Results of Operations

for the Third Quarter
of the Fiscal Year Ending 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.
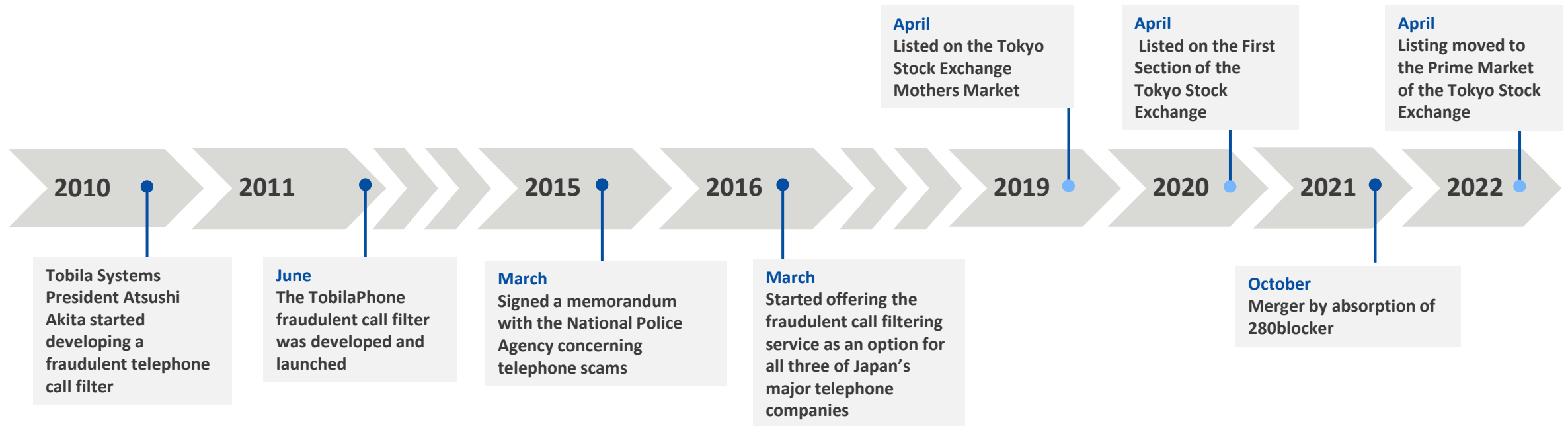
We will be a source of products that help solve social issues and have benefits for people. We will also pursue appropriate earnings for steady growth as we expand and upgrade our operations.

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.
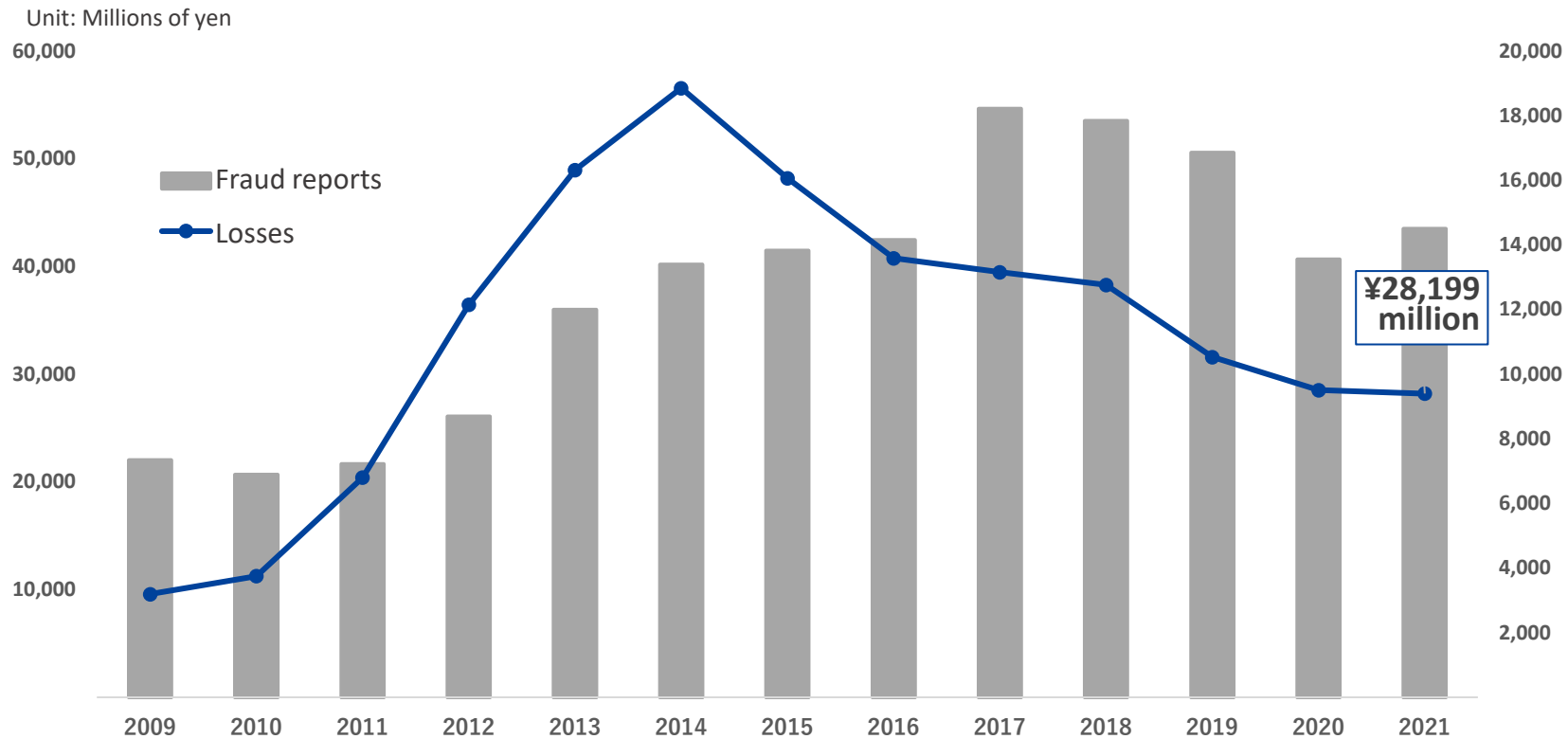
Company History

Major events in our growth

☑ 2010 — Tobila Systems President Atsushi Akita started developing a fraudulent telephone call filter after his grandfather was the victim of a telephone call scam

☑ March 2015 — Established a system for receiving information from the National Police Agency

☑ March 2016 — Started offering the fraudulent call filtering service as an option for all three of Japan's major telephone companies

☑ October 2021 — Merger by absorption of 280blocker, Tobila Systems' first M&A deal

April
Listed on the Tokyo Stock Exchange Mothers Market

April
Listed on the First Section of the Tokyo Stock Exchange

April
Listing moved to the Prime Market of the Tokyo Stock Exchange

2010 ▶ 2011 ▶ 2015 ▶ 2016 ▶ 2019 ▶ 2020 ▶ 2021 ▶ 2022 ▶

Tobila Systems President Atsushi Akita started developing a fraudulent telephone call filter

June
The TobilaPhone fraudulent call filter was developed and launched

March
Signed a memorandum with the National Police Agency concerning telephone scams

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

October
Merger by absorption of 280blocker

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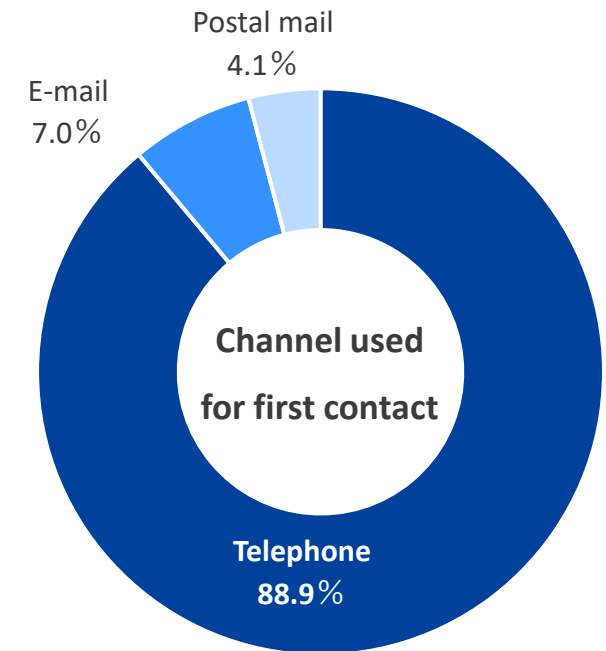
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SYSTEMS

Identification and Control of Special Fraud in 2021

- Losses in Japan caused by special fraud, including "gray zone" crimes, total about ¥4 trillion*.

- In 2021, special fraud remained a serious problem with 14,498 fraud reports and losses of ¥28.2 billion.

Number of special fraud reports and losses

Communication channels used for fraud

Unit: Millions of yen

■ Fraud reports
— Losses

¥28,199 million

Postal mail 4.1％
E-mail 7.0％

Channel used
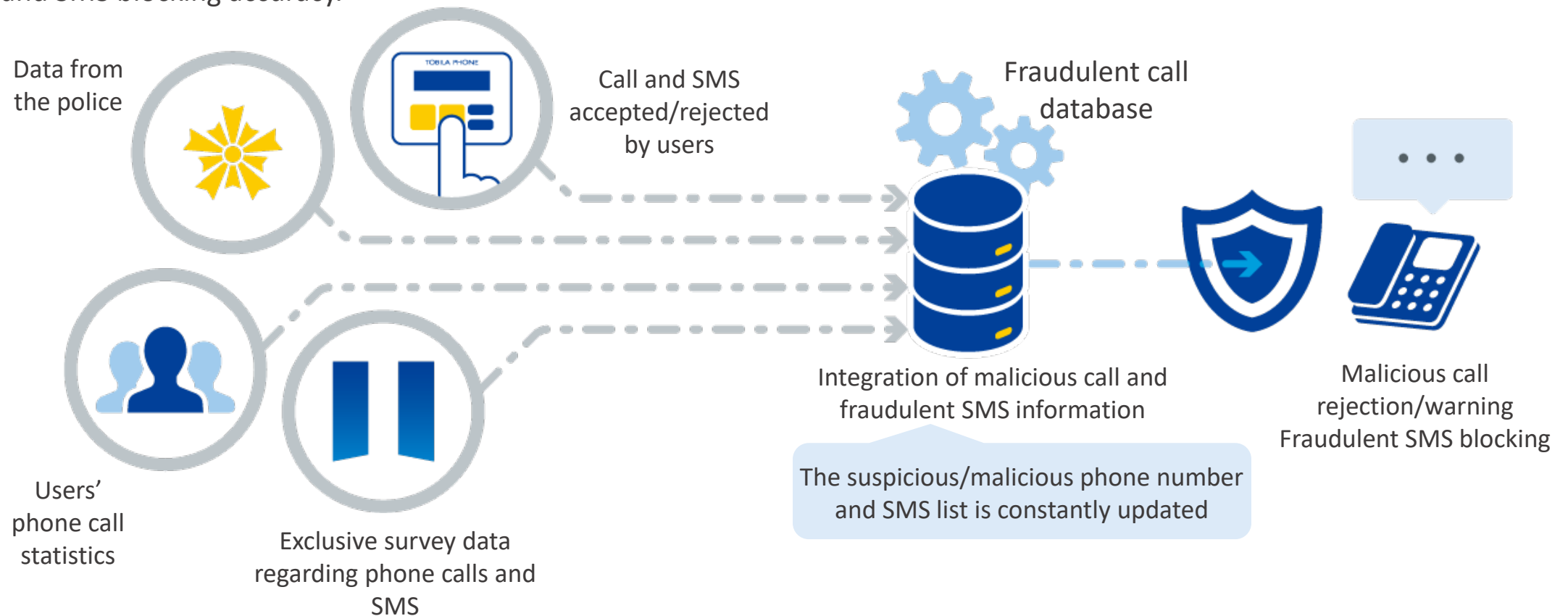for first contact

Telephone
88.9％

Source: Identification and Control of Special Fraud in 2021 (Finalized figures), National Police Agency; Identification and Control of Special Fraud in 2021
*White Paper on Consumer Affairs 2020, Consumer Affairs Agency (95% confidence; ¥3.5-¥4 trillion estimate)
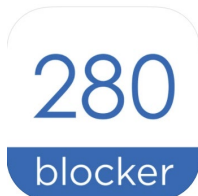
Tobila Systems' Strengths

- A service to shut out fraudulent phone calls and SMS by using database technology that creates a list of malicious phone numbers to block.

- Some of the blocked phone numbers are numbers that were actually used for criminal activity according to the police. This 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.

Data from the police

Call and SMS accepted/rejected by users

Fraudulent call database

Integration of malicious call and fraudulent SMS information

Malicious call rejection/warning Fraudulent SMS blocking

Users' phone call statistics

Exclusive survey data regarding phone calls and SMS

The suspicious/malicious phone number and SMS list is constantly updated

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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

Landline phone products

Launched from February 16, 2022

Business phone products

TobilaPhone Biz

TobilaPhone Cloud   **Talk Book**

Launched from January 12, 2022

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

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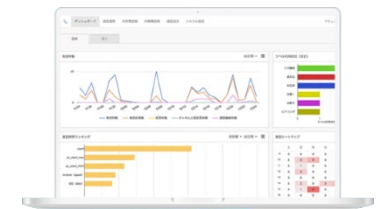- Blocks unnecessary sales calls and fraudulent calls.

・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 80% of sales.
- Consistent earnings of mobile phone services are used to fund expenditures in the rapidly growing filtering services for business phone category.

Unit: Millions of yen

Planning to make this a new core business

Filtering service for business phones

Other services

Filtering service for mobile phones

Filtering service for landline phones

65 (4.6%)

78 (5.5%)

148 (10.4%)

FY10/21 sales

¥1,424 million

1,132 (79.5%)

Fraud and spam prevention services

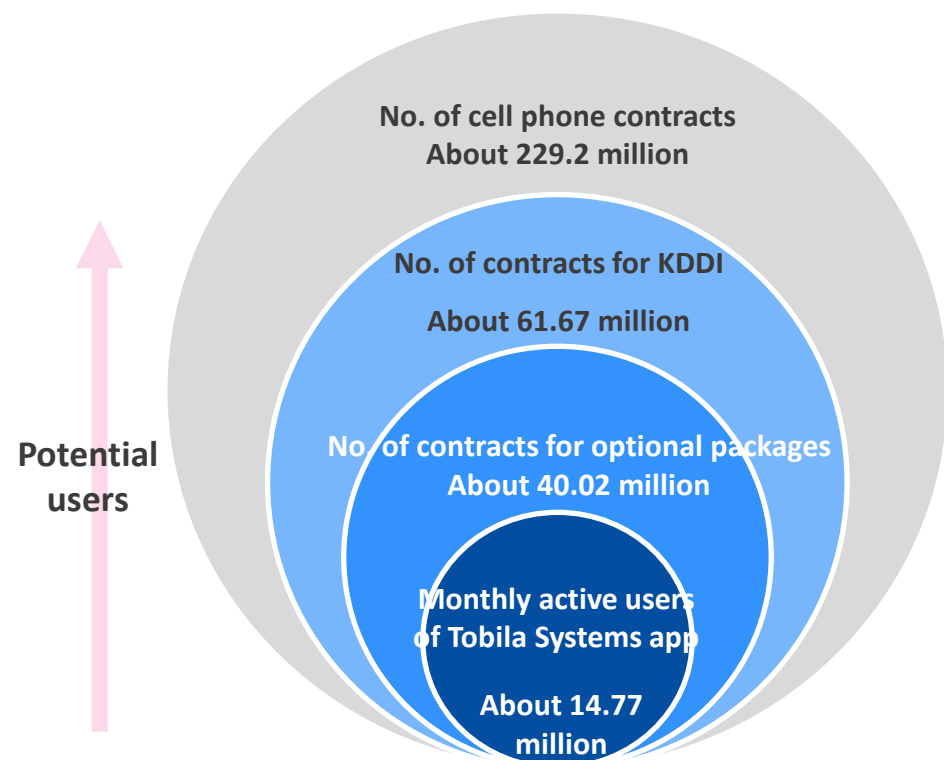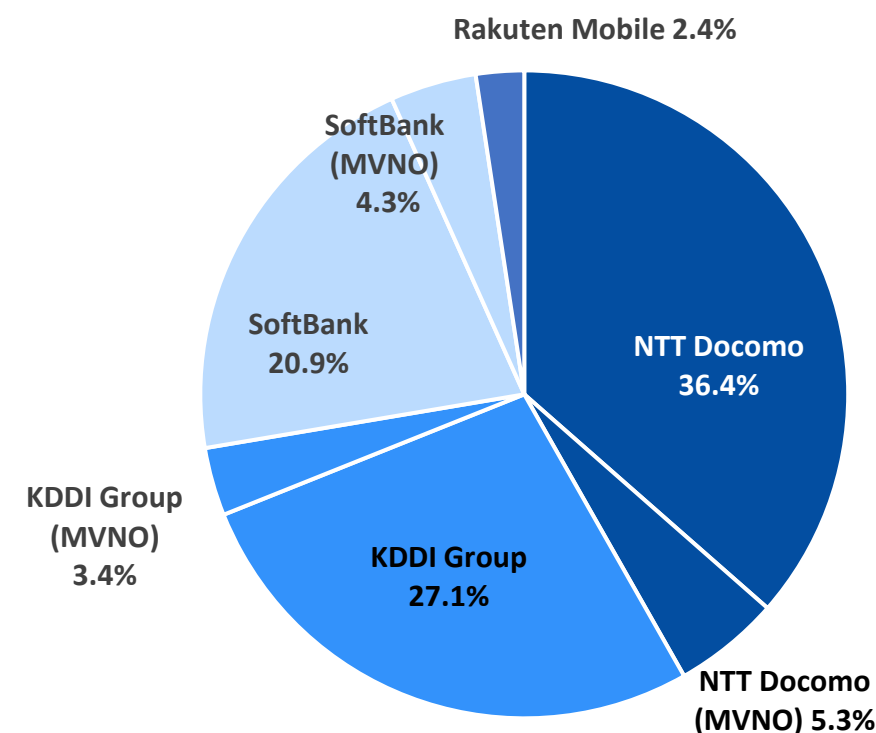**94.5%**
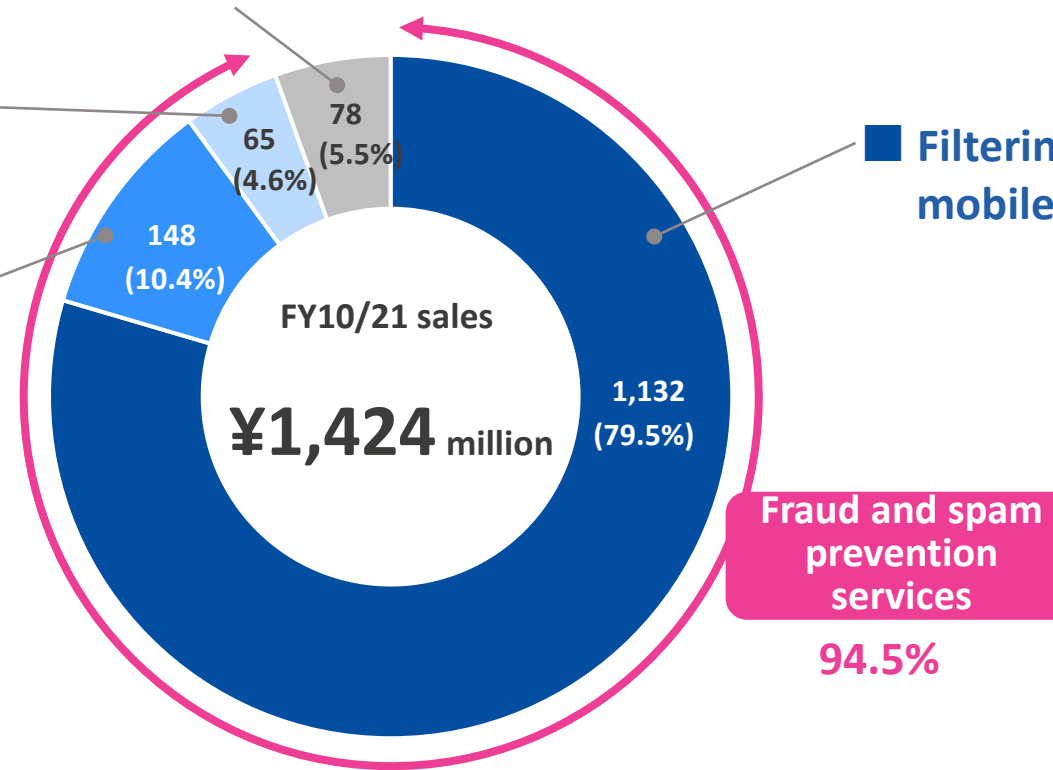
Mobile phone services

Growth Potential for Mobile Phones Services

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- The number of users who can use Tobila Systems services at no extra charge are currently more than about 61.6 million.

- NTT Docomo, KDDI and SoftBank all provide Tobila Systems services to their customers.

Cell Phone Contracts and Tobila Systems Service Users

Potential users

No. of cell phone contracts
About 229.2 million

No. of contracts for KDDI
About 61.67 million

No. of contracts for optional packages
About 40.02 million

Monthly active users of Tobila Systems app
About 14.77 million

Mobile Phone Market Share in Japan

- Rakuten Mobile 2.4%
- SoftBank (MVNO) 4.3%
- SoftBank 20.9%
- KDDI Group (MVNO) 3.4%
- KDDI Group 27.1%
- NTT Docomo 36.4%
- NTT Docomo (MVNO) 5.3%

* Number of cell phone contracts: Quarterly Data on Telecommunications Service Contract Numbers and Market Share, Ministry of Internal Affairs and Communications (June 17, 2022)
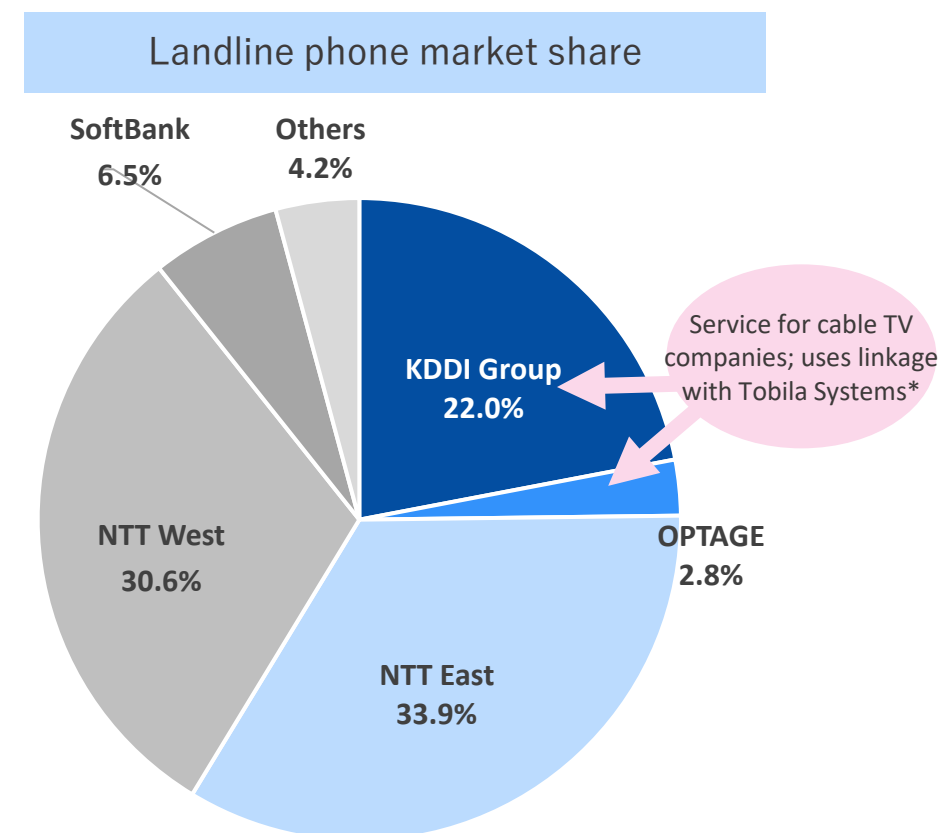* Number 1Q of contracts for options: Tobila Systems estimate based on data collected by Tobila Systems for SoftBank, Smart Pass Premium contracts for au based on the KDDI 1Q FY3/23 financial data, and the number of contracts for options announced on December 19, 2018 for NTT Docomo
* Number of the monthly active users includes some provisional figures. The data may vary somewhat when the finalized figures are released and reflected in the data.

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Landline phone services

Growth Potential for Landline Phone Services

- Demand is increasing for shifting existing landline contracts to IP phones.

- Services for landline phones cover many years but there is still potential for more growth.

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

More than 51.52 million potential users

No. of contracts for landline phones

About 51.88 million

Monthly active users of Tobila Systems app

About 0.36 million

Landline phone market share

SoftBank 6.5%

Others 4.2%

KDDI Group 22.0%

Service for cable TV companies; uses linkage with Tobila Systems*

NTT West 30.6%

OPTAGE 2.8%

NTT East 33.9%

Source: Quarterly Data on the Number of Telecommunications Service Contracts and Market Share (announced on June 17, 2022), Ministry of Internal Affairs and Communications
(https://www.soumu.go.jp/menu_news/s-news/01kiban04_02000206.html)
*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/)

Priorities for FY10/22

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Filtering Services for Mobile Phones

The goal is adding the fraudulent SMS block to the optional packages of all mobile carriers

Optional packages

Fraudulent phone call block	Fraudulent SMS block
◯	△

▶

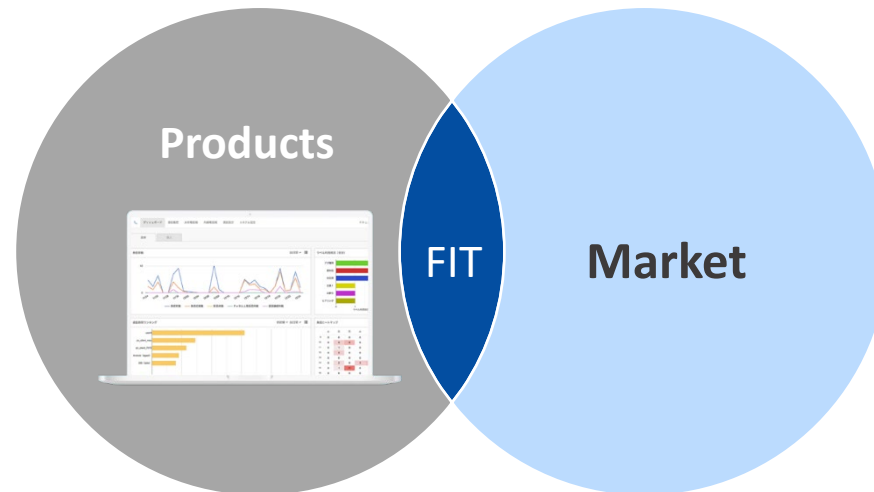| Fraudulent phone call block	Fraudulent SMS block
◯	◯

Filtering Service for Business Phones

Identify and select the best product/market fit for the new Talk Book service

Analyze feedbacks from users

▼

More functions that match users' needs

Products

FIT

Market

Search for and select appropriate market sectors

2 3Q FY10/22 Highlights

3Q FY10/22 Highlights

3Q Net sales

¥411 million

(YoY 113.1%)

Fraud and spam prevention services segment sales

・ Mobile phone services　**¥313** million (YoY **108.0%**)

・ Landline phone services　**¥38** million (YoY **102.7%**)

・ Business phone services　**¥44** million (YoY **270.6%**)

Mobile phone products

Performing well in conjunction with activities using carriers

Landline phone products

Strong sales due to higher recurring revenue resulting from a large order received in the 2Q

Business phone products

TobilaPhone Biz sales continue to climb due in part to an increase in the number of business partners at sales agents

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Fraudulent Call Filter Monthly Active Users Surpass 15 Million

- Approximately one out of every eight people in Japan were using the fraudulent call filtering service as of the end of July 2022.

More than 15 million monthly active users of the filtering service for fraud and spam prevention

* Announced August 18, 2022 in a press release titled "Monthly Active Users of the Tobila Systems Filtering Service for Preventing Fraud and Spam Surpass 15 Million."

Expanded Police Cooperation by Company Receiving the Fraudulent Call Blocking Database

- J:COM Co., Ltd., which receives the Tobila Systems fraudulent call blocking database, has enlarged its agreement with the police concerning regional public safety.

- J:COM uses this database to provide customers with a fraudulent call automatic blocking service as a J:COM PHONE Plus optional service for the prevention of fraud and scams using telephone calls.

Landline phone products

Date of contract	Details
Jun. 16, 2022	J:COM Shonan・Kanagawa Co., Ltd. Minami-yokohama Station (J:COM Minami-yokohama) and Konan Police Station in Kanagawa
Jul. 12, 2022	J:COM Shonan・Kanagawa Co., Ltd. Kanagawa Central Station (J:COM Kanagawa Central) and Yamato Police Station in Kanagawa
Jul. 26, 2022	J:COM Shonan・Kanagawa Co., Ltd. Machida/Kawasaki Station (J:COM Machida/Kawasaki) and Asao Police Station in Kanagawa
Aug. 4, 2022	J:COM SAITAMA・HIGASHINIHON Co., Ltd. Tojo/Kawagoe Station (J:COM Tojo/Kawagoe) and Kawagoe Police Station in Saitama
Aug. 4, 2022	J:COM Shonan・Kanagawa Co., Ltd. Minami-yokohama Station (J:COM Minami-yokohama) and Kanazawa Police Station in Kanagawa
Aug. 5, 2022	J:COM SAITAMA・HIGASHINIHON Co., Ltd. Saitama North Station (J:COM Saitama North) and Omiya Police Station in Saitama
Aug. 8, 2022	J:COM Shonan・Kanagawa Co., Ltd. Kanagawa Central Station (J:COM Kanagawa Central) and Zama Police Station in Kanagawa
Aug. 22, 2022	J:COM Shonan・Kanagawa Co., Ltd. Machida/Kawasaki Station (J:COM Machida/Kawasaki) and Tama Police Station in Kanagawa
Aug. 24, 2022	J:COM Shonan・Kanagawa Co., Ltd. Seisho Station (J:COM Seisho) and Hadano Police Station and Isehara Police Station in Kanagawa
Aug. 26, 2022	J:COM Shonan・Kanagawa Co., Ltd. Yokohama Station (J:COM Yokohama) and four police stations in Kanagawa (Kaga-cho Police Station, Yamate Police Station, Isezaki Police Station and Yokohama Suijo Police Station)
Aug. 26, 2022	J:COM Shonan・Kanagawa Co., Ltd. Seisho Station (J:COM Seisho) and Matsuda Police Station in Kanagawa
Aug. 30, 2022	J:COM Shonan・Kanagawa Co., Ltd. Sagamihara/Yamato Station (J:COM Sagamihara/Yamato) and Sagamihara-minami Police Station in Kanagawa
Aug. 30, 2022	J:COM SAITAMA・HIGASHINIHON Co., Ltd. Saitama-Keno Station (J:COM Saitama Keno) and Kuki Police Station in Saitama
Sep. 1, 2022	J:COM Shonan・Kanagawa Co., Ltd. Yokosuka Station (J:COM Yokosuka) and three police stations in Kanagawa (Yokosuka Police Station, Taura Police Station and Uraga Police Station)

- J:COM news releases (Japanese versions only): https://newsreleases.jcom.co.jp/

TobilaPhone Cloud receives a ITreview Grid Award 2022 Summer award for the second consecutive year

- For the second consecutive year, TobilaPhone Cloud received a Leader Award, the highest-ranking recognition, in the PBX, IVR (interactive voice response) and IP phone categories of the ITreview Grid Award 2022 Summer held by ITcrowd Corp.

Business phone products

Praise from TobilaPhone Cloud users

How did TobilaPhone Cloud solve problems and what are the benefits?

Moving extension numbers to the cloud allows setting up an order for receiving calls. Our sales team can answer calls directly. When assistance is needed, another team member can take over the call. This cut the lost call ratio from about 40% to about 10%.

Industry Communications/Internet Job Other specialist Employees 100-299

How did TobilaPhone Cloud solve problems and what are the benefits?

There were communication problems with people working at home. We were able to create a cloud PBX with a simple start-up process and low expenses for people to start using this service and for operating the service. TobilaPhone Cloud has definitely improved our internal and external communications.

Industry Software/System integration Job Management/Planning Employees 50-99

Why do you recommend the use of TobilaPhone Cloud?

Only a small investment is needed to start using this service, it can be used with our employees' own phones, and it has outstanding functions. These strengths make TobilaPhone Cloud ideal for raising efficiency when working at home or a satellite office and for workplaces where salespeople are often out of the office.

Industry Hospitals/clinics Job Accounting Employees 1-19

Source: ITreview Grid Award (https://www.itreview.jp/award/2022_summer.html)

3 **3Q FY10/22**
Financial Results

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3Q FY10/22 Financial Summary

- 3Q sales were 7.9% below 2Q sales mainly because of a large order received in the 2Q. But 3Q sales were 13.1% higher than one year earlier.

- Operating profit was down 17.3% from one year earlier because of goodwill amortization but was consistent with the FY10/22 plan.

Unit: Millions of yen	3Q FY10/22 Results	2Q FY10/22		3Q FY10/21	
		Results	QoQ	Results	YoY
Net sales	411	447	92.1%	364	113.1%
EBITDA	175	183	95.8%	179	97.8%
Operating profit	135	145	93.2%	164	82.7%
Ordinary profit	135	145	93.5%	163	83.1%
Profit	87	95	91.7%	112	77.5%

Note: EBITA = Operating profit + Depreciation + Goodwill amortization

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3Q Performance vs. the FY10/22 Plan

- No change in the FY10/22 Plan due to the expectation of the continuation of expenditures for recruiting activities and R&D, despite some indicators that performance is progressing above 75%.

				FY10/22 Plan
Unit: Millions of yen				
Net sales	391	447	411 — 1Q-3Q vs. FY plan **76.5%**	**1,636**
Operating profit	134	145	135 — 1Q-3Q vs. FY plan **81.2%**	**513**
Ordinary profit	126	145	135 — 1Q-3Q vs. FY plan **80.8%**	**504**
Profit	62	95	87 — 1Q-3Q vs. FY plan **73.4%**	**333**

20
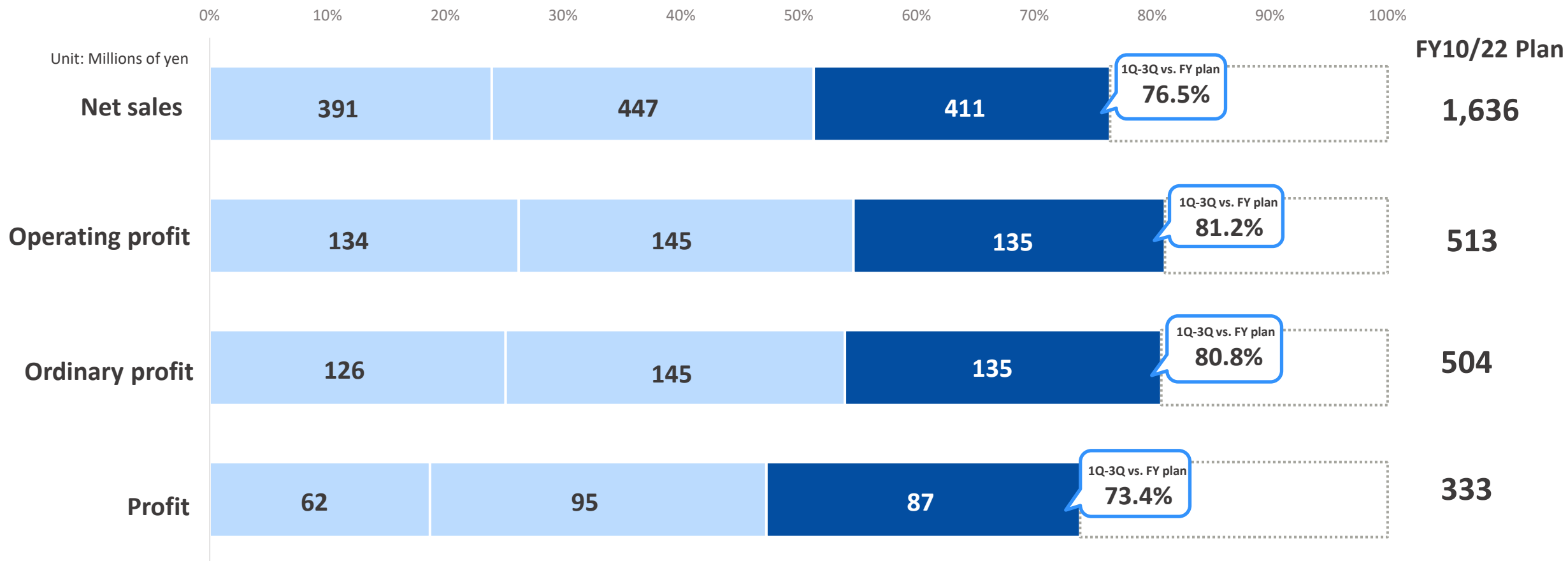
Quarterly Sales (Recurring Revenue and Non-recurring Revenue)

- Recurring revenue increased 6.9% YoY to a new all-time high.

- Sales from one-time transactions are primarily due to sales of 280blocker, TobilaPhone units and TobilaPhone Biz units.

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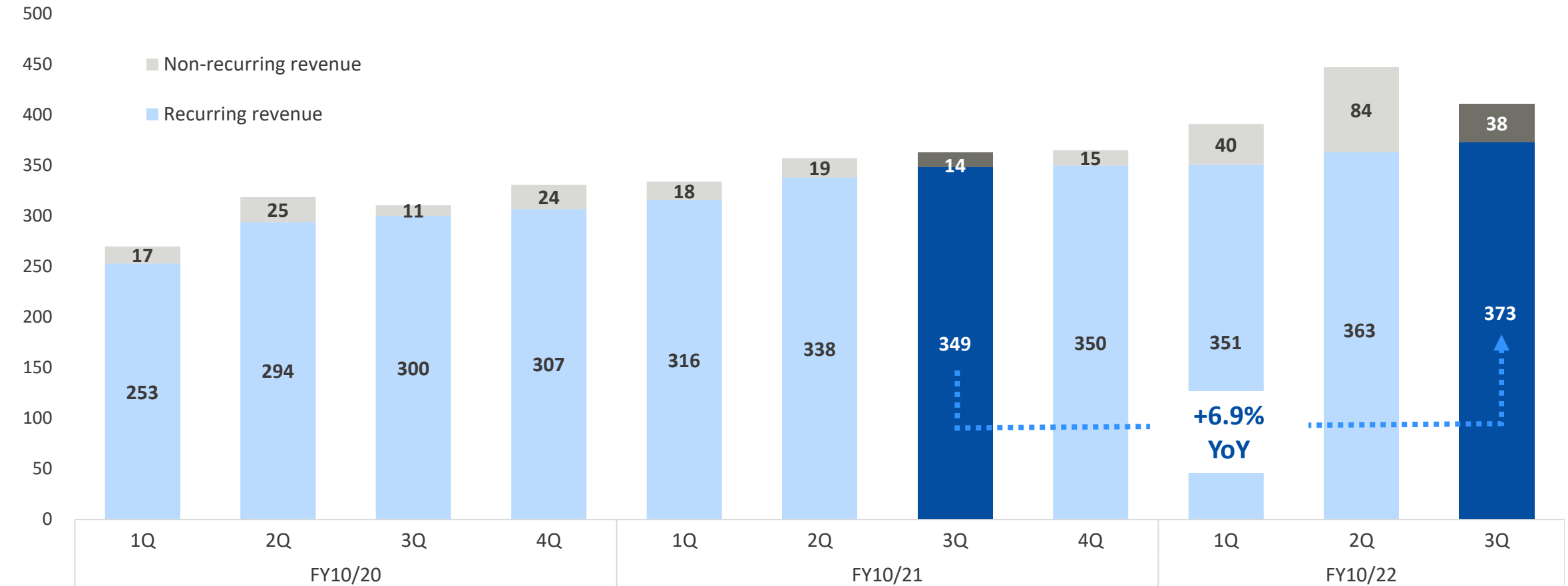
* Non-recurring revenue increased in 2Q FY10/22 because of a large TobilaPhone order and a large volume of TobilaPhone Biz orders.

Sales Composition

- 3Q sales were lower than in the 2Q because of the temporary increase in 2Q sales. But sales continued to grow on a year-on-year basis.

Unit: Millions of yen	3Q FY10/22 Results	2Q FY10/22		3Q FY10/21	
		Results	QoQ	Results	YoY
Fraud and spam prevention services	**397**	**430**	92.2%	344	115.2%
Mobile phone services	**313**	**331**	94.6%	290	108.0%
Landline phone services	**38**	**51**	75.9%	37	102.7%
Business phone services	**44**	**48**	92.5%	16	270.6%
Other services	**14**	**16**	90.4%	19	75.5%

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

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	No. of contractors × Unit price	Monthly active users × Unit price
This fixed payment format generates sales that are not affected by changes in the number of contracts or monthly users.	**Sales are linked to the number of optional package contracts that permit the use of Tobila Systems services.**	**Sales are linked to monthly users of Tobila Systems services**
Fixed payment (Subscription contract)	No. of contractors × Unit price	Monthly active users × Unit price
• Service provided for a fixed monthly fee • Steady sales because changes in the number of contracts or monthly users does not change sales	• 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.	• This contract format is contributing to sales growth because the growth in the number of monthly users of Tobila Systems services.

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Quarterly Sales Composition for Mobile Phone Filtering Services

- Monthly active users increased steadily for all major contract formats. Continue to increase the number of users.

Quarterly sales composition of major contract formats

1Q 2Q 3Q 4Q 1Q 2Q 3Q 4Q 1Q 2Q 3Q
FY10/20   FY10/21   FY10/22

Performance vs. Prior Quarter

Difference between 2Q FY10/22 and 3Q FY10/22
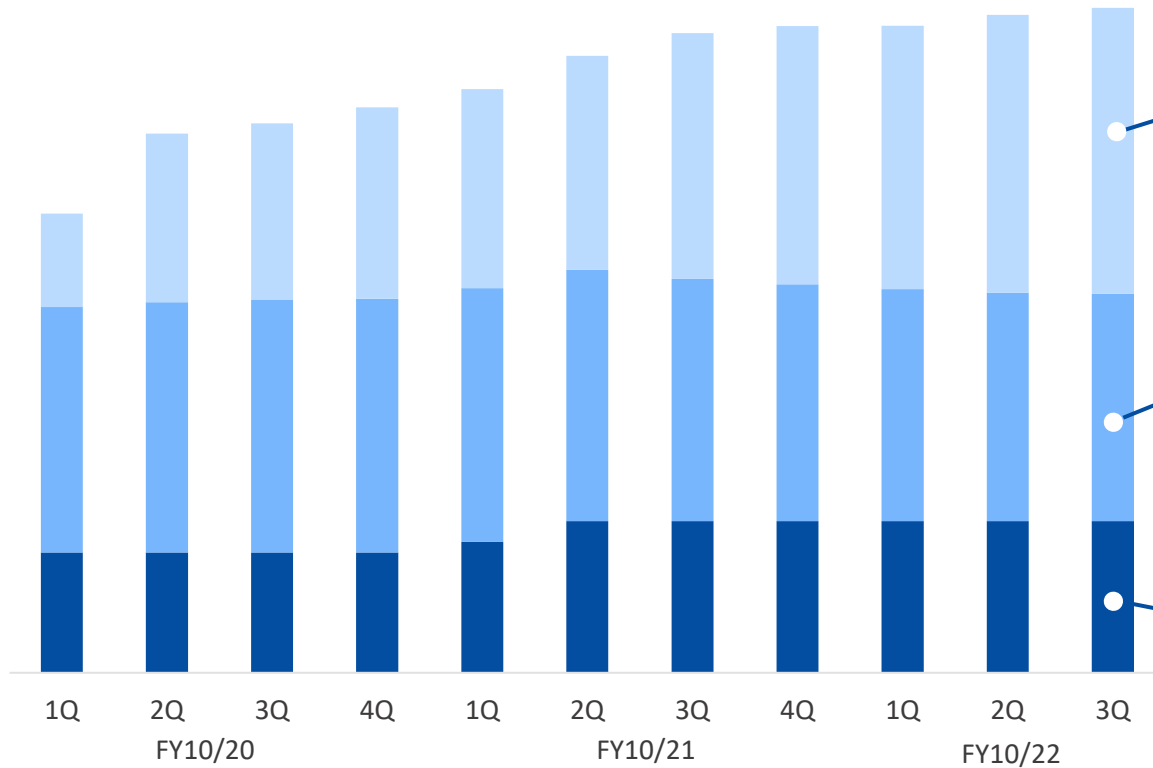
● **Monthly active users ✕ Unit price**

Sales:	102.9%
Monthly active users:	103.9%

● **Monthly active users ✕ Unit price**

Sales:	99.5%
Monthly active users:	102.1%

● **Fixed payment (subscription contract)**

Sales:	100.0%
Monthly active users:	101.1%

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Cost of Sales

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- Others includes the cost of TobilaPhone and TobilaPhone Biz hardware.

- The cost of sales was generally controlled as planned.

Unit: Millions of yen

Legend:
- Others
- Depreciation
- Labor cost
- Pct. reclassified as other expense categories

	FY10/20				FY10/21				FY10/22		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Others	31	42	37	45	48	48	47	62	53	94	74
Depreciation	11	10	10	12	10	10	11	14	14	17	19
Labor cost	54	53	54	55	58	62	61	61	58	60	60
Pct. reclassified	20.1%	22.5%	22.6%	28.5%	23.7%	23.6%	22.7%	29.2%	18.2%	14.8%	21.1%
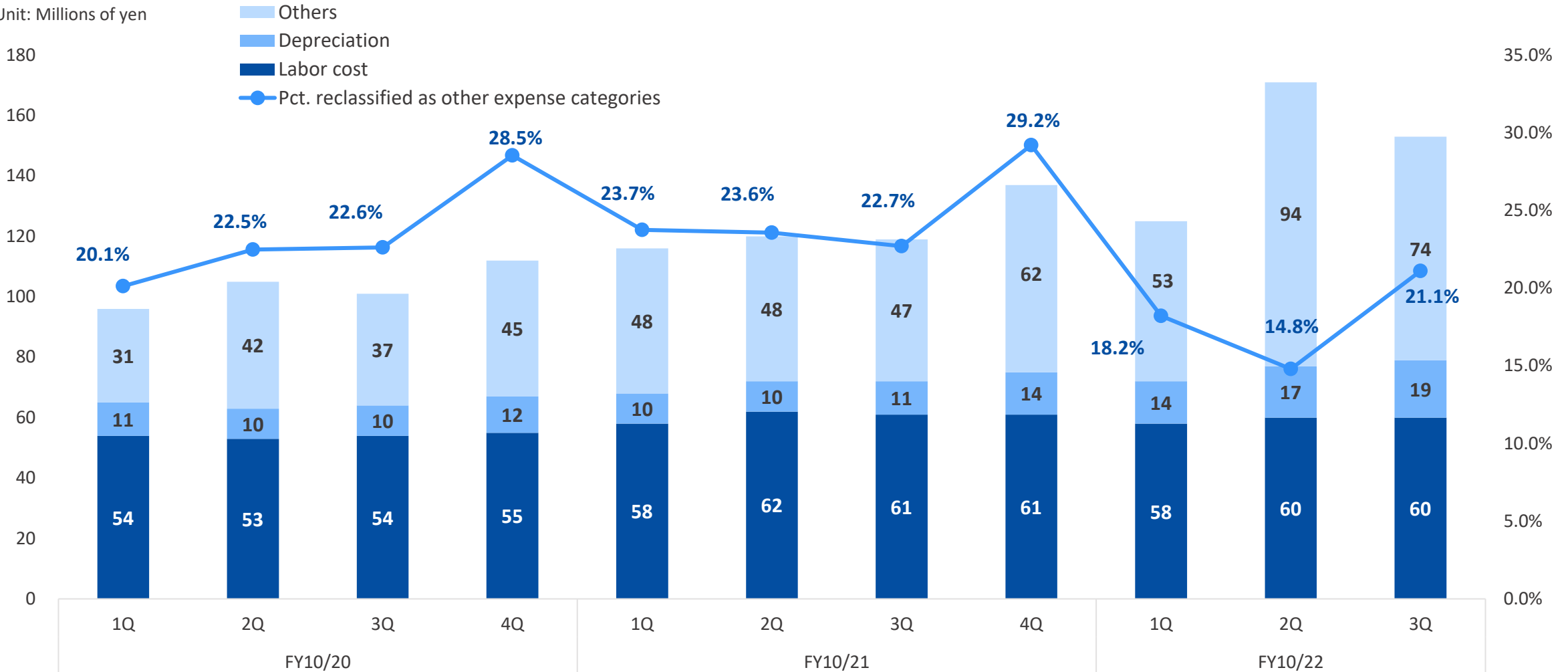
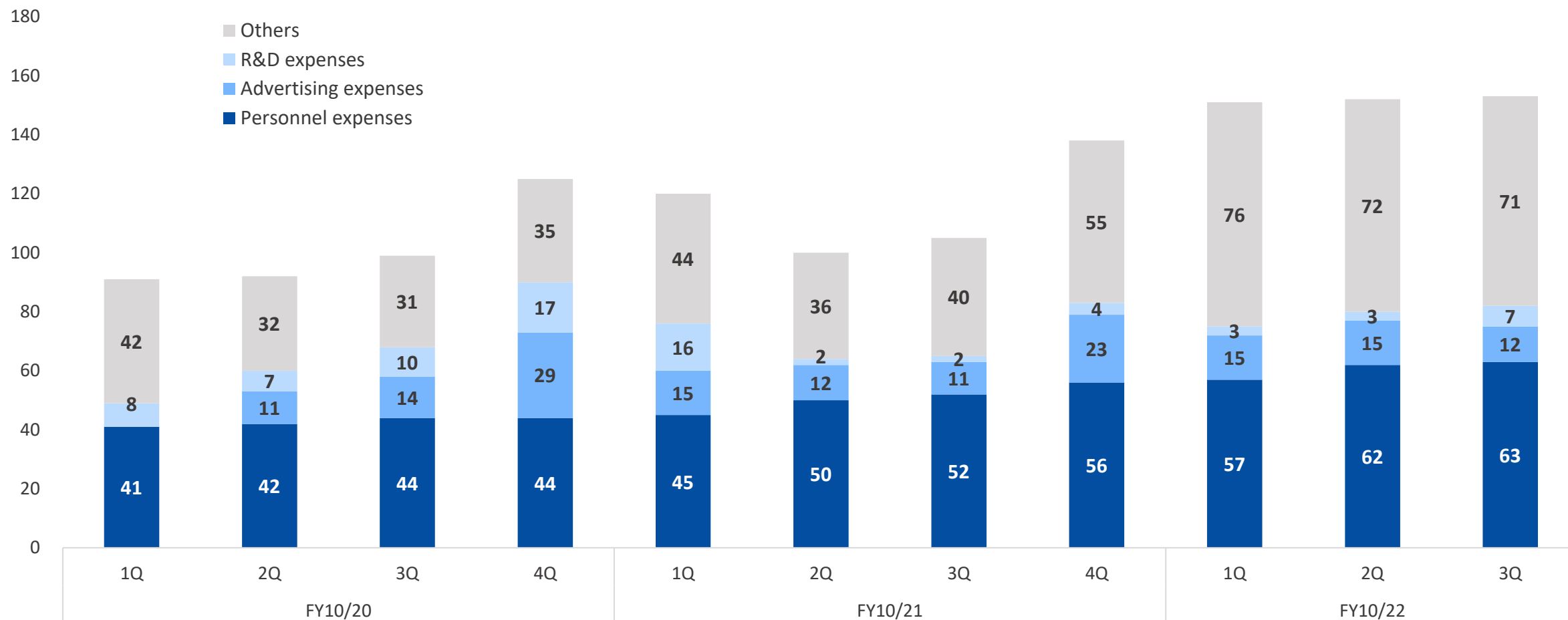* Pct. reclassified as other expense categories is the percentage of the cost of sales included in R&D expenses and assets due mainly to the characteristics of work performed by employees

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

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SG&A Expenses

- Expenditures for strengthening R&D and recruiting from a long-term perspective, rather than for short-term sales growth, will continue in the 4Q.

- Others includes goodwill amortization and other items.

Unit: Millions of yen

Legend:
- Others
- R&D expenses
- Advertising expenses
- Personnel expenses

	FY10/20				FY10/21				FY10/22		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Others	42	32	31	35	44	36	40	55	76	72	71
R&D expenses	8	7	10	17	16	2	2	4	3	3	7
Advertising expenses		11	14	29	15	12	11	23	15	15	12
Personnel expenses	41	42	44	44	45	50	52	56	57	62	63

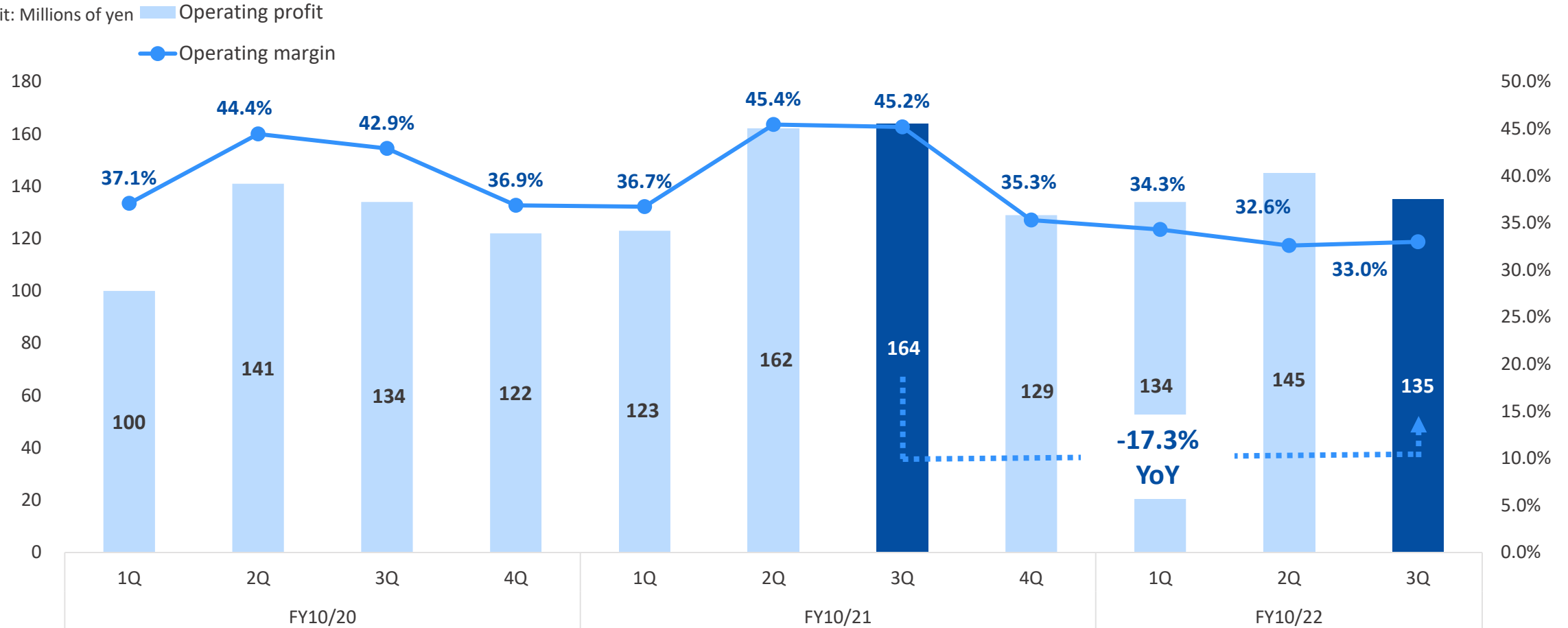*"Others" tends to be larger in 1Q due to stock-related expenses for shareholders' meetings, etc.

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Operating Profit

- Operating profit and operating margin were down YoY but as expected due to the planned decline in FY10/22 earnings.
- Investments required for growth will continue.

Unit: Millions of yen ▭ Operating profit

—●— Operating margin

Chart data:

	FY10/20				FY10/21				FY10/22		
Quarter	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Operating profit	100	141	134	122	123	162	164	129	134	145	135
Operating margin	37.1%	44.4%	42.9%	36.9%	36.7%	45.4%	45.2%	35.3%	34.3%	32.6%	33.0%

-17.3% YoY

Expenses

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Unit: Millions of yen

	3Q FY10/22 Results	2Q FY10/22		3Q FY10/21	
		Results	QoQ	Results	YoY
Cost of sales	**121**	147	82.8%	92	131.1%
Labor cost	**60**	60	98.6%	61	98.3%
Depreciation	**19**	17	112.3%	11	164.3%
Others	**74**	94	79.4%	47	158.6%
Pct. of cost of sales classified as R&D expenses and assets*	**21.1%**	14.8%	+6.3pt	22.7%	-1.6pt
SG&A expenses	**154**	154	100.0%	106	144.3%
Personnel expenses	**63**	62	101.1%	52	120.9%
Advertising expenses	**12**	15	79.1%	11	109.5%
R&D expenses	**7**	3	210.6%	2	316.1%
Others	**71**	72	98.3%	40	174.6%

*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 Forecast

- No change in the FY10/22 forecast because of planned recruiting and R&D expenditures as investments for growth continue.

Unit: Millions of yen		FY10/20	FY10/21	FY10/22	YoY change
Financial indicators	Net sales	1,234	1,424	**1,636**	114.8%
	Operating profit	498	579	**513**	88.5%
	Ordinary profit	471	577	**504**	87.2%
	Profit	322	386	**333**	86.3%
Profitability indicators	Operating margin	40.4%	40.7%	**31.4%**	-
	ROE*	27.5%	27.2%	**22.4%**	-
Financial soundness	Equity ratio	81.7%	68.6%	**63.7%**	-

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

Balance Sheet

Unit: Millions of yen

	3Q FY10/22	FY10/21	Change
Current assets	**1,752**	1,389	363
Cash and deposits	**1,410**	1,145	265
Trade receivables	**227**	181	46
Other	**113**	61	52
Non-current assets	**826**	780	45
Property, plant and equipment	**65**	49	15
Intangible assets	**486**	509	-22
Investments and other assets	**273**	221	52
Total assets	**2,578**	2,170	408
Liabilities	**946**	681	265
Current liabilities	**687**	385	302
Non-current liabilities	**258**	295	-37
Net assets	**1,632**	1,489	143
Equity ratio	**63.3%**	68.6%	-5.3pt

FY10/22 Financial Status: Quarterly Results

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Unit: Millions of yen	FY10/20				FY10/21				FY10/22		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	270	319	312	331	335	358	364	366	391	447	411
Fraud and spam prevention services	244	295	290	312	316	335	344	349	377	430	397
Other services	26	23	22	19	19	22	19	17	14	16	14
Cost of sales	77	82	78	83	89	92	92	97	103	147	121
Labor cost	54	53	54	55	58	62	61	61	58	60	60
Depreciation	11	10	10	12	10	10	11	14	14	17	19
Others	31	42	37	45	48	48	47	62	53	94	74
Pct. of cost of sales classified as R&D expenses and assets*	20.1%	22.5%	22.6%	28.5%	23.7%	23.6%	22.7%	29.2%	18.2%	14.8%	21.1%
SG&A expenses	93	94	99	126	122	102	106	139	153	154	154
Personnel expenses	41	42	44	44	45	50	52	56	57	62	63
Advertising expenses	0	11	14	29	15	12	11	23	15	15	12
R&D expenses	8	7	10	17	16	2	2	4	3	3	7
Others	42	32	31	35	44	36	40	55	76	72	71

*The percentage of the cost of sales included in R&D expenses and assets due mainly to the characteristics of work performed by employees
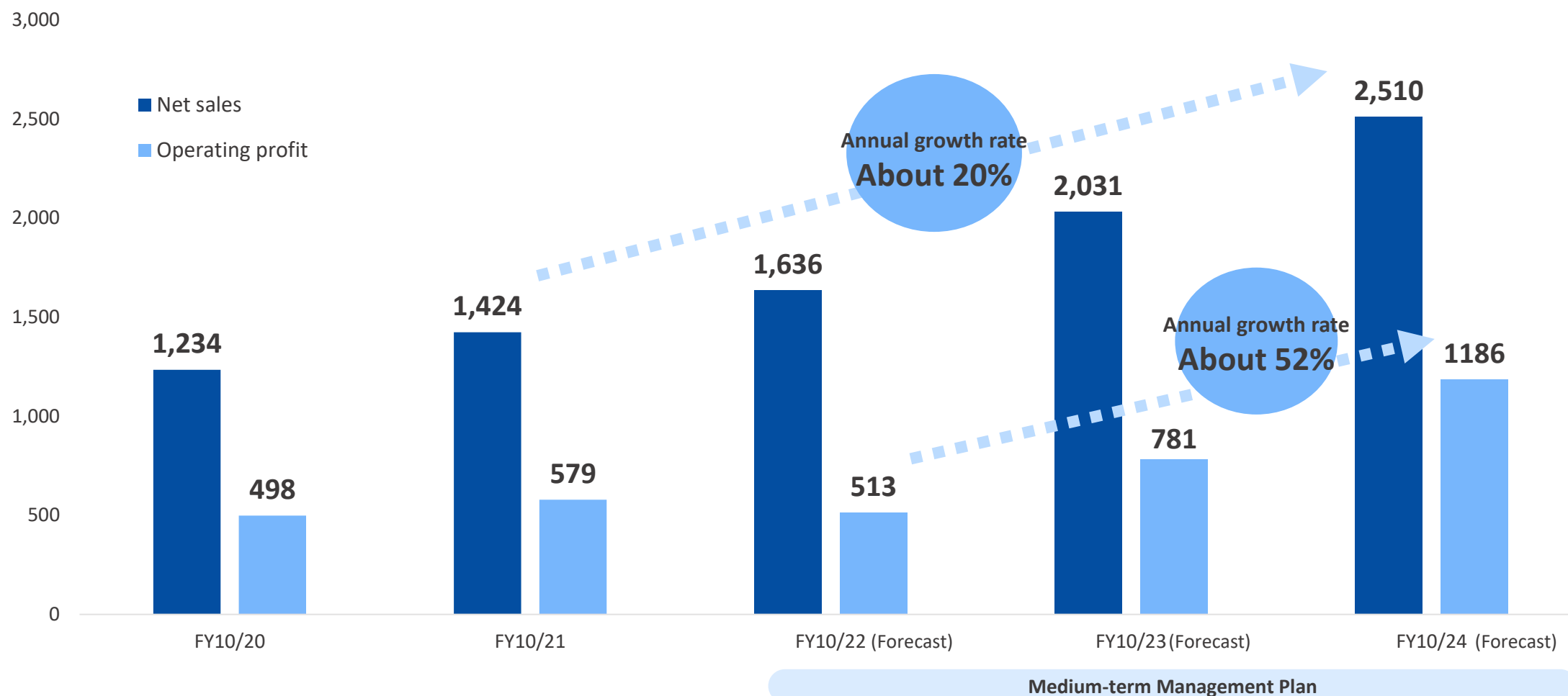
4 Medium-term Management Plan Progress

Medium-term Management Plan

- Aiming for rapid growth: avg. annual sales growth of about 20% and avg. annual operating profit growth of about 52%

- In FY10/22, the plan's first year, performance in the third quarter was generally in line with the plan.


Unit: Millions of yen

■ Net sales
■ Operating profit

Annual growth rate
About 20%

Annual growth rate
About 52%

	FY10/20	FY10/21	FY10/22 (Forecast)	FY10/23 (Forecast)	FY10/24 (Forecast)
Net sales	1,234	1,424	1,636	2,031	2,510
Operating profit	498	579	513	781	1186

Medium-term Management Plan

TOBILA
SYSTEMS

Progress of Filtering Service for Mobile Phones and Landline Phones

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

Accomplishments up to 3Q FY10/22

Filtering Service for Mobile Phones

Goals are steady sales and expansion of current services to new markets
- Consistently generate revenue from current customers
- Expand the SMS filtering and phishing blocking services
- More synergies with 280blocker
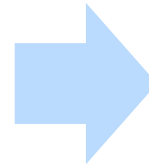
- Growth of steady sales due to the expansion of existing business with carriers
- Certified as an Outstanding Fraudulent Call Prevention Device by the Japan Crime Prevention Association
- Marketing campaign for 280blocker raised awareness of this product

Filtering Service for Landline Phones

More activities with KDDI to further enlarge and strengthen this alliance
- Use cable TV company alliance partners of KDDI provides access to users of approximately 6.2 million phone lines

Increase alliance partners for the use of the Tobila Systems filtering service as an option
- Continue activities for the establishment of partnerships with NTT East, NTT West, SoftBank and other companies

- Started providing in February 2022 the Fraudulent Call Automatic Block service to KDDI cable TV customers. This service automatically blocks fraudulent calls to landline phones and requires no add-on unit.
- Received a large TobilaPhone order (using external attachments)

Progress of Filtering Service for Business Phones

TOBILA SYSTEMS

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

Accomplishments up to 3Q FY10/22

Filtering Service for Business Phones

TobilaPhone Biz
・Goal is rapid growth due to registration as a product sold by NTT East and NTT West

・Use ties with sales partners to enable rapidly improving functions to match users' needs

- Properly managed inventories during the semiconductor shortage in order to prevent the loss of sales opportunities

- A big increase in orders because of the large volume of sales activities by partners

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

Talk Book
・Covers cloud PBX as well as CTI for businesses in the growing SaaS market

- Ability to use "03" and other area codes for voice communications

- **For the second consecutive year, TobilaPhone Cloud won a Leader award in three categories of ITreview Grid Award 2022 Summer.**

- Started sales of Talk Book, a sales tool with artificial intelligence

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ESG Activities

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

E **Environment**

Activities for energy saving and an efficient IT infrastructure by using virtual server technology

- Started studies and analysis to prepare for providing information based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

S **Social**

- Activities for providing special fraud prevention services that reduce losses and other problems
- Activities for a pleasant and productive workplace environment

- TobilaPhone Mobile was certified as a fraudulent call prevention app that is an Outstanding Crime Prevention Phone
- Tobila 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**

G **Governance**

Better activities for compliance with the Corporate Governance Code for higher quality of governance

- Tobila 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

FAQ

	Questions	Answers
1	How many units have you sold for your business phone services (TobilaPhone Biz, TobilaPhone Cloud, Talk Book) and how many companies are using these services?	We do not disclose this information at this time.
2	In the mobile phone business, why does it appear that sales are not increasing in line with the growth in the number of monthly active users?	We use three types of contracts with the major carriers: (1) fixed payment, (2) no. of contracts x unit price, (3) no. of monthly active users x unit price. An increase in the number of monthly users raises sales only for the third type of contract. Our sales for the first two types of contracts do not change when the number of monthly users increases.
3	One of your FY10/22 priorities is having all carriers add the fraudulent SMS block to the optional packages of all mobile carriers. Does your plan for this fiscal year and the medium-term plan include the contribution to sales and earnings from this SMS service?	The fraudulent SMS blocking service is not included in the sales and earnings in our plan for this fiscal year or in our medium-term management plan. We will make an announcement if there is information about this subject that needs to be disclosed.
4	What is the cost of 280blocker goodwill amortization and over how many years will goodwill be amortized?	We will amortize this goodwill in equal amounts over five years (see pages 64 and 81 of the FY10/21 Securities Report). This will result in goodwill amortization of ¥16.5 million every month.

Shareholder Distribution Guideline

- Distributing earnings to shareholders is one of the highest priorities of Tobila Systems.

- The basic policy is to pay a stable dividend while increasing retained earnings as needed to improve financial soundness and fund expenditures for more growth.

Payout ratio

35%

Disclaimer

This presentation includes forward-looking statements that incorporate the current outlook, forecasts and risk factors. There are many uncertainties that may cause actual performance to differ from these statements.

Risk factors and uncertainties include the economic environment in Japan and other countries, such as the industry and markets where Tobila 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 IR note

is now available.

https://note.com/tobila4441

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	88 (Includes 24 temporary employees) as of July 31, 2022
Location	Nagoya, Tokyo

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

Source: National Police Agency website (https://www.keishicho.metro.tokyo.lg.jp/kurashi/tokushu/furikome/furikome.html)

Phishing in Japan

- The number of phishing reports in Japan has been increasing rapidly since 2020.
- The number of smishing (SMS phishing) incidents tripled in 2021.

Unit: Number of reports

Phishing Reports

Source: Council of Anti-Phishing Japan

"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**

E-mail/SMS

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

Internet

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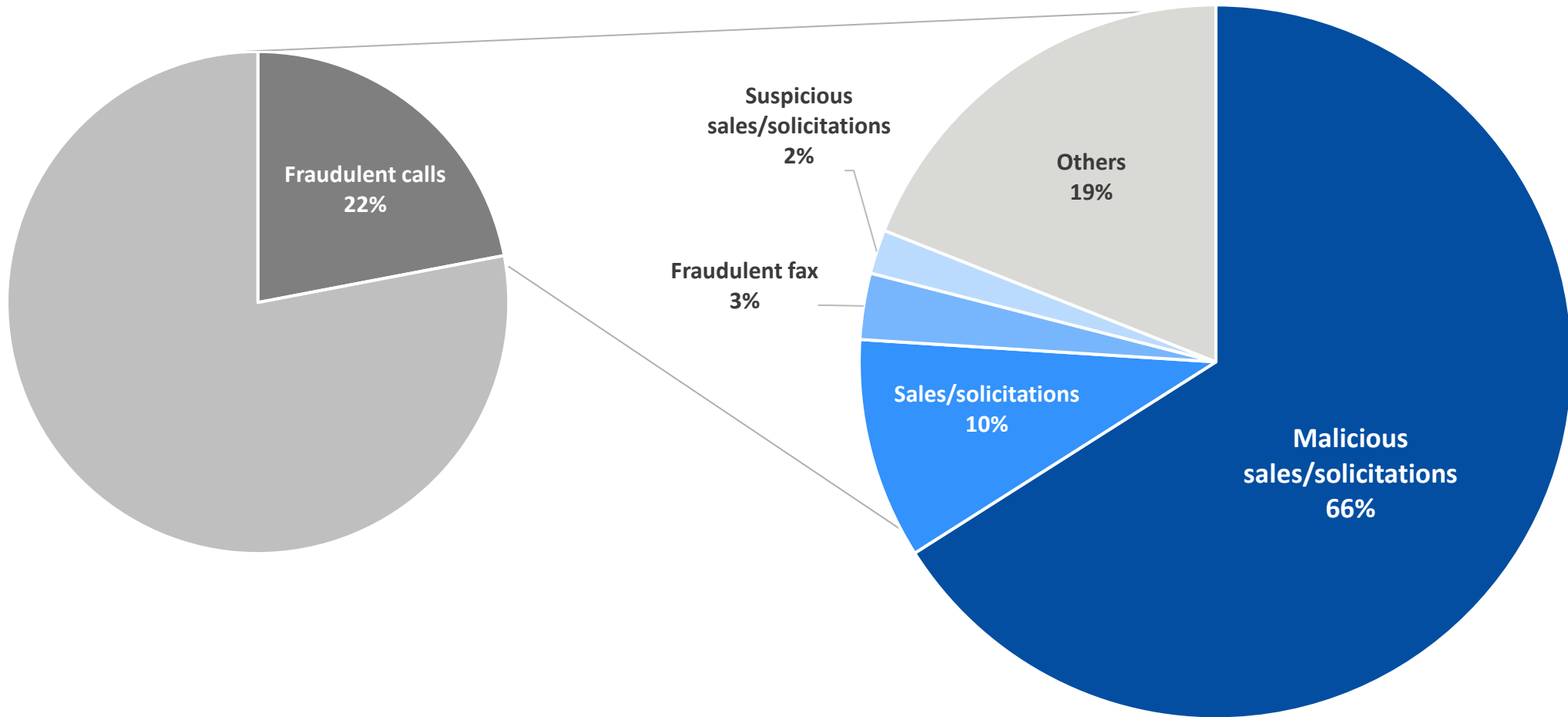- **Advertisement fraud**
- **Fake websites**

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.
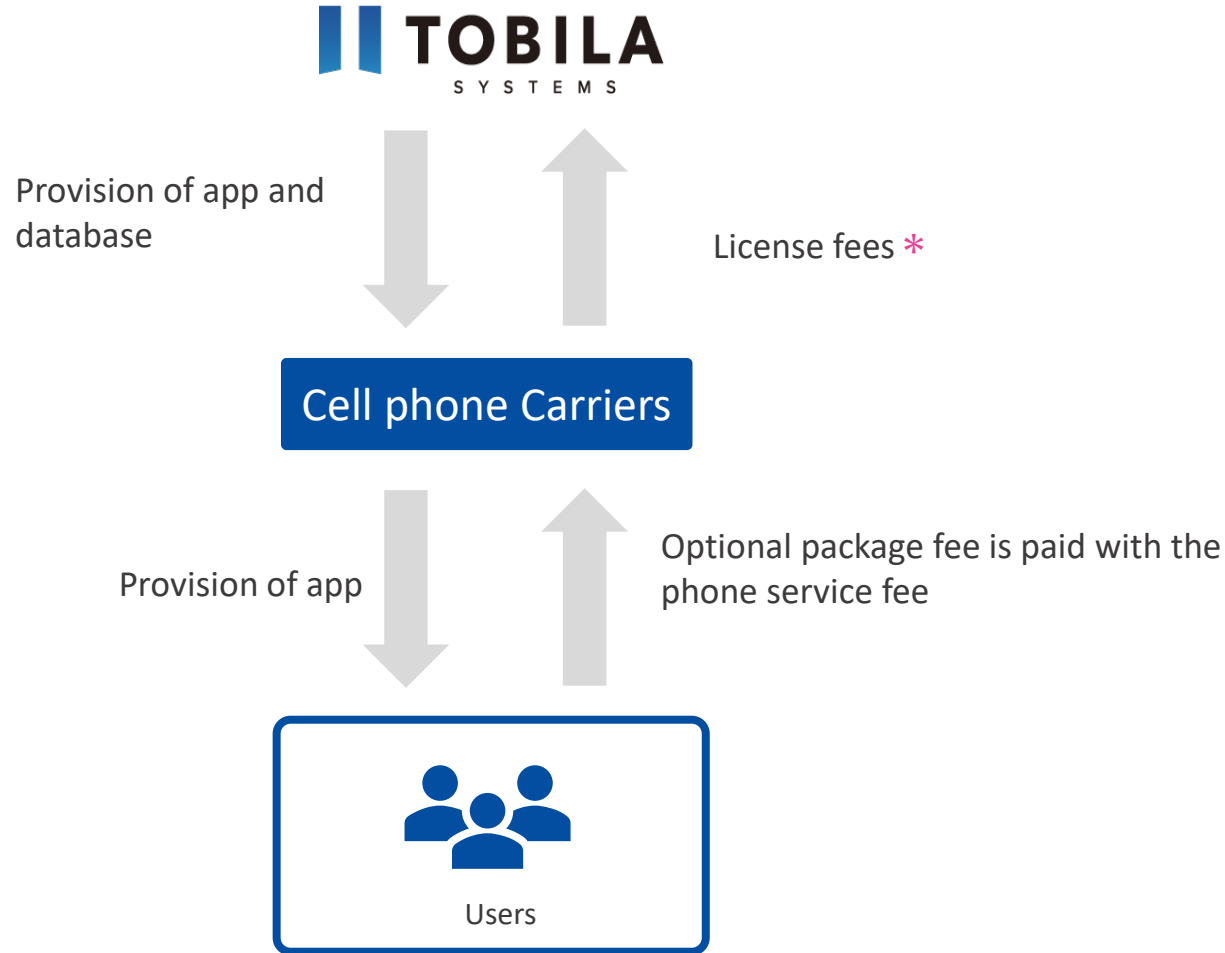
Optional packages

Softbank

NTTdocomo

KDDI

Tobila Systems apps (Sold directly)

TobilaPhone Mobile

280blocker

Business Model

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

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Provision of app and database

License fees *

Cell phone Carriers

Provision of app

Optional package fee is paid with the phone service fee

Users

* 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.
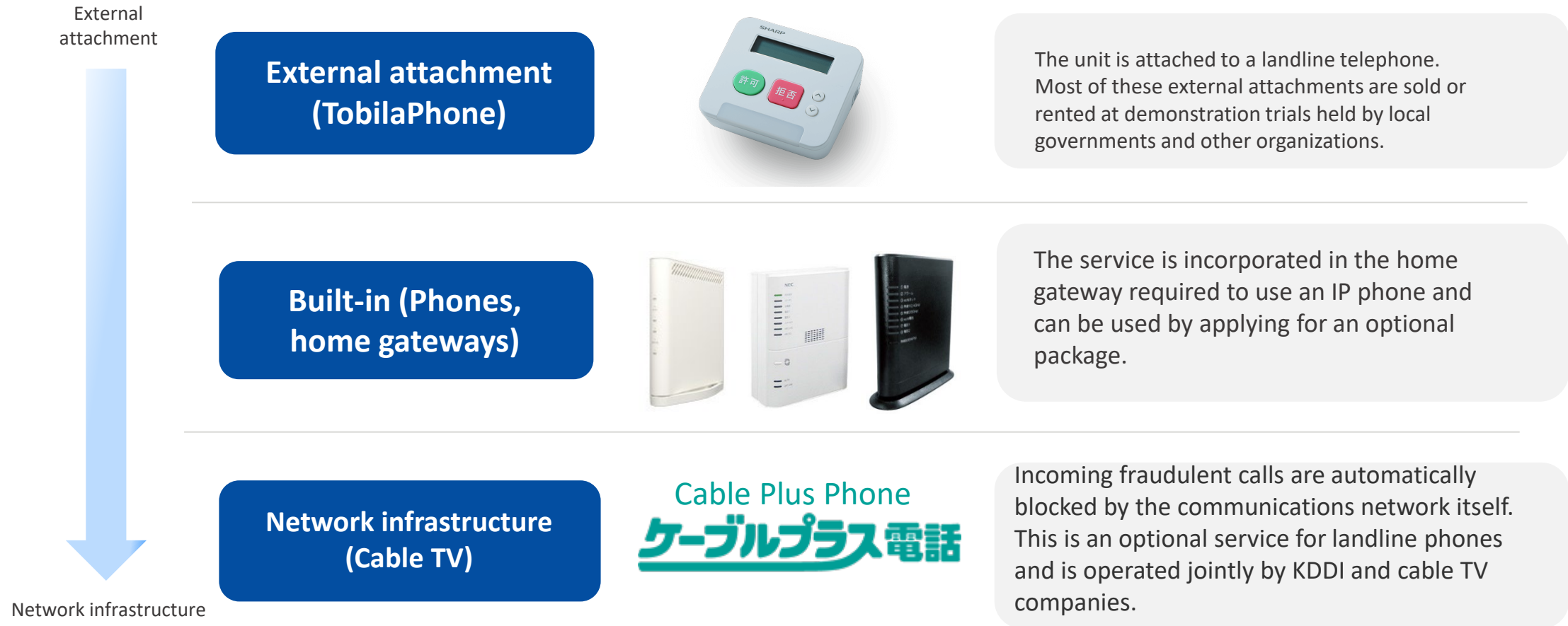
No. of contractors × Unit price

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

*This flowchart does not include the TobilaPhone and 280blocker apps because they are sold directly by Tobila Systems.
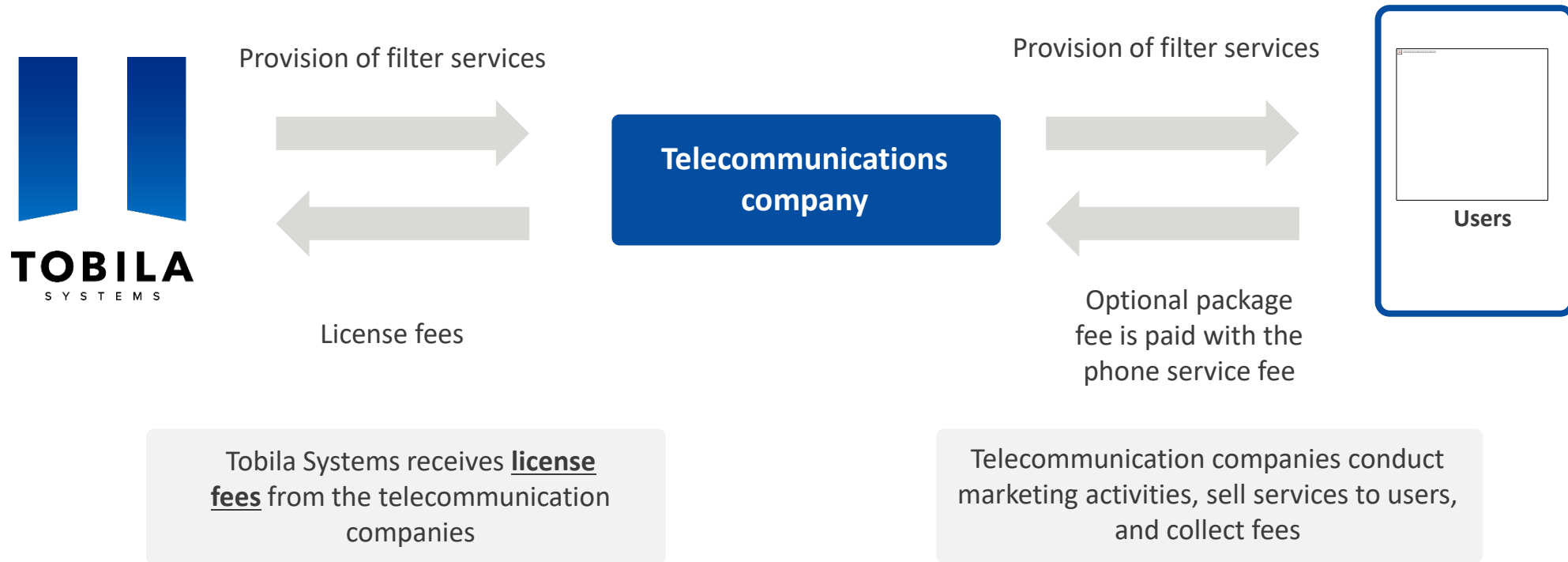
Summary for Landline Phones Services

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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)

Cable Plus Phone
ケーブルプラス電話

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

Business Model

- 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.

Provision of filter services

Provision of filter services

Telecommunications company

Users

License fees

Optional package fee is paid with the phone service fee

Tobila Systems receives **license fees** from the telecommunication companies

Telecommunication companies conduct marketing activities, sell services to users, and collect fees

Outline of Business Phone Services

TOBILA
SYSTEMS

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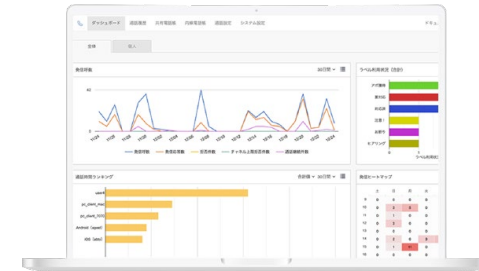
A sales support system that includes an IP phone and a function that analyzes phone conversations. Talk Book was launched on January 12, 2022.

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.
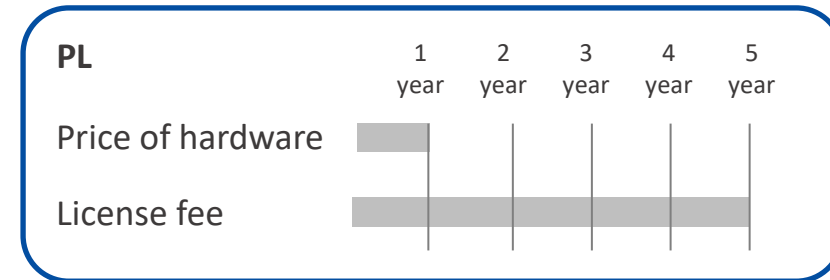
Sale of attachment
Provision of database

Sale of attachment

Sales partners

Payments for attachments

Payments for attachments

Corporate users

Monthly license fee

Growth Strategy for TobilaPhone Biz

- The speed of sales is increasing following registration as a product sold by NTT East/NTT West.
- Goal is upselling TobilaPhone Biz by strengthening sales channels and adding functions.

Sales by agents

NTT EAST

NTT WEST
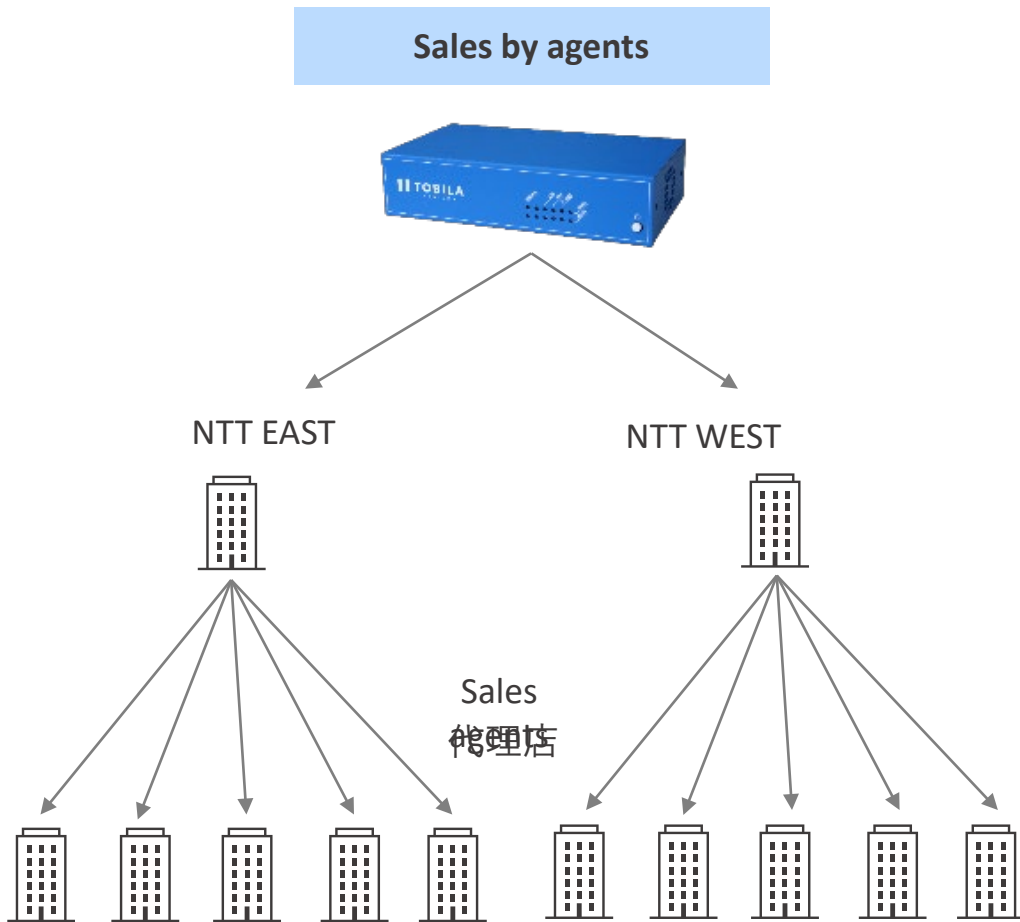
Sales
代理店

Fee income
(5-year bundled package)

PL		1 year	2 year	3 year	4 year	5 year
Price of hardware						
License fee						

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

CF First year

Five years of license fees

Price of hardware
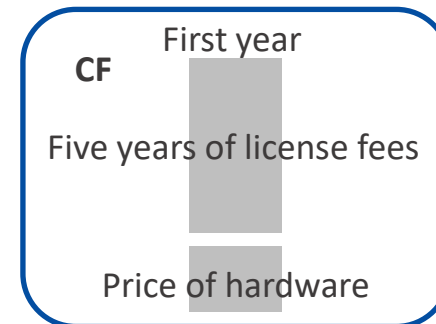
When a sale is made, Tobila Systems receives the payment for the hardware and five years of license fees.

Problems Solved by TobilaPhone Biz

TOBILA SYSTEMS

Reduce wasted telephone/fax time

The fraudulent phone number database and simple registration of blocked phone numbers dramatically cuts unwanted phone/fax calls.

No worries about the failure to record a call

Fully automatic recording system ensures that calls are fully recorded. Large capacity and protection system. Downloads are possible for data storage.

Scheduling with companies using different vacation times

Simple schedule recording makes it easy to make revisions and additions, even remotely.

Many recording patterns are possible

No recording warning message for the main phone number but message sent for other phone numbers, for example. Settings can be made as needed by using combinations of internal phone numbers and the numbers of other companies.

Recording function and no need to replace the main switching system that malfunctions

The recording function is not in the main switching system, so there the current system can be used. Replacing this system also has no effect on the recording function.

Easy to obtain data from recordings

The internet management screen can be used to easily extract data from a recording. Whenever the need arises, specific information can be quickly obtained.

Eliminates difficulty of using an existing system after an operator resigns

TobilaPhone Biz can be operated with ease by anyone. Simply call the help line number for assistance in the event of a problem.

No concerns about hardware malfunctions and data leaks

Cloud server is used for data management (authorized access only). If a TobilaPhone Biz unit malfunctions, data up to that point is stored in the cloud.

No need to buy many items to add required functions

A single TobilaPhone Biz unit can perform many functions.

Ability to view incoming phone calls to the company while away from the office

Information about incoming calls and recordings can be checked from anywhere by using an internet connection.

Fraudulent call filtering service
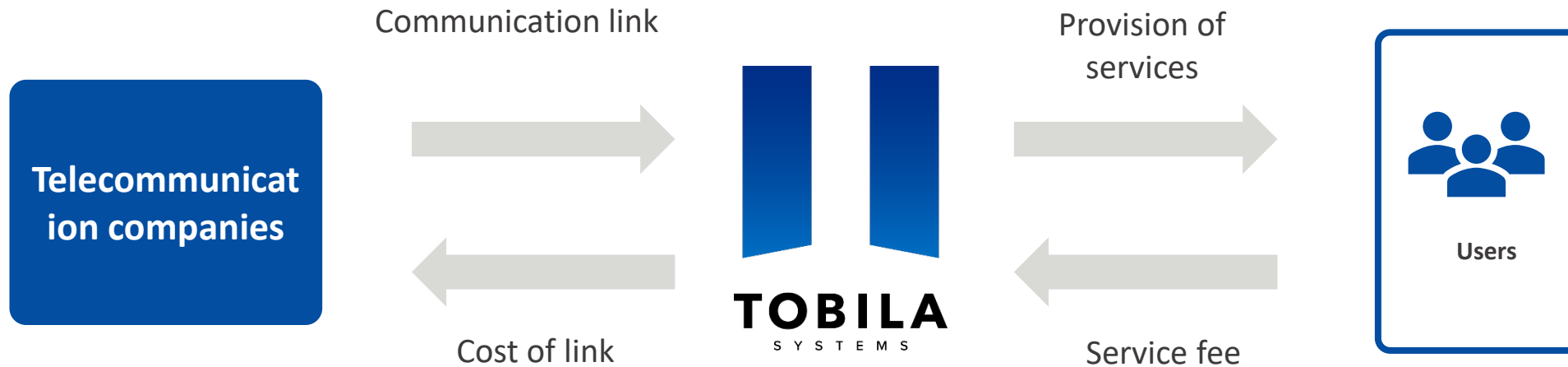
Fully automatic recordings

Scheduling

Cloud server

Internet management screen

User support number

54

Business Model for Cloud and Talk Book

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- 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.

Telecommunication companies

Communication link

TOBILA SYSTEMS

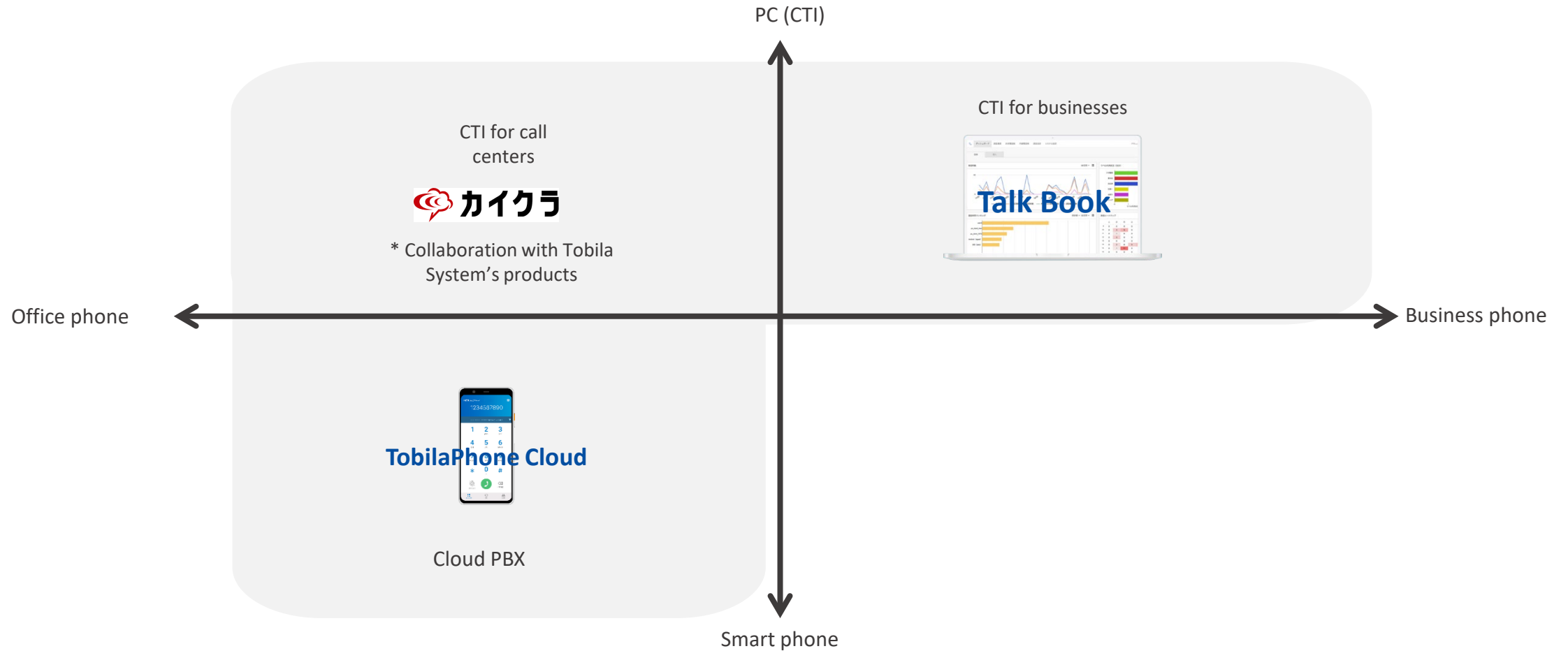Provision of services

Users

Cost of link

Service fee

*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/)

Growth Strategy for TobilaPhone Cloud and Talk Book

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

PC (CTI)

CTI for call
centers

CTI for businesses

カイクラ

Talk Book

* Collaboration with Tobila
System's products

Office phone

Business phone

TobilaPhone Cloud

Cloud PBX

Smart phone