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September 30, 2024

Dear shareholders and investors,

Company name Tobila Systems Inc.
Representative Representative Atsushi Akita
Director and
President
(Stock Code: 4441 Tokyo Stock Exchange Standard)
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Questions and Answers on Financial Results for the First Nine Months of the Fiscal Year Ending October 31, 2024 (2)

We are pleased to disclose the main questions we received from institutional and individual investors regarding our financial results for the first nine months ending October 31, 2024 announced on September 10, 2024, and the answers to these questions. The following is a list of questions and answers received since the “Questions and Answers on Financial Results for the First Nine Months of the Fiscal Year Ending October 31, 2024” released on September 13, 2024, as well as major questions and answers received at the “Kabu Berry Lab” IR event held on September 21, 2024.

Some parts of the information have been added or revised for your better understanding.

[Questions and answers]

Filtering service for mobile phones

1. Are there any competitors for mobile phone services? Please also tell us about your strengths.

For similar services, there are “Whoscall” (a service provider [Gogolook Co.,Ltd.]), “Darekana Block” (StoreFront Co.,Ltd.), and most recently Virus Buster Fraud and Telephone Blocking Service (Trend Micro Incorporated). Tobila Systems provides services via telecommunication carriers only to Tobila Systems, Inc., and is characterized by high accuracy thanks to collaboration with the police and the work to update human databases.

2. Mobile phone services are expected to grow this fiscal year thanks to higher unit prices. Do you expect the unit price to increase again in the next fiscal year?

It's hard to answer because it's about the contract. We intend to continue working together so that we can provide solid value and use our services to the users of each telecommunications carrier.

3. New iOS features have enabled ads to disappear, but will this affect revenue at 280blocker?

We are aware of the new features of iOS. We tried it, but it was necessary to eliminate advertisements one by one. We feel that there is an advantage with [280blocker] in the sense of trouble, but we do not think the effect is zero. We will continue to closely monitor trends.

4. Please tell us about the three types of contracts, how do you see them from consumers, and how do you allocate them?

From the viewpoint of general consumers, we receive applications for optional packages from telecommunication carriers and receive monthly payments from telecommunication carriers. We receive revenue from telecommunications carriers from different types of contracts. Although it is not possible to tell you which type of contract each telecommunications carrier has, no direct payment has been made to us by users of each telecommunications carrier.

5. Please tell us about the provision of JCOM services and the number of users.

We cannot disclose specific figures, but they are likely to be smaller than the three major telecommunication carriers. We will continue working with our carriers to make this service more accessible to customers.

6. Are you planning to develop low-cost SIMs in-house?

We have no plans to respond on the assumption that our service will provide a telecommunications network with a standard function. Tobila Systems already provides blocking services for CATV services by extending this service to include telecommunications networks. We will continue to consider how to provide this service.

Filtering service for business phones

7. Please tell us about how to sell your business phone.

We offer two products for business phones. [TobilaPhone Biz] is sold through sales agents and [TobilaPhone Cloud] is sold directly.

8. What is your reason for not selling TobilaPhone Biz directly?

Direct sales are one option, but we believe it is difficult to do so at this point. There are two reasons for this. The first is [TobilaPhone Biz] which is currently sold throughout Japan. This is because we believe it is difficult for us to establish a nationwide sales organization in-house. The second reason is that [TobilaPhone Biz] is held by sales agents with information about the timing of sales. It is important to ascertain the timing of when [TobilaPhone Biz] becomes an opportunity, such as when

offices are relocated or telephone exchanges are switched, and currently, TobilaPhone is a sales agent.

9. Growth in sales of products for business phones is strong, but how long is this trend likely to continue?

Although it is difficult to say whether this will last for many more years, revenue from business phone services has been increasing steadily in the past. In terms of market size, we believe that our service has a low market share and that the size of the cloud PBX market will continue to increase. Looking at the situation within the company as well, we believe that we can still grow this business in the future. Therefore, we are focusing on expanding the business of all employees to meet their expectations.

10. Where are TobilaPhone Cloud competitors?

We believe that several services are applicable, including IVRy (IVRy Co., Ltd.), Dialpad (Dialpad Japan, Inc.). However, we do not believe there are any services that have an extremely high market share in the cloud PBX market, so we will continue to provide services that include the addition of functions.

11. What is the effect of integrating functions in [Talk Book]?

From the perspective of sales, we believe that bringing a single product together will make it easier to sell. Maintenance and maintenance fees are also affected. Depreciation is expected to decrease from the next fiscal year onward, as this is the fiscal year period under review.

12. Although the results have been revised, is the outlook for business phone services difficult to determine?

These figures are based on recurring revenue, so we believe that the outlook is about a certain level. You may be able to read the cost of this report. I believe that there is a constant gap between the forecasts and actual results, as well as changes to the forecasts. Sales increased despite the higher margin this fiscal year, and operating profit was also revised due to the more efficient use of costs.

Forward-looking Statements

13. What is the state of M&A activity and what is your approach to M&A?

We believe this is one strategy for future growth. Utilizing our database, we are considering M&A deals with companies that can compensate for the shortage. We are unable to answer whether there are any specific projects in progress, but we will disclose any information as soon as it is decided that should be disclosed.

14. What size do you envision for your new business? It would be easier to make an investment if you could give us an image of the future transition of the business using a stacked area chart, etc.

Thanks for your opinion. We have set medium- to long-term targets within the company, but I believe that the likelihood of outward movements should have increased somewhat. Our dependence on the big three telecommunications carriers is also a risk, and we have been focusing on services for business phones to grow this service as a second earnings pillar. We will continue to consider the launch of new businesses and other initiatives to demonstrate our growth image.

15. Performance is increasing while stock prices are declining. How is this situation analyzed internally?

The management team takes the situation that share prices have not increased due to business performance very seriously. We believe that what we can do is to grow our businesses, including existing ones and new ones, and to disclose our outlook for growth. Sales and operating profit have never been lower than planned as sales have increased every year since listing. The business phone service sector, which we are currently focusing on, is also showing steady growth. We will continue to explain our growth outlook to you and work to achieve this goal.

16. Would you not introduce a progressive dividend policy?

We appreciate your valuable opinion. Currently, our basic policy is to maintain a dividend payout ratio of 35%. This does not mean that dividends will be eliminated, but rather that we are considering whether to continue this policy or use other indicators in conjunction with our capital policy. I would like to refer to them for future reference.

17. Are you planning to announce a new medium-term management plan?

The long-term plan is of course within the company. Disclosure is expected to be decided by future discussions.

18. What is the number one risk that impedes fundamental growth?

We believe that the key to future growth is business phone services. Growth in the market is also expected to have an impact, but it is important to steadily increase the number of users. The key point is whether we can steadily increase the number of users. In addition to direct sales. We will continue to work closely with sales agents who hold customer information with a view to cooperating with them.

19. Do you do contracted development?

Contract development services are provided and included in [Other] by segment. We intend to spend more resources on the mainstay Fraud and Spam Prevention Business in the future, so we do not plan to do so actively.

20. Why is ROE high?

We plan on an ROE of 23.9% this fiscal year. Breaking down ROE and analyzing it, I think the profit margin is a major reason for the high ROE. Mobile phone services account for about 70% of sales, which is sold through telecommunication carriers. We tend to have high profit margins because we can focus on development.

[Contact for inquiries]

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