



Results of Operations

for the First Quarter
of the Fiscal Year Ending October 31, 2023

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

March 10, 2023





INDEX

Contents

- 1 Financial Highlights and Business Overview
- 2 1Q FY10/23 Topics
- 3 1Q FY10/23 Financial Results
- 4 FY10/23 Earnings Forecast

1

Financial Highlights and Business Overview

1Q FY10/23 Financial Highlights

Net sales

¥487million

(Up 24.5% YoY)

Operating
profit**¥182million**

(Up 35.3% YoY)

Fraud and spam prevention services segment sales

- Mobile phone services **¥361 million (up 15.9% YoY)**
- Landline phone services **¥44 million (up 29.8% YoY)**
- Business phone services **¥65 million (up 109.5% YoY)**

Mobile phone services

- Started service for MVNO and other low-cost smartphone services (mineo, UQ mobile)

Landline phone services

- Steady growth in number of users of the service for KDDI cable TV telephone service

Business phone services

- Added functions requested by many users; aiming for more growth
 - TobilaPhone Biz: Added an interactive voice response (IVR) function
 - TobilaPhone Cloud / Talk Book : Notification function, alliances with HubSpot and Sansan

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

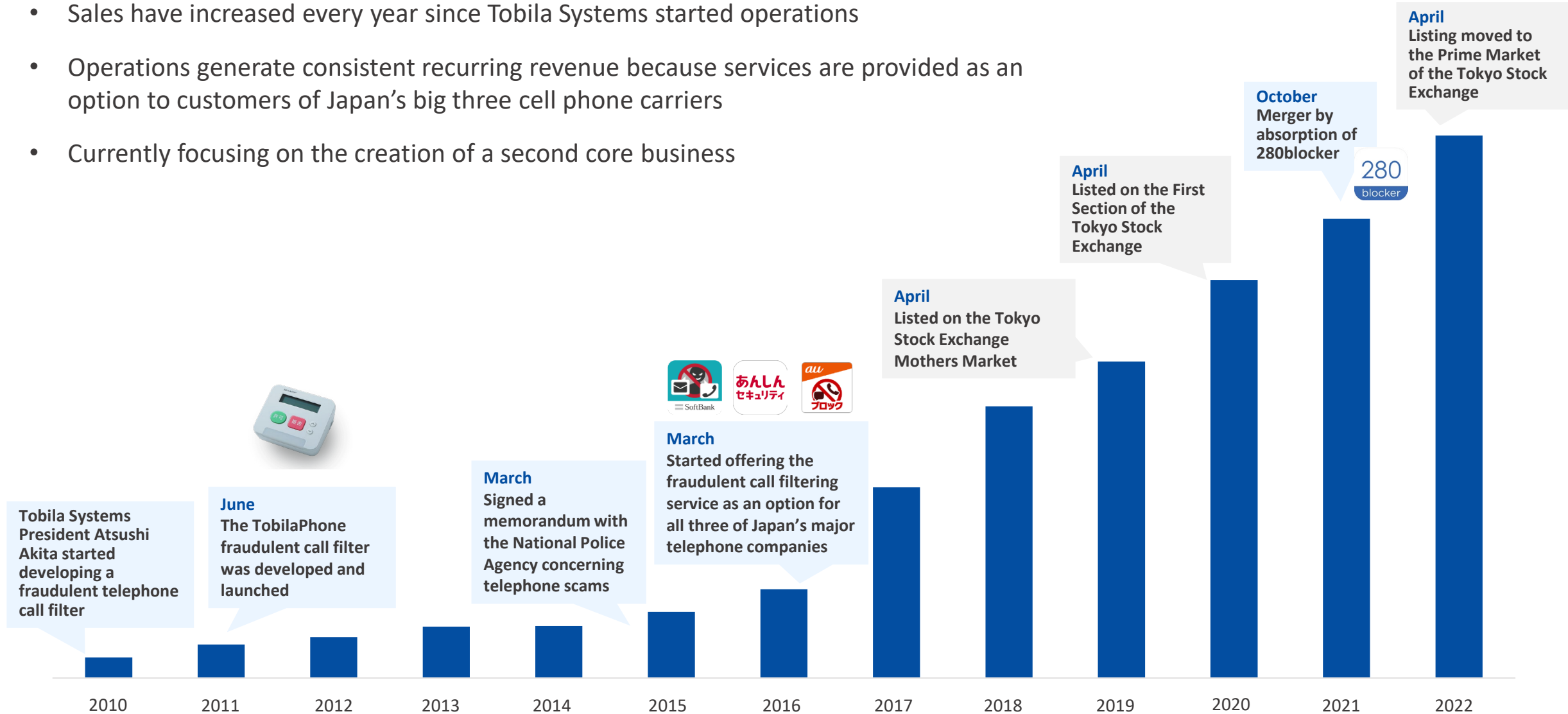
We are constantly changing without any fear of failure and challenging conventional thinking to realize a better future which we dream of.

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.

Company History

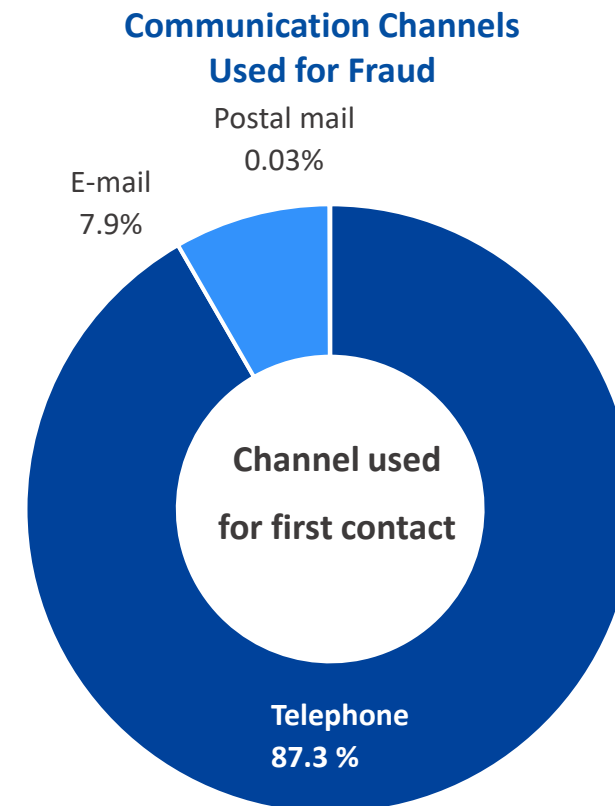
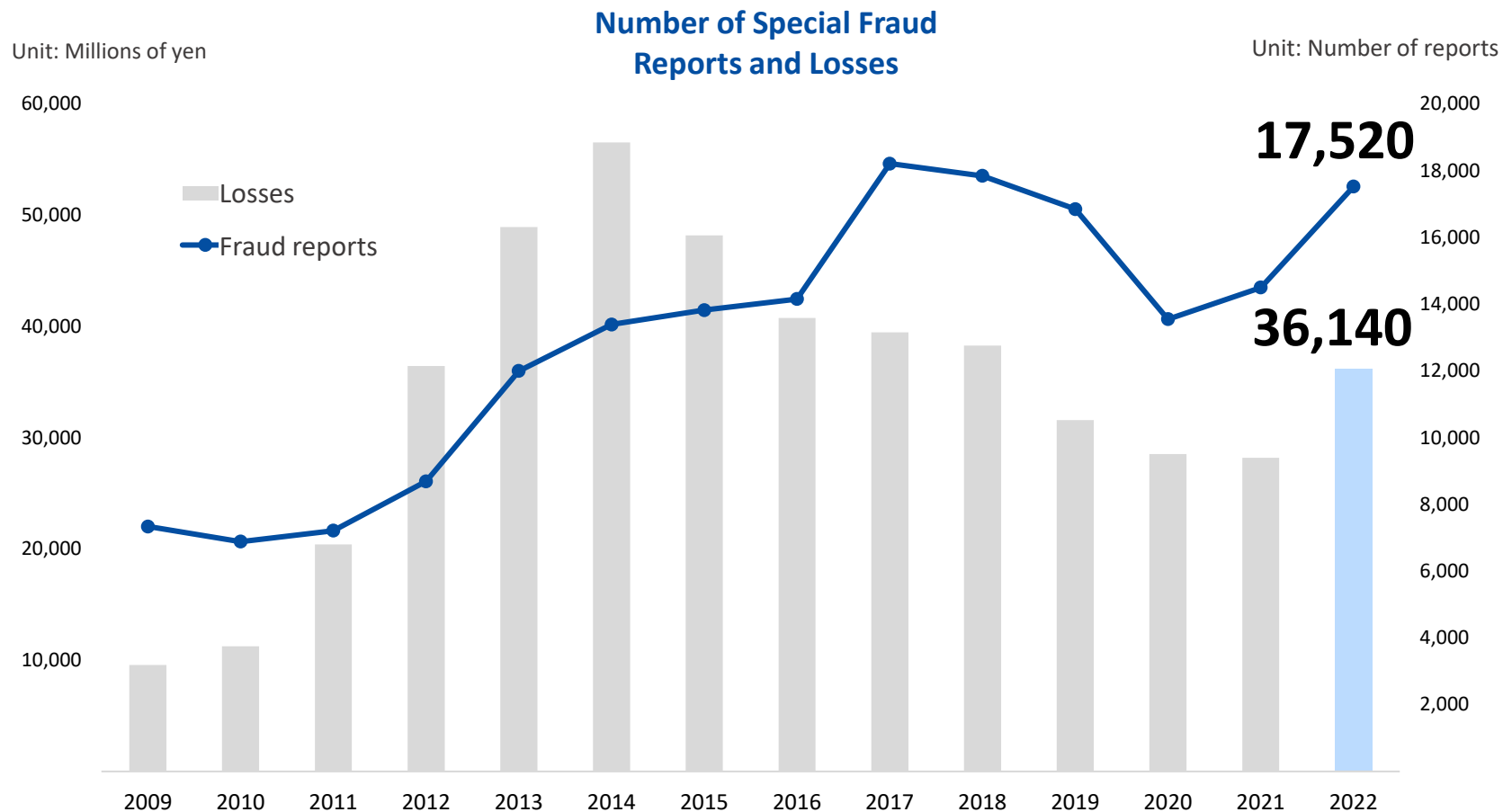
- Sales have increased every year since Tobil Systems started operations
- Operations generate consistent recurring revenue because services are provided as an option to customers of Japan’s big three cell phone carriers
- Currently focusing on the creation of a second core business



Note: Bar graphs are sales

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

- Special fraud (fraud using telephone or other indirect contact channels) reports in 2022: 17,520 – Big increase in losses to about ¥36.1 billion
- Average daily loss of approximately ¥99 million



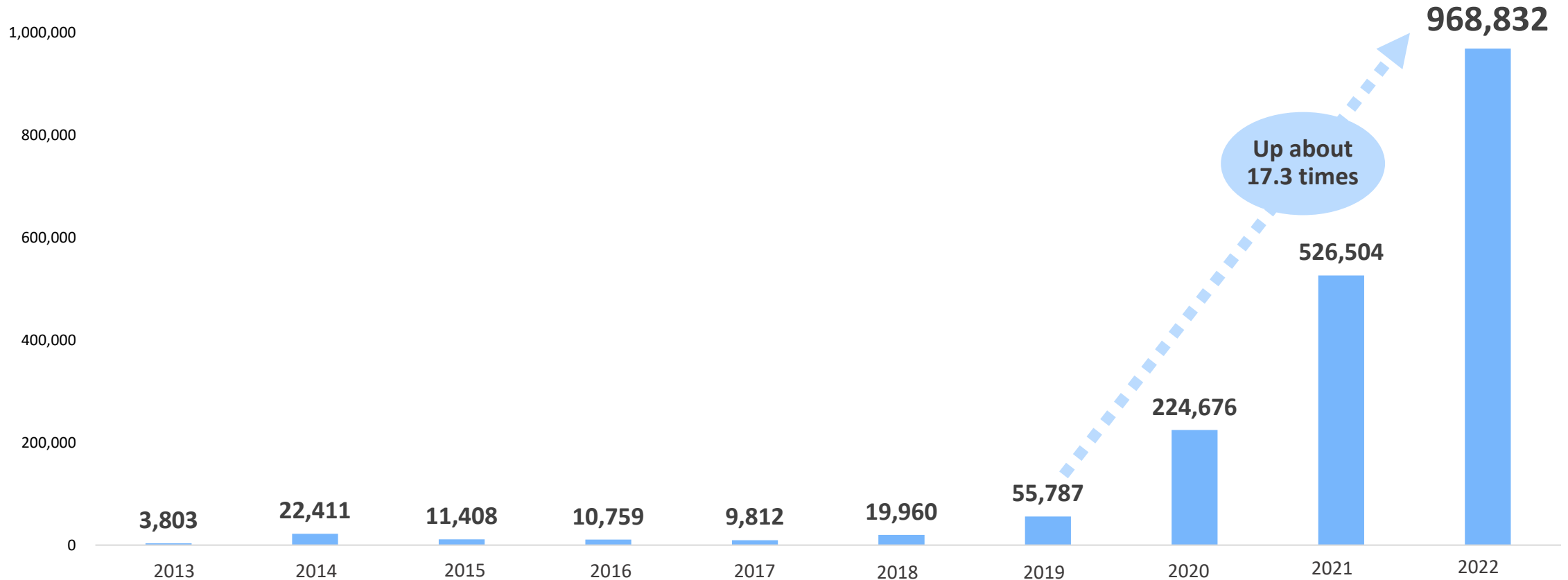
Source: [Identification and Control of Special Fraud in 2022 \(Provisional figures\)](#), National Police Agency

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 129 people in Japan are estimated to have received a phishing e-mail*1

Phishing Reports

Unit: Number of reports

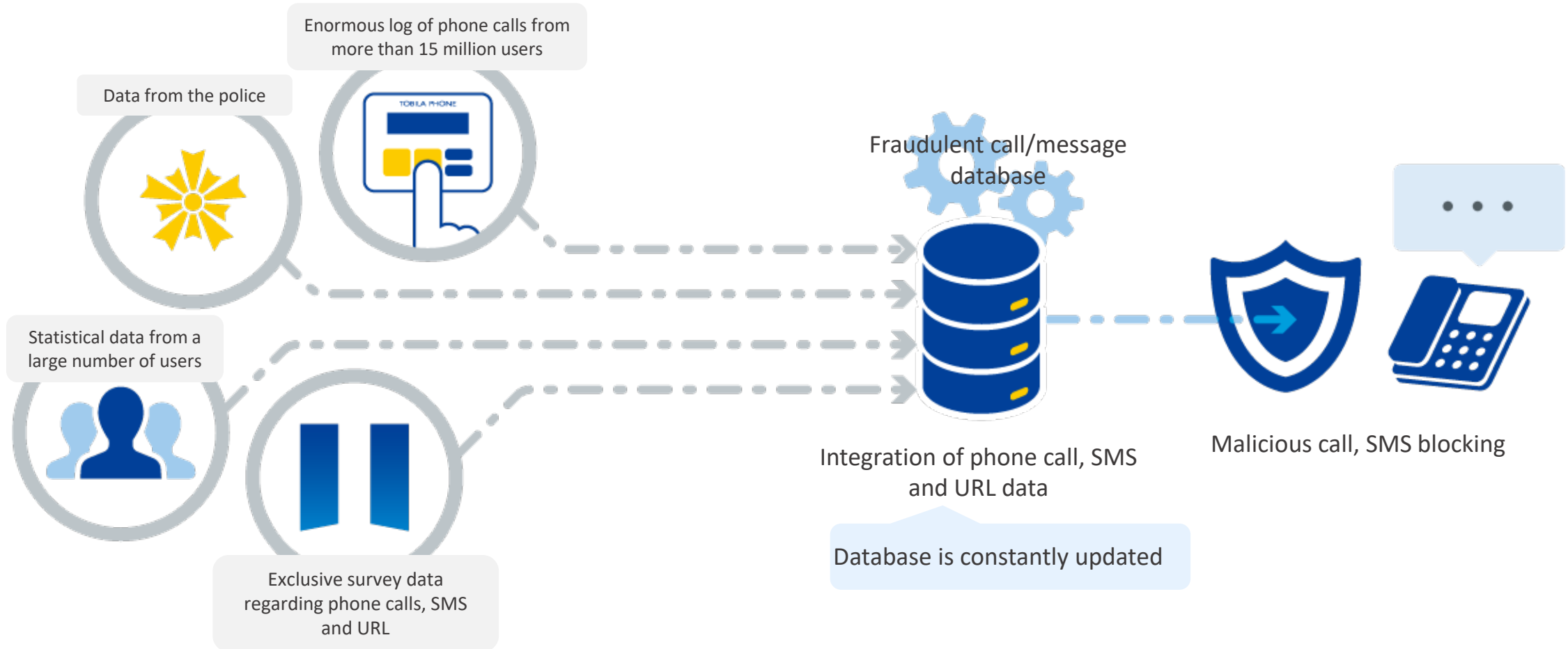


Source: [Council of Anti-Phishing Japan, Monthly Report](#)

*1: Using population of Japan of 124,971,000 as of Sep. 1, 2022 based on government data

Strengths of Our Fraudulent Call/Message Database

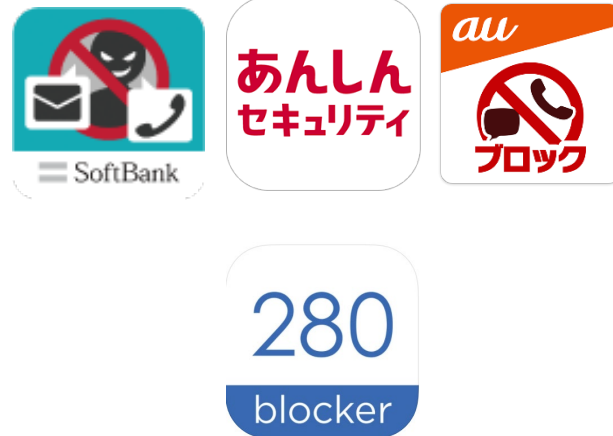
- Contains malicious phone numbers, URLs in malicious SMS and other information in order to block incoming calls and messages from these sources
- Receipt from the police of information about suspicious phone numbers and URL used for criminal activity is a key strength of Tobila Systems
- The volume 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



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 services



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

Landline phone services



- 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.

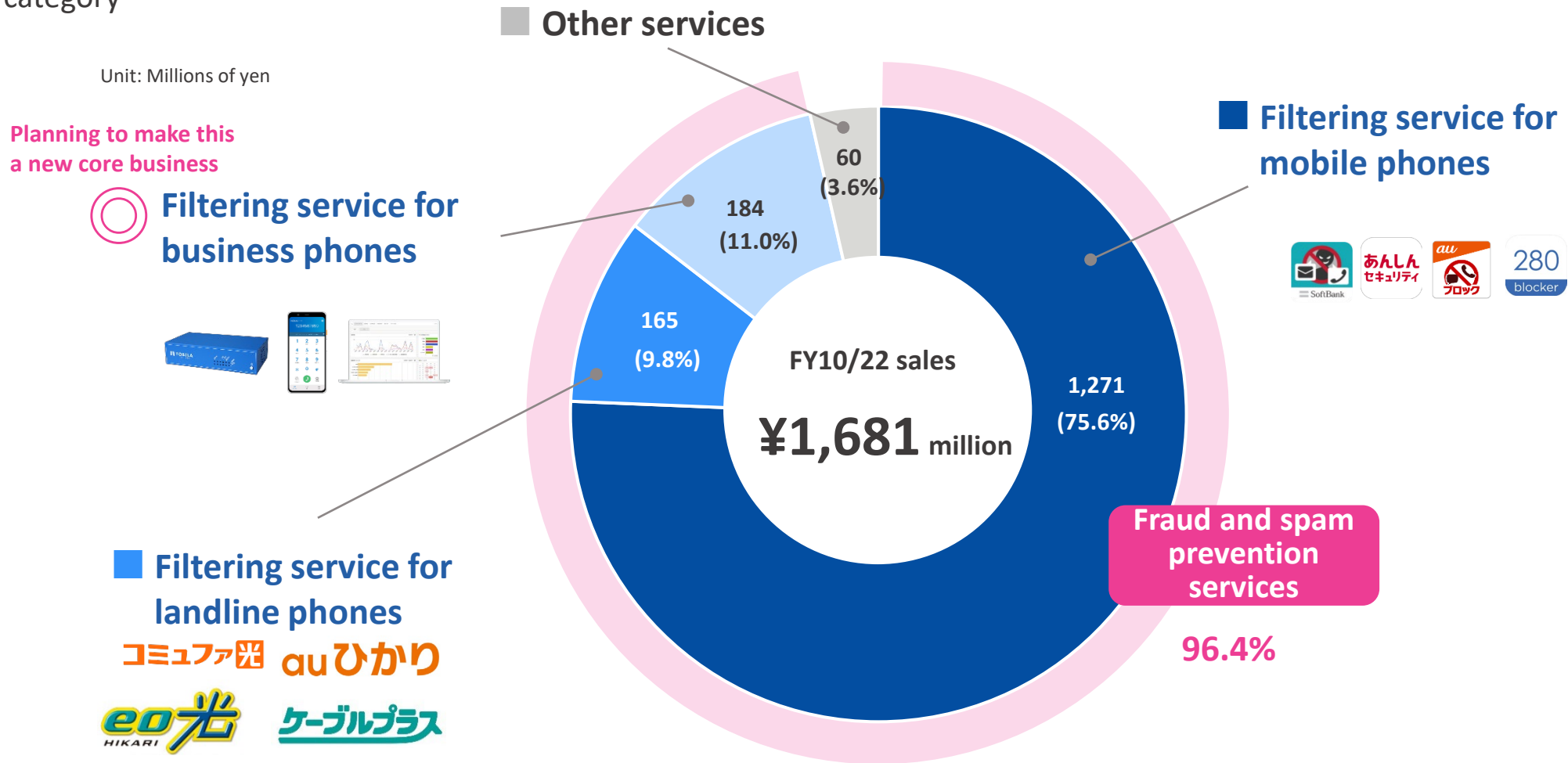
Business phone services



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

Business Segments (FY10/22)

- 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

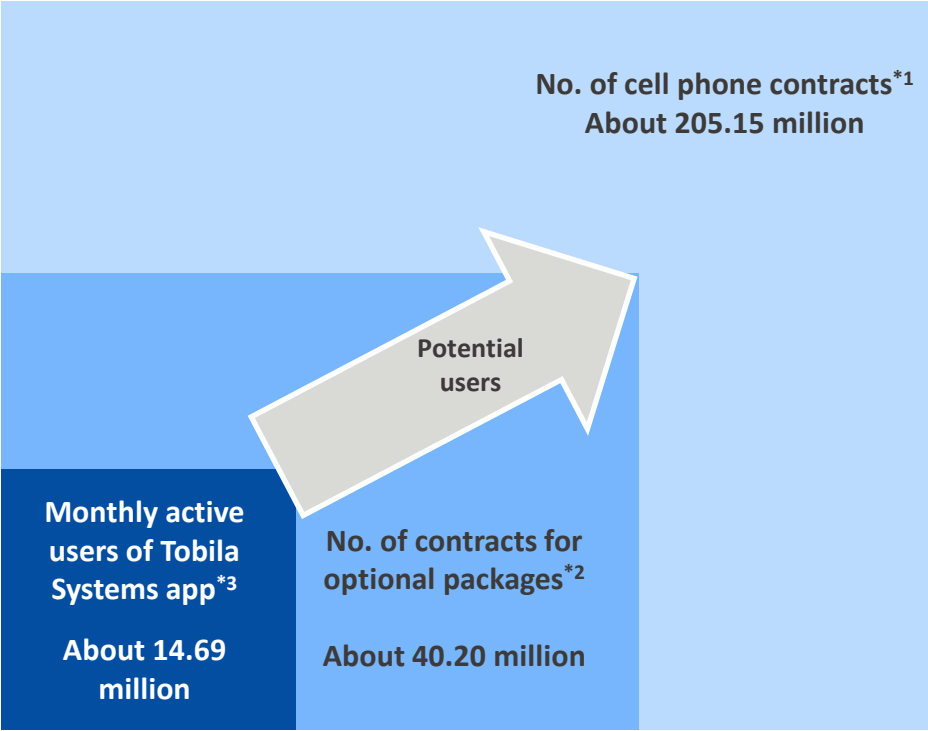


Mobile phone services

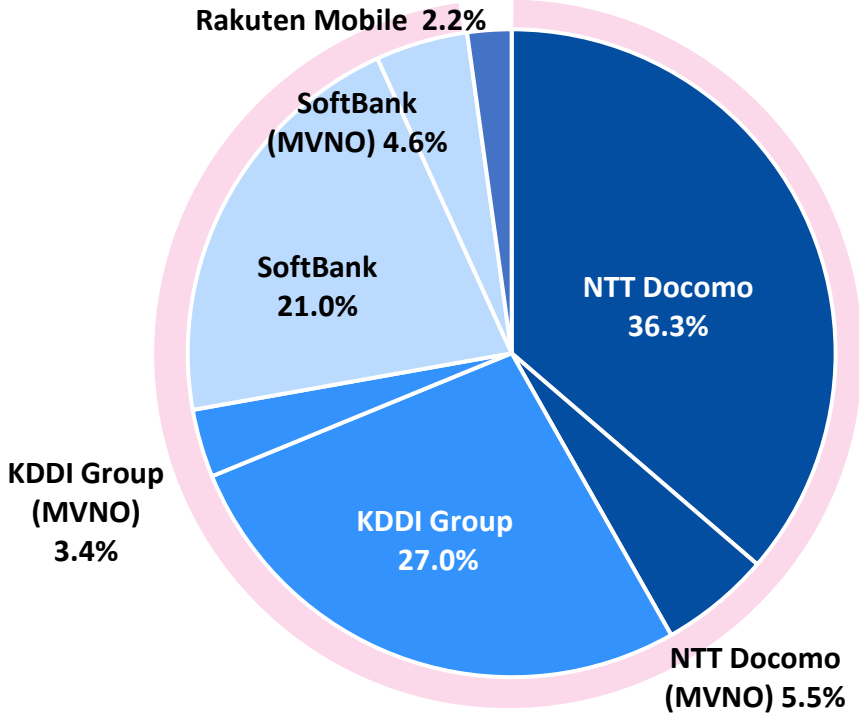
Growth Potential for Mobile Phone Services

- The number of users who can use Tobila Systems services at no extra charge are currently more than about 40.20 million
- All major cell phone carriers in Japan provide Tobila Systems services, which makes possible effective activities for promoting the use of these services

Potential Market Size



Mobile Phone Market Share in Japan



*1: Number of cell phone contracts: [Quarterly Data on Telecommunications Service Contract Numbers and Market Share](#), Ministry of Internal Affairs and Communications (December 16, 2022)

*2: Number of contracts for options: Tobila Systems estimate based on data collected by Tobila Systems for SoftBank, Smart Pass Premium contracts for au based on the [KDDI 3Q FY3/23 financial data](#) and the number of contracts for options announced on December 19, 2018 for NTT Docomo. [KDDI plans to end the free provision to its customers of a fraudulent message blocking function in late February 2023.](#)

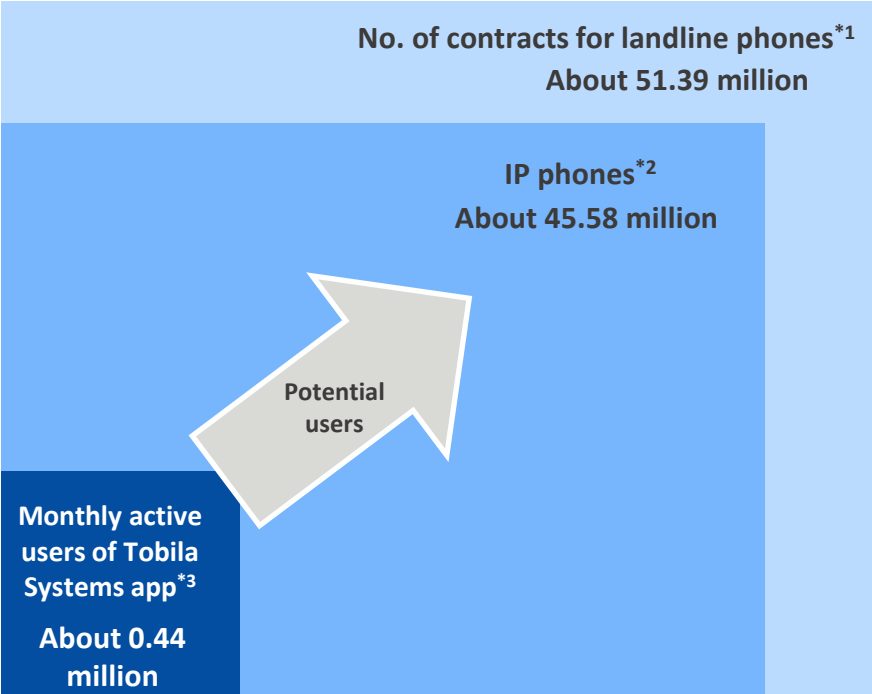
*3: Number of the monthly active users as of January 31, 2023, includes some provisional figures. The data may vary somewhat when the finalized figures are released and reflected in the data.

Landline phone services

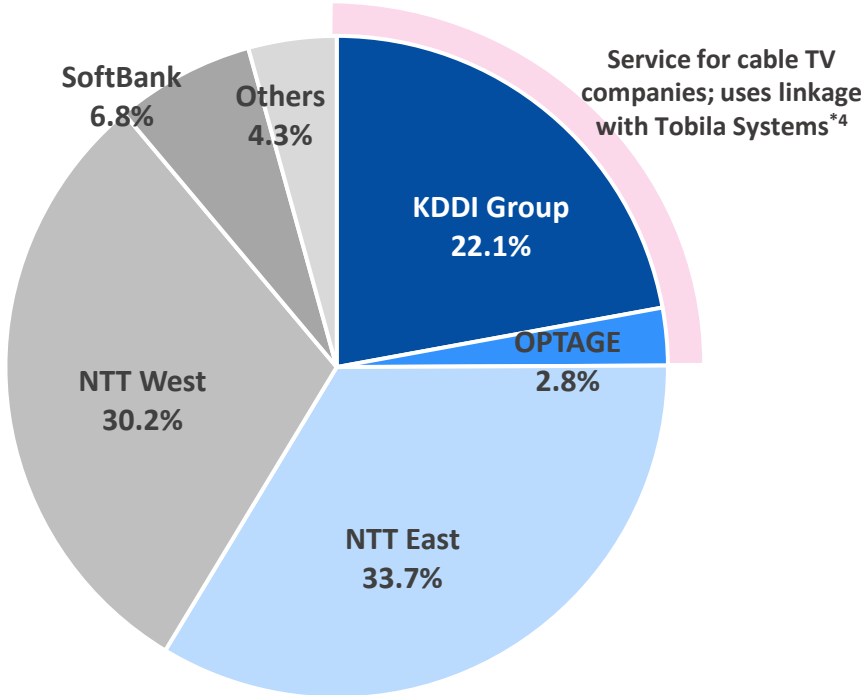
Growth Potential for Landline Phone Services¥

- 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 December 16, 2022), Ministry of Internal Affairs and Communications

*2: No. of contracts for IP phones: [Quarterly Data on the Number of Telecommunications Service Contracts and Market Share](#) (announced on December 16, 2022), Ministry of Internal Affairs and Communications

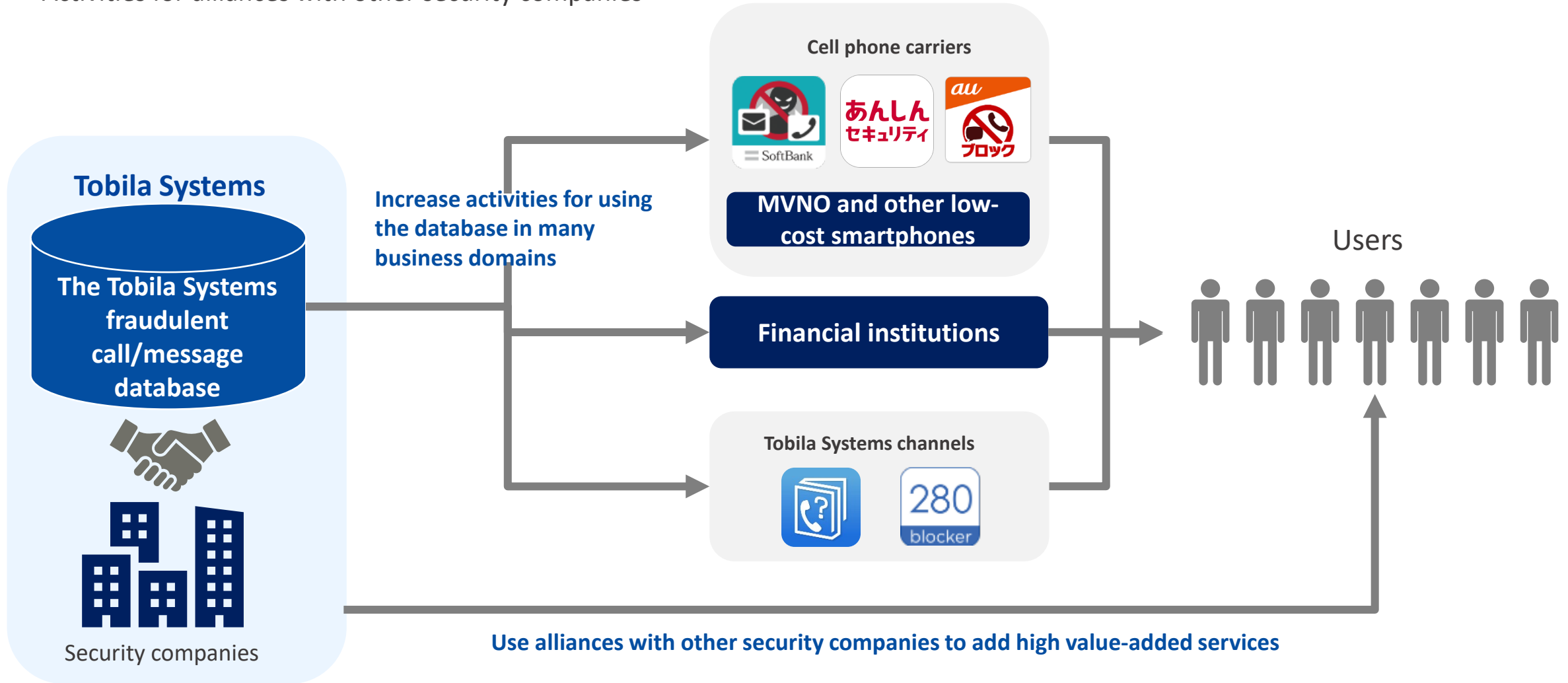
*3: Number of the monthly active users as of January 31, 2023, includes some provisional figures. The data may vary somewhat when the finalized figures are released and reflected in the data.

*4: Tobila Systems press release: [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](#)

Mobile phone services

FY10/23 Initiatives

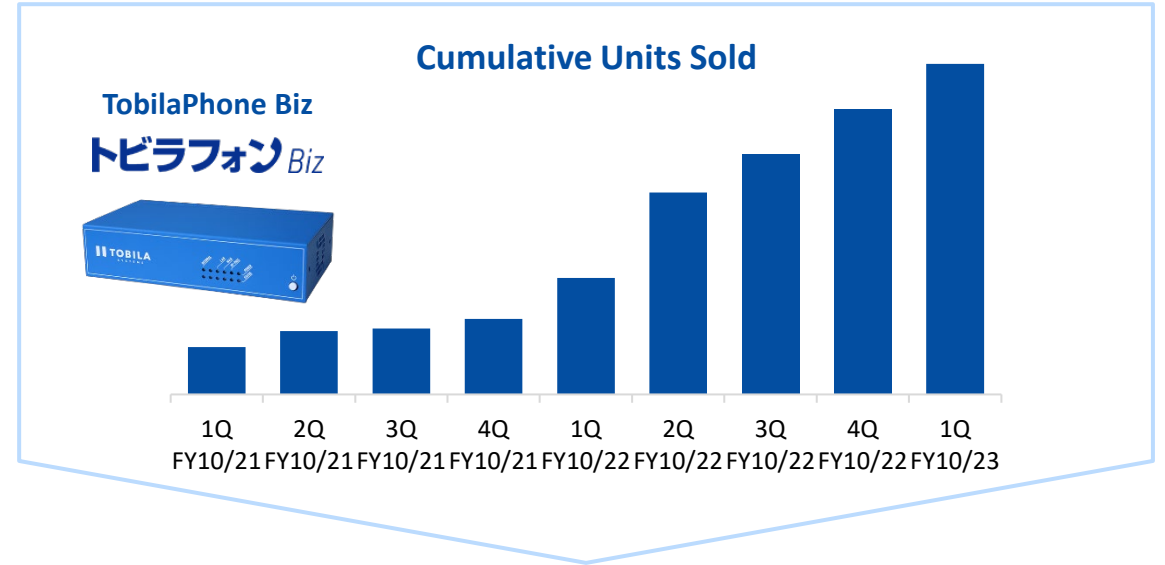
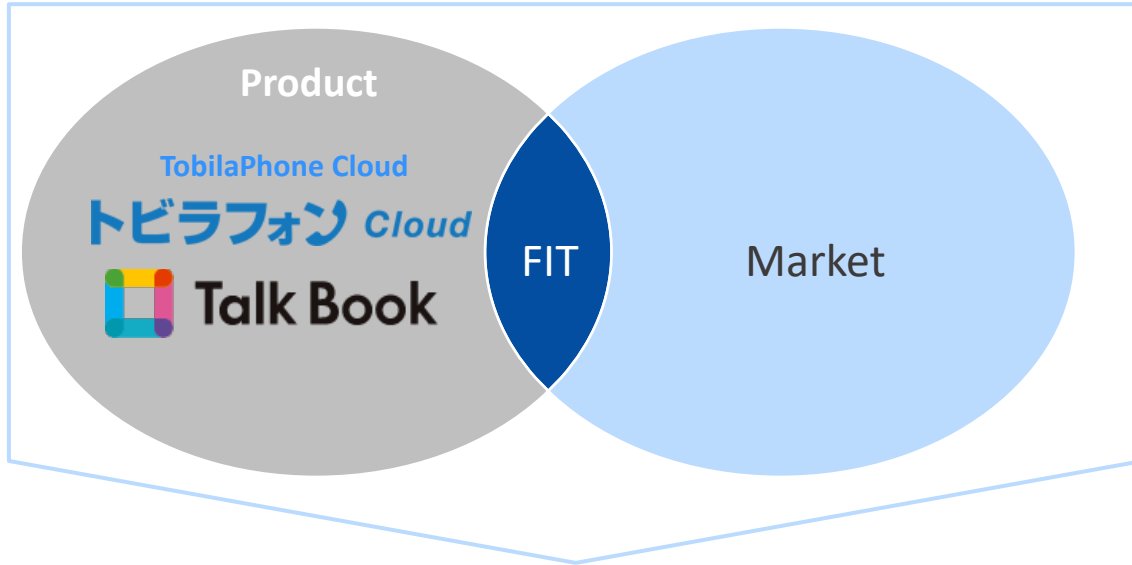
- Increase activities for using in many business domains services backed by the fraudulent call/message database
- Activities for alliances with other security companies



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

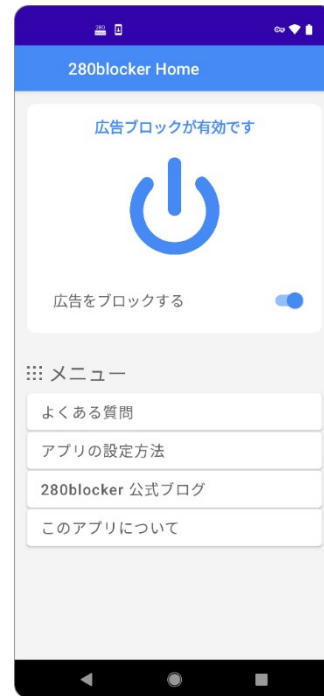
*1: Product-market fit (PMF) means supplying products that can satisfy demand by solving problems or meeting needs in order to sustain growth.

2

1Q FY10/23 Topics

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

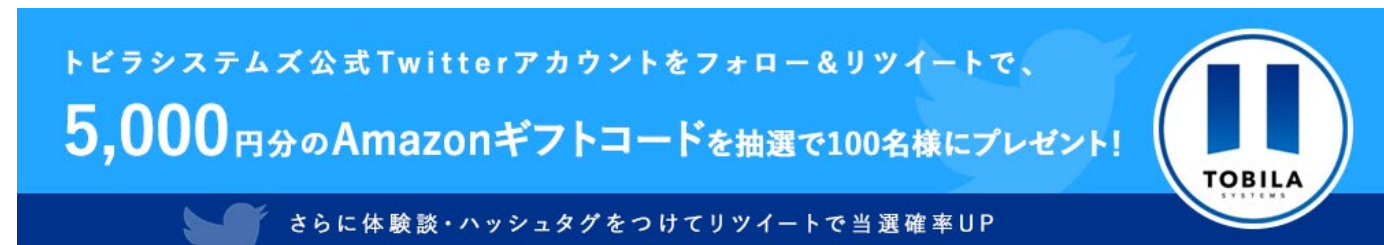
- On November 26, 2022, Tobilas Systems started providing an Android version of the 280blocker advertisement blocking app that was previously available only for iOS devices*¹
- For the launch of this product, the price is reduced from 800 yen to 200 yen for a limited time and there is a gift promotion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



1) November 25, 2022 to February 24, 2023*²



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

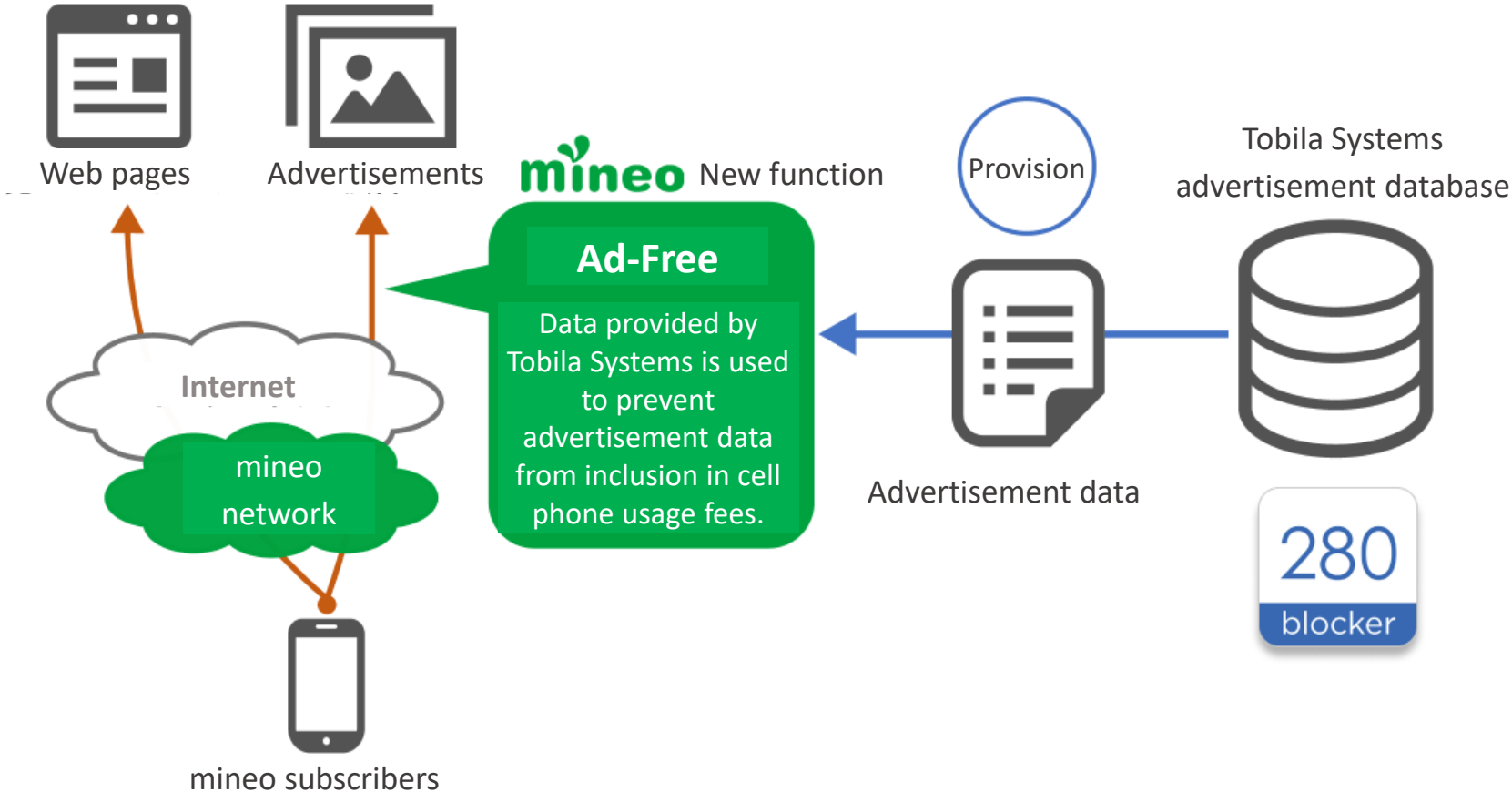


*1: Tobilas Systems press release [“Tobilas Systems launches Android version of the 280blocker advertisement blocking app”](#)

*2: The Amazon gift card promotion for Tobilas Systems Twitter followers has ended (March 10, 2023)

Mobile phone services Database used to launch the new Ad-Free function for the mineo cell phone service

- On March 1, 2023, Tobil Systems started offering the Ad-Free function to users of the mineo cell phone service of OPTAGE Inc. Ad-Free incorporates the database that is used for Tobil Systems’ 280blocker advertisement blocking app ^{*1}
- Ad-Free prevents data for displaying advertisements from inclusion in the packets used for determining cell phone usage fees when viewing web pages.



*1: OPTAGE press release about Ad-Free: [“mineo Maipita service adds Ad-Free for subscribers at no cost – Industry’s first service that reduces packet usage for advertisements”](#)

Start of malicious call/SMS service for UQ mobile

- On February 17, 2023, the Anshin Security Set of UQ mobile started providing the Meiwaku (Malicious) Message & Denwa Block fraudulent call and SMS protection service based on the Tobilas Systems fraudulent call/message database.*1



UQ mobile The UQ mobile Anshin Security Set^{*2}

This optional service for UQ mobile customers incorporates Meiwaku Message & Denwa Block and other security software.

- Fee: ¥330 per month
- Launch: February 17, 2023
- Eligibility: Customers who are subscribers of UQ mobile Kurikoshi Plus+5G or who have a service contract with au

*1: Tobilas Systems press release: [UQ mobile Anshin Security Set starts providing Fraudulent Message/Telephone Block, a fraudulent call/SMS security service using the database of Tobilas Systems](#)

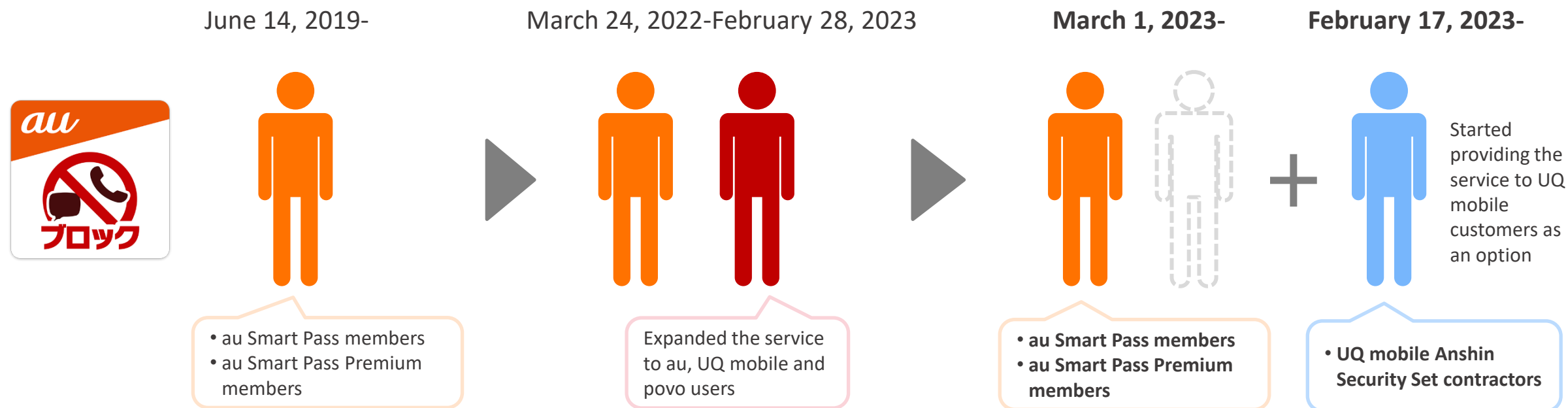
*2: UQ mobile press release: [Start of Anshin Security Set](#)

Mobile phone services

Change in eligibility for KDDI Meiwaku Message & Denwa Block

- The KDDI Meiwaku Message & Denwa Block service started on June 14, 2019 and was offered to au Smart Pass members and au Smart Pass Premium members.
- Between March 24, 2022 and February 28, 2023, access to this service was expanded to include users of au, UQ mobile and povo.
- On March 1, 2023, Meiwaku Message & Denwa Block was restarted as a service for au Smart Pass members and au Smart Pass Premium members, as it originally was, and offered as an option to UQ mobile customers beginning on February 17, 2023.

Change in eligibility



Business phone services

Update of TobilaPhone Biz Functions

- The TobilaPhone Biz update (Version 2.0.0) adds interactive voice response (IVR^{*1}).
- IVR makes businesses more efficient by using automated responses to phone calls.

How interactive voice response works



*1: Interactive voice response is an automated announcement system that directs calls to the appropriate people.

*2: Tobila Systems press release: [Addition of IVR to TobilaPhone Biz, a business phone fraudulent phone call blocking, call recording and centralized management system](#)

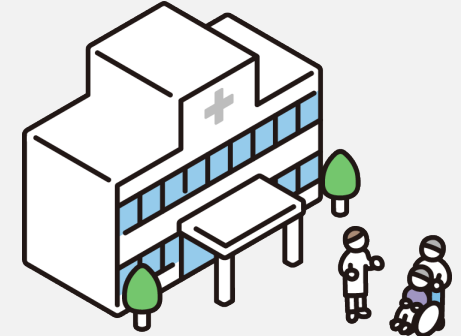
Selected Applications of TobilaPhone Biz

- TobilaPhone Biz is suitable for a broad range of industries as well as very large companies and other organizations.

Example 1: Hospital

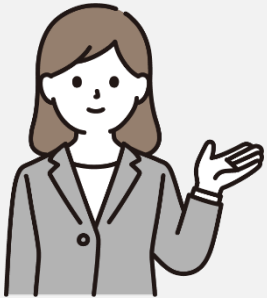
Phone calls about extraneous complaints and annoying telephone sales calls to the hospital manager were causing problems at this hospital. Furthermore, there were disputes about what was stated and not stated during phone calls with a liability insurance company about payments for medical care.

TobilaPhone Biz has reduced the need to answer unnecessary calls and raised efficiency. In addition, objective decisions can be made about phone conversations by using recordings.



Example 2: Service sector (Japanese inn)

During busy times, some guest information and requests were overlooked because the hotel's system relied on the memory of individuals who answered phones. With TobilaPhone Biz, employees can use recordings of calls to confirm guests' requests, resulting in accurate telephone operations even when busy. Feedback about this service from guests has been positive. Experienced personnel are using recordings of calls to train new people, which has further improved customer satisfaction.



Example 3: Law office

The law office started using TobilaPhone Biz because of the need for a cloud system that can record calls from personnel when away from the office. Using this system allows keeping records of these calls and conversations. In addition, the fraudulent call blocking function has dramatically reduced wasted time caused by unwanted calls. For example, more than 80% of unwanted fax transmissions are blocked. Stress for the entire staff is down and the cost of printing fax messages is much lower.

Updates of TobilaPhone Cloud Functions

- TobilaPhone Cloud was updated on February 22, 2023 with the additions of an incoming external call notification function using communication tools (Slack, Microsoft Teams, e-mail, etc.) and of linkage with the HubSpot CRM service and Sansan a cloud-based contact management tool for corporations.



Addition of notification function*1

● Slack, Microsoft Teams, e-mail

Notification of status of responses to external calls received using TobilaPhone Cloud

Addition of linkage*2

● HubSpot

- Linkage with the HubSpot CRM service allows displaying names of customers for incoming TobilaPhone Cloud calls and in phone conversation logs. (The linkage with Salesforce has been completed in September 2022.)
- Information about phone conversations is automatically recorded in HubSpot activity.

● Sansan

- Linkage with the Sansan, a cloud-based contact management tool for corporations allows displaying customer names in Sansan for incoming TobilaPhone Cloud calls and in phone conversation logs.

*1: Tobila Systems press release [“New Slack, Microsoft Teams and e-mail notification function for TobilaPhone Cloud for status of incoming external calls”](#)

*2: Tobila Systems press release [“Addition of function for sales activities to the TobilaPhone Cloud PBX; allows linkage with the HubSpot CRM service and Sansan name card management service”](#)

3

1Q FY10/23 Financial Results

1Q FY10/23 Financial Summary

- Sales and earnings at all levels were higher than in the previous quarter and one year earlier.

Unit: Millions of yen	1Q FY10/22	4Q FY10/22	1Q FY10/23 Results	YoY	QoQ
Net sales	391	430	487	124.5%	113.2%
EBITDA* ¹	168	166	222	131.9%	134.0%
Operating profit	134	124	182	135.3%	146.2%
Ordinary profit	126	124	181	143.6%	145.7%
Profit	62	77	120	193.5%	155.6%

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

1Q FY10/23 Sales Composition by Category

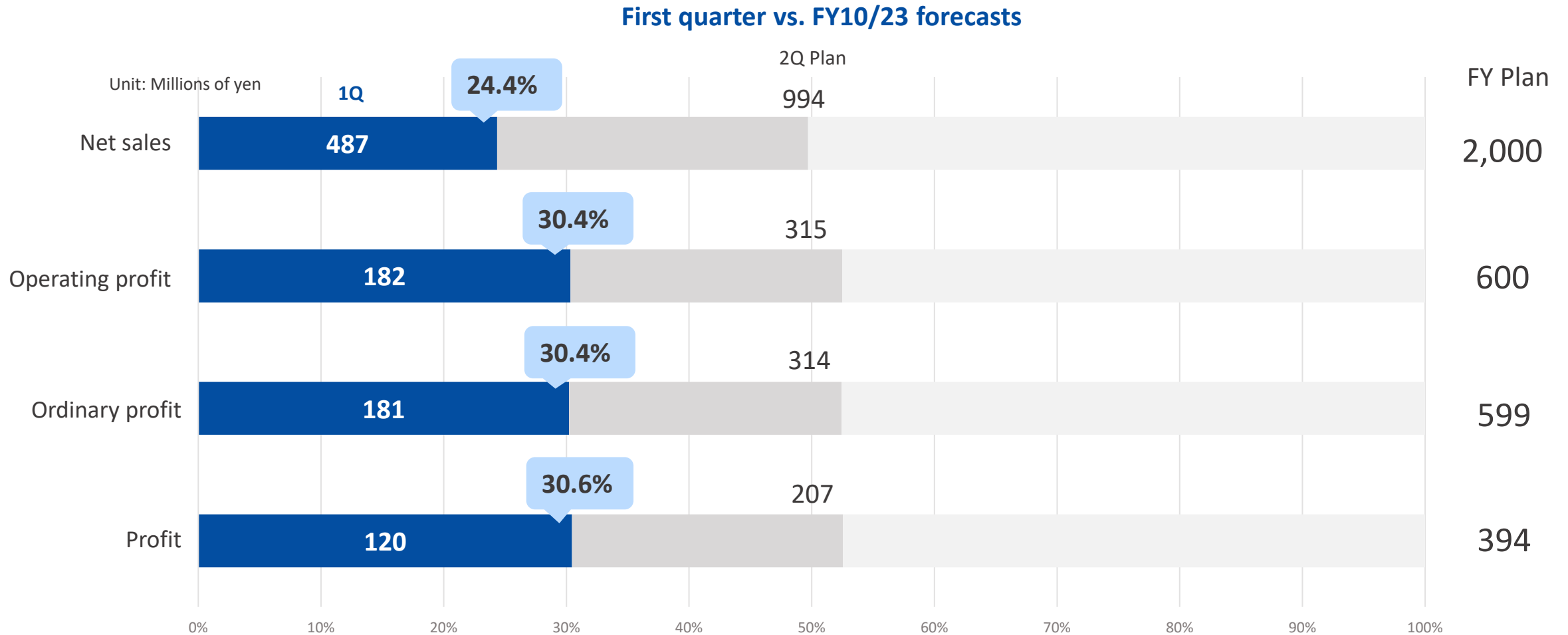
- Mobile phone services sales increased 15.9% YoY due partly to the start of a blocking service for malicious SMS.
- Landline phone services sales increased 29.8% YoY in part because of the service for customers of the KDDI cable TV telephone service.
- Business phone services sales were up 109.5% YoY because of increasing sales of TobilePhone Biz.

Unit: Millions of yen	1Q FY10/22	4Q FY10/22	1Q FY10/23 Results	YoY	QoQ
Fraud and spam prevention services	377	415	471	124.9%	113.4%
Mobile phone services	311	314	361	115.9%	114.8%
Landline phone services	34	41	44	129.8%	106.8%
Business phone services	31	59	65	209.5%	110.0%
Other services ^{*1}	14	15	16	114.0%	109.2%

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

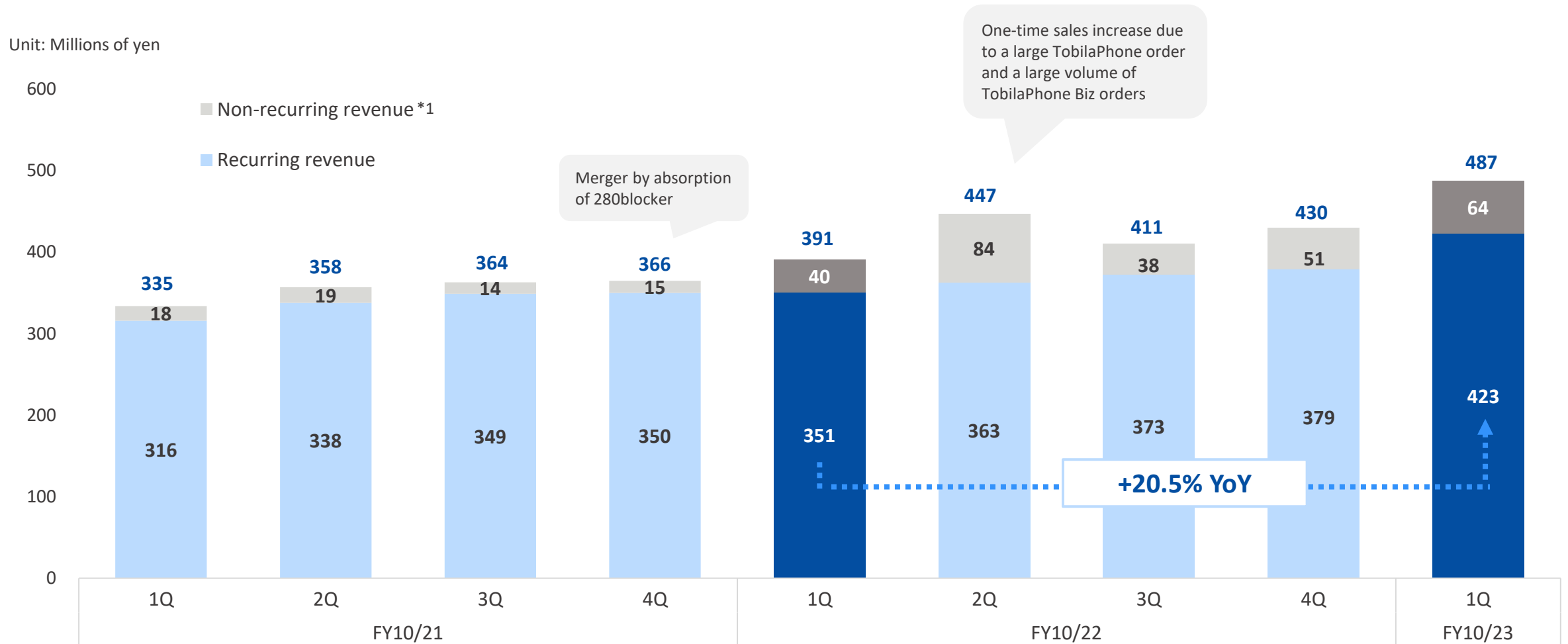
First Quarter vs. FY10/23 Forecasts

- First quarter performance was in line with or ahead of the FY10/23 forecasts. Earnings at all levels were more than 30% of the FY10/23 forecasts but the FY10/23 forecasts are unchanged because of the outlook for a continuation of expenses for workforce growth and other activities.



Quarterly Sales (Recurring Revenue and Non-recurring Revenue)

- Most of the sales of all services is recurring revenue. In the first quarter, recurring revenue increased 20.5% YoY.



*1: Non-recurring revenue includes sales of 280blocker (iOS ad blocking app), hardware for TobilaPhone and TobilaPhone Biz, and other products.

Major Contract Formats for Mobile Phone Filtering Services

- Tobila 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 Tobila 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 Tobila 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 Tobila Systems services is increasing.

Monthly active users × Unit price

Sales are linked to monthly users of Tobila Systems services

Monthly
active users

×

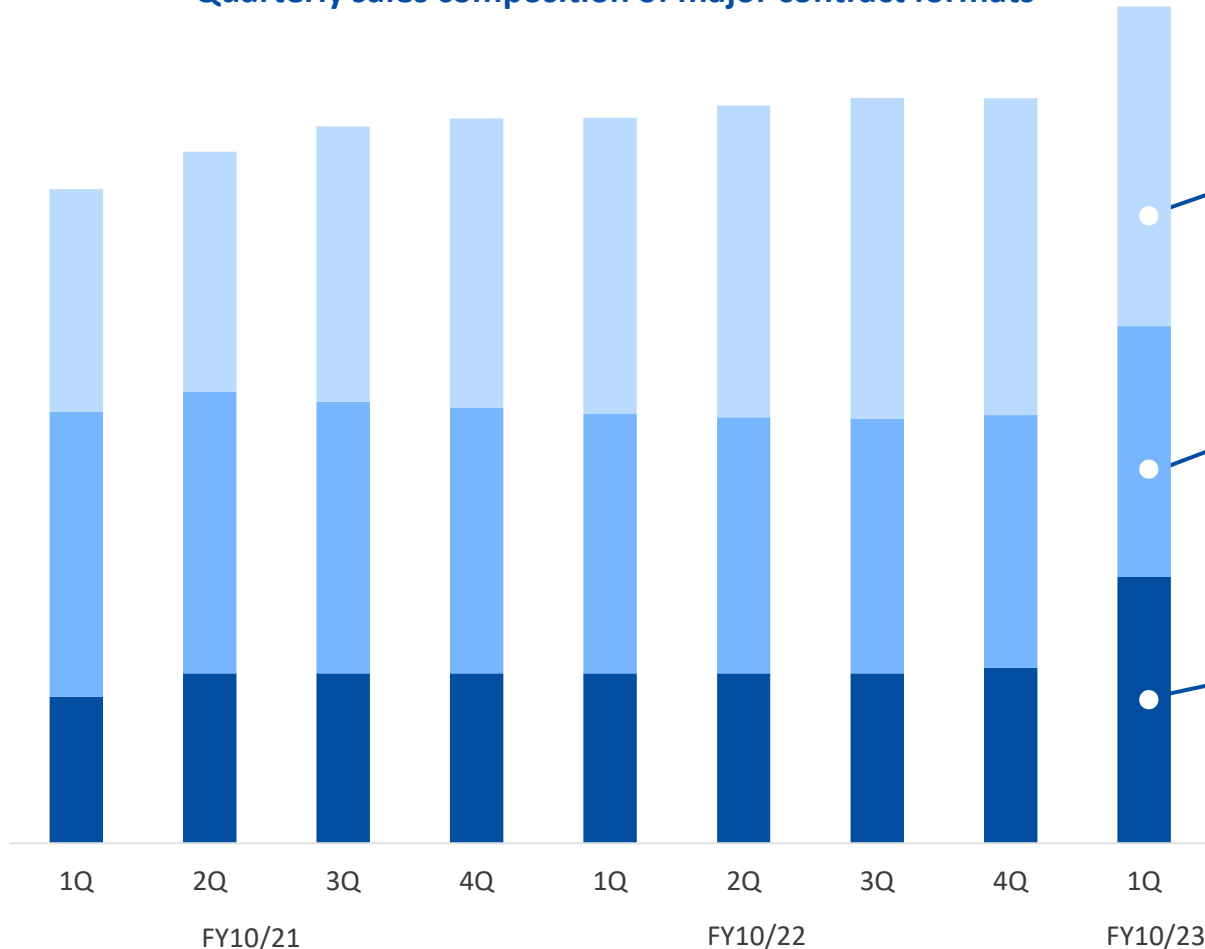
Unit
price

- Although the change in the number of monthly active users of Tobila 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 of Mobile Phone Filtering Services for Contract Formats

- Steady growth overall of major contract models for mobile phone filtering services
- Growth of the fixed payment contract sales is the result of new contracts.

Quarterly sales composition of major contract formats



Sales and monthly active users (Performance vs. prior quarter)

Difference between 4Q FY10/22 and 1Q FY10/23

Monthly active users × Unit price

Sales:	100.9%
Monthly active users:	100.9%

Contracts × Unit price

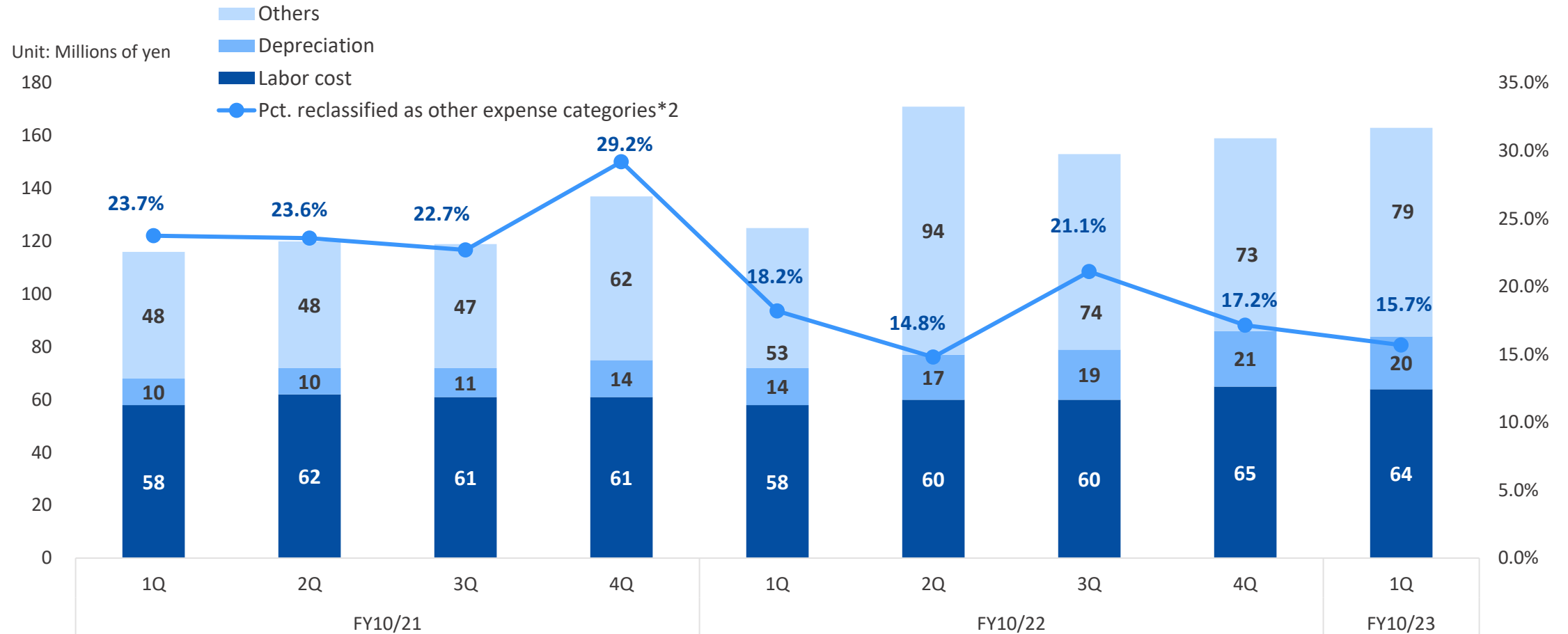
Sales:	99.1%
Monthly active users:	101.2%

Fixed payment (subscription contract)

Sales:	151.9%
Monthly active users:	99.7%

Cost of Sales

- The cost of sales ^{*1} was generally controlled as planned
- The FY10/23 forecast is ¥643 million, including the outlook for increases in expenses for hiring more employees, depreciation and other items from the second quarter onward.



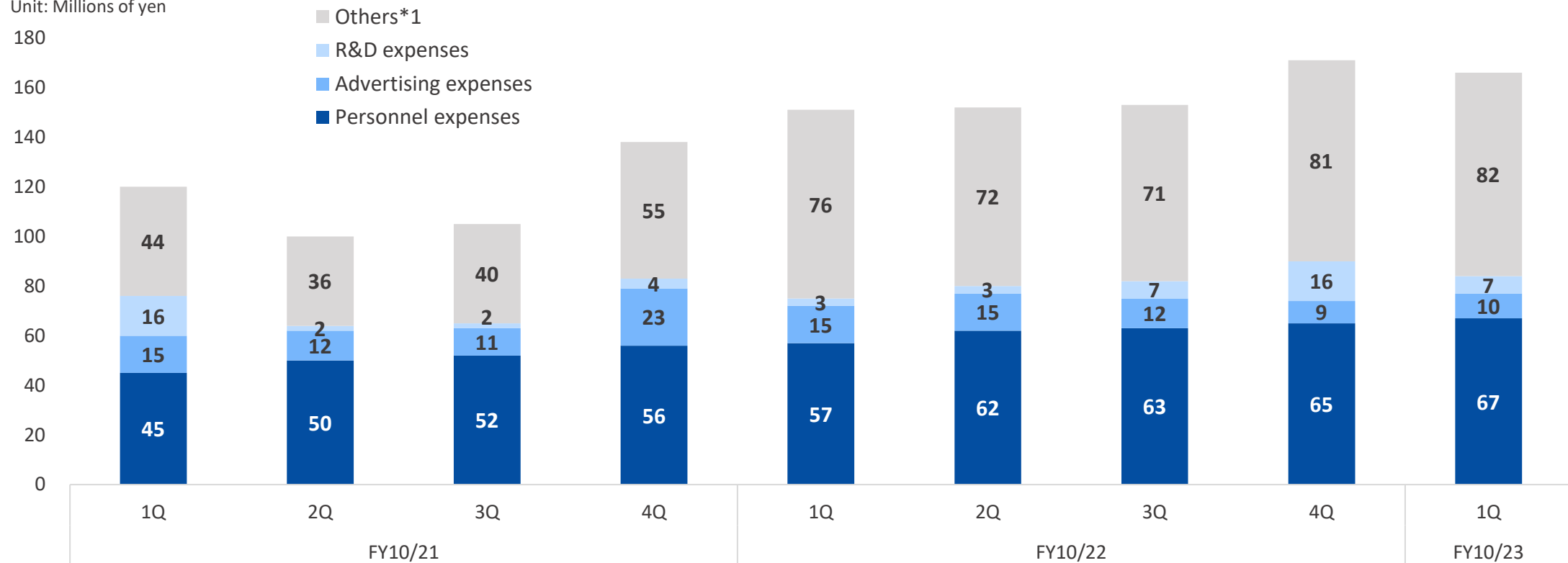
*1: The sum of labor cost, depreciation and others does not match the total cost of sales on the income statement because these figures are before adjustments for reclassified expenses and work in process transfers

*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

- Increased YoY mainly because of higher personnel expenses as the number of employees increased, growth in R&D expenses and other reasons.
- The FY10/23 forecast is ¥757 million, including the outlook for increases in recruiting and personnel expenses and higher expenses for product-market fit*² activities for business phones and the associated advertising expenses from the second quarter onward.

Unit: Millions of yen

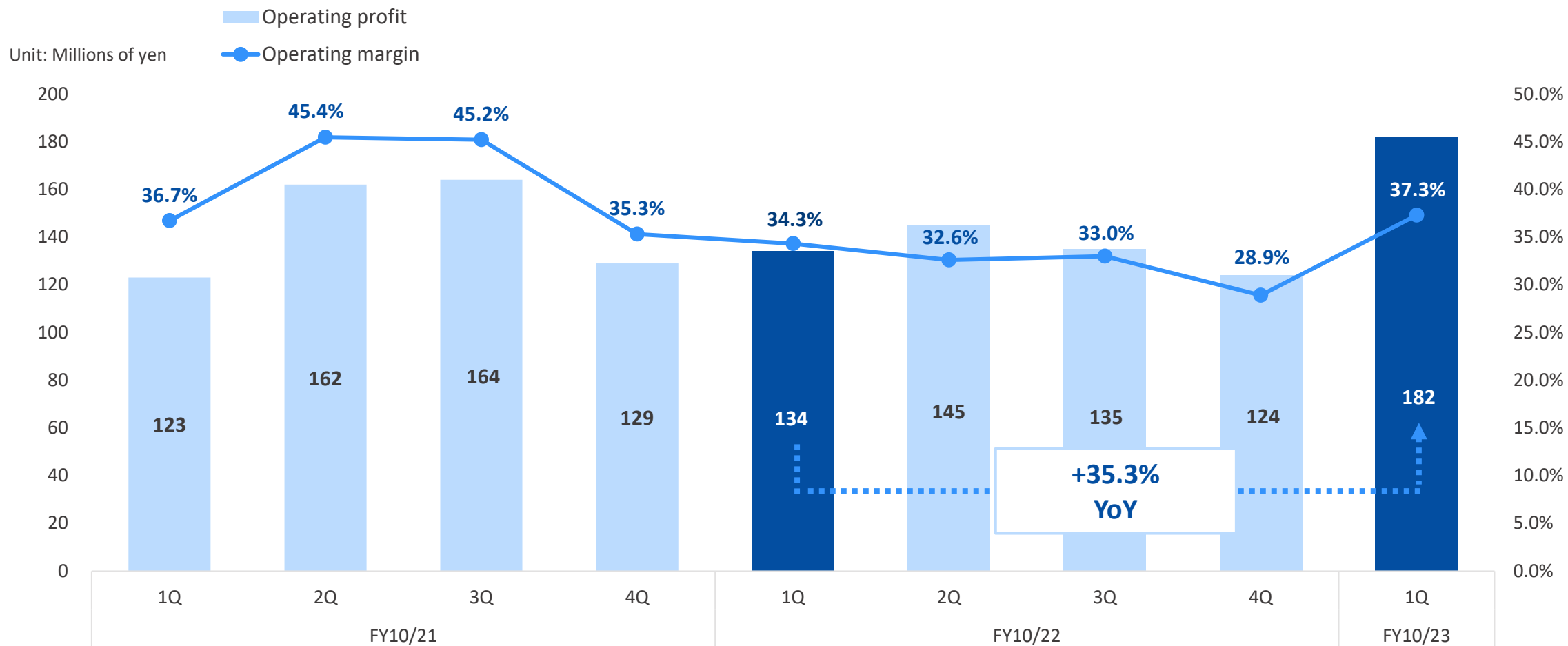


*1: "Others" include amortization of goodwill, depreciation, and commission expenses

*2: Product-market fit means supplying products that can satisfy demand by solving problems or meeting needs in order to sustain growth.

Operating Profit

- Up 35.3% YoY because of higher earnings of all services
- No change in the FY10/23 forecast of ¥600 million due to the outlook for higher expenses from the second quarter onward.



1Q FY10/23 Expenses

	1Q FY10/22	4Q FY10/22	1Q FY10/23 Results	YoY	QoQ
Unit: Millions of yen					
Cost of sales	103	133	138	133.8%	104.0%
Labor cost	58	65	64	110.2%	98.1%
Depreciation	14	21	20	146.1%	96.7%
Others	53	73	79	148.7%	107.7%
Pct. of cost of sales classified as R&D expenses and assets ^{*1}	18.2%	17.2%	15.7%	-2.5pt	-1.5pt
SG&A expenses	153	173	167	108.8%	96.5%
Personnel expenses	57	65	67	117.0%	102.6%
Advertising expenses	15	9	10	65.6%	108.6%
R&D expenses	3	16	7	198.4%	43.3%
Others	76	81	82	107.2%	100.9%

*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

Balance Sheet

Unit: Millions of yen

	FY10/22	1Q FY10/23	Change
Current assets	1,836	2,045	209
Cash and deposits	1,435	1,591	155
Trade receivables and contract assets	251	272	20
Other	148	182	33
Non-current assets	830	861	30
Property, plant and equipment	58	107	49
Intangible assets	476	464	-12
Investments and other assets	296	289	-6
Total assets	2,667	2,906	239
Liabilities	956	1,187	230
Current liabilities	710	953	243
Non-current liabilities	245	233	-12
Net assets	1,710	1,719	8
Equity ratio	64.1%	59.2%	-5.0pt

4 FY10/23 Earnings Forecast

FY10/23 Forecast

- No change in the FY10/23 sales forecast 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

Investor Relations Event for Individual Investors

- Tobila Systems President Atsushi Akita plans to speak at the 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, March 18, 2023 13:15 to 18:00	Kabu Berry Lab https://kabuberry.com/lab82/	Face-to-face and online (Archive video will be available)

FY10/23 Financial Status: Quarterly Results

Unit: Millions of yen	FY10/20				FY10/21				FY10/22				FY10/23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net sales	270	319	312	331	335	358	364	366	391	447	411	430	487
Fraud and spam prevention services	244	295	290	312	316	335	344	349	377	430	397	415	471
Other services	26	23	22	19	19	22	19	17	14	16	14	15	16
Cost of sales	77	82	78	83	89	92	92	97	103	147	121	133	138
Labor cost	54	53	54	55	58	62	61	61	58	60	60	65	64
Depreciation	11	10	10	12	10	10	11	14	14	17	19	21	20
Others	31	42	37	45	48	48	47	62	53	94	74	73	79
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%	15.7%
SG&A expenses	93	94	99	126	122	102	106	139	153	154	154	173	167
Personnel expenses	41	42	44	44	45	50	52	56	57	62	63	65	67
Advertising expenses	0	11	14	29	15	12	11	23	15	15	12	9	10
R&D expenses	8	7	10	17	16	2	2	4	3	3	7	16	7
Others	42	32	31	35	44	36	40	55	76	72	71	81	82

*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

FY10/23 Quarterly Sales Composition by Category

Unit: Millions of yen	FY10/20				FY10/21				FY10/22				FY10/23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Fraud and spam prevention services	244	295	290	312	316	335	344	349	377	430	397	415	471
Mobile phone services	211	247	248	259	265	281	290	295	311	331	313	314	361
Landline phone services	27	42	33	43	38	37	37	34	34	51	38	41	44
Business phone services	4	5	7	9	11	17	16	20	31	48	44	59	65
Other services	26	23	22	19	19	22	19	17	14	16	14	15	16

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 second quarter results of operations at 16:00 on June 9, 2023 (Friday).

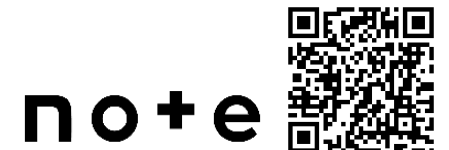


Contact

Investor Relations, Tobila Systems Inc.

E-mail ir@tobila.com

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



<https://note.com/tobila4441>



TOBILA

S Y S T E M S