was previously available only for iOS devices*1
- For the launch of this product, the price is reduced from 800 yen to 200 yen for a limited time and there is a gift promotion on Twitter



● November 25, 2022 to February 24, 2023



● November 25, 2022 to December 8, 2022*2



*1: Tobilas Systems press release "Tobilas Systems launches Android version of the 280blocker advertisement blocking app" (<https://tobila.com/news/release/p1310/>)

*2: The Amazon gift card promotion for Tobilas Systems Twitter followers has ended (December 9, 2022)

What is Special Fraud?


Special fraud is defined as fraudulent activities that use telephone calls and other contact channels that do not involve face-to-face meetings. After earning the trust of a victim, the caller asks for a payment to a designated bank account for some reason. This criminal activity steals cash and other items of value from a large number of people. There are 10 major categories of special fraud.

- Fraudulent distress calls
- Fictitious demands
- Fraudulent loan guarantees
- Gambling scams
- Other special fraud
- Bank deposit scams
- Refund payment scams
- Financial product scams
- Date/marriage matching service scams
- Debit card scams/theft



“Gray Zone” Criminal Activity

“Gray zone” criminal activity is behavior that is not treated as a crime and may be difficult to recognize as a crime but that nevertheless poses a serious threat to public safety by creating a variety of problems. There are many types of “gray zone” criminal activity.



Telephone

- Fraudulent calls
- Sales calls
- Solicitation calls
- Malicious business practice

Internet

- SNS problem
- Adult website
- Fake advertisements
- Complex advertisements
- Advertisement fraud
- Fake websites

E-mail/SMS

- Fraudulent e-mail
- Dating/matching service e-mail
- Sales e-mails

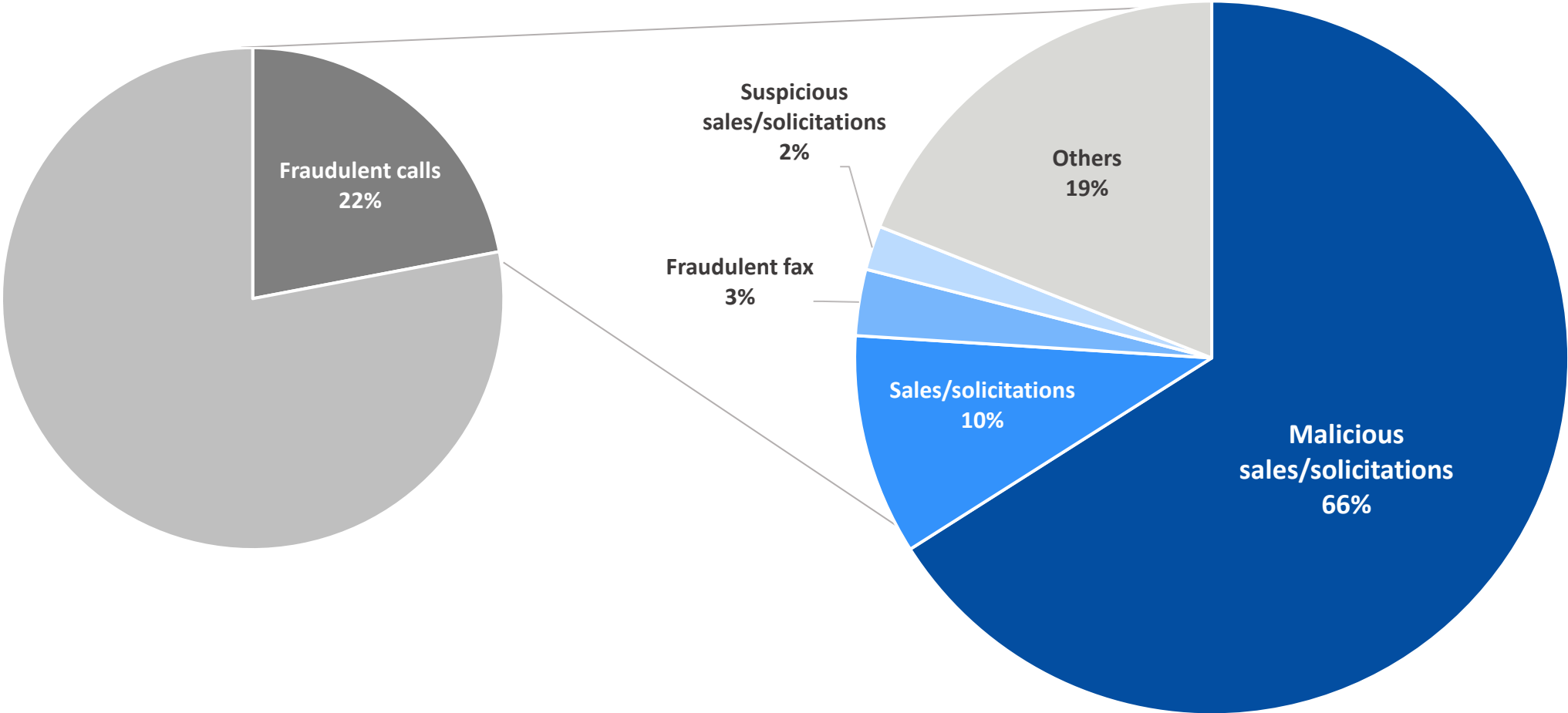
Others

- Forced purchases of home goods
- Delivery of items not ordered
- Multi-level marketing
- Protection against evil spirits/ghosts

Individuals reported about **14.7 million incidents** in 2020
with total losses of about **¥4 trillion**

Landline Phone Share of “Gray Zone” Crimes

- One in five calls to a landline phone is fraudulent and about 66% of these fraudulent calls are malicious sales or solicitation calls



Based on Tobila Systems data

Frequently Used Words for Smishing

- Smishing, which is a type of phishing using the SMS messaging channel, is increasing rapidly
- Criminals are using an increasing number of smishing techniques; many SMS and e-mail messages involving real companies and brands are being sent

Frequently used words in smishing messages in 2021



Top Three Industries involved with Smishing in 2021

1	Package delivery companies	Sagawa Express attempted to deliver a package but the address was not clear. Please contact http://●●●●●
2	E-commerce companies	Amazon: Problem with prime membership payment. Please update by contacting https://●●●●●
3	Communication companies	Your au account may have been used fraudulently. Confirmation is required to use your phone safely by contacting https://●●●●●

Source: Tobila Systems press release “Announcement of Frequently Used Smishing Words in 2021” (<https://tobila.com/news/release/p1141/>)

Filtering Service for Mobile Phones

- The Tobila Systems filtering service is provided to end users as an app by carriers based on agreements with these carriers. The filtering service is offered as one of the services included in the optional packages provided by carriers.
- Tobila Systems sells TobilaPhone Mobile and the 280blocker advertisement blocking app directly to end users

Optional packages



Softbank

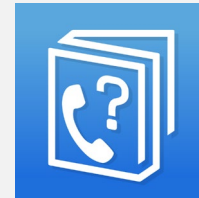


NTT Docomo

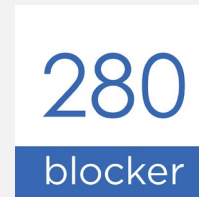


KDDI

Tobila Systems apps (Sold directly)

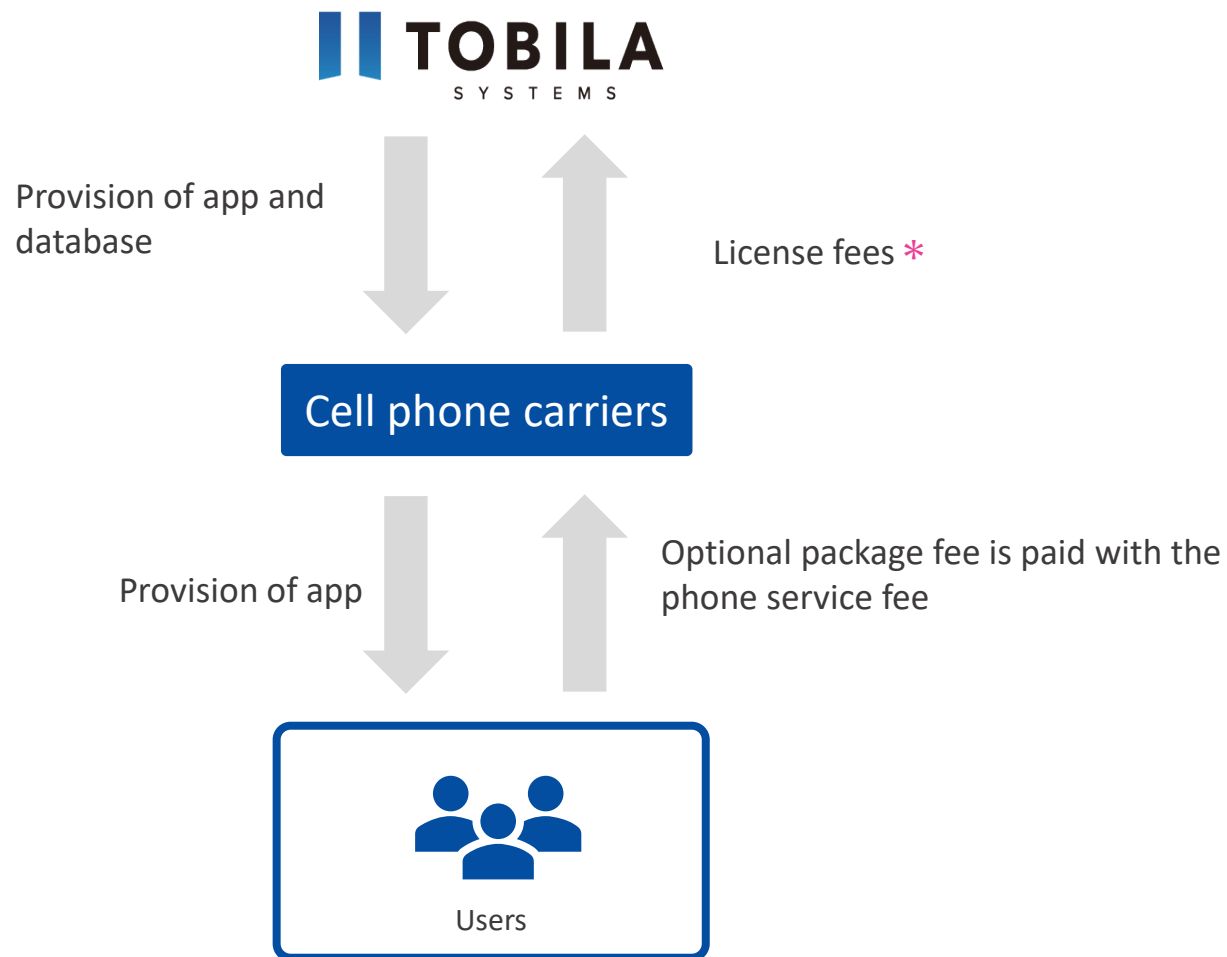


TobilaPhone
Mobile



280blocker

- License fees are received in accordance with one of the three contract formats used by each carrier



* Three formats for the payment of license fees

Fixed payment

The license fee remains the same regardless of changes in the number of the carrier's user contracts and monthly active users.

No. of contractors × Unit price

The license fee is based on the number of users who signed up for an optional package that includes a Tobila Systems service.

No. of monthly active users × Unit price

The license fee is based on the number of monthly active users of Tobila Systems services.

Note: This flowchart does not include the TobilaPhone and 280blocker apps because they are sold directly by Tobila Systems

- Answering a phone call that is fraudulent or involves a malicious business practice is the first step to becoming a victim
- A system that automatically detects suspicious calls and intercepts them before they occur, thereby preventing the caller from picking up the phone

External attachment

External attachment (TobilaPhone)



The unit is attached to a landline telephone. Most of these external attachments are sold or rented at demonstration trials held by local governments and other organizations.

Built-in (Phones, home gateways)



The service is incorporated in the home gateway required to use an IP phone and can be used by applying for an optional package.

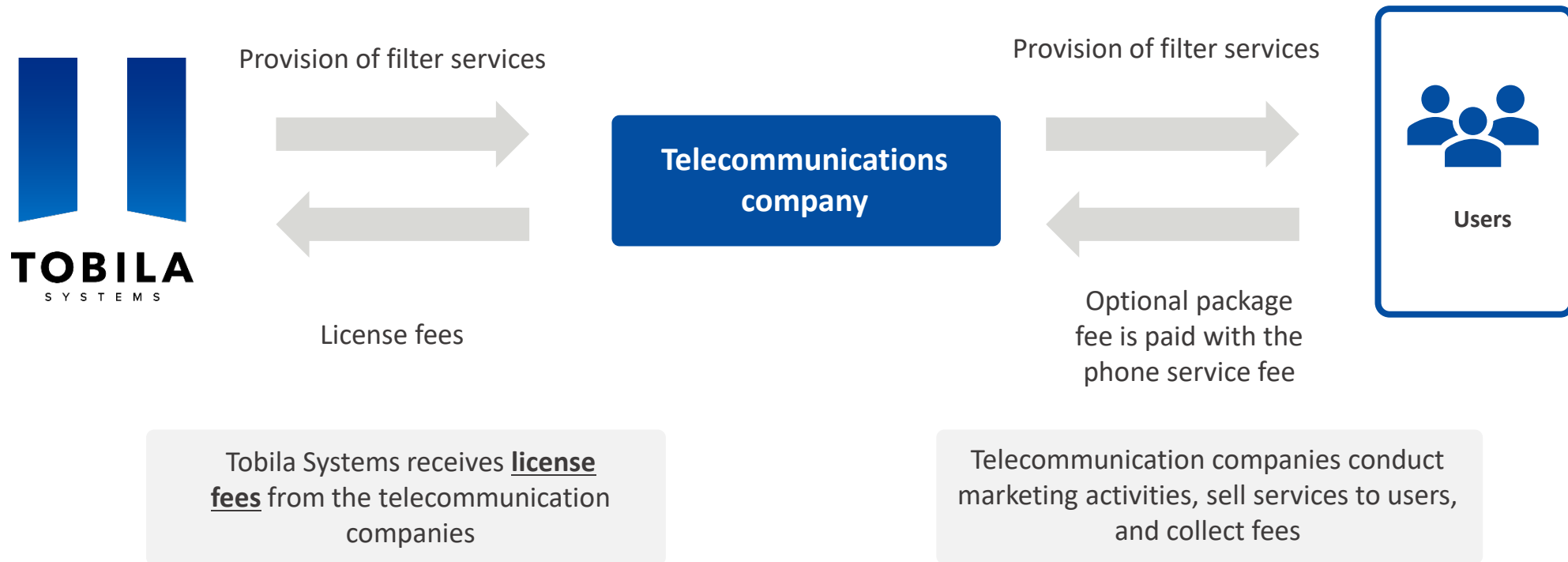
Network infrastructure (Cable TV)



Incoming fraudulent calls are automatically blocked by the communications network itself. This is an optional service for landline phones and is operated jointly by KDDI and cable TV companies.

Network infrastructure

- Sold as part of the optional package for IP phones. Sold by KDDI and other carriers along with landline phone services.
- The fee structure normally used is number of optional package contracts x unit price



- Three products for the corporate market
- TobilaPhone Biz is sold by sales agents and TobilaPhone Cloud and Talk Book are sold directly by Tobila Systems

TobilaPhone Biz



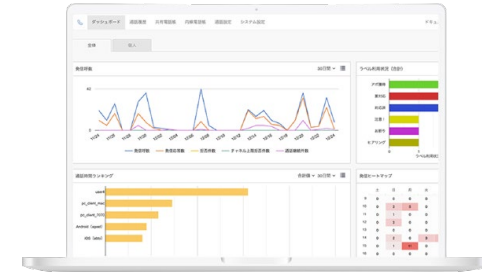
Simply place this fraudulent call filter unit in an office to shut out fraudulent calls, facsimiles and other unwanted calls.

TobilaPhone Cloud



Simply load this smartphone app to use personal and business phone numbers separately. Includes internal extension linkage, call transfers, grouping of several phones, recordings of phone calls, a fraudulent call filter and other functions.

Talk Book



A sales support system that includes an IP phone and a function that analyzes phone conversations. Talk Book was launched on January 12, 2022.

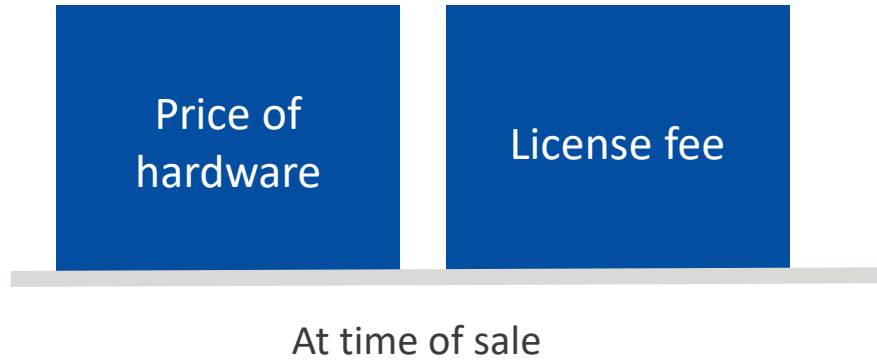
TobilaPhone Biz Business Model

- TobilaPhone Biz promotional and sales activities targeting companies are performed by sales partners
- A steady revenue stream model in which monthly licensing fees increase along with the number of companies using this service

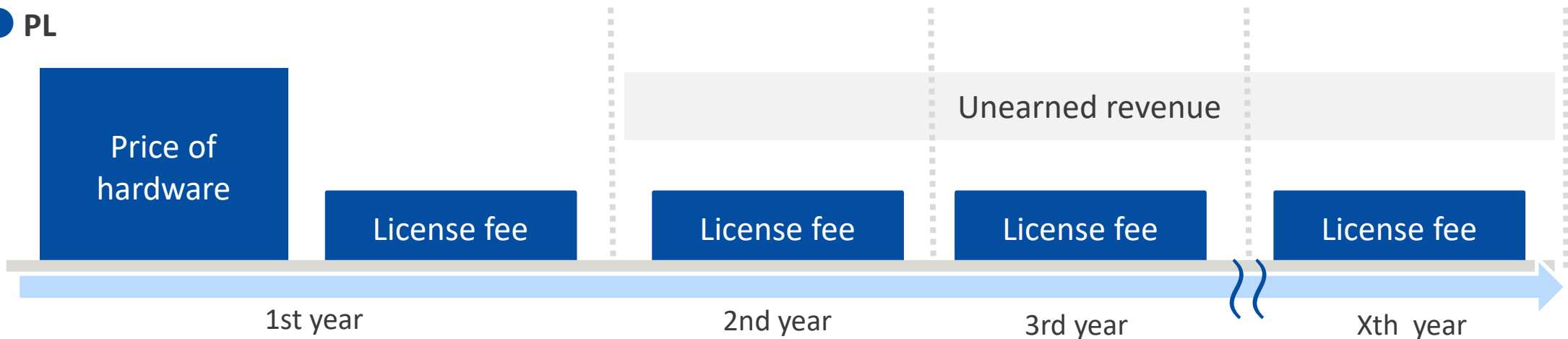


- Payments for the hardware and license are received at the time of the sale. The price of the hardware is recorded as sales immediately and the license fee is recognized in monthly installments during the utilization period. As a result, part of the license fee is contract liabilities.

● CF



● PL





Fraudulent call filtering



Automatic blocking of fraudulent phone calls and fax transmissions to a place of business. Registrations can be entered for rejecting specific incoming calls and allowing specific outgoing calls.

Outgoing call restrictions



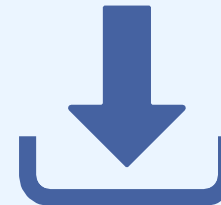
Phones can be set to block outgoing calls to designated phone numbers.

Scheduling



The system can be set to automatically make audio announcements and record messages for incoming calls when no one is at the place of business.

Data downloads



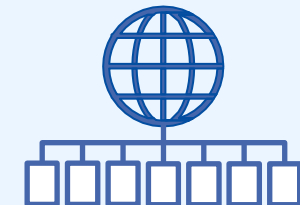
Downloads of incoming/outgoing call records and phone call recordings are possible.

Automatic recording of all phone calls



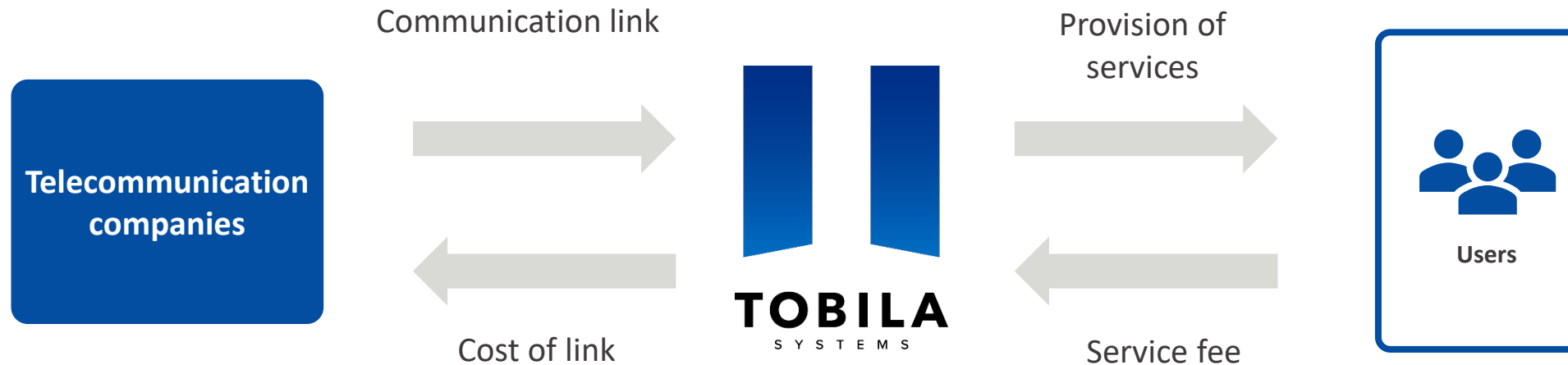
The standard system can record up to 1,250 hours of phone calls and store records of 10,000 calls.

Oversight of many locations



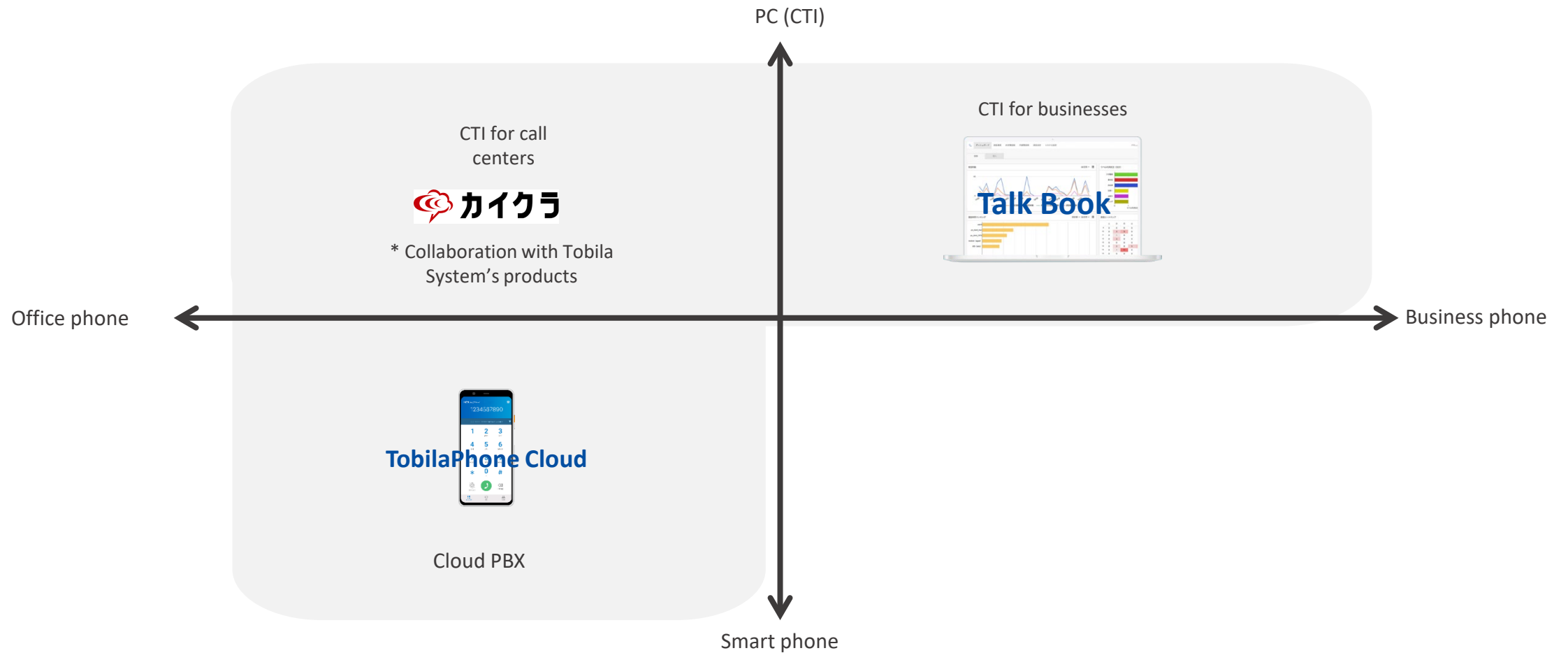
When TobilaPhone Biz is used at many locations, central management or individual location management can be selected.

- Basic fee = Initial cost + Monthly cost (number of basic sets x unit price) + Monthly use fee
- A steady-revenue model in which monthly licensing fees increase along with the number of basic service packages*¹



*1: Depending on the number of users, one company may have more than one basic service package. For more information about the basic service package: (<https://tobilaphone.com/biz/cloud/price/>)

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





TOBILA

S Y S T E M S