



Results of Operations

for the First Nine Months
of the Fiscal Year Ending October 31, 2024

September 10, 2024

Tobila Systems Inc. (Tokyo Stock Exchange Standard Market, Stock Code : 4441)

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01

Financial Highlights and Business Overview

3Q FY2024 Financial Highlights

Net sales

¥617 million Up 18.8% YoY

Operating
profit

¥231 million Up 41.0% YoY

Mobile phone services

Net sales

¥411 million

Up 10.8% YoY

- Consistent growth supported by higher rates for No. of contracts x unit price contracts starting in April 2024 and the start of optional services for J:COM MOBILE.

Landline phone services

Net sales

¥53 million

Up 5.3% YoY

- The number of optional service contracts for JCOM's Cable Plus Phone continued to increase steadily.

Business phone services

Net sales

¥151 million

Up 74.1% YoY

- The number of contracts for TobilaPhone Biz and TobilaPhone Cloud increased.

Upward Revision of FY2024 Forecast

- The operating profit and ordinary profit forecasts have increased because of the growth of sales in the mobile phone services category, which has a high profit margin, and the efficient use of expenses. The profit forecast has been revised from a decrease from the initial forecast to an increase.

Unit: Millions of yen	FY2022 Results	FY2023 Results	FY2024 Forecast		YoY (After revision)
			(Before revision) Initial forecast	(After revision) Announced on September 10	
Net sales	1,681	2,061	2,350	2,350	114.0%
EBITDA ^{*1}	693	870	941	986	113.3%
Operating profit	540	682	755	785	115.0%
Ordinary profit	532	679	754	782	115.1%
Profit	322	517	500	541	104.5%
(Profit excluding extraordinary income (loss))	(350)	(469)	(500)	(519)	(110.8%)
Operating margin	32.2%	33.1%	32.1%	33.4%	-
ROE ^{*2}	20.1%	26.9%	22.5%	23.9%	-
Equity ratio	64.1%	58.6%	56.4%	56.7%	-

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

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

Corporate

FY2024 Year-end Dividend Increase

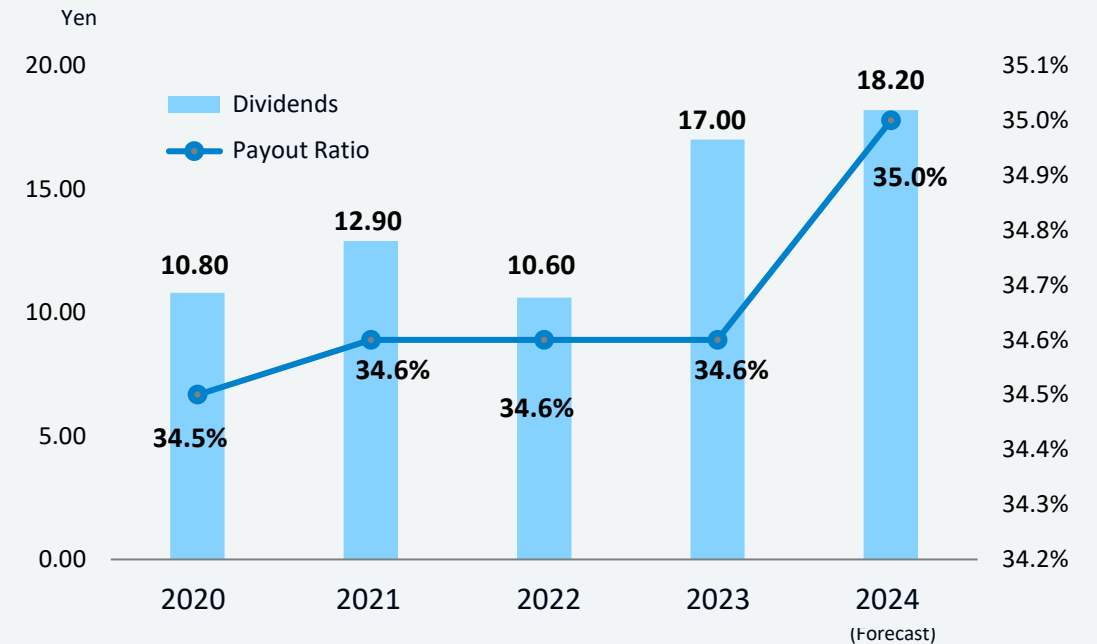
- Based on the revisions to the earnings forecast, the dividend per share plan for FY2024 has been raised along with the basic policy of a payout ratio of 35%.
- Dividend forecast for FY2024 has been increased by 1.20 yen from the initial forecast of ¥17.00 to ¥18.20.

Dividend Policy

Payout ratio **35%**

- 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.

Dividends / Payout Ratio



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

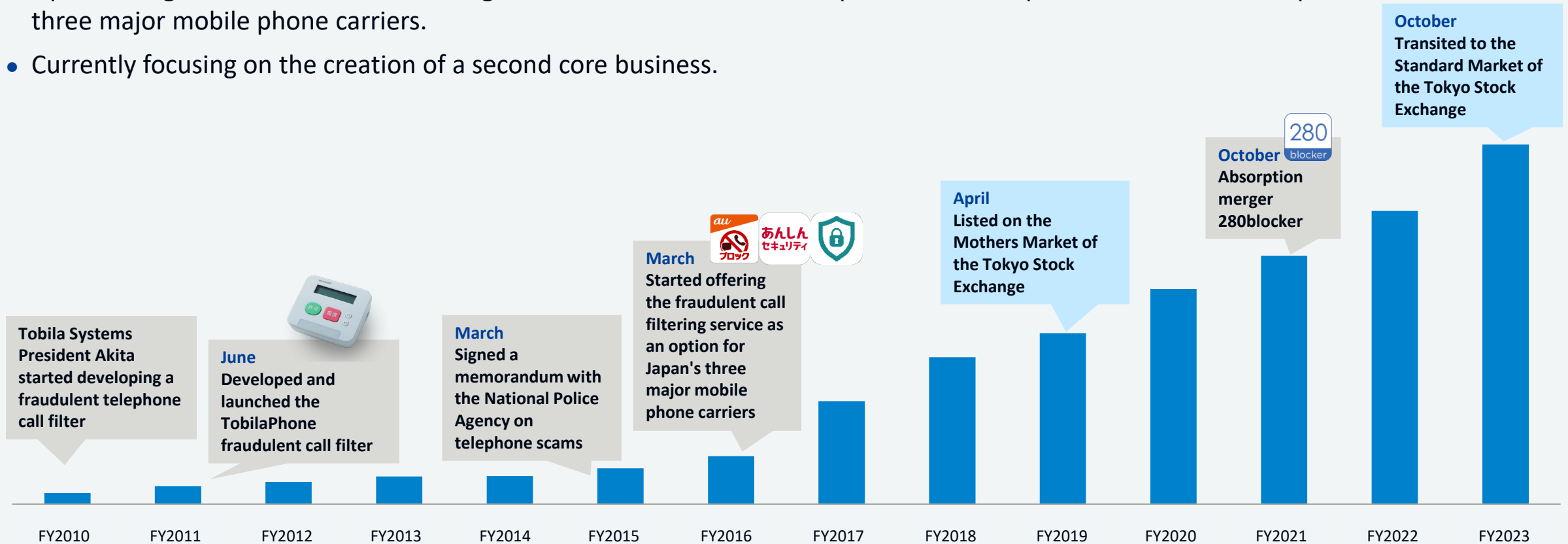
We are constantly changing without fear of failure and challenging conventional thinking to realize a better future for which we dream.

We will be a source of products that help solve social issues and benefit for people. We will also pursue appropriate earnings for sustainable 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 directly lead to our growth and a better life for people worldwide.

History of Consistent Growth*

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

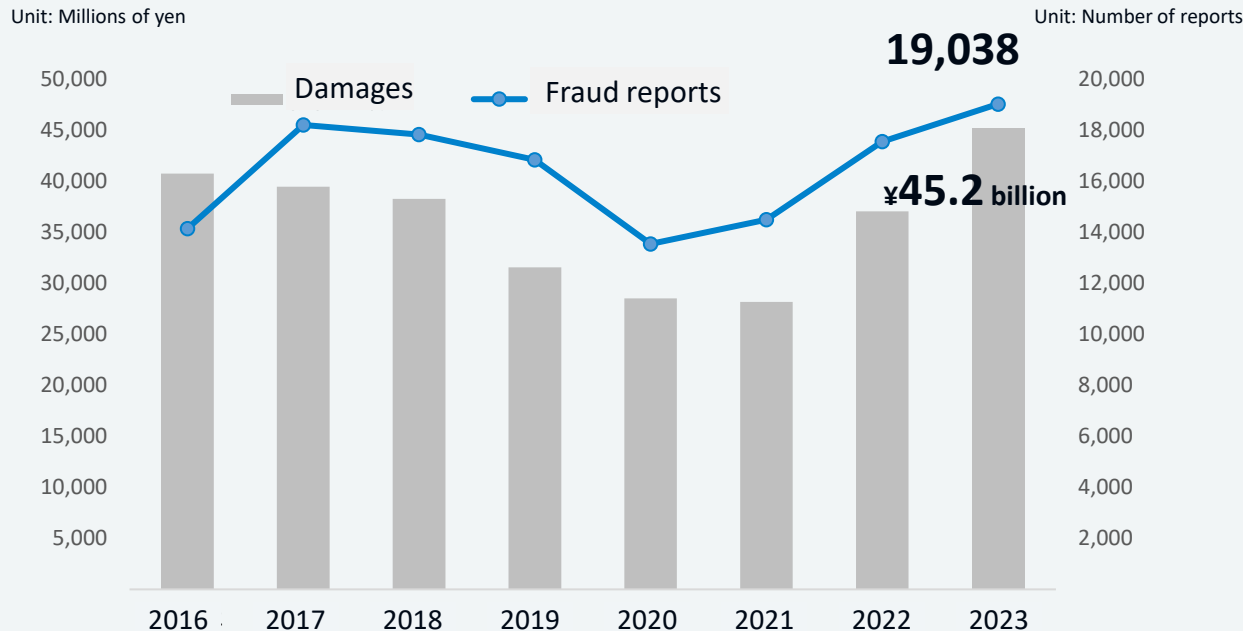


*Bar graphs indicate net sales.

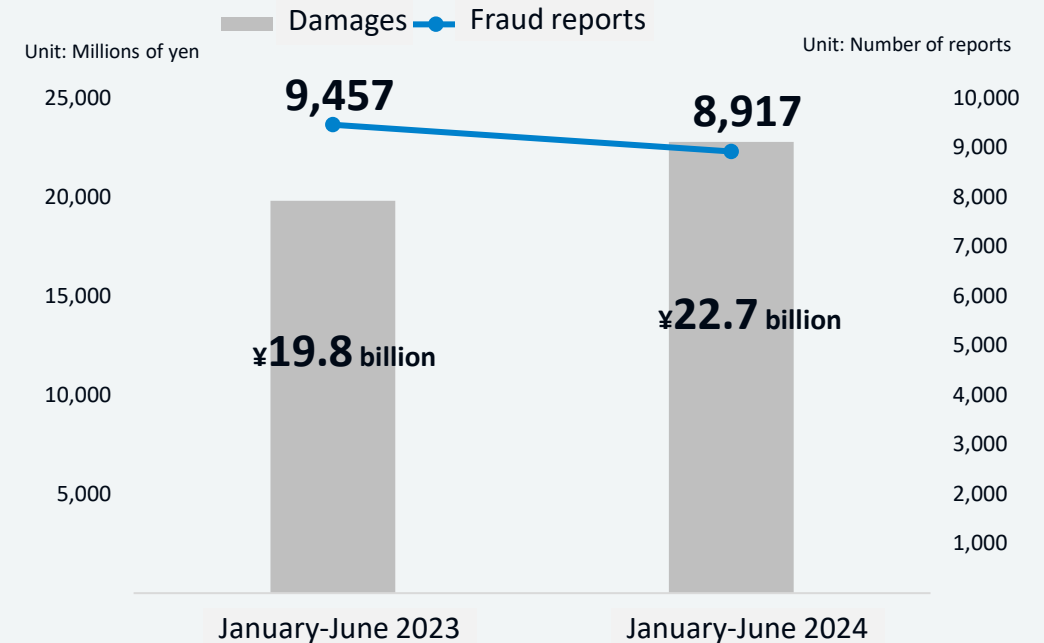
Social Issues of Special Fraud and Phishing Scams

- Special fraud (fraud with no face-to-face contact) reports and damages have been increasing since 2021.
- Compared with the first half of 2023, the number of special fraud reports are decreasing while special fraud damages are increasing in the first half of 2024 (increase in the amount of damage per report).

Number of Special Fraud Reports and Damages (Yearly)*1



Number of Special Fraud Reports and Damages (1H 2023 and 1H 2024)*2



*1: [Identification and Control of Special Fraud in 2023 \(final version\)](#), National Police Agency (Japanese only)

*2: [Identification and Control of Special Fraud in the First Half of 2024](#), National Police Agency (Japanese only)

Tobila Systems' Strengths: The Fraudulent Call/Message Database

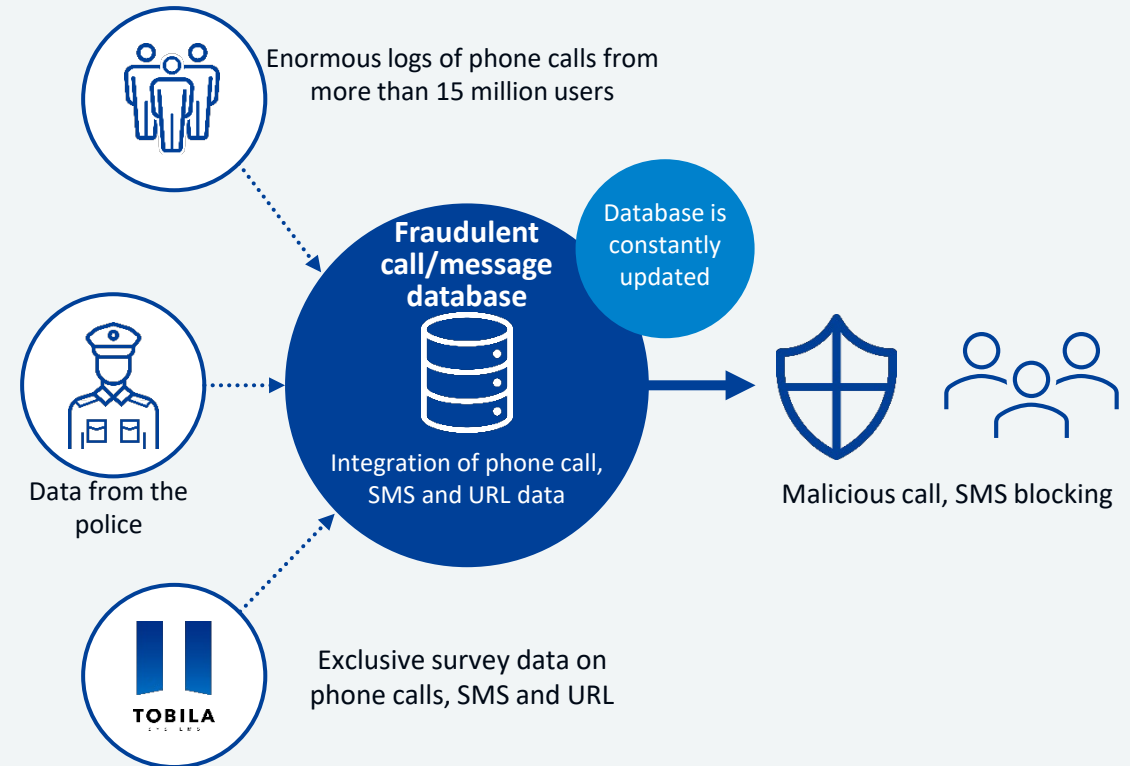
- Losing money due to a scam starts with answering a dangerous phone call, responding to malicious SMS or visiting a dangerous website.
- Tobila Systems updates every day its fraudulent call/message database that contains dangerous phone number, SMS and URL information to protect users of Tobila Systems services by blocking incoming calls and messages from these sources.

Strengths of our fraudulent call/message database

- Tobila Systems receives information from the police on telephone numbers and URLs that were used for crimes and other malicious activities.
- The database has a system for incorporating feedback from users concerning phone numbers and SMS.
- The database is updated every day by using information from the Tobila Systems survey team.



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 Business has three categories of services: mobile phones, landline phones and business phones.

Mobile phone products



SoftBank
"Security One"



NTT Docomo
"Anshin Security"



KDDI
"Meiwaku Message & Denwa Block"



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

Landline phone products



- Flexible solutions with or built-in units and as a function incorporated into a carrier's network infrastructure.
- Blocks unnecessary sales calls and fraudulent calls.

Business phone products*



トビラフォン Biz
TobilaPhone Biz



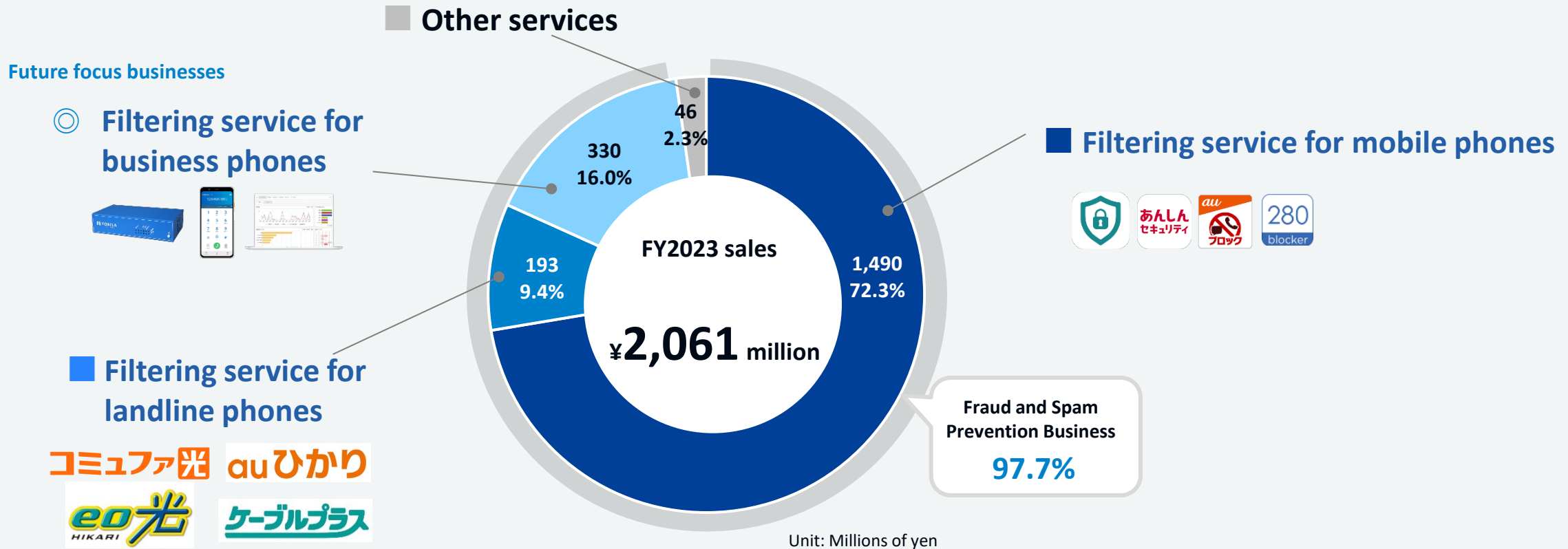
トビラフォン Cloud
TobilaPhone Cloud

- Services for corporations
- Makes telephone tasks more efficient and supports the digital transformation.

*Plan to combine Talk Book and TobilaPhone Cloud by October 31, 2024 due to the smaller difference between the functions of these two services following the upgrade of TobilaPhone Cloud. (Japanese only)

Business Segments (FY2023)

- In the core Fraud and Spam Prevention Business, filtering services for mobile phones accounts for 72.3% of sales.
- Stable earnings of mobile phone services are used to fund expenditures in the rapidly growing filtering services in the business phone sector.

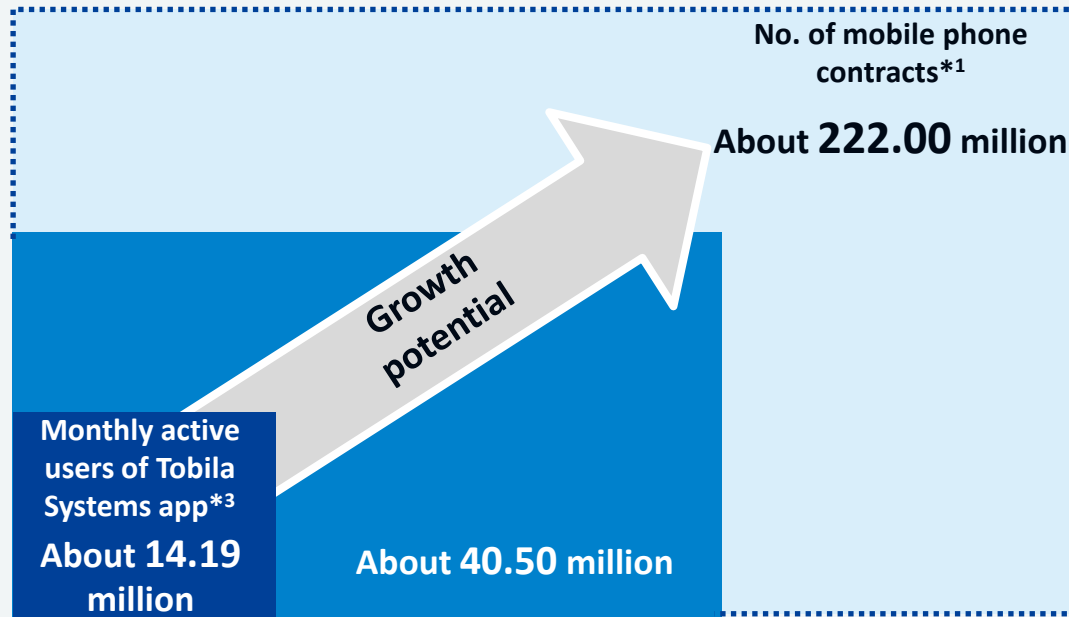


Mobile Phone Services

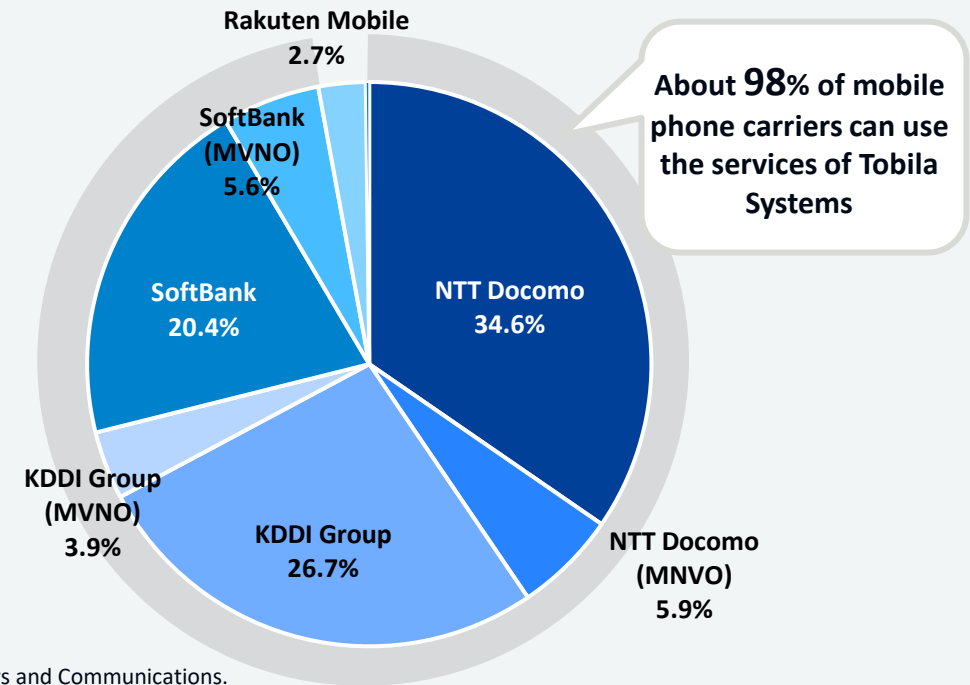
Growth Potential for Mobile Phone Services

- The number of users who can use Tobilas Systems services at no extra charge is currently more than about 40.50 million.
- All major mobile phone carriers in Japan provide Tobilas Systems services, which enables effective promotion and sales activities for these services.

Potential Market Size



Mobile Phone Market Share in Japan



*1: Quarterly data on the "Number of Telecommunications Service Contracts and Market Share" (announced on June 28, 2024), Ministry of Internal Affairs and Communications.

*2: Tobilas Systems estimate based on data collected by Tobilas Systems for SoftBank, Smart Pass Premium contracts for au based on the [KDDI FY3/24 financial data](#) and the number of contracts for options announced on December 19, 2018 for NTT Docomo.

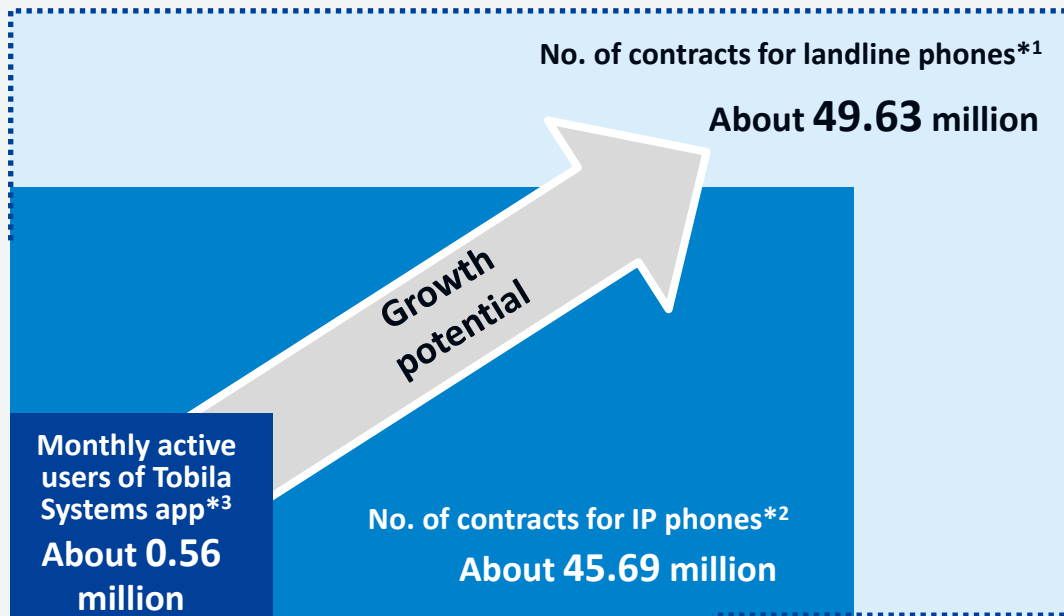
*3: Number of the monthly active users is the finalized figure as of April 30, 2024. Final figure as of the end of the second quarter is used because of the temporary difficulty of calculating some figures due to revisions in specifications.

Landline Phone Services

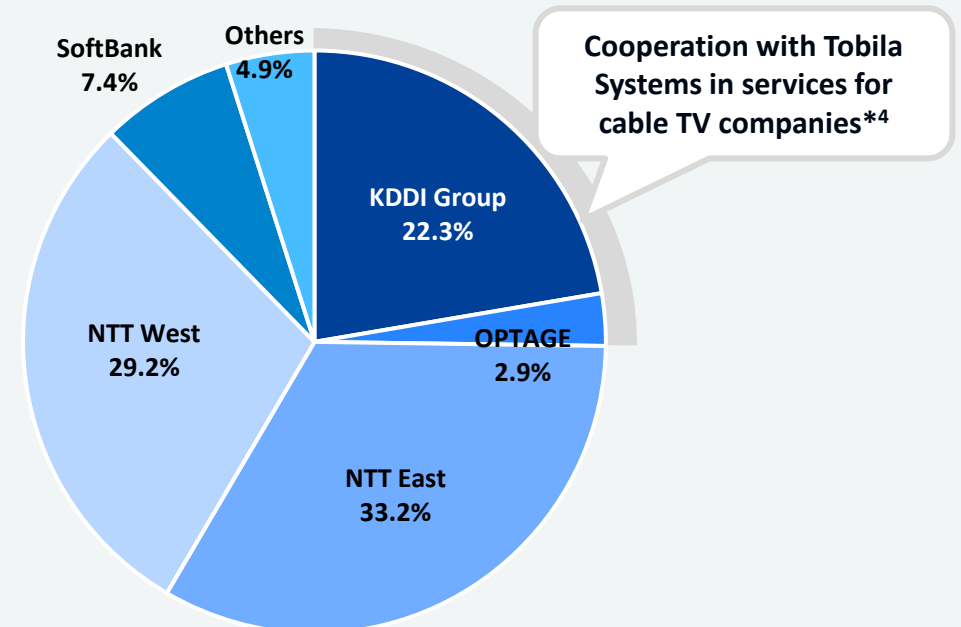
Growth Potential for Landline Phone Services

- In January 2024, NTT East and NTT West began moving customers from landline services to IP networks. 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 and *2: Quarterly data on the "Number of Telecommunications Service Contracts and Market Share" (announced on June 28, 2024), Ministry of Internal Affairs and Communications.

*3: Number of the monthly active users as of July 31, 2024, includes some provisional figures. The data may vary somewhat when the finalized figures are released and reflected in the data.

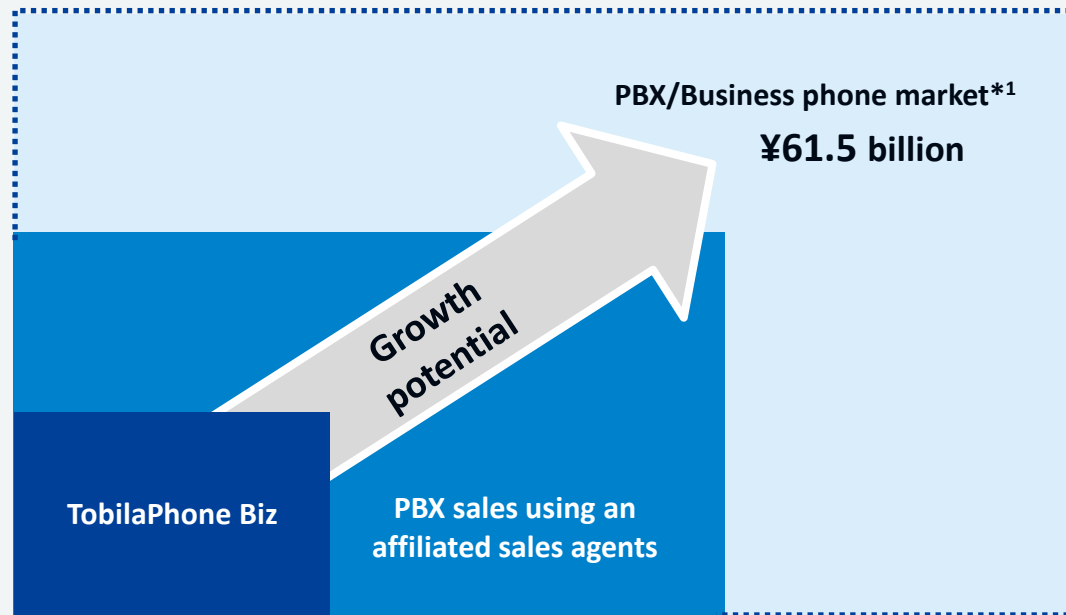
*4: Press release titled "Japan's First "Automatic Nuisance Call Blocking" Service for Landline Phones that Does Not Require Special Attachment" (Japanese only)

Business Phone Services

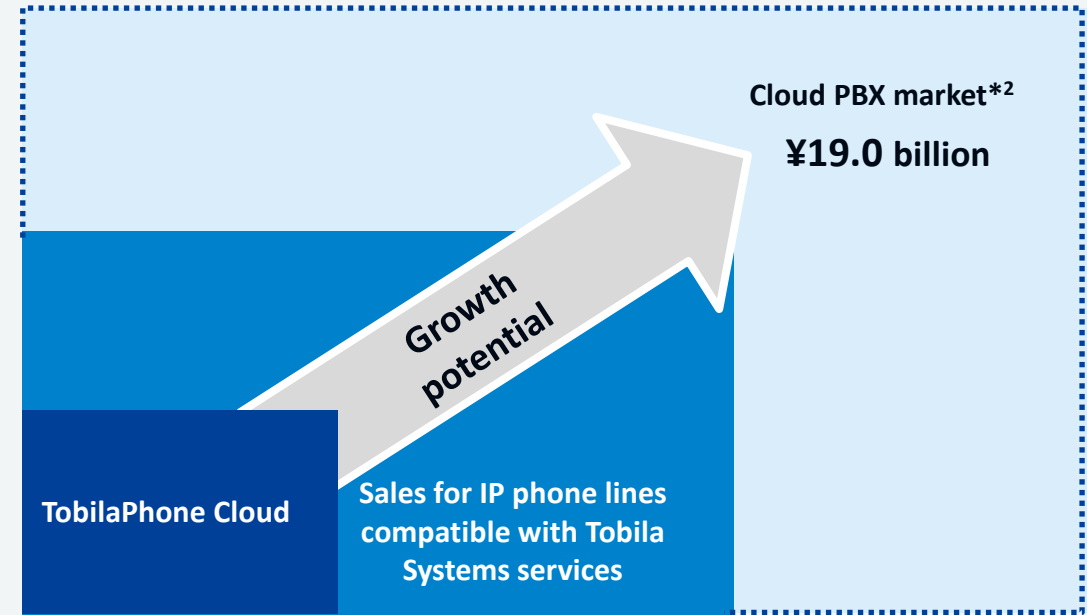
Growth Potential for Business Phone Services

- TobilaPhone Biz is compatible with a PBX. The size of the PBX/business phone market in Japan is ¥61.5 billion.
- The size of the cloud PBX market in Japan, which is the market for TobilaPhone Cloud, is ¥19.0 billion. This market is growing as users move from the PBX to the cloud PBX market.

Potential Market Size for TobilaPhone Biz



Potential Market Size for TobilaPhone Cloud



*1: PBX and key telephone system sales in fiscal 2022 based on the CIAJ Telecommunications Medium-term Demand Forecast 2022-2027

*2: Fiscal 2022 forecast in 2022 Communications Marketing Survey by Fuji Chimera Research Institute, Inc.

02

3Q FY2024 Topics

Mobile Phones

Started Malicious Phone Call and Message Blocking Service for J:COM MOBILE

- On July 16, 2024, Tobil Systems started providing the malicious phone call and message blocking service, which uses the Tobil Systems database, as an optional service to the customers of J:COM MOBILE.*

あたらしいを、あたりまえに

J:COM

Z A Q

MY J:COM

Monthly fee: ¥330 (including tax)

Examples of blocking service screens

*Press release titled [“Start of Malicious Phone Call and Message Blocking Service Using the Tobil Systems Database for J:COM MOBILE”](#)

Increasing Need for TobiliPhone Biz to Combat Customer Harassment, Strengthening Sales Activities by Working with Agents

- Demand is increasing for automated phone call recording, messages notifying callers that conversations are recorded, and other capabilities for protecting companies from harassment from customers, including excessive complaints, annoying activities, abusive language and other improper behavior.
- Many activities are under way to strengthen ties with sales agents, such as using seminars held by Otsuka Corporation as opportunities for presentations about customer harassment prevention.

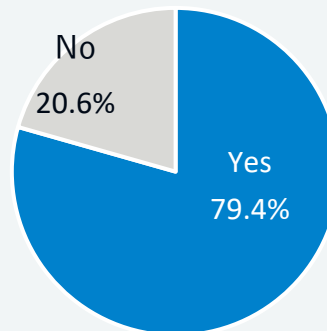
Survey of Customer Harassment Using Telephone Calls

- A TobiliPhone Biz survey about customer harassment using telephone calls revealed the need for and effectiveness of automated telephone call recordings and messages notifying people that the call is being recorded.*
- According to a survey of companies using a TobiliPhone Biz business phone, about 80% of business phone users responded “yes” when asked if TobiliPhone Biz is effective at preventing customer harassment. (n=102)



トビラフォン Biz

TobiliPhone Biz



Presentations at Otsuka Corporation Seminars

- Members of the TobiliPhone Biz sales team explained telephone call customer harassment countermeasures that are essential when interacting with customers. Sales activities for TobiliPhone Biz for protection against customer harassment are increasing by using relationships with sales agents.



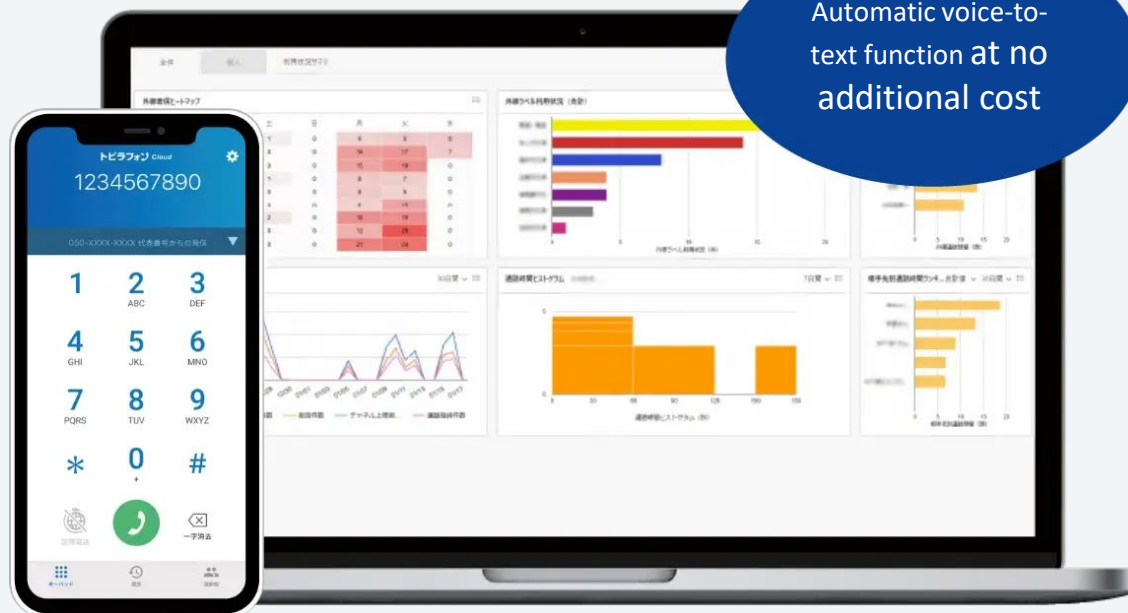
Explanations of TobiliPhone Biz benefits involving cyberattacks, customer harassment, responses to natural disasters and other events

*Press release titled “[Survey of Customer Harassment Using Telephone Calls – 60% Not Using Protection Against Abusive Language, Long Calls and Other Problems](#)”

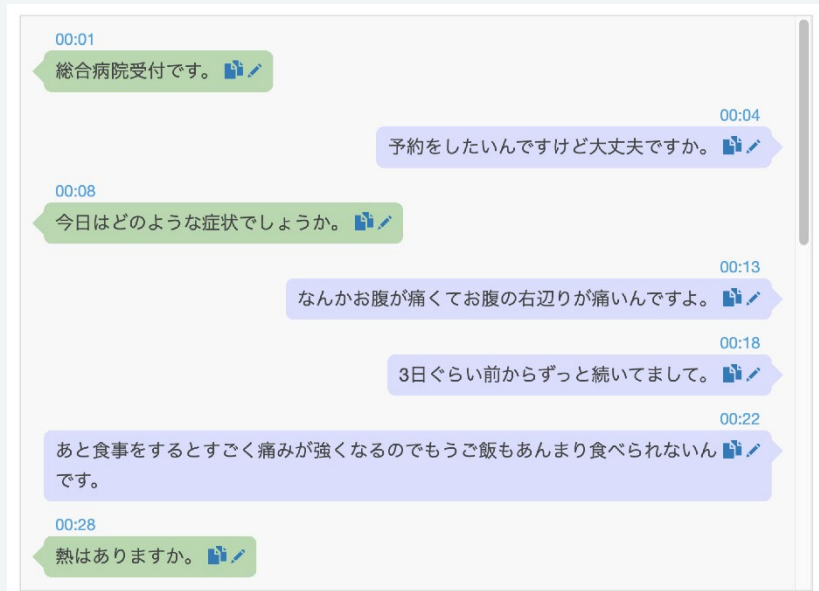
Business Phone Services

Start of Voice-to-Text as a Standard Service of TobilPhone Cloud

- On August 1, 2024, Tobil Systems added a voice-to-text capability to TobilPhone Cloud as a standard service.*
- In addition to the standard voice-to-text service, Tobil Systems started providing a voice recognition engine for medical applications that was developed by Tobil Systems.



Example of Voice-to-text Using the Medical Voice Recognition Engine



*Press release titled "Voice-to-Text Now a Standard Function of TobilPhone Cloud – Also Able to Use a Voice Recognition Engine Specifically for Phone Calls to Medical Institutions"

03

3Q FY2024 Financial Results

3Q FY2024 Financial Summary

- Record-high quarterly sales in the third quarter. Earnings at all levels were higher than one year earlier but there were small declines from the second quarter as planned because of investments for more growth.

	3Q FY2023	2Q FY2024	3Q FY2024 Results	YoY	QoQ
Unit: Millions of yen					
Net sales	520	586	617	118.8%	105.4%
EBITDA*	213	280	281	131.6%	100.4%
Operating profit	164	235	231	141.0%	98.2%
Ordinary profit	163	235	229	140.6%	97.7%
Profit	106	157	153	143.5%	97.5%

*: EBITDA = Operating profit + Depreciation + Amortization of goodwill

3Q FY2024 Sales by Service Category

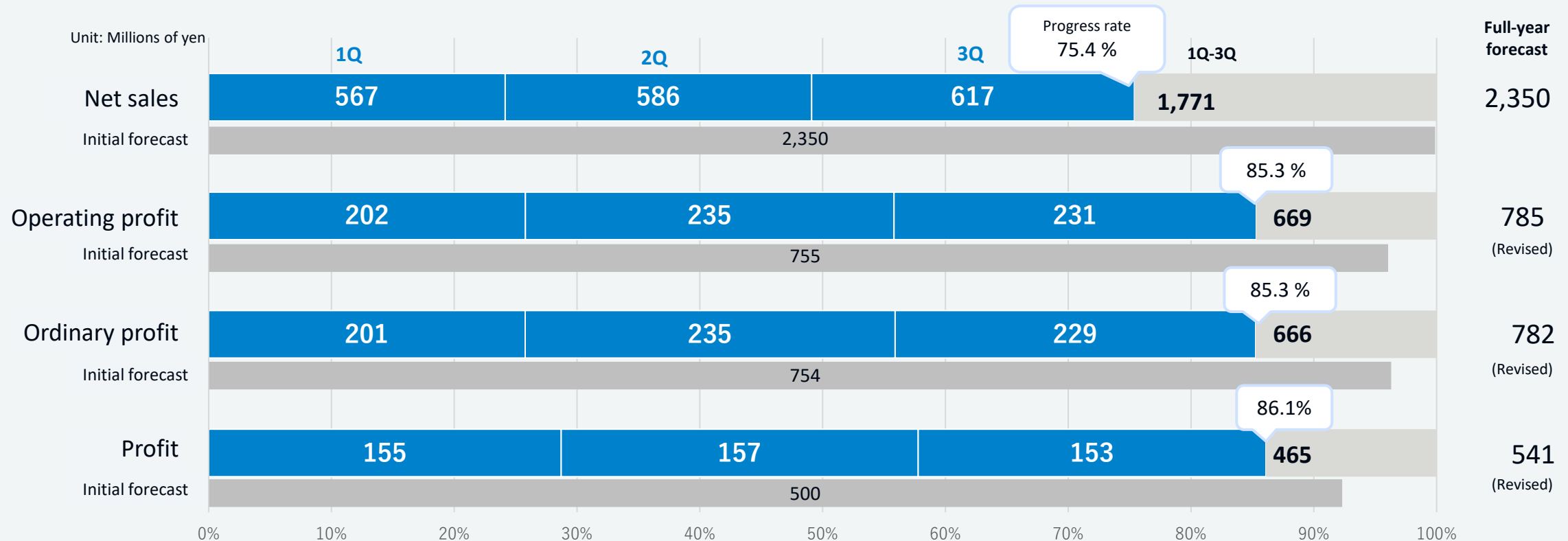
- Steady growth of mobile phone service sales mainly due to the renewal of contracts at a higher rate for No. of contracts x unit price contracts (April 2024) and launch of a service by J:COM MOBILE.
- Growth of business phone services sales is continuing as sales of TobilaPhone Biz and TobilaPhone Cloud continued to increase.

	3Q FY2023	2Q FY2024	3Q FY2024 Results	YoY	QoQ
Unit: Millions of yen					
Fraud and Spam Prevention Business	509	586	617	121.2%	105.4%
Mobile phone services	371	399	411	110.8%	103.0%
Landline phone services	50	53	53	105.3%	101.0%
Business phone services	87	132	151	174.1%	114.3%
Others*	-	0	0	-	100.0%
Other services	10	-	-	-	-

* Beginning with 1Q.FY2024, we have changed to a single reportable segment of Fraud and Spam Prevention Business due to the sale of HP4U in the previous fiscal year. Accordingly, "Other services" has been included in the "Fraud and Spam Prevention Business."

3Q vs. FY2024 Forecasts

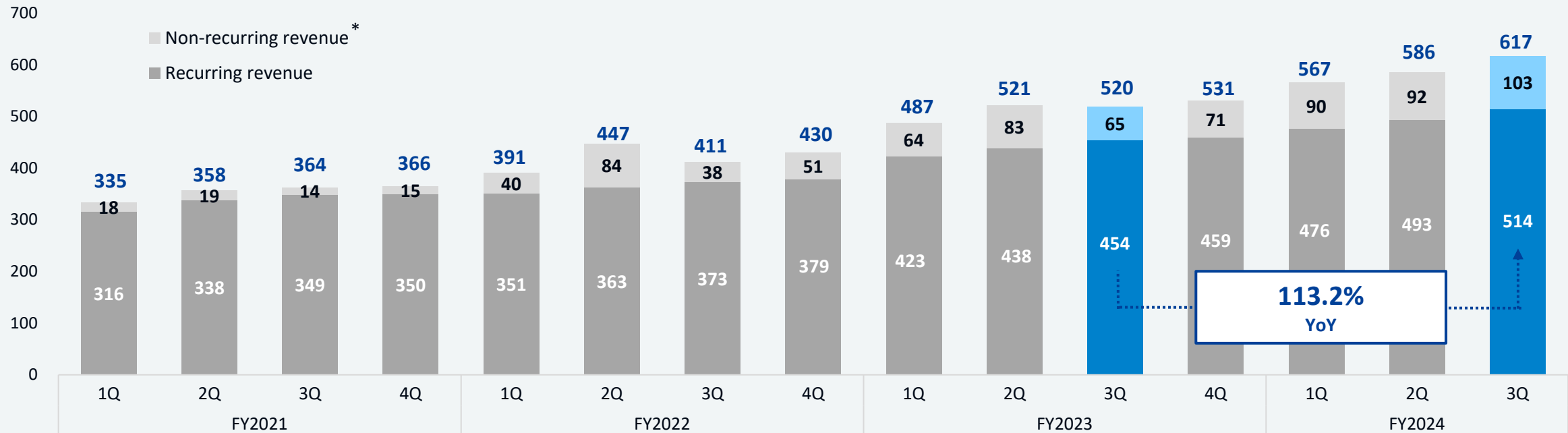
- Sales and earnings at all levels more than 75% of the upwardly revised forecast in the first nine months.
- Planning to continue expenditures for advertising in growing market sectors in the fourth quarter.



Quarterly Sales (Recurring Revenue and Non-recurring Revenue)

- Recurring revenue increased by 13.2% YoY mainly due to higher business phone service revenue and higher rates for mobile phone services.
- Non-recurring revenue includes one-time revenue from 280blocker (ad blocking app), sales of TobilaPhone and TobilaPhone Biz hardware, and one-time development projects.

Unit: Millions of yen



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

(Reference) 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 (Subscription contract)

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 are secured because changes in the number of contracts or monthly active 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

- Tobila Systems revenue is directly linked with the revenue of major mobile phone carriers.
- The number of people with an optional package contract is decreasing as more people switch to low-cost smartphones.

Monthly active users × Unit price

Sales are linked to monthly users of Tobila Systems services.

Monthly active users × Unit price

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

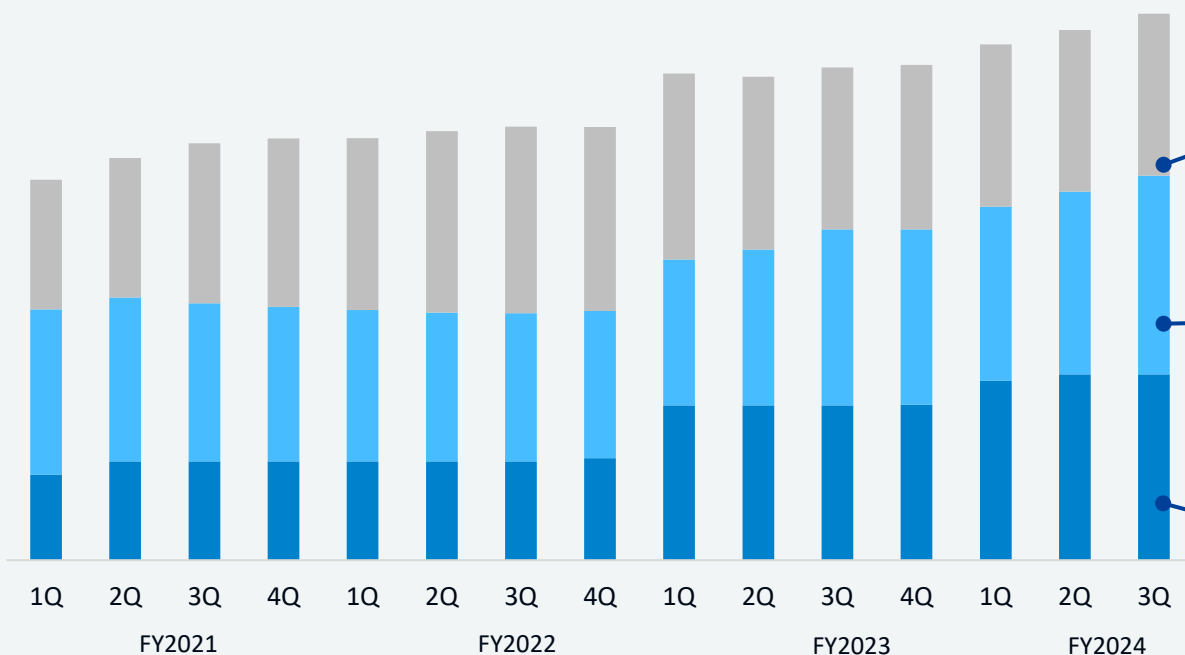
*IR note <for Mobile Phone Filtering Services> "Differences in contract formats" <https://note.com/tobila4441/n/n71f22dbaab6d>

Mobile Phone Services

Quarterly Sales by Contract Format

- Higher rates for No. of contracts x unit price contracts (revised April 2024) made the first full-quarter contribution to sales growth in the third quarter.
- Continue to work with mobile phone carriers to increase the number of users.

Quarterly Sales Composition by Contract Format*



Sales and Monthly Active Users (Performance Vs. Prior Quarter)

Difference between 2Q and 3Q FY2024

No. of Monthly active users × Unit price

Sales:	100.1%
Monthly active users:	100.1%

No. of contracts × Unit price

Sales:	108.8%
Monthly active users:	-%

Increased due to higher rates starting in April 2024 when contracts are renewed

Omitted due to the difficulty of making adjustments for users counted twice during the app renewal period

Fixed payment (subscription contract)

Sales:	100.0%
Monthly active users:	100.4%

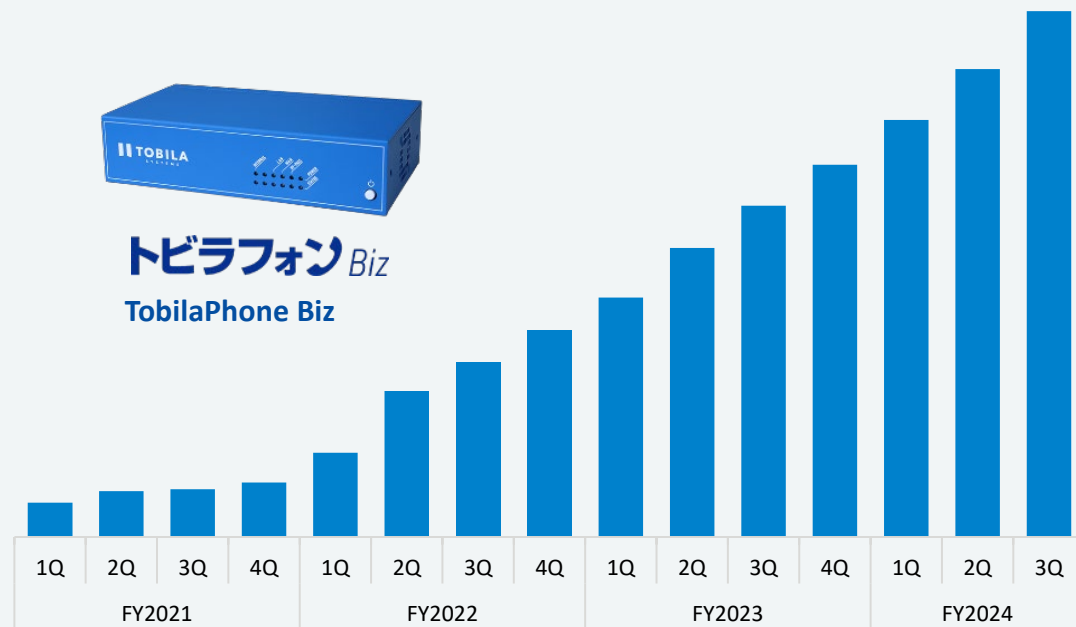
*Sales and the number of monthly active users are for only contracts with Japan’s three major mobile phone carriers. Low-cost smartphone services and other MVNO contracts are not included.

Business Phone Services

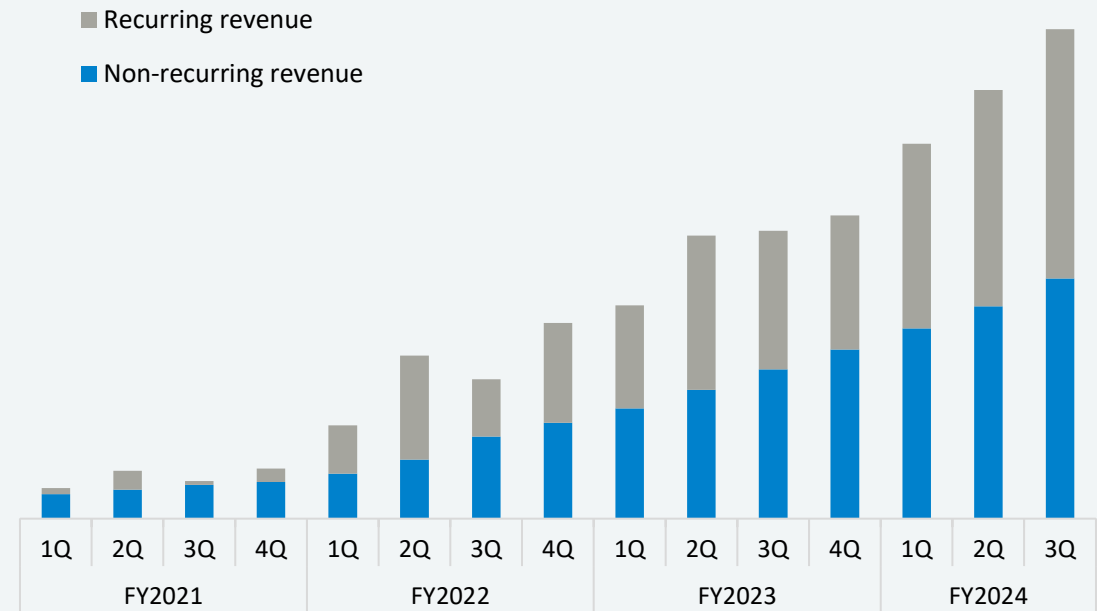
TobilaPhone Biz

- Hardware sales continued to increase in the third quarter as more sales agents were added and sales activities increased to promote TobilaPhone Biz for protection against customer harassment.
- A sound base for consistent earnings as recurring revenue continues to grow.

Cumulative TobilaPhone Biz Units Sold



Non-recurring Revenue/Recurring Revenue*



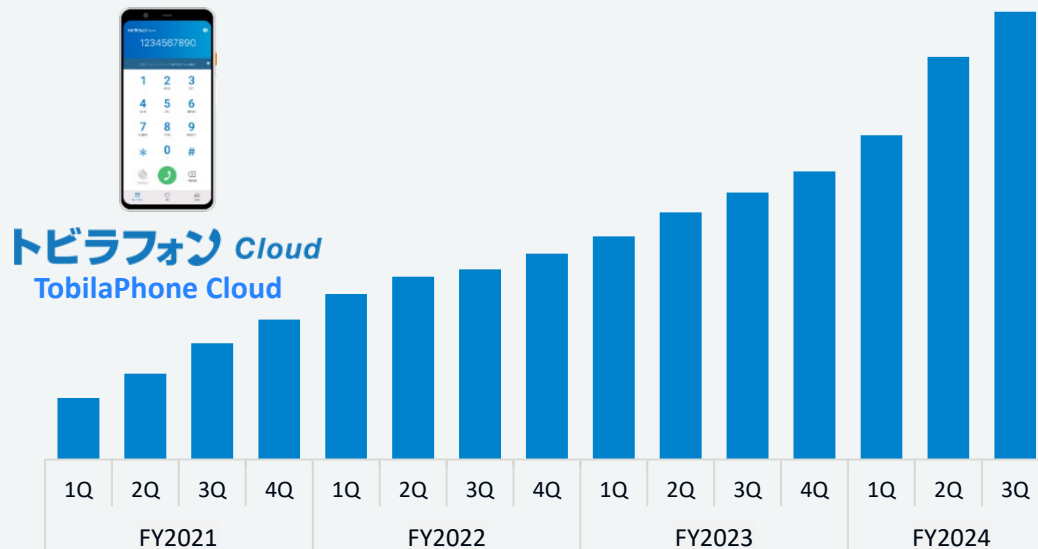
* Most sales of TobilaPhone Biz units are bundled packages that combine the cost of the hardware with 5-7 years of TobilaPhone Biz service fees. Hardware sales are recognized when these units are sold to sales agents. License fees are classified as a contractual liability and recognized proportionally as sales every month during the contract period.

Business Phone Services

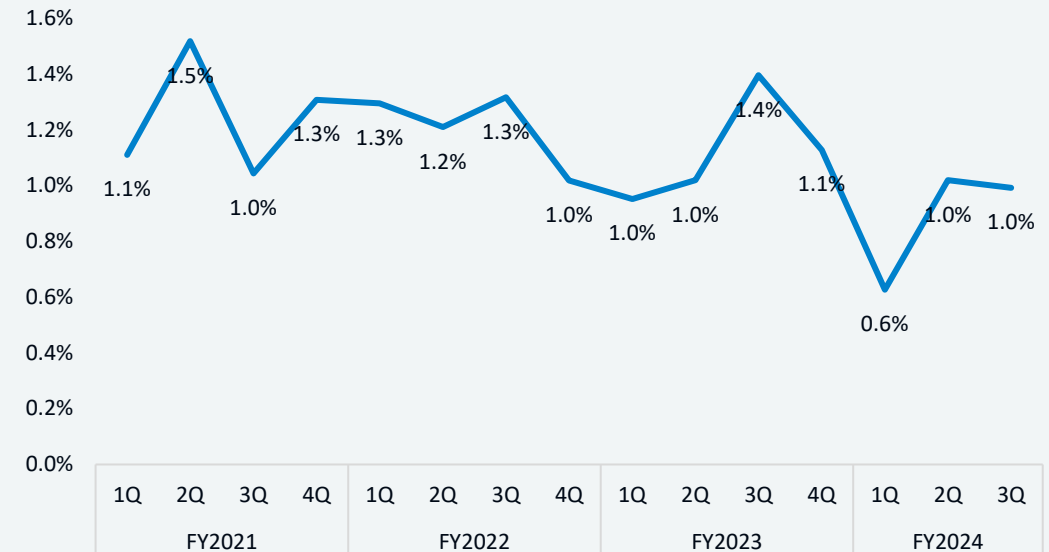
TobilaPhone Cloud

- Rapid growth continued in the third quarter as actions continue for strengthening sales and marketing activities.
- The churn rate is declining and is currently only about 1% due to measures for upgrading functions and quality.
- Plan to combine Talk Book and TobilaPhone Cloud because progress involving technologies has reduced the difference between the functions of these two services.

Number of Billing IDs*1



Average Monthly Churn Rate*2



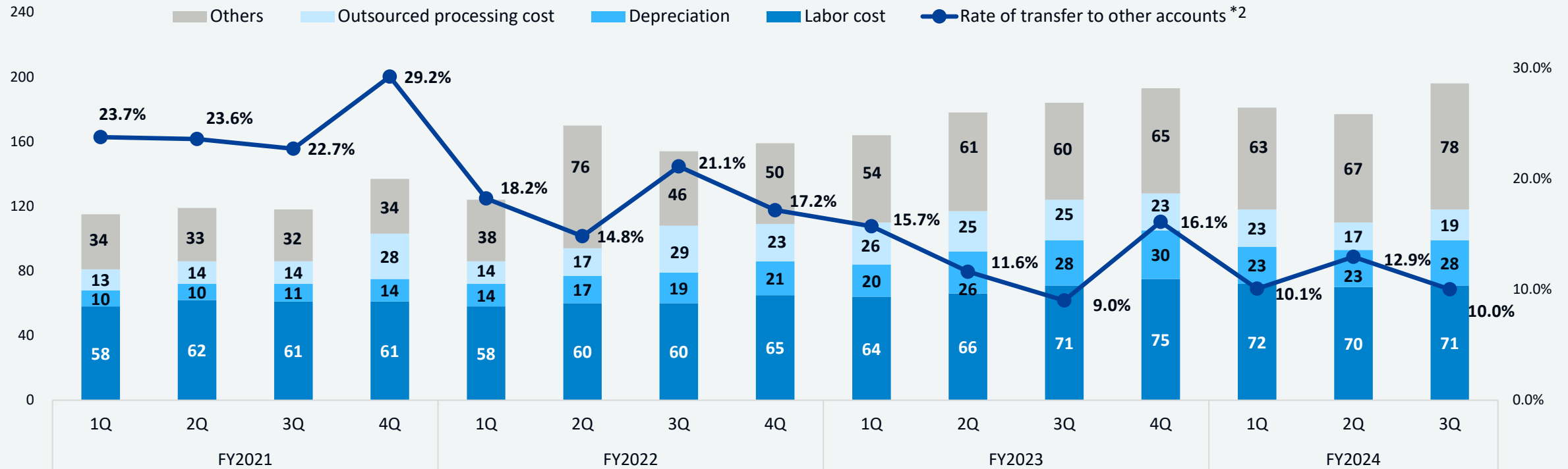
*1: Total IDs in active contracts; same as the number of users who can utilize TobilaPhone Cloud

*2: The monthly churn rate is cancellations in a month as a pct. of the number of contracts at the beginning of the month. Averages for quarters are shown.

Cost of Sales

- The cost of sales*¹ was controlled generally as planned.
- The FY2024 cost of sales forecast has been increased from ¥644 million as of the end of the second quarter to ¥715 million mainly due to expenses for upgrading skills of employees and higher depreciation expenses resulting from the integration of the Talk Book service.

Unit: Millions of yen



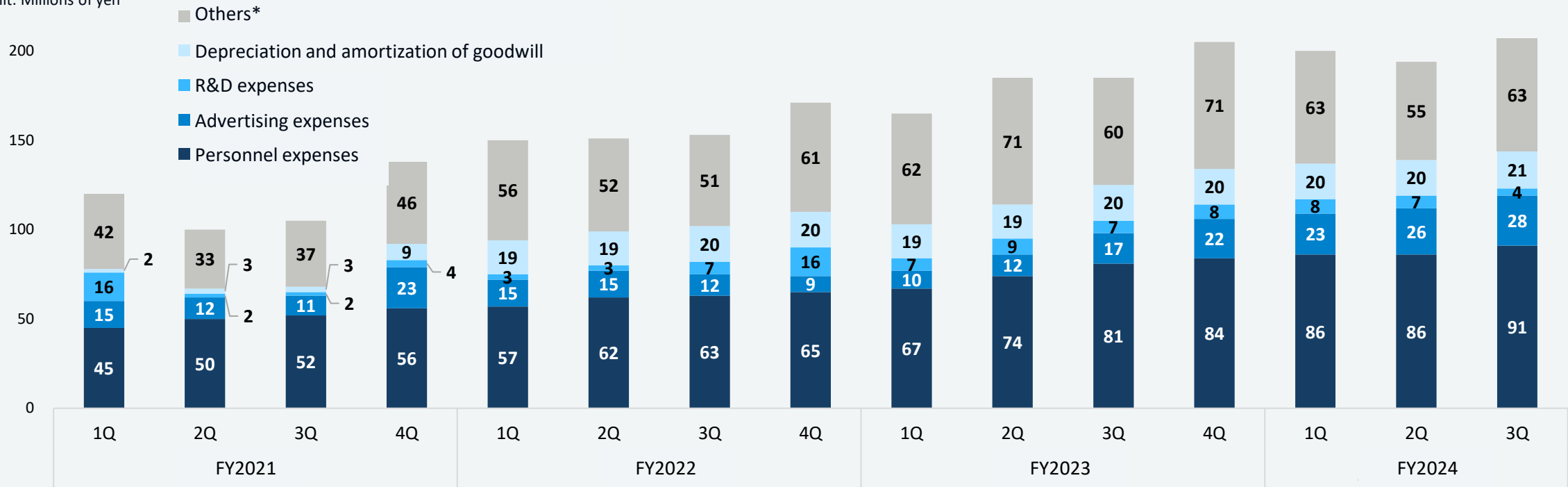
*1: The sum of labor cost, depreciation and others does not match the total cost of sales on the income statement because these figures are before adjustments for reclassified expenses and work in process transfers.

*2: Rate of transfer to other accounts is the rate of cost of sales recorded as R&D expenses and assets due mainly to the characteristics of work performed by employees.

SG&A Expenses

- Advertising and personnel expenditures increased as planned due to more sales activities and progress with hiring people.
- Planning to continue expenditures for recruiting and for advertising in growing market sectors in the fourth quarter. However, the FY2024 outlook has been lowered from ¥930 million as of the end of the second quarter to ¥850 million due to the efficient use of expenses.

Unit: Millions of yen



*Others include collection fees, outsourcing expenses, rent expenses on buildings and other items.

(Reference) Advertising Expenses

- Using advertisements that feature current employees to raise public awareness of Tobil Systems

Advertisement in the Nagoya Metro

- Started placing ads in Nagoya Metro trains to raise awareness of Tobil Systems.
- Advertisements tell people that Tobil Systems is opening the door to the future.



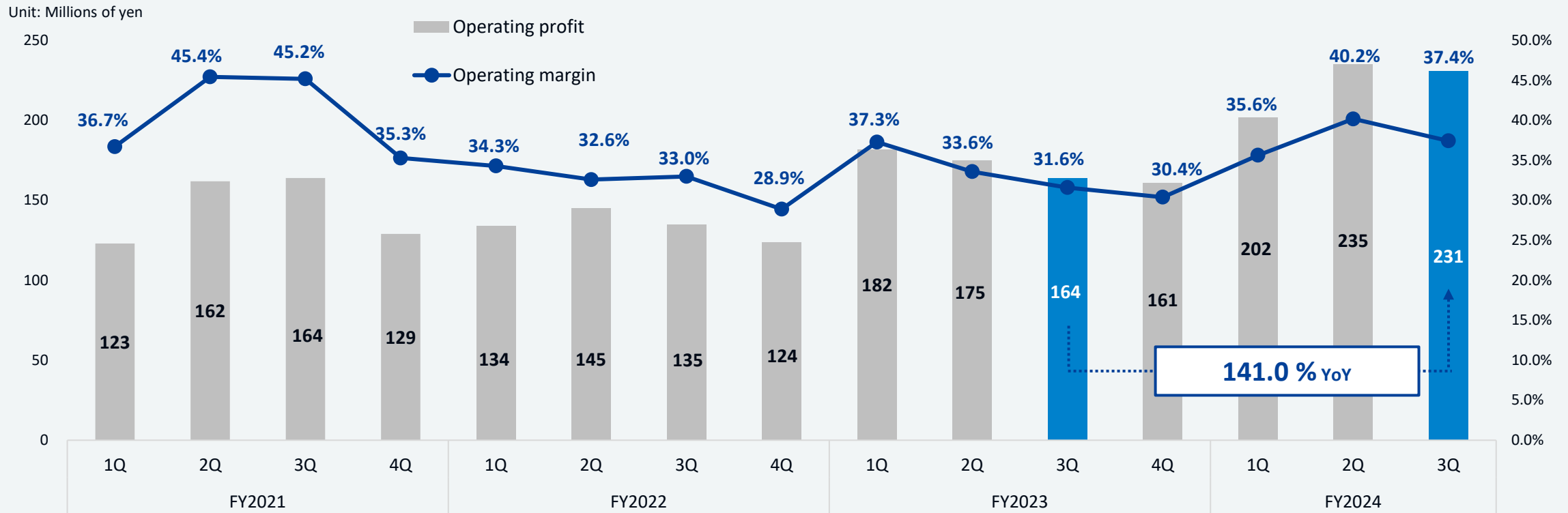
YouTube Advertisements

- Advertisements using YouTube raise awareness of TobilPhone Cloud.
- These advertisements started in September 2024.



Operating Profit

- Operating profit was down from the previous quarter as planned due to recruiting and to advertising in growing market sectors.
- The FY2024 forecast has been increased from ¥755 million to ¥785 million because expenses have been used more efficiently than anticipated.



Quarterly Expenses

Unit: Millions of yen	3Q FY2023	2Q FY2024	3Q FY2024 Results	YoY	QoQ
Cost of sales	169	154	177	104.9%	115.1%
Labor cost	71	70	71	99.9%	101.1%
Outsourced processing cost	25	17	19	78.4%	114.5%
Depreciation	28	23	28	98.7%	121.1%
Others	60	67	78	128.8%	115.8%
Rate of cost of sales recorded as R&D expenses and assets*	9.0%	12.9%	10.0%	1.0pt	-2.9pt
SG&A expenses	186	196	208	111.9%	106.4%
Personnel expenses	81	86	91	111.8%	105.7%
Advertising expenses	17	26	28	161.1%	105.3%
R&D expenses	7	7	4	65.0%	64.1%
Depreciation and amortization of goodwill	20	20	21	104.7%	102.3%
Others	60	55	63	105.8%	115.1%

*Rate of cost of sales recorded as R&D expenses and assets due mainly to the characteristics of work performed by employees.

Balance Sheet

- Cash and deposits and current liabilities (mainly an increase in contract liabilities because earnings are recognized over the length of contracts) were the main reasons for the increases in assets and liabilities

Unit: Millions of yen	FY2023	3Q FY2024	Change
Current assets	2,816	3,316	500
Cash and deposits	2,404	2,902	497
Trade receivables and contract assets	254	273	18
Other	156	140	-15
Non-current assets	830	748	-82
Property, plant and equipment	103	90	-13
Intangible assets	405	342	-62
Investments and other assets	322	314	-7
Total assets	3,646	4,064	417
Liabilities	1,510	1,761	250
Current liabilities	1,314	1,602	288
Non-current liabilities	195	158	-37
Net assets	2,136	2,303	166
Equity ratio	58.6%	56.7%	-1.9pt

04

FY2024 Earnings Forecast

FY2024 Earnings Forecast (Revised Upward)

- The forecast has been upwardly revised due to sales growth of the mobile phone services category, which has a high profit margin, and the efficient use of expenses.
- The profit forecast has been revised from a decrease from the initial forecast to an increase.

Unit: Millions of yen	FY2022 Results	FY2023 Results	FY2024 Forecast (Revised)	YoY (After revision)
Net sales	1,681	2,061	2,350	114.0%
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(Profit excluding extraordinary income (loss))	(350)	(469)	(519)	(110.8%)
Operating margin	32.2%	33.1%	33.4%	-
ROE* ²	20.1%	26.9%	23.9%	-
Equity ratio	64.1%	58.6%	56.7%	-

*1: EBITDA = Operating profit + Depreciation + Amortization of goodwill.

*2: ROE is calculated by using period average shareholders' equity in each fiscal year.

FY2024 Sales Forecast by Service Category (No Change from the First Half Earnings Announcement)

- Category sales forecasts were revised in the first half earnings announcement on June 10, 2024.
- Due to strong sales in all categories, category sales forecasts are the same as in the first half earnings announcement.

	FY2022 Results	FY2023 Results	FY2024 Forecast	YoY
Unit: Millions of yen				
Fraud and Spam Prevention Business	1,621	2,014	2,350	116.7%
Mobile phone services	1,271	1,490	1,611	108.1%
Landline phone services	165	193	213	110.1%
Business phone services	184	330	520	157.2%
Others	-	-	6	-
Other services	60	46	-	-

*Beginning with 1Q FY2024, we have changed to a single reportable segment of Fraud and Spam Prevention Business as other services has become less significant. "Other services" has been included in the "Fraud and Spam Prevention Business."

FY2024 Forecast for Expenses (Revised)

- Cost of sales: Increase in depreciation caused by the Talk Book service integration and expenses for upgrading skills of employees.
- SG&A expenses: Lower because efficient recruiting activities are holding down fees paid for recruiting services and because of measures to hold down outsourcing and other expenses.

Unit: Millions of yen	FY2022 Results	FY2023 Results	FY2024 Forecast		YoY (After revision)
			(Before revision) Announced Jun. 10	(After revision) Announced Sep. 10	
Cost of sales	505	628	664	715	113.8%
Labor cost	245	278	304	305	109.8%
Outsourced processing cost	84	100	80	79	79.4%
Depreciation	72	105	99	116	109.9%
Others	212	241	283	301	124.5%
Rate of cost of sales recorded as R&D expenses and assets*	17.7%	13.1%	13.1%	10.6%	-2.5pt
SG&A expenses	634	750	930	850	113.3%
Personnel expenses	250	308	355	363	117.6%
Advertising expenses	52	63	125	127	201.4%
R&D expenses	30	31	37	25	78.6%
Depreciation and amortization of goodwill	80	80	84	83	103.5%
Others	221	266	329	252	94.6%

*Rate of cost of sales recorded as R&D expenses and assets due mainly to the characteristics of work performed by employees.

Disclaimer

Tobila Systems plans to announce FY2024 results of operations [at 16:00 on December 10, 2024 \(Tuesday\)](#).

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 what are described in such statements.

Risk factors and uncertainties include general economic conditions in Japan and other countries, such as general industry and market conditions 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 whether as a result of new information, future events or otherwise.

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Appendix

Answers to Expected Questions

Categories	Questions	Answers
FY2024 forecast	In the upwardly revised forecast, why is the target for sales unchanged?	Our examination of the fiscal year outlook at this time led to the conclusion that we should leave the sales target unchanged. In the second quarter, we revised our outlook because we increased the target for mobile phone services sales and lowered the target for business phone services sales. All services are performing well and are currently in line with these revised targets. We are firmly committed to achieving the sales target for this fiscal year.
FY2024 forecast	Please explain your revisions to the outlook for the cost of sales and SG&A expenses. You raised the cost of sales forecast and lowered the SG&A expense forecast that was revised in the second quarter. Why did you make these changes?	For the cost of sales, we now forecast a larger increase than we had expected in the second quarter. The main reasons are higher variable expenses caused by the growth of business phone services sales and an increase in depreciation expenses resulting from the integration of the Talk Book service. The outlook for SG&A expenses is now lower because our original plan was based on the upper end of our expectation for these expenses. We have lowered the SG&A expense forecast because we have been able to use these expenses efficiently. Recruiting expenses are one example. Our use of referrals and our website to hire people allowed us to hire people at a lower cost than when using employment agencies. Overall, the efficient use of expenses made it possible to hold down SG&A expenses and we have revised the outlook to reflect this reduction.
Personnel/Recruiting	How have your recruiting activities gone this year as of the end of the third quarter?	Our plan was to hire 10 to 15 people during the FY2024. As of the end of the third quarter we had hired 12 people, six for sales positions and six for technical positions. In the current fiscal year, we expect to hire about 20 people, which is higher than we anticipated.

Financial Status in Prior Years: Quarterly Results*1

Unit: Millions of yen	FY2021				FY2022				FY2023				FY2024		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	335	358	364	366	391	447	411	430	487	521	520	531	567	586	617
Fraud and Spam Prevention Business	316	335	344	349	377	430	397	415	471	510	509	523	567	586	617
Other services	19	22	19	17	14	16	14	15	16	11	10	7	-	-	-
Cost of sales	89	92	92	97	103	147	121	133	138	158	169	162	163	154	177
Labor cost	58	62	61	61	58	60	60	65	64	66	71	75	72	70	71
Outsourced processing cost	13	14	14	28	14	17	29	23	26	25	25	23	23	17	19
Depreciation	10	10	11	14	14	17	19	21	20	26	28	30	23	23	28
Others	34	33	32	34	38	76	46	50	54	61	60	65	63	67	78
Rate of cost of sales recorded as R&D expenses and assets*2	23.7%	23.6%	22.7%	29.2%	18.2%	14.8%	21.1%	17.2%	15.7%	11.6%	9.0%	16.1%	10.1%	12.9%	10.0%
SG&A expenses	122	102	106	139	153	154	154	173	167	188	186	207	201	196	208
Personnel expenses	45	50	52	56	57	62	63	65	67	74	81	84	86	86	91
Advertising expenses	15	12	11	23	15	15	12	9	10	12	17	22	23	26	28
R&D expenses	16	2	2	4	3	3	7	16	7	9	7	8	8	7	4
Depreciation and amortization of goodwill	2	3	3	9	19	19	20	20	19	19	20	20	20	20	21
Others	42	33	37	46	56	52	51	61	62	71	60	71	63	55	63

*1: Beginning with 1Q FY2024, we have changed to a single reportable segment of Fraud and Spam Prevention Business as other services has become less significant. "Other services" has been included in the "Fraud and Spam Prevention Business."

*2: Rate of cost of sales recorded as R&D expenses and assets due mainly to the characteristics of work performed by employees.

Quarterly Sales Composition by Category in Prior Years*

Unit: Millions of yen	FY2021				FY2022				FY2023				FY2024		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Fraud and Spam Prevention Business	316	335	344	349	377	430	397	415	471	510	509	523	567	586	617
Mobile phone services	265	281	290	295	311	331	313	314	361	378	371	378	397	399	411
Landline phone services	38	37	37	34	34	51	38	41	44	47	50	50	51	53	53
Business phone services	11	17	16	20	31	48	44	59	65	84	87	93	113	132	151
Others	-	-	-	-	-	-	-	-	-	-	-	-	5	0	0
Other services	19	22	19	17	14	16	14	15	16	11	10	7	-	-	-

*Beginning with 1Q FY2024, we have changed to a single reportable segment of Fraud and Spam Prevention Business as other services has become less significant. "Other services" has been included in the "Fraud and Spam Prevention Business."

Reference

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