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Cacco Inc. | Stock Code: 4166

May 13, 2022

Financial Results for the First Quarter of Fiscal Year Ending December 31, 2022

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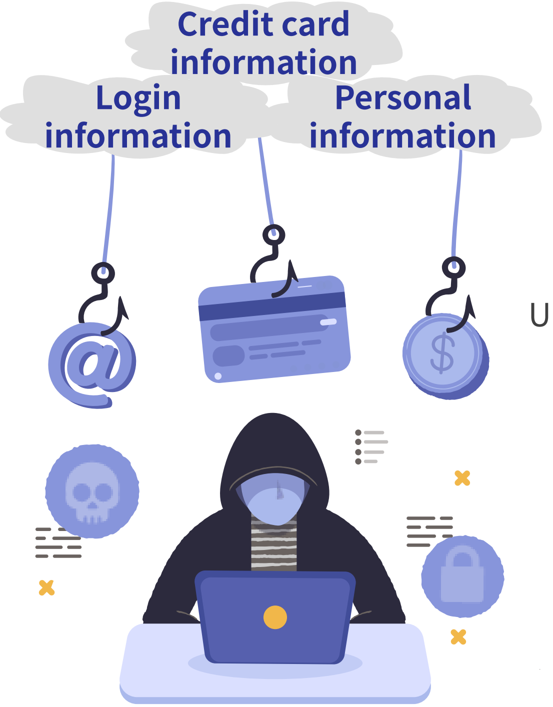
Executive Summary / Business of Cacco — Rapidly increasing information theft and fraud crimes —

The number of fraud crimes involving the misuse of information stolen through phishing and cyber-attacks is increasing rapidly, and countermeasures are urgently needed.

Information theft

Phishing

Cyberattacks



Credit card information
Login information
Personal information

Unauthorized use of credit cards

Unauthorized access

Fraud crimes involving the misuse of information stolen

Online shopping
Fraudulent orders

Internet banking
Unauthorized remittances

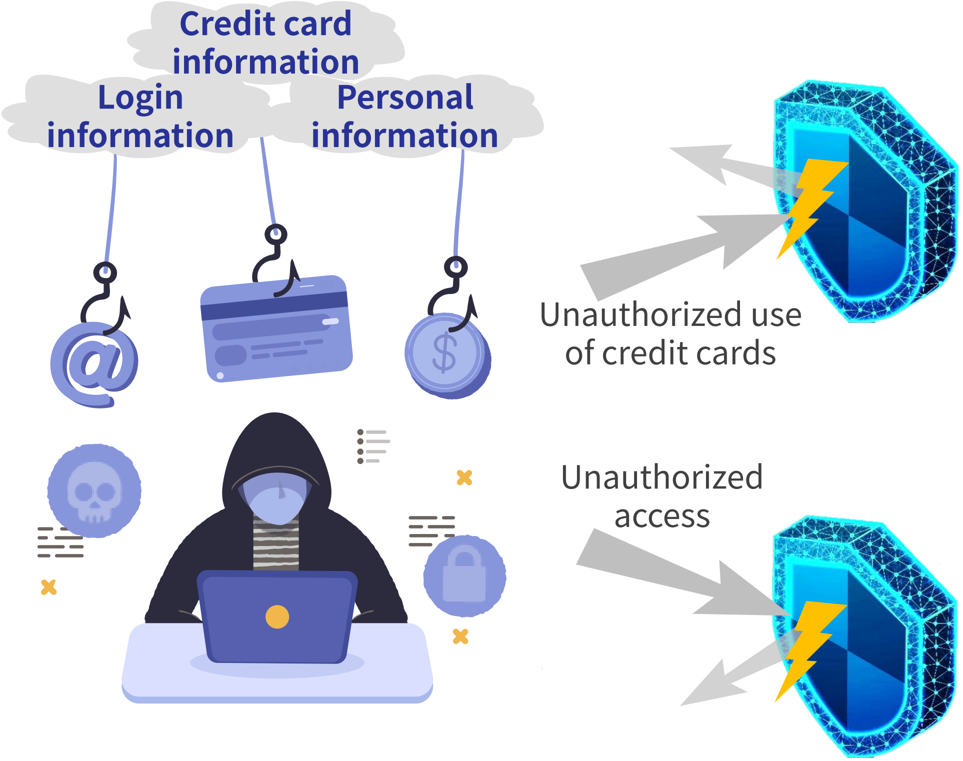
ONLINE BANKING

Executive Summary / **Business of Cacco**

— Cacco’s fraud detection service —

Cacco’s fraud detection service is No. 1 in the number of installations in Japan*, contributing to the construction of a safe and secure EC infrastructure.

Cacco detects fraud.


Credit card information
Login information
Personal information
Unauthorized use of credit cards
Unauthorized access

Fraudulent Order Detection Service

O-PLUX

- No. 1 in Japan in terms of number of installations
- Sharing of fraudulent information on 20,000 sites
- Well-connected with EC service cart systems

Unauthorized Access Detection Service

O-MOTION

- Adopted by securities firms and banks
- Automatic detection of bots and spoofing
- Patented terminal identification technology

Safe and secure online shopping

Safe and secure Internet banking

ONLINE BANKING

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* TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service,” (as of the end of May 2021)

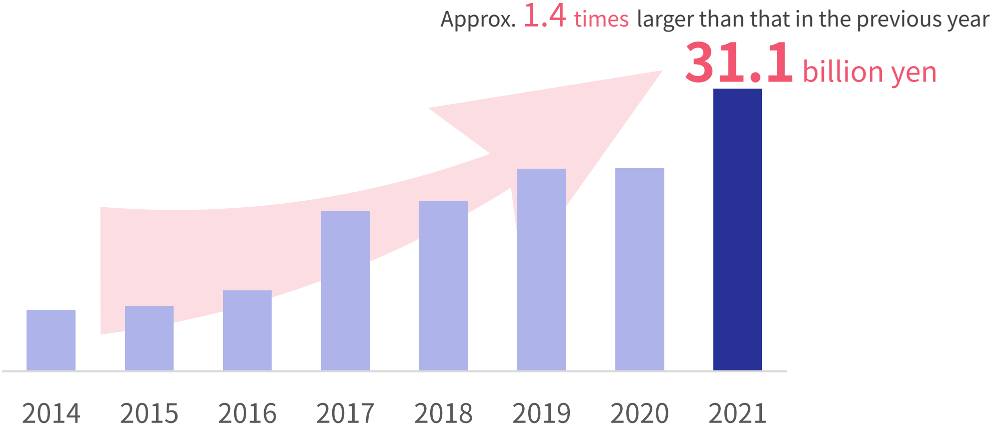
Executive Summary / Business of Cacco

— Business environment and market size —

The market for fraud detection services is expected to grow further as society's demand for fraud countermeasures continues to increase.

- In response to the rapid increase in fraud damage, regulations regarding anti-fraud measures have been tightened year after year, including revisions to the Installment Sales Act and updates of credit card security guidelines.

Change in the Amount of Credit Card Fraudulent Damage (Number Theft)



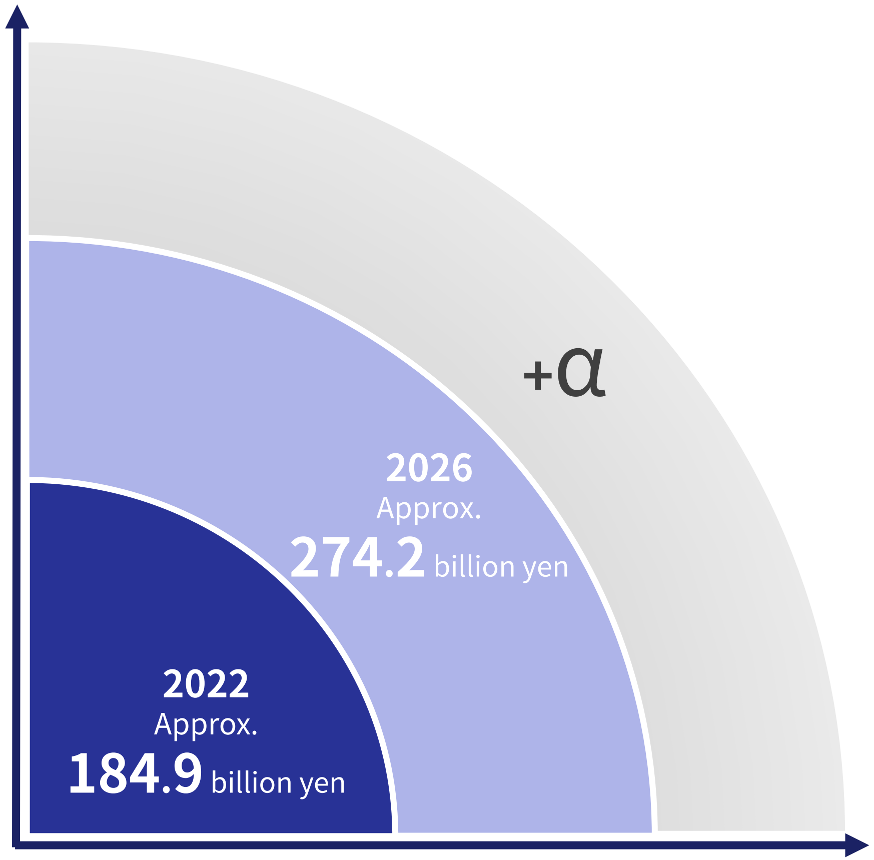
Source: Japan Consumer Credit Association, "Status of Damage from Unauthorized Use of Credit Cards," March 2022

Ranking of Fraudulent Activities after Unauthorized Access Has Occurred

1st place	**Unauthorized remittances through Internet banking**
2nd place	**Unauthorized purchases from Internet shopping**
3rd place	Unauthorized acquisition of information, such as snooping on e-mails
4th place	Sending information while pretending to be an acquaintance
5th place	Tampering with online gaming and community sites

Source: National Police Agency, Ministry of Internal Affairs and Communications, and Ministry of Economy, Trade and Industry, 2022 "Status of Unauthorized Access Activities and Research and Development of Technologies Related to Access Control Functions (FY2021)"

Market Size of Fraud Detection Services in Japan



Source: "FRAUD DETECTION AND PREVENTION Global Market Trajectory & Analytics GLOBAL INDUSTRY ANALYSTS.INC. May 2021" (Calculated at $1 = ¥110)

Executive Summary / **Management Vision**

Cacco Evolutionary Purpose

Shaping the "Let's Do It" for a next game changer

The Cacco Evolutionary Purpose embodies our desire to contribute to the development of the Japanese economy by supporting people and companies that are taking on the challenge of making the world a better place.

When the company was founded, there was little fraud in Internet transactions, and there were no fully functional fraud detection services in the world. But we believed that in the near future, there would be a wide variety and high volume of fraudulent activities in all Internet transactions, including e-commerce.

Almost a decade later, as we predicted, fraudulent activity is occurring in all kinds Internet transactions, and the methods are becoming more complex, evolving and expanding. Since the release of O-PLUX in 2012, we have continued to develop it so that it can adequately respond to evolving threats, and as a result, it is currently the No. 1* installed security solution in Japan.

As a company that creates new value through security, payment, and data science technologies, Cacco will continue to strive to realize the Cacco Evolutionary Purpose and sustainably increase its corporate value.

* TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service," (as of the end of May 2021)

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2. Growth Strategy
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4. Appendix (Corporate Overview, Business Description, Other Materials for Reference)

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Financial Results for FY2022 1Q

Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022

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Financial Results for FY2022 1Q / Highlight

Net sales

245 million yen

YoY:	+10.2%
Plan progress:	22.3%

Ordinary income

49 million yen

YoY:	+4.9%
Plan progress:	25.2%

O-PLUX recurring revenue*

182 million yen

YoY: +8.0%

* Monthly fee charged as a fixed amount + Examination fee charged on a pay-per-use basis based on the number of examinations

O-PLUX screening volume

16.01 million cases

YoY: +2.9%

System connection with EC packages and shopping carts

+3 companies

サブスクストア
たまごリピート [*1]

ecforce [*2]

GMO クラウドEC パッケージEC [*3]

*1 Cloud-based mail order system provided by TEMONA. Inc
*2 EC platform for corporate customers provided by SUPER STUDIO, INC.
*3 EC construction package provided by GMO MAKESHOP Co. Ltd.
O-MOTION and industry-specific O-PLUX became newly available in FY2022 1Q

Financial Results for FY2022 1Q / Highlight of Business Results

(Unit: million yen)

	FY2021 1Q	FY2022 1Q	YoY	FY2022 Forecast	Progress
Net sales	222	**245**	**+10.2%**	**1,102**	22.3%
(Net sales of fraud detection services)	190	**206**	+8.5%	875	23.6%
Operating income	50	**48**	**-2.8%**	**191**	25.4%
(Operating income margin)	22.4%	**19.8%**	-2.6 pt	17.4%	-
Ordinary income	47	**49**	**+4.5%**	**195**	25.2%
(Ordinary income margin)	21.2%	**20.1%**	-1.1 pt	17.7%	-
Net income (Quarterly net income)	32	**33**	**+3.1%**	**137**	24.5%

Summary of Financial Results

Core fraud detection service achieved quarterly sales of 206 million yen, a record high.

Ordinary income reached 25.2% of the full-year forecast.

◆ Due to the steady acquisition of new O-PLUX customers, fraud detection service sales reached 206 million yen (+8.5% YoY), a record high for quarterly sales. Overall sales were 245 million yen (+10.2% YoY).

◆ Ordinary income was 49 million yen (+4.5% YoY) due to revenue growth, although the profit margin declined 1.1 pt YoY due to depreciation related to the renewal of the O-PLUX architecture and higher personnel costs associated with the increase in staff.

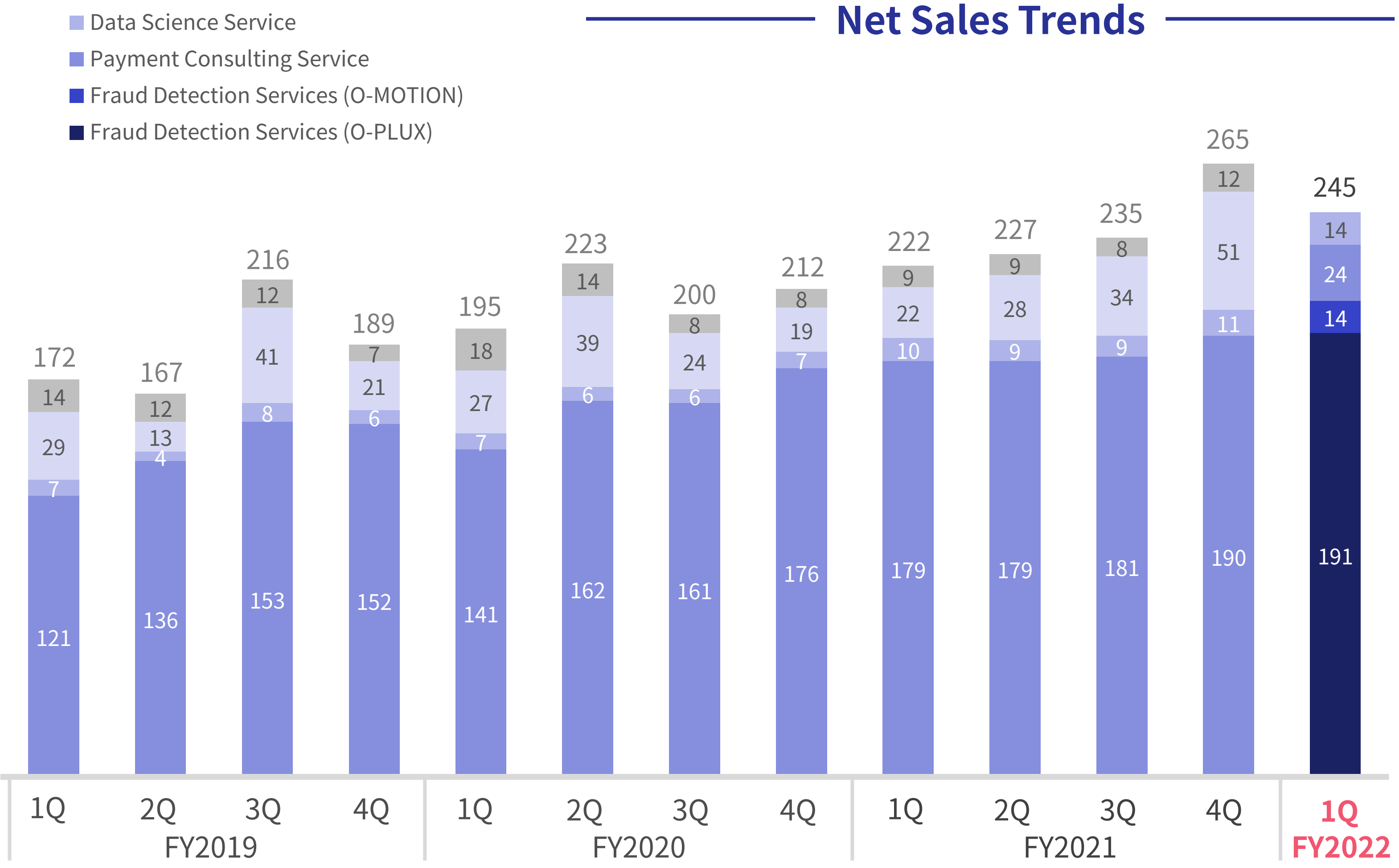
Financial Results for FY2022 1Q / Net Sales Trends

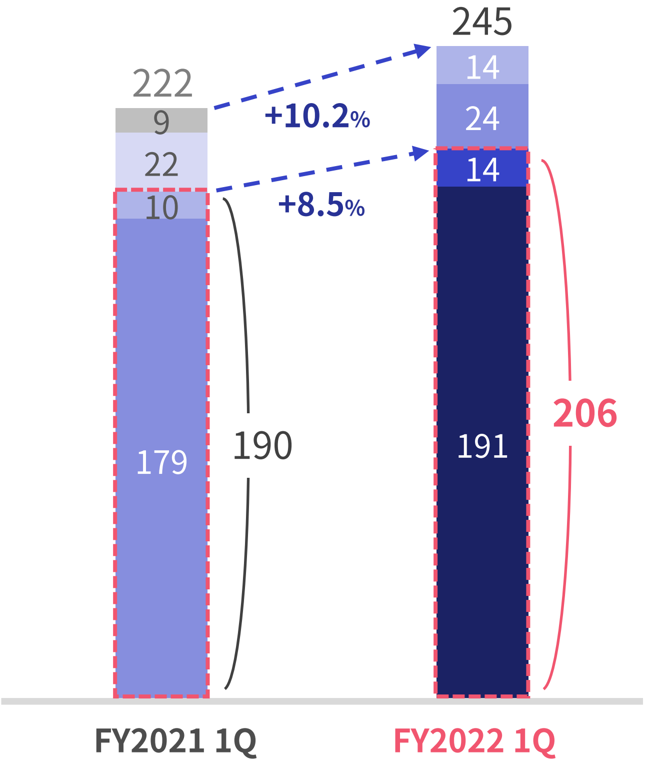
Our core fraud detection service achieved record quarterly sales of 206 million yen (+8.5% YoY).

- Overall sales grew 10.2% YoY.

Net Sales Trends

(Unit: million yen)



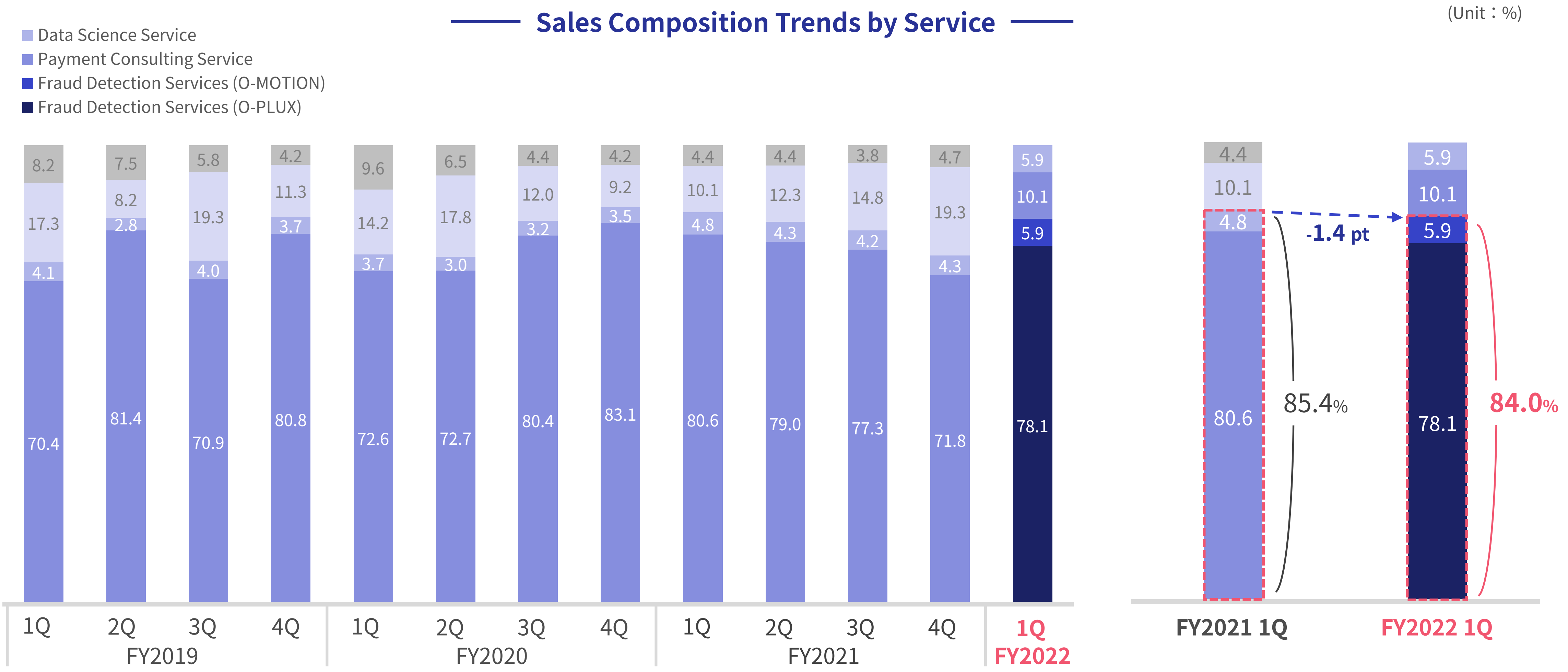


* No special demand was seen from the third COVID-19 state of emergency and onwards.

Financial Results for FY2022 1Q / Sales Composition Trends by Service

The sales composition of fraud detection services, the core of our business, reached 84.0% (down 1.4 pt YoY).

- Due to the expansion of sales in payment consulting services and data science services, the sales composition of fraud detection services declined in 1Q of FY2022 YoY, but the actual sales continued to grow steadily.

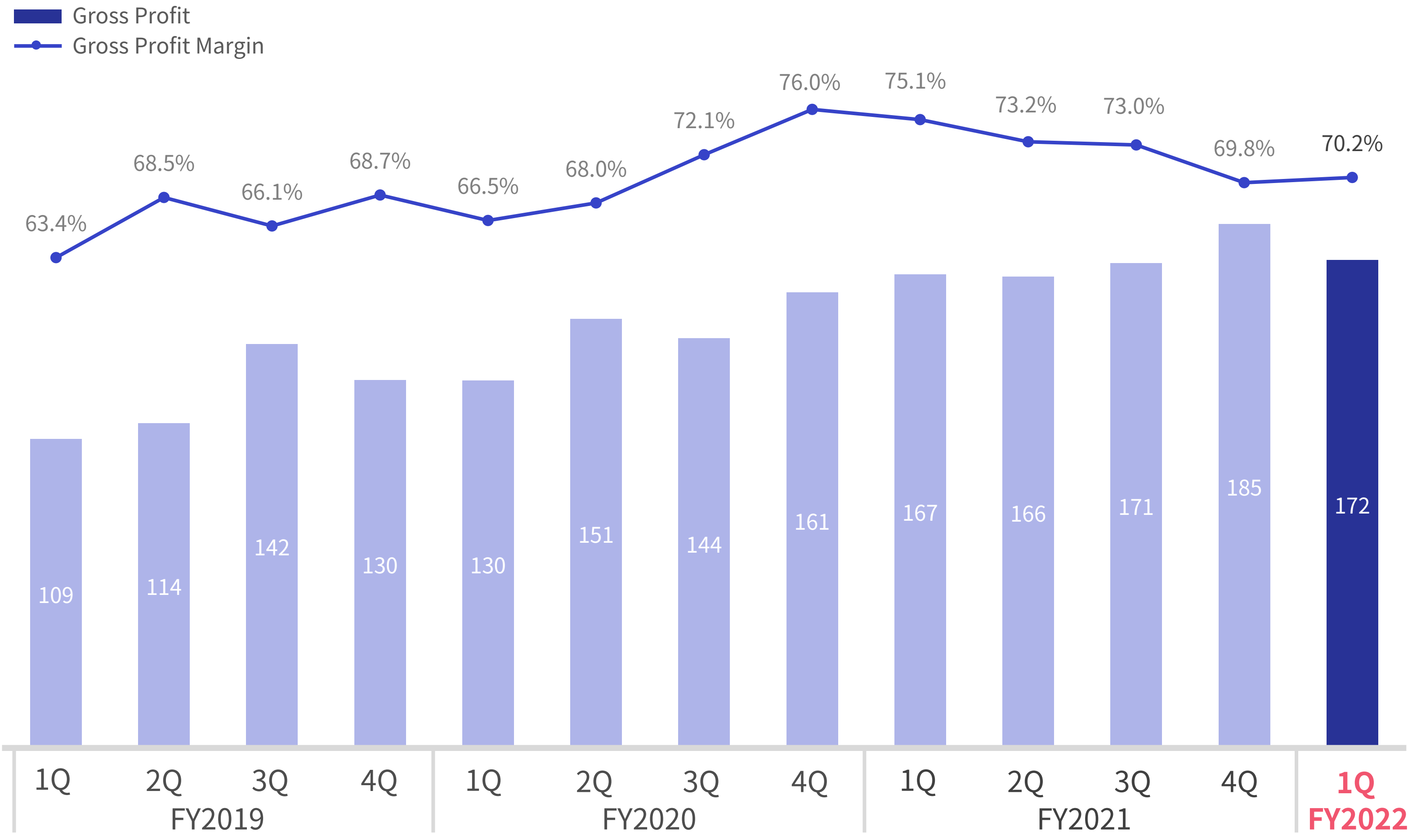

Sales Composition Trends by Service

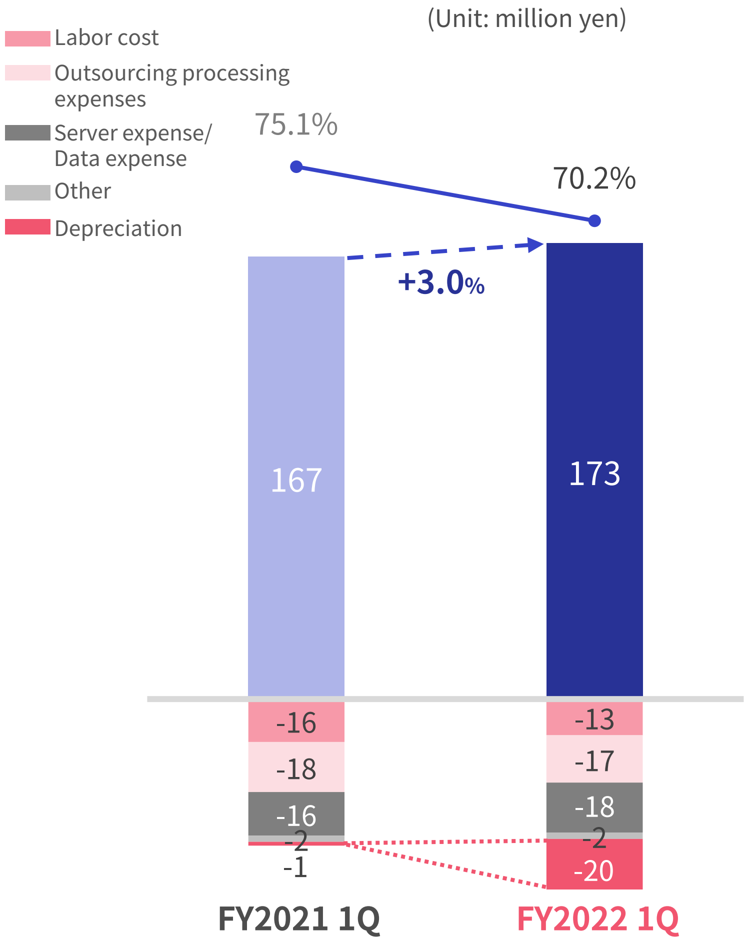
(Unit：%)

Financial Results for FY2022 1Q / Gross Profit Trends

Although gross profit margin was 70.2% (down 4.9 pt YoY) due to an increase in depreciation related to the O-PLUX architecture renovation, gross profit increased by 3.0%.

Gross Profit Trends





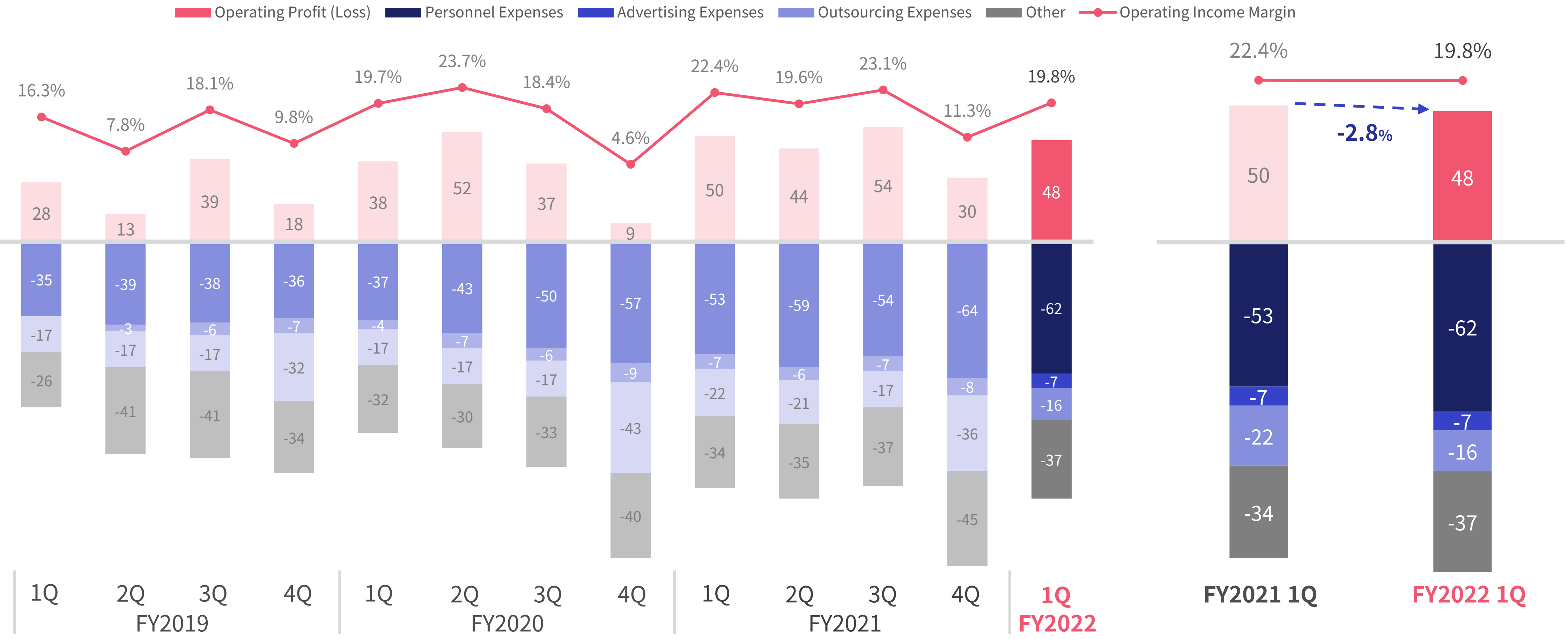
Financial Results for FY2022 1Q / Trends in Operating Income and Selling, General and Administrative Expenses

Operating income decreased 2.8% YoY, and the operating margin was 19.8% (down 2.6 pt YoY).

- Despite a decline in gross profit margin due to an increase in depreciation (see previous page) and an increase in personnel expenses due to an increase in the number of employees, the operating profit margin exceeded the FY2022 forecast (17.4%), and we expect further improvement in the profit margin due to cost containment effects from the upcoming renewal of the O-PLUX architecture.

Trends in Operating Income/Selling, General and Administrative Expenses

(Unit: million yen)



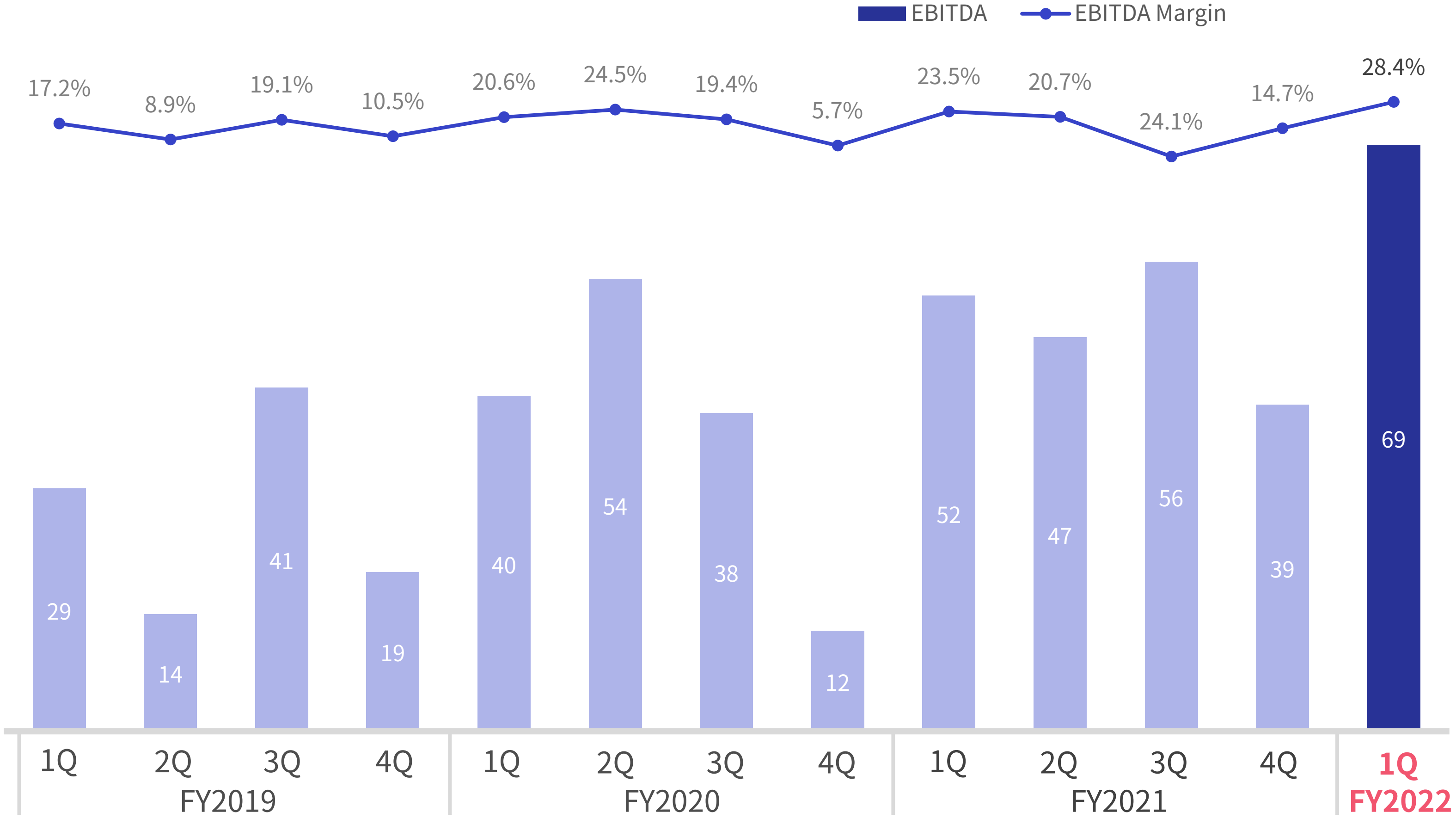
Financial Results for FY2022 1Q / EBITDA Trends

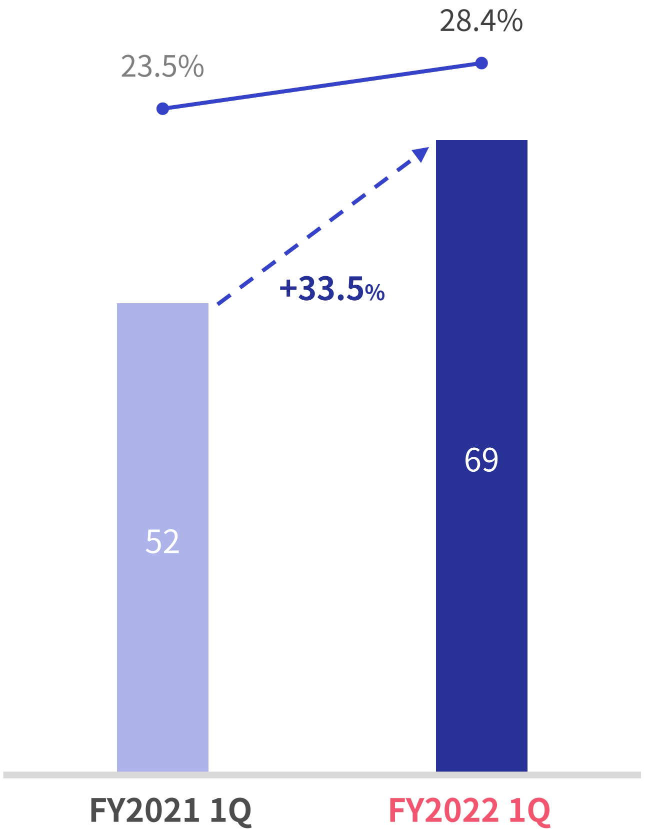
EBITDA increased to 69 million yen (up 33.5% YoY) and EBITDA margin increased to 28.4% (up 5.0 pt YoY).

- Significant improvement due to completion of software development related to O-PLUX architecture renewal.

EBITDA Trends

(Unit: million yen)





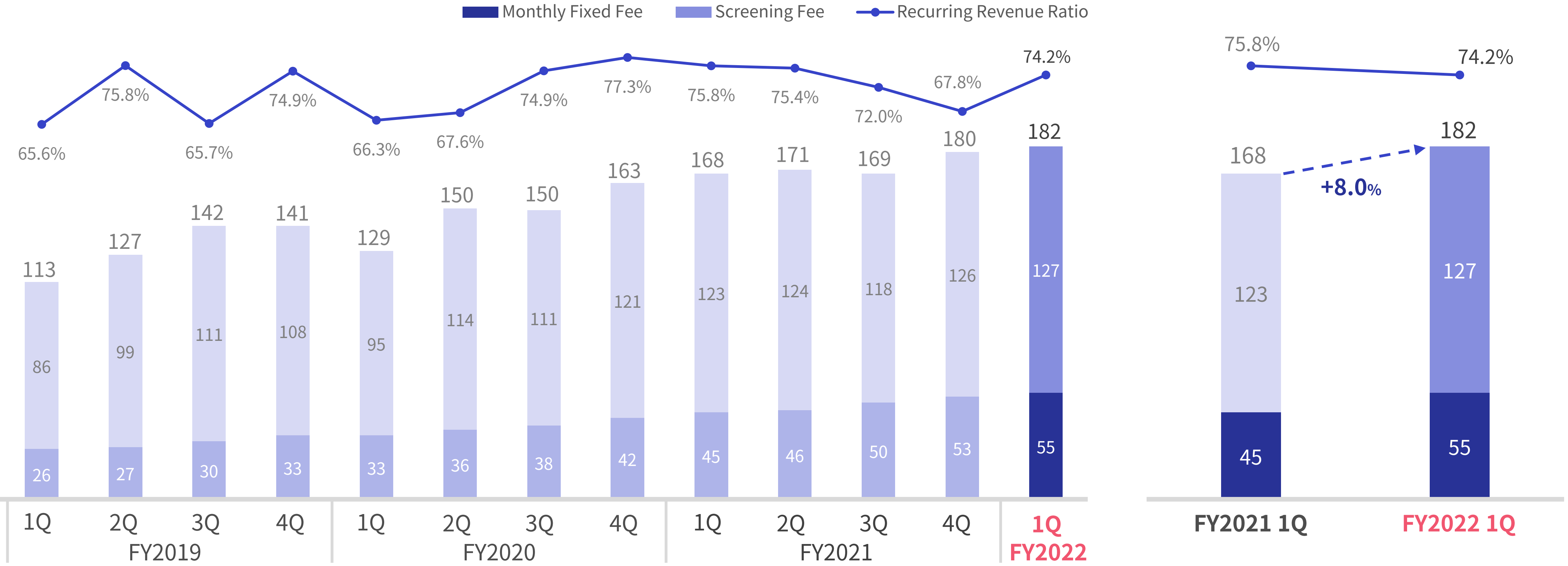
Financial Results for FY2022 1Q / Trends in O-PLUX Recurring Revenue

O-PLUX recurring revenue increased 8.0% YoY. Recurring revenue ratio stood at 74.2% (down 1.6 pt YoY).

- Although the recurring revenue ratio declined year-on-year due to sales growth in payment consulting services and data science services, the recurring revenue itself continued to grow steadily.

Trends in O-PLUX Recurring Revenue

(Unit: million yen)



* Recurring revenue = Monthly fee charged as a fixed amount + Examination fee charged on a pay-per-use basis based on the number of examinations (including 不正チェッカー)
* Recurring revenue ratio = Recurring revenue/Net sales (total of all services)

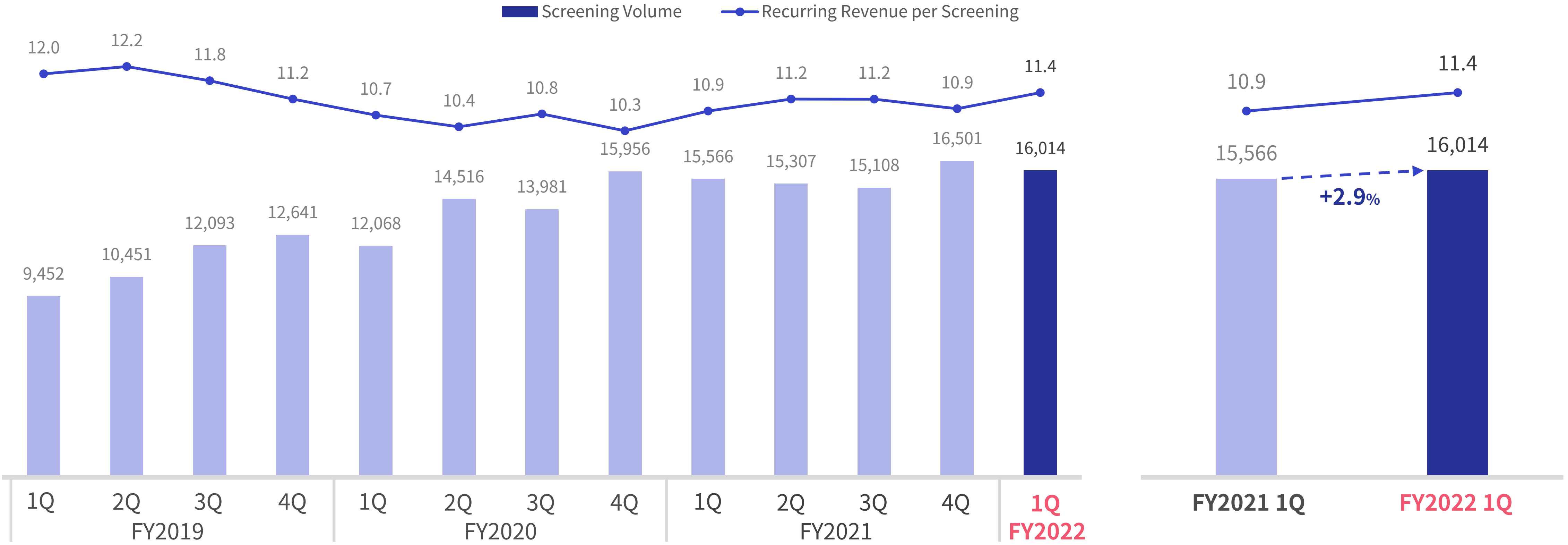
Financial Results for FY2022 1Q / Screening Volume Trends of O-PLUX

The screening volume of O-PLUX increased by 2.9% year-on-year.

- The number of screening cases in FY2022 1Q exceeded that in FY2021 1Q, when demand for EC services surged due to the second COVID-19 state of emergency, and has continued to steadily expand.

O-PLUX Screening Volume
Recurring Revenue per Screening

(Unit for amount: yen)
(Unit for cases: one thousand cases)



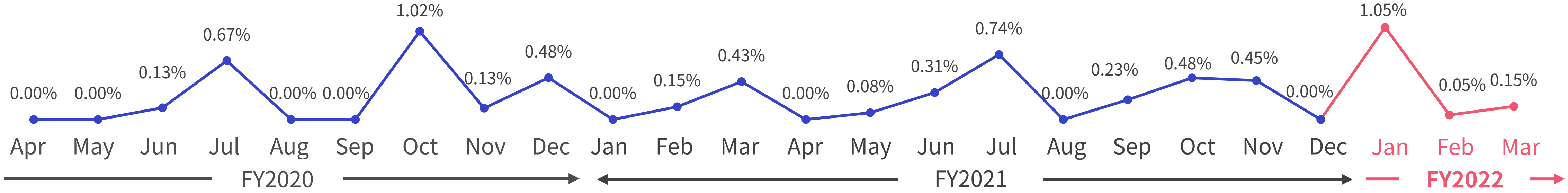
* Recurring revenue = Monthly fee charged as a fixed amount + Examination fee charged on a pay-per-use basis based on the number of examinations (including 不正チェッカー)

Financial Results for FY2022 1Q / Monthly Churn Rate for O-PLUX

The monthly churn rate for O-PLUX remained low, generating constant negative churn.

— Gross Churn Rate —

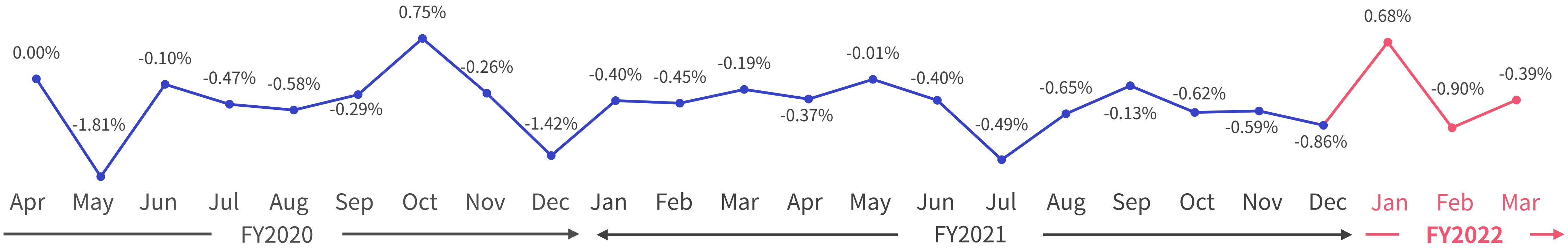
FY2022 1Q average
0.43%
(YoY: +0.23 pt)



* Gross churn rate = annual average of MRR from the clients who churned the current month / MRR at the beginning of the current month

— Net Churn Rate —

FY2022 1Q average
-0.19%
(YoY: +0.15 pt)

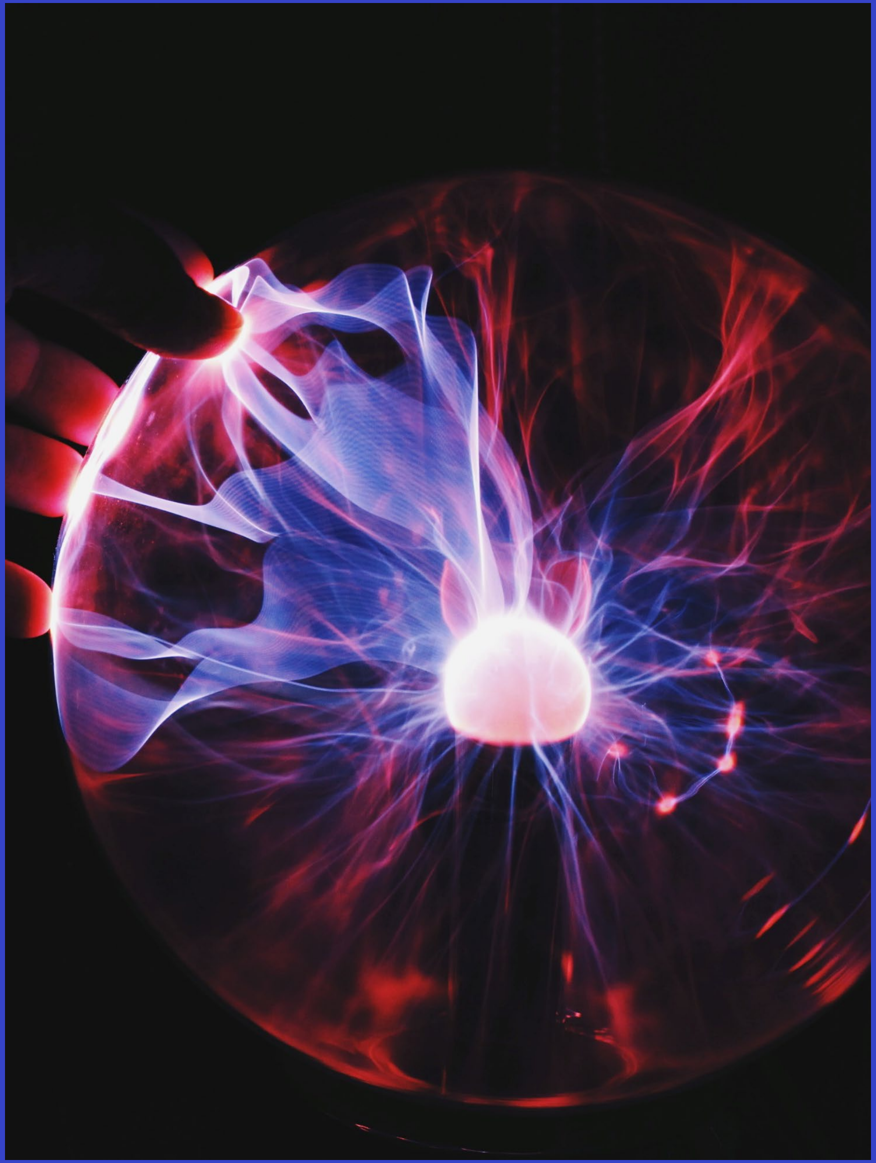


* Net churn rate = (annual average of MRR from the clients who churned in the current month - MRR from new contracts for current month) / MRR at the beginning of the current month

Financial Results for FY2022 1Q / **Balance Sheet**

(Unit: million yen)

	FY2021 4Q	FY2021 1Q	Change	Main Drivers
Current assets	944	**898**	-4.8%	Decrease in cash and deposits
(Cash and deposits)	800	**769**	-3.9%	
Non-current assets	472	**488**	+3.4%	Increase in investment securities
Total assets	1,417	**1,387**	-2.1%	
Current liabilities	142	**84**	-40.9%	Decrease in accounts payable – trade and accounts payable – other
Non-current liabilities	1	**0**	-59.6%	Decrease in long-term borrowings
Net assets	1,273	**1,302**	+2.3%	Increase in retained earnings due to recording of quarterly net income
Capital ratio	89.6%	**93.7%**	+4.0 pt	



Growth Strategy

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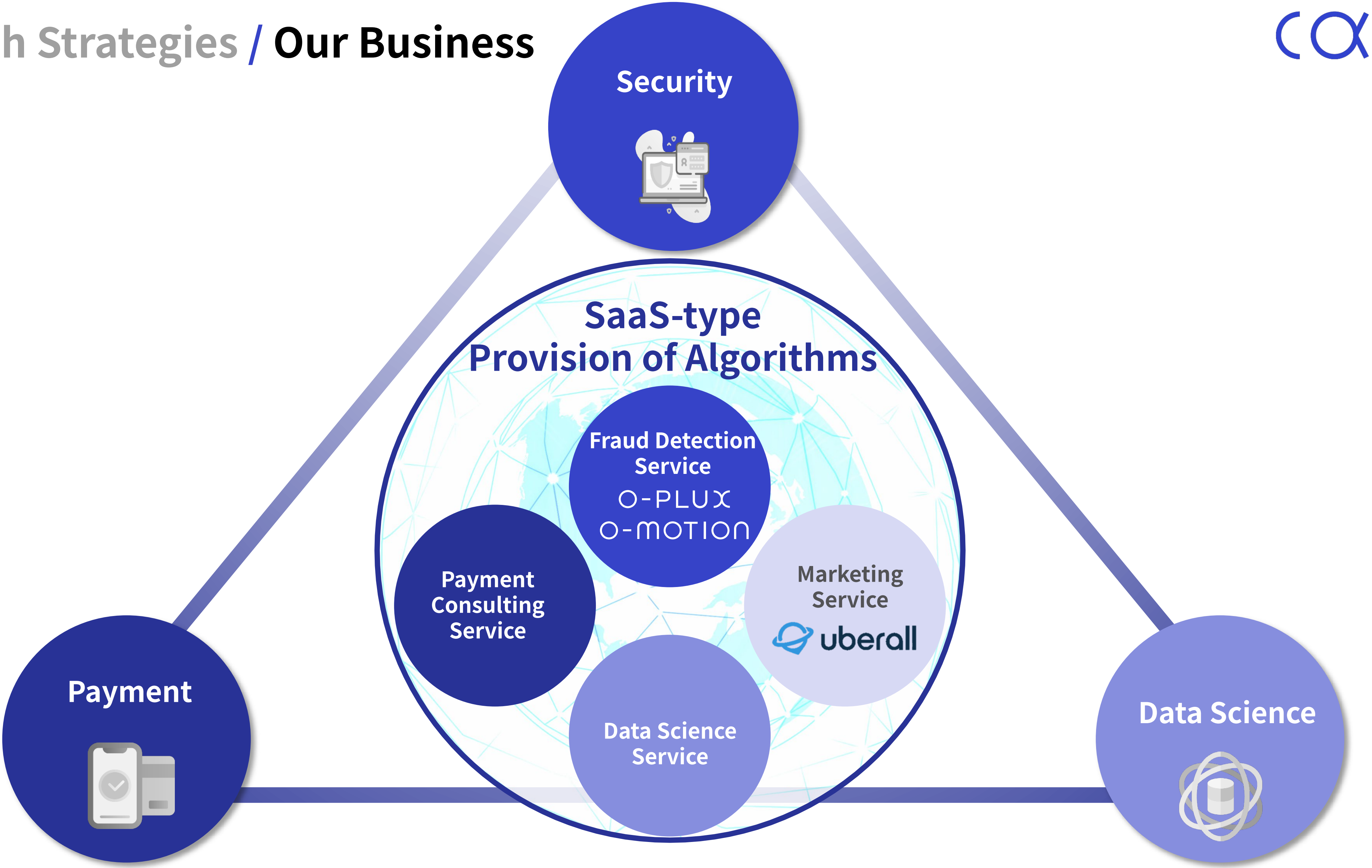
Growth Strategies / **Our Business**


Security
SaaS-type
Provision of Algorithms
Fraud Detection Service
O-PLUX
O-MOTION
Payment Consulting Service
Marketing Service
uberall
Data Science Service
Payment
Data Science

Growth Strategies / Our Main Service

Utilizing our technology and know-how in security, payments, and data science, we develop and provide SaaS-type algorithms to support game changers with their various challenges.

Fraud Detection Service

Fraudulent Order Detection Service

O-PLUX

No.1
Actual Introduction in 2021

Detect fraudulent orders such as payments in arrears in EC payments and resale in real time.

Unauthorized Access Detection Service

O-MOTION

Real-time detection of unauthorized access and login at financial institutions and member sites, etc.

We hold three patents in the area of fraud detection.
Patent No. 6534255
Patent No. 6534256
Patent No. 6860156

Payment Consulting Service

Provide payment systems and consulting services for the BNPL business, mainly for BNPL operators.
Use **O-PLUX** as the screening engine.

SaaS-type BNPL system

By providing a SaaS-type settlement system that requires no initial investment, the company aims to further develop the BNPL market.
(Scheduled for release in the second half of 2022)

Marketing Service

uberall

Integrated management of store information and word-of-mouth information to support MEO measures such as increasing the number of store visits by improving local search rankings.

Data Science Service

Develop and provide data analysis and algorithms using AI, statistics, and mathematical optimization techniques.

SAKIGAKE KPI

Our service includes data aggregation and visualization, factor analysis, KPI calculation, analysis reporting, and subsequent proposals. A data analysis service that provides up to 100 million records in 30 business days at a cost of 2 million yen.

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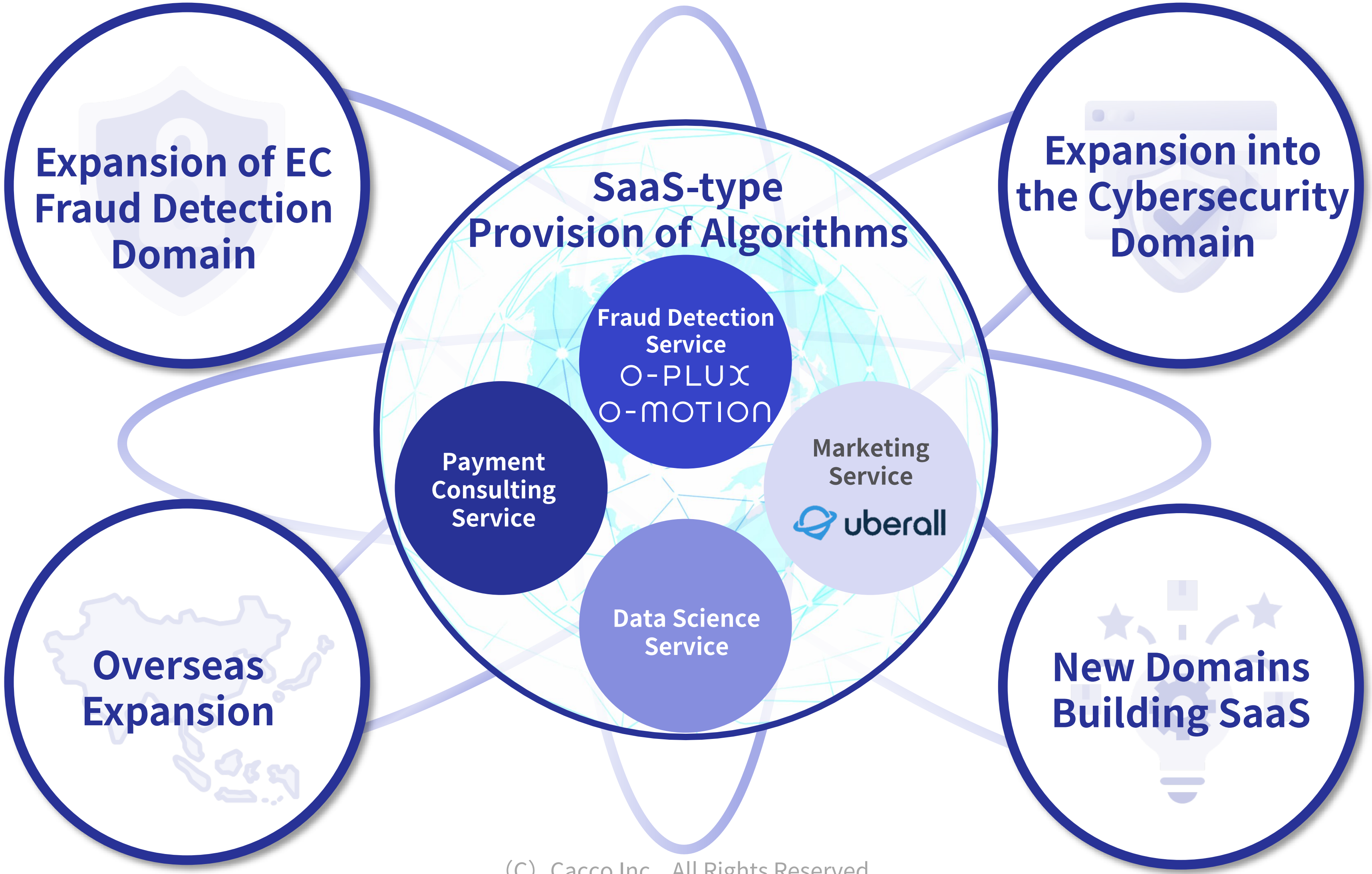
* BNPL: Abbreviation for Buy Now Pay Later, post-payment settlement

Growth Strategies / Four Strategies for Business Expansion

Through the four growth strategies, we will accelerate business expansion with a focus on fraud detection services and creating our own market.



Expansion of EC Fraud Detection Domain

Expansion into the Cybersecurity Domain

SaaS-type Provision of Algorithms

- Fraud Detection Service O-PLUX O-MOTION
- Payment Consulting Service
- Marketing Service uberall
- Data Science Service

Overseas Expansion

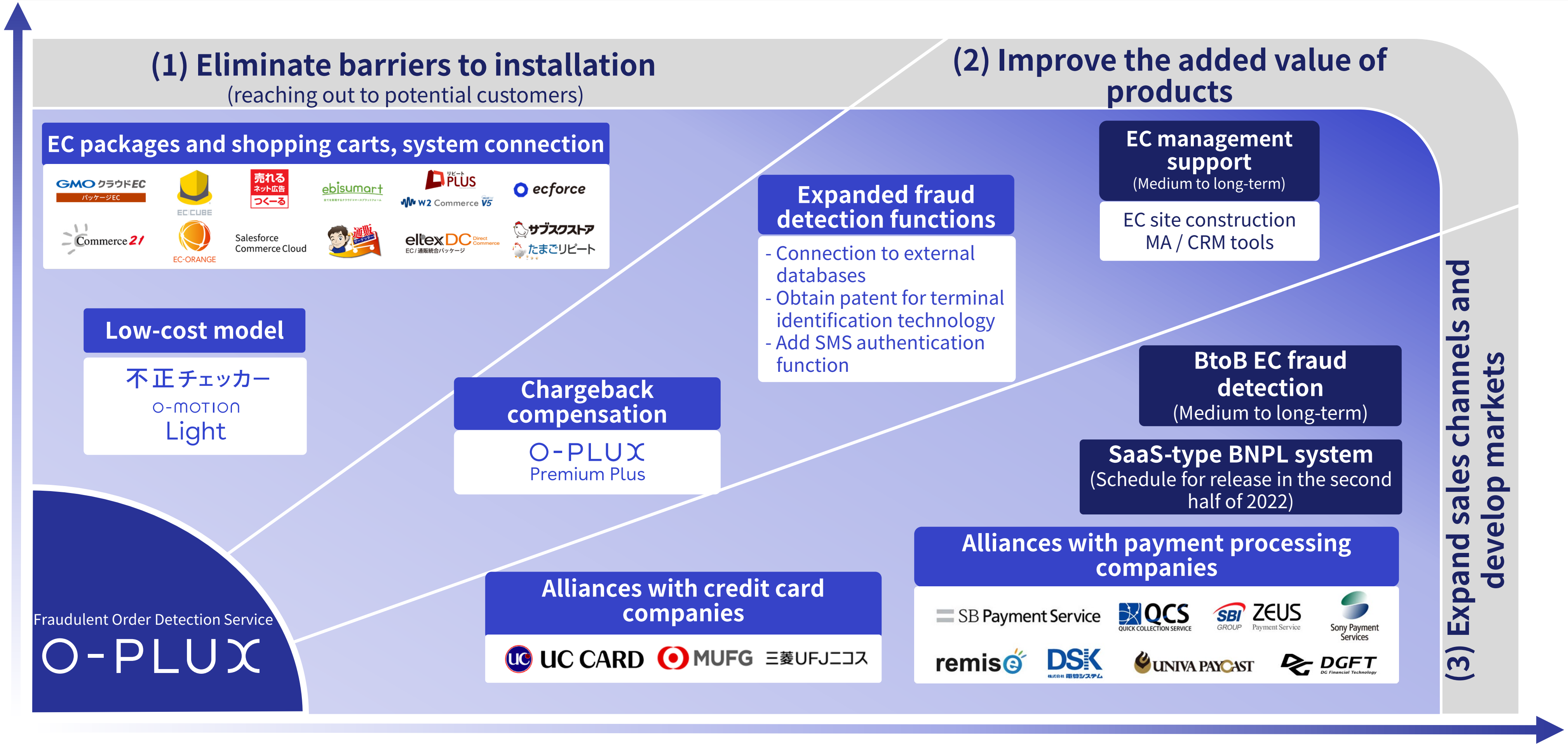
New Domains Building SaaS

Growth Strategies / Expansion of EC Fraudulent Detection Domain

－Growth strategy for O-PLUX, the fraudulent order detection service－

Expansion of EC Fraud Detection Domain

It is assumed that demand for fraud detection will steadily increase in the future due to the social problem of fraudulent damage, stricter regulations, etc.
Three strategies will be implemented to achieve further growth of O-PLUX.



(1) Eliminate barriers to installation

(reaching out to potential customers)

(2) Improve the added value of products

(3) Expand sales channels and develop markets

EC packages and shopping carts, system connection

GMO クラウドEC パッケージEC
EC-CUBE
売れるネット広告つくーる
ebisumart
リピートPLUS
W2 Commerce V5
ecforce
Commerce 21
EC-ORANGE
Salesforce Commerce Cloud
ebiz
eltex DC
サブスクストア
たまごリピート

Low-cost model

不正チェッカー
O-MOTION Light

Chargeback compensation

O-PLUX Premium Plus

Expanded fraud detection functions

- Connection to external databases
- Obtain patent for terminal identification technology
- Add SMS authentication function

EC management support
(Medium to long-term)

EC site construction
MA / CRM tools

BtoB EC fraud detection
(Medium to long-term)

SaaS-type BNPL system
(Schedule for release in the second half of 2022)

Alliances with credit card companies

UC CARD
MUFG
三菱UFJニコス

Alliances with payment processing companies

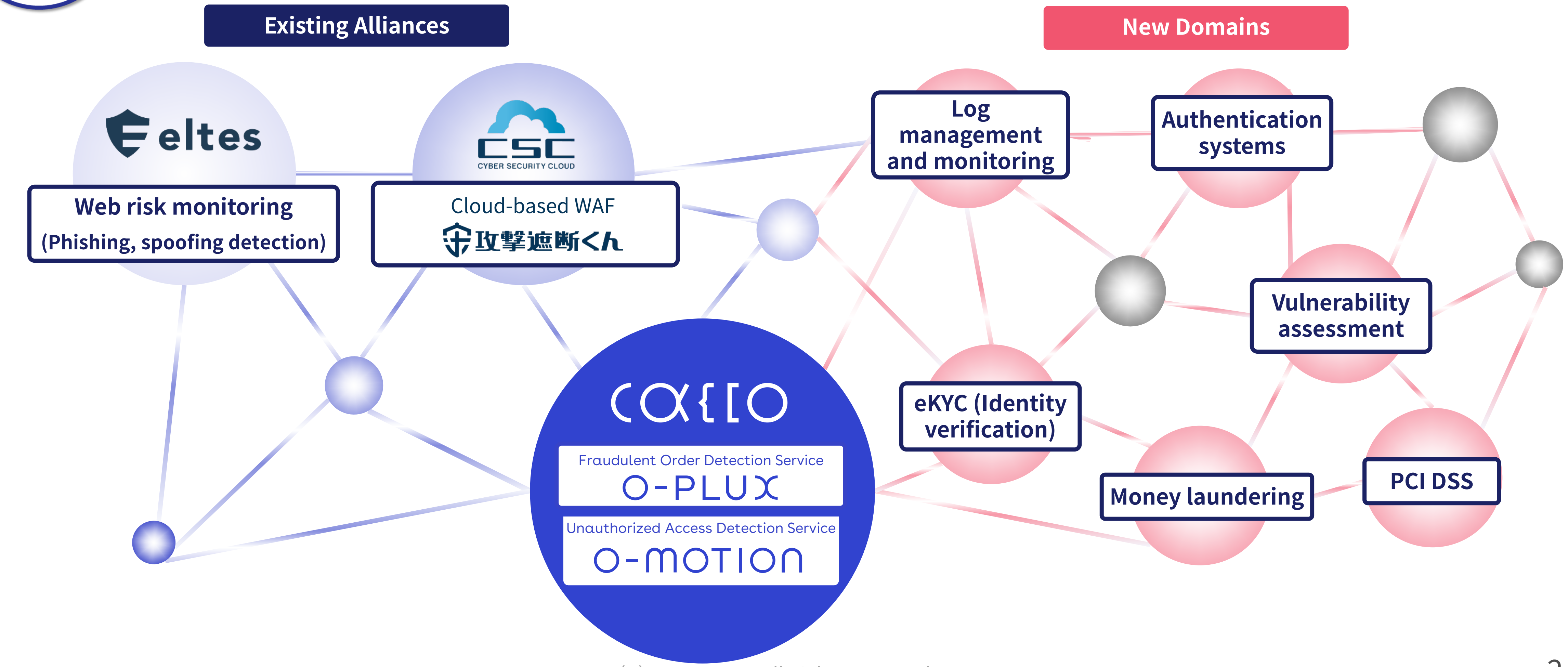
SB Payment Service
QCS
SBI GROUP
ZEUS Payment Service
Sony Payment Services
remise
DSK
UNIVA PAYCAST
DGFT

Fraudulent Order Detection Service
O-PLUX

Growth Strategies / Expansion into Cyber Security Domain

Expansion into the Cybersecurity Domain

The Company partnered with Cyber Security Cloud, Inc. and Eltes Co., Ltd. in FY2021.
We will expand business into the cyber security domain with an eye on M&A and alliances as well as technological development.



Existing Alliances

Web risk monitoring
(Phishing, spoofing detection)

Cloud-based WAF
攻撃遮断くん

Fraudulent Order Detection Service
O-PLUX

Unauthorized Access Detection Service
O-MOTION

New Domains

Log management and monitoring

Authentication systems

Vulnerability assessment

eKYC (Identity verification)

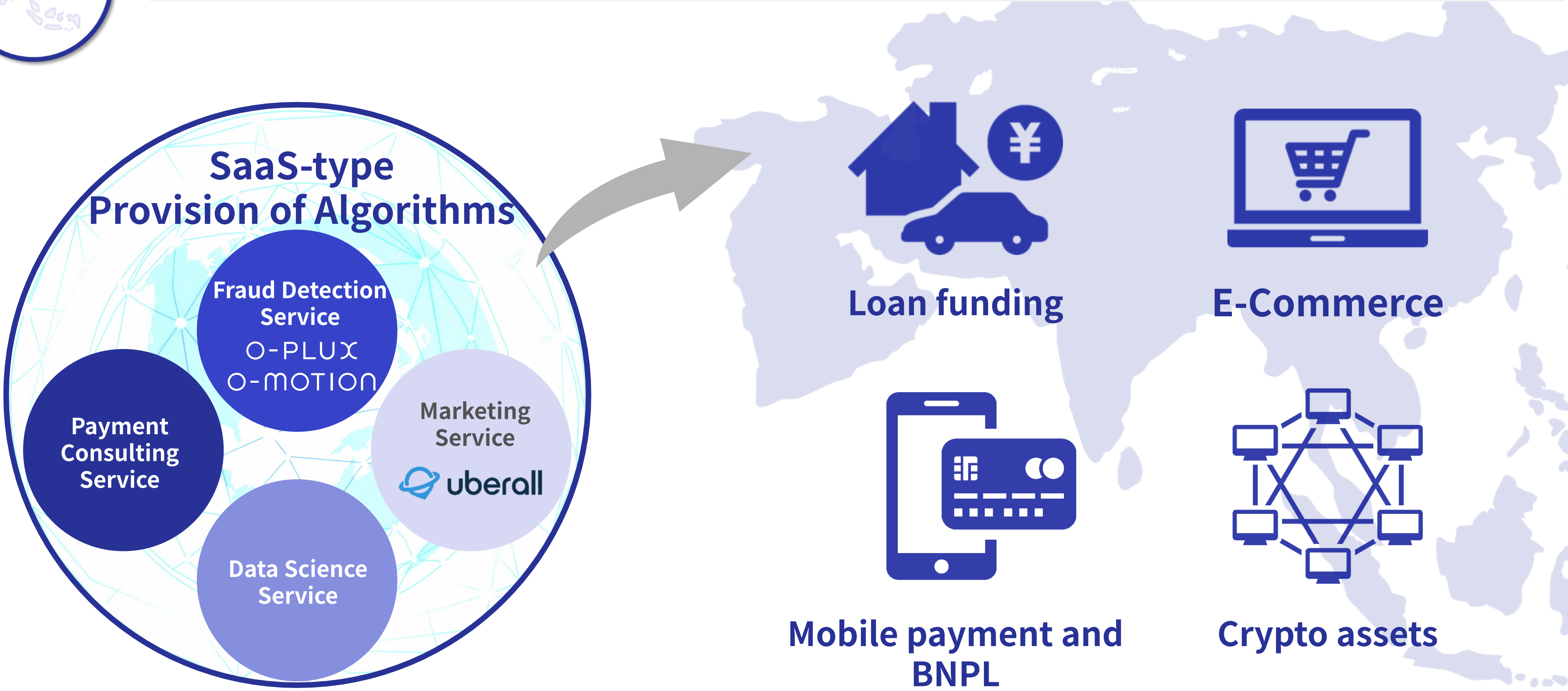
Money laundering

PCI DSS

Growth Strategies / Overseas Expansion

Overseas Expansion

Utilizing the services and know-how we have cultivated up to now, we will expand into the EC and financial domains in Southeast Asia.



SaaS-type Provision of Algorithms

- Fraud Detection Service
  O-PLUX
  O-MOTION
- Payment Consulting Service
- Marketing Service
  uberall
- Data Science Service

Loan funding

E-Commerce

Mobile payment and BNPL

Crypto assets

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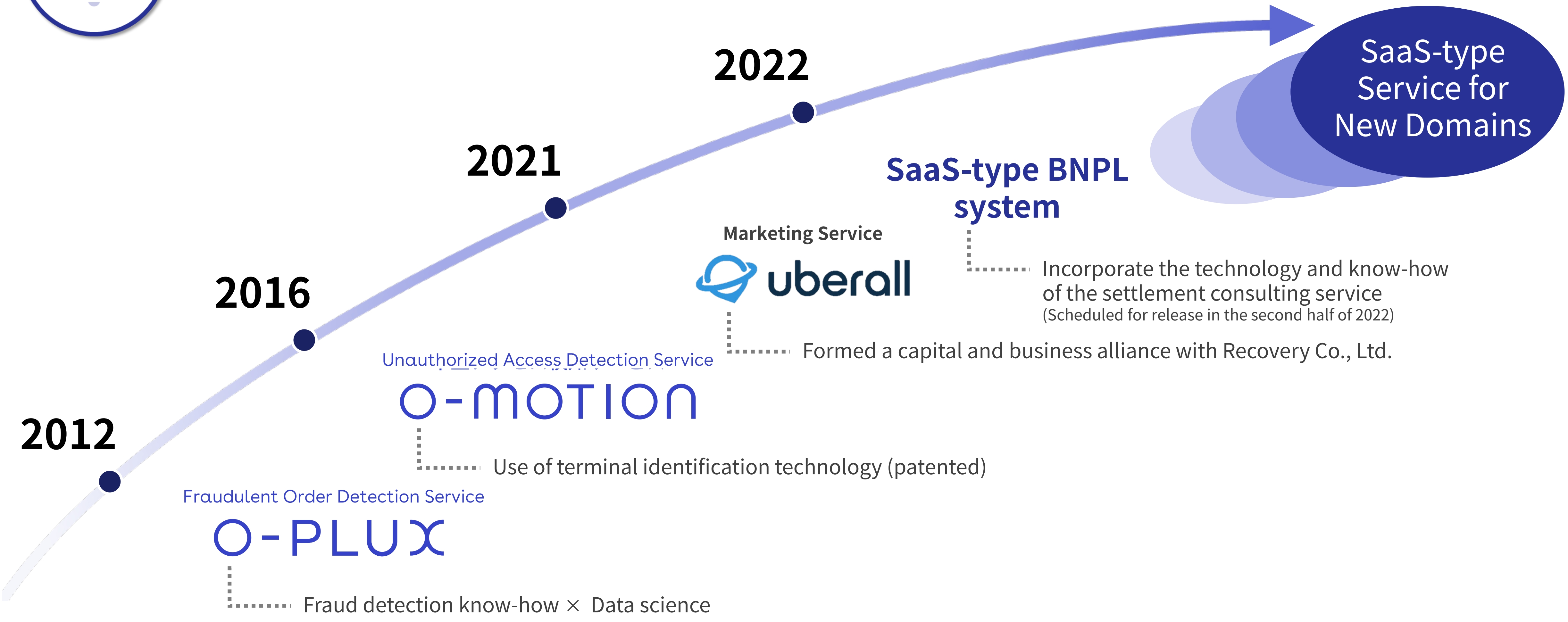
Growth Strategies / Building a SaaS-type Service in New Domains

Building SaaS in New Domain

In addition to accumulating know-how in a variety of fields based on data science, the company is also looking into M&A and alliances to build a SaaS-type service in a new domain.



2012

Fraudulent Order Detection Service

O-PLUX

Fraud detection know-how × Data science

2016

Unauthorized Access Detection Service

O-MOTION

Use of terminal identification technology (patented)

2021

Marketing Service

uberall

Formed a capital and business alliance with Recovery Co., Ltd.

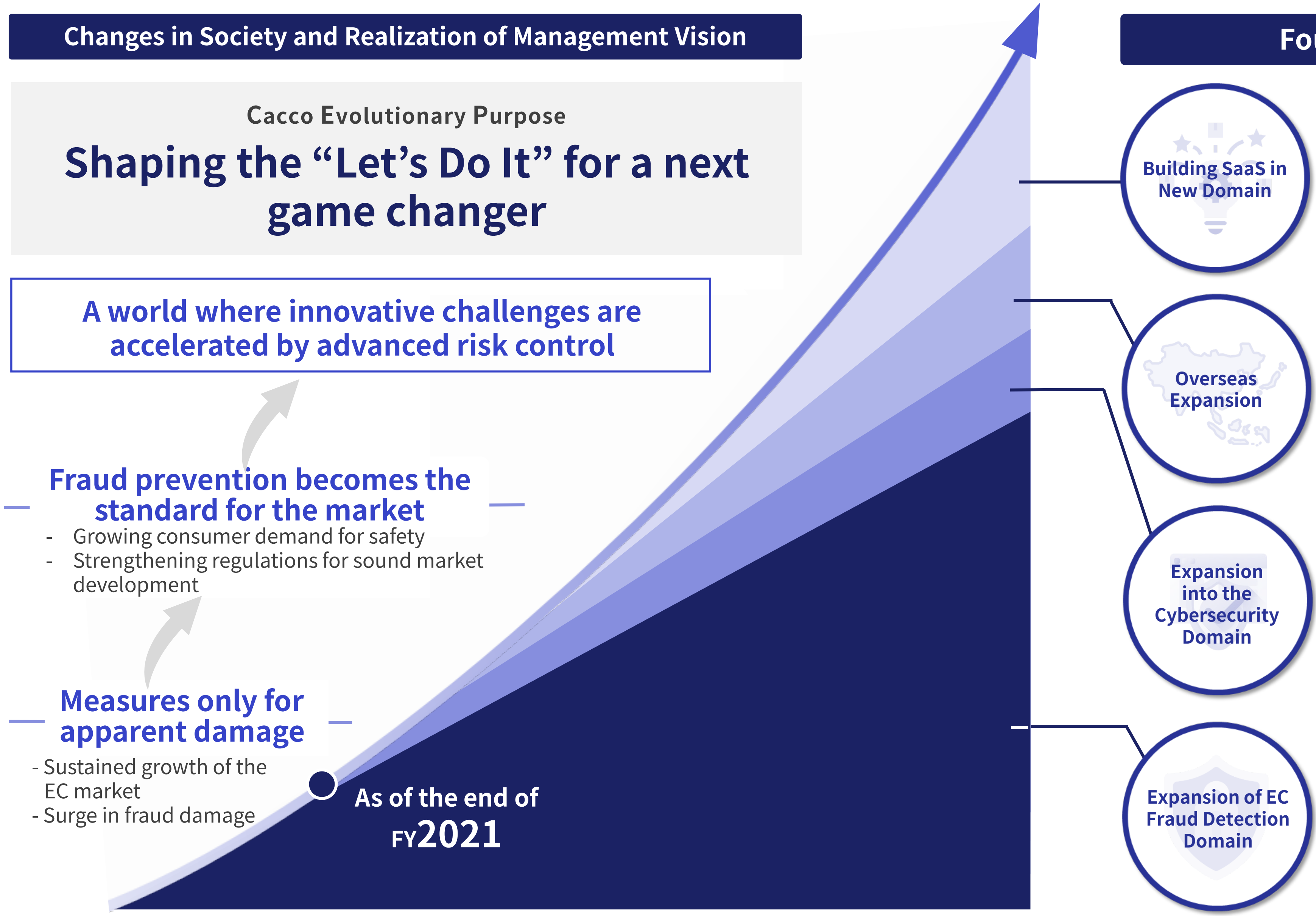
2022

SaaS-type BNPL system

Incorporate the technology and know-how of the settlement consulting service
(Scheduled for release in the second half of 2022)

SaaS-type Service for New Domains

Growth Strategy / Growth Image



Changes in Society and Realization of Management Vision

Cacco Evolutionary Purpose

Shaping the "Let's Do It" for a next game changer

A world where innovative challenges are accelerated by advanced risk control

Fraud prevention becomes the standard for the market

- Growing consumer demand for safety
- Strengthening regulations for sound market development

Measures only for apparent damage

- Sustained growth of the EC market
- Surge in fraud damage

As of the end of FY2021

Four Growth Strategies

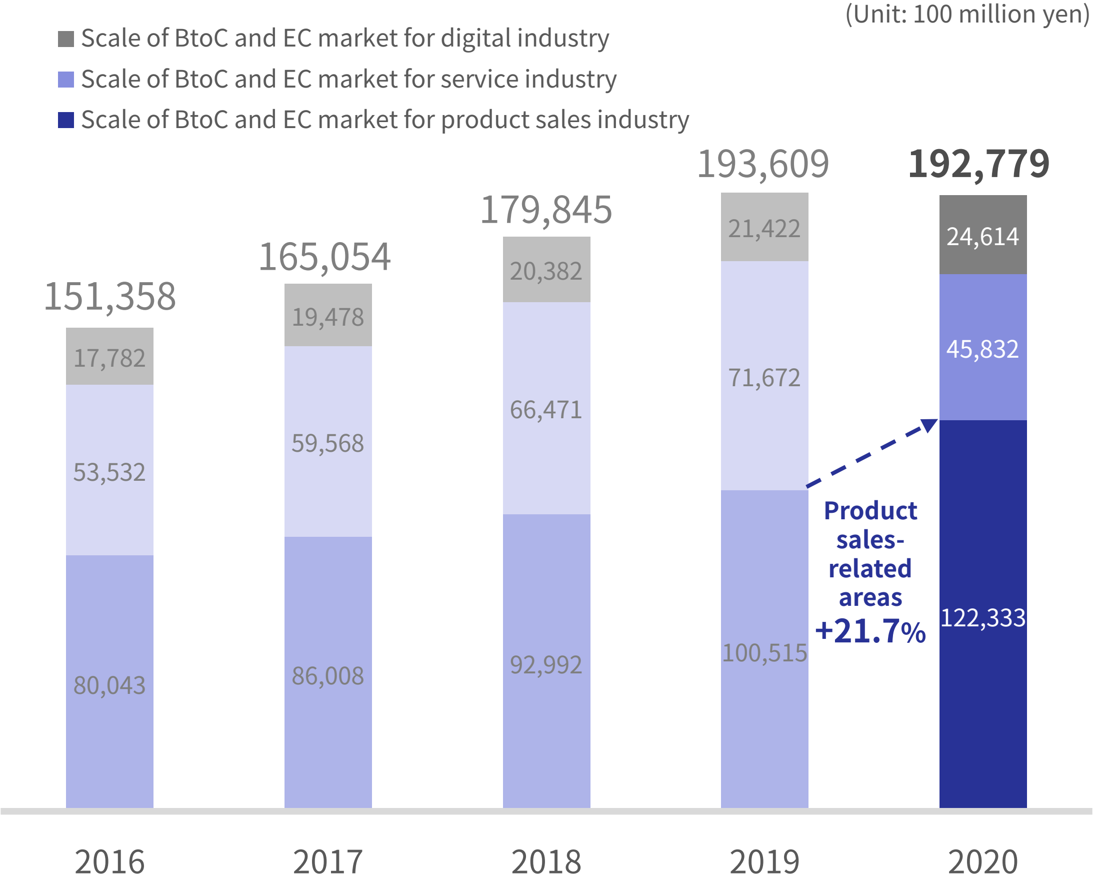
Building SaaS in New Domain	Building SaaS in a new domain, by accumulating knowledge in various fields based on data science
Overseas Expansion	Expanding our services and know-how to Southeast Asia
Expansion into the Cybersecurity Domain	Expanding the cyber security domain through technology development and alliances
Expansion of EC Fraud Detection Domain	(1) Eliminating barriers to installation (2) Improve the added value of products (3) Expand sales channels and develop markets

Growth Strategy / Market Scale / Growth of the Japanese EC Market and the Expansion of Fraud Damage

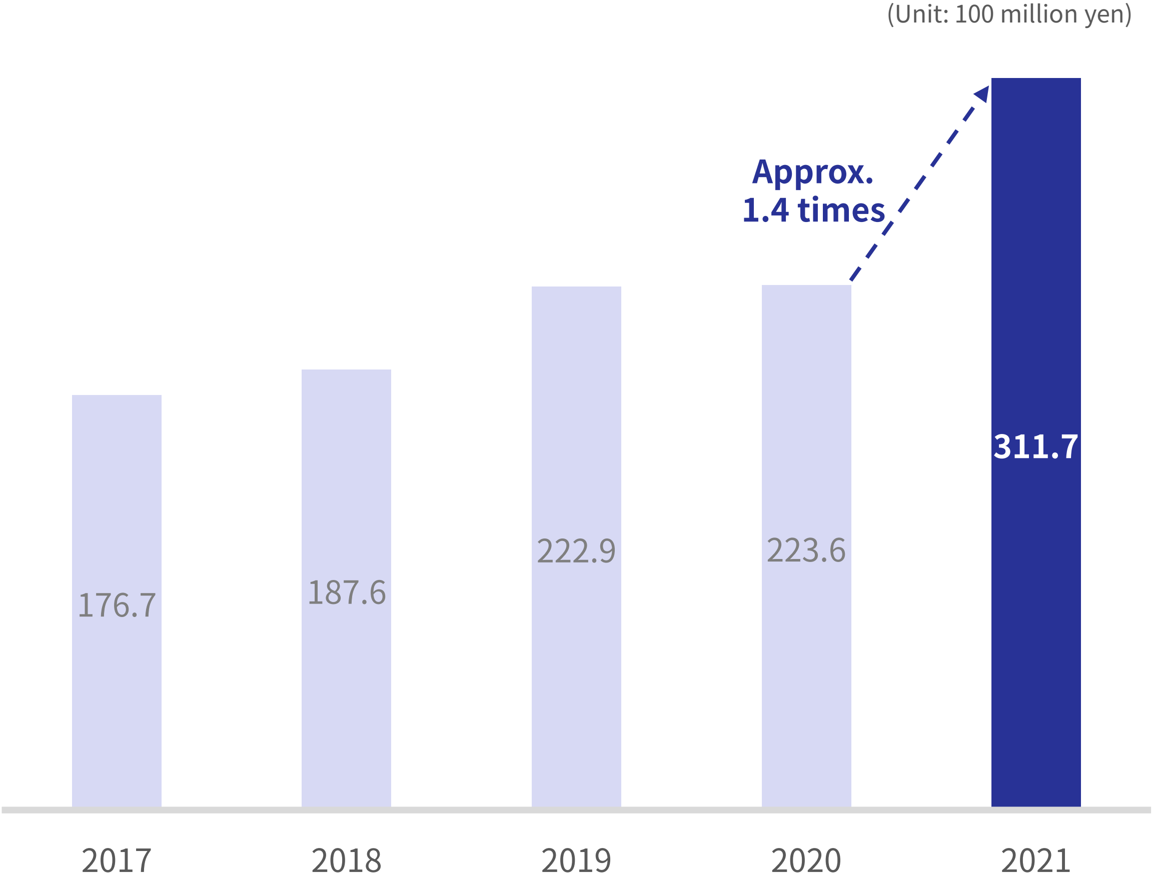
Credit card fraud (number theft) is increasing proportionally with the growth of the EC market.

- Social demand for anti-fraud measures, such as the revision of the Installment Sales Act and the update of credit card security guidelines, is increasing.

Scale of BtoC and EC Market in Japan



The Amount of Credit Card Fraudulent Damage in Japan (Number Theft)

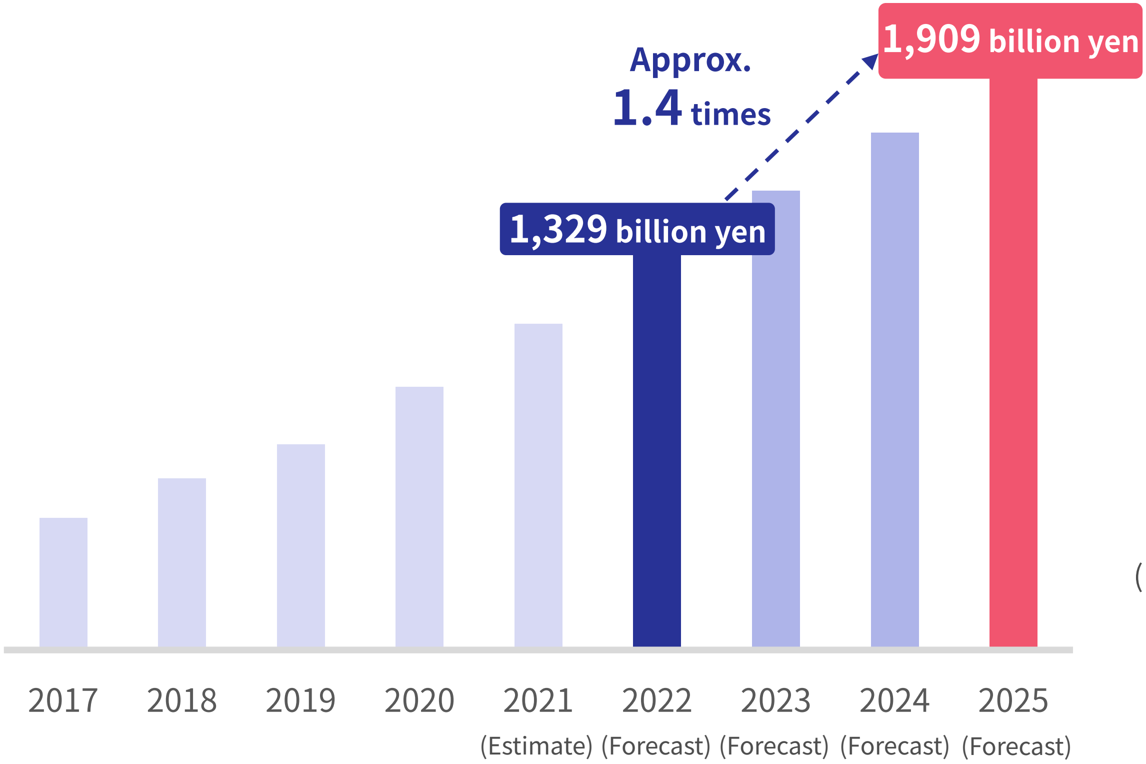


Source: Ministry of Economy, Trade and Industry, Commerce and Information Policy Bureau, Information Economy Division, "FY2020 Report on Commissioned Industrial and Economic Research (Market Research on Electronic Commerce)."
Japan Consumer Credit Association, "Status of Damage from Unauthorized Use of Credit Cards," March 2022

Growth Strategy / Market Scale / Expansion of the BNPL Market

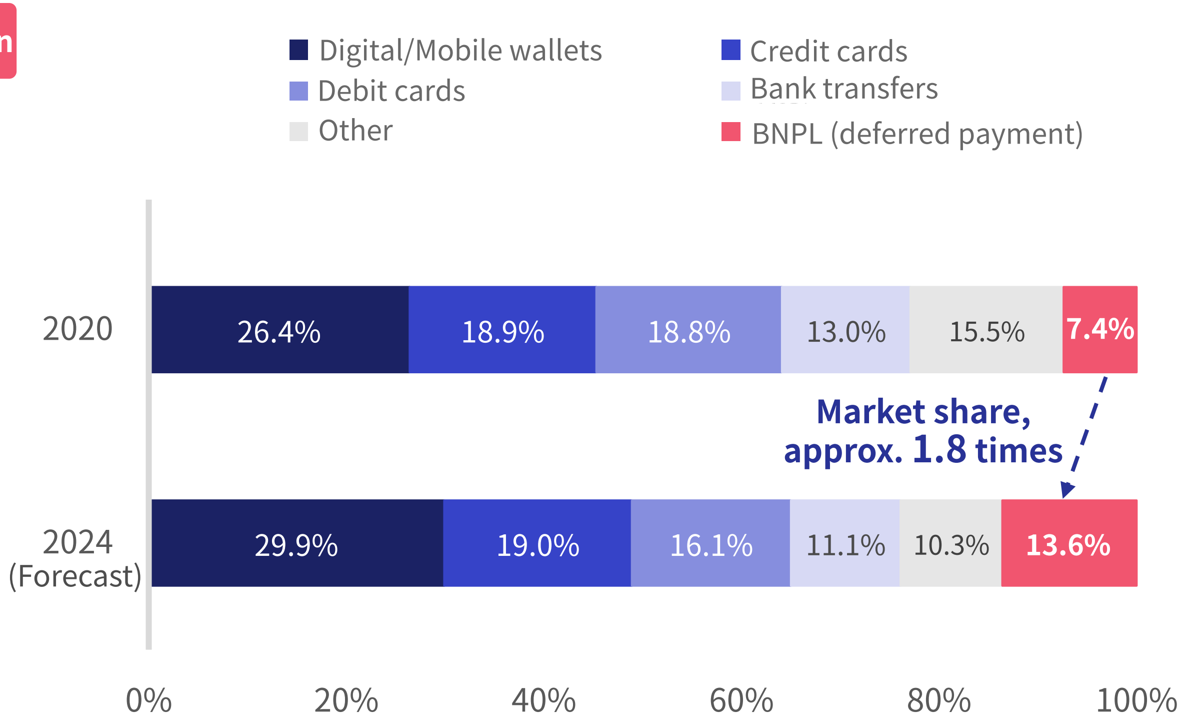
The BNPL market is growing continuously both domestically and internationally, and its use is expected to expand further in the future.

Domestic BNPL Market Trends



Source: Yano Research Institute, “Current Status and Future Forecast of Online Payment Service Providers, 2022 Edition”

Forecast of BNPL Utilization in North America



Source: Worldpay, “Global Payment Report 2021”

Growth Strategy / Market Scale / Increase in Damage from Unauthorized Access in Japan

About 70% of frauds committed after unauthorized access are in the financial services and EC sectors.
In addition, there is no end in sight for damages caused by information leaks, such as the divulgence of personal information caused by unauthorized access.

Ranking of Fraudulent Activities after Unauthorized Access Has Occurred

1st place	**Unauthorized remittances through Internet banking**	**45.7%**
2nd place	**Unauthorized purchases from Internet shopping**	**23.0%**
3rd place	Unauthorized acquisition of information, such as snooping on e-mails	11.5%
4th place	Sending information while pretending to be an acquaintance	4.7%
5th place	Tampering with online gaming and community sites	4.3%
6th place	Unauthorized operations at crypto asset exchanges, etc.	1.3%
7th place	Website tampering and deletion	0.5%
8th place	Unauthorized operations regarding Internet auctions	0.3%
9th place	Other	8.6%

Source: National Police Agency, Ministry of Internal Affairs and Communications, and Ministry of Economy, Trade and Industry, 2022
"Status of Research and Development of Technologies for Unauthorized Access and Access Control Functions (FY2021)"

Examples of Damage Caused by Unauthorized Access (Extract from 2022)

Time of occurrence	Business affected	Description
March 2022	Local financial institution	A cyberattack may have resulted in the possible leakage of approximately 96,000 pieces of information on employment applicants and shareholders, approximately 125,000 pieces of employee and personnel information, as well as clinical trial-related documents and sales data.
March 2022	Major confectionery company	Multiple servers were illegally accessed, possibly resulting in the leakage of personal information (names, addresses, contact information, etc.) of more than 1,648,000 customers.
February 2022	Major payment service company	A cyberattack may have resulted in the leakage of 460,395 entries for credit card information, payment information for convenience stores and Pay-easy, and participating merchants' information.
February 2022	Major cosmetics company	The company's website was subjected to a cyberattack, possibly resulting in the leakage of 103,935 entries for credit card information of users who had made credit card payments, etc.
January 2022	Major education and learning company	A cyberattack on the server where the company's website data is stored may have resulted in the leakage of a maximum of over 280,000 entries of personal information.
January 2022	Major cosmetics company	The company's website was illegally accessed and 46,702 users' credit card information may have been leaked.
January 2022	Major education and training company	Unauthorized access to internal storage. Approximately 20,000 entries for personal information of training course participants was leaked.
January 2022	Major musical instrument seller	Unauthorized access to the web server may have resulted in the leakage of 98,635 email addresses of registered users.

Growth Strategy / Market Scale / Expansion of Fraud Detection Services Market

While focusing on the domestic EC fraud detection domain, which is expected to expand, we will actively expand our business domain to develop our business in an even larger market.

Expansion into the Cybersecurity Domain

Building SaaS in New Domain

Overseas Expansion

Aggressive expansion of our business domain

Market size of domestic EC fraud detection

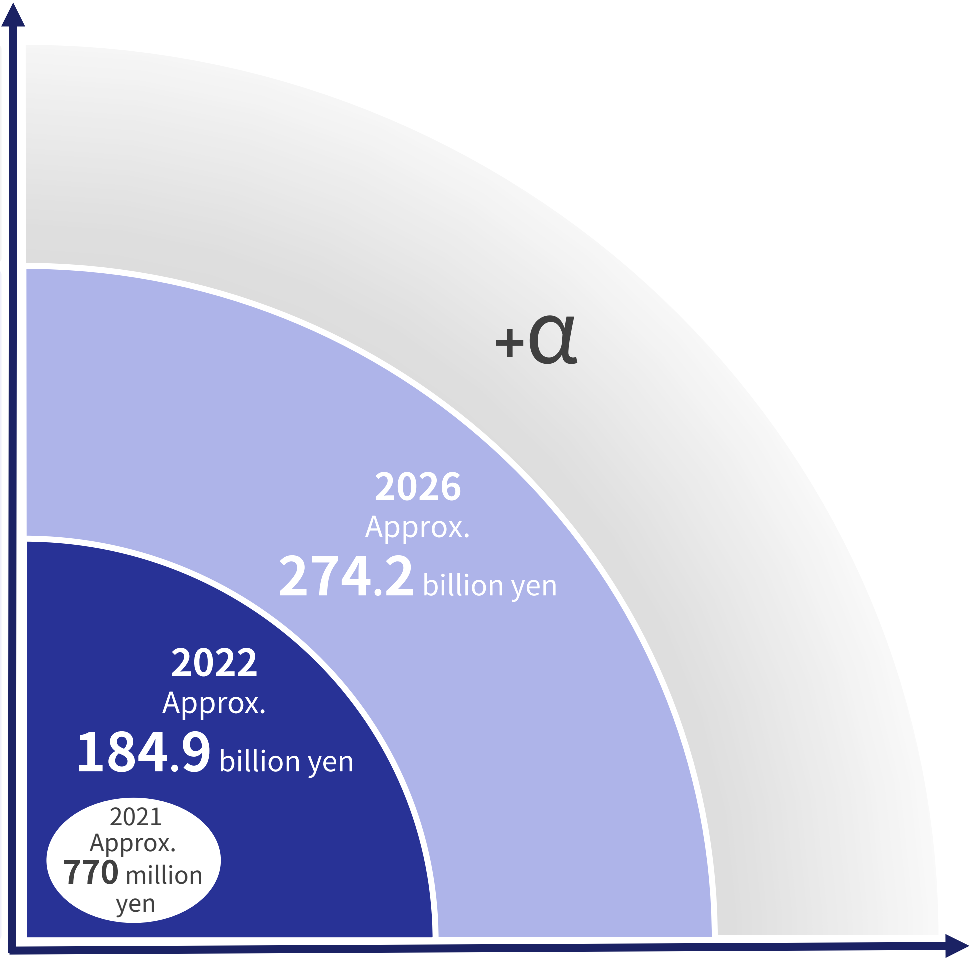
2026: **Approx. 274.2 billion yen**

2022: **Approx. 184.9 billion yen**

Expansion of EC Fraud Detection Domain

2021: Sales of our fraud detection service

Approx. 770 million yen



Source: "FRAUD DETECTION AND PREVENTION Global Market Trajectory & Analytics GLOBAL INDUSTRY ANALYSTS. INC. May 2021" (Calculated at $1 = ¥110)

Forecast of Financial Results for FY2022

Forecast Financial Results of the Fiscal Year
Ending December 31, 2022

© 2022 Cacco Inc.

Forecast Financial Results for FY2022 / Summary

(Unit: million yen)

	FY2021 Actual	FY2022 Forecast	YoY change
Net sales	951	**1,102**	+15.9%
(Net sales of fraud detection services)	773	**875**	+13.2%
Operating income	178	**191**	+7.1%
(Operating income margin)	18.8%	**17.4%**	-1.4 pt
Ordinary income	170	**195**	+14.5%
(Ordinary income margin)	18.0%	**17.7%**	-0.2 pt
Net income	120	**137**	+14.3%
EPS (yen)	45.90 yen	**52.28 yen**	+13.9%

Net sales +15.9% YoY

By expanding sales in new lineups and expanding sales channels through alliances, we expect sales of fraud detection services to increase by 13.2% YoY.

In addition, with the expansion of earnings from settlement consulting services and data science services, overall sales are expected to increase by 15.9% YoY.

Ordinary income +14.5% YoY

Although the profit margin is expected to decline slightly due to an increase in depreciation expenses related to software (O-PLUX architecture renewal and SaaS-type BNPL system), we expect ordinary income to grow by 14.5% YoY due to revenue growth.

Appendix

© 2022 Cacco Inc.

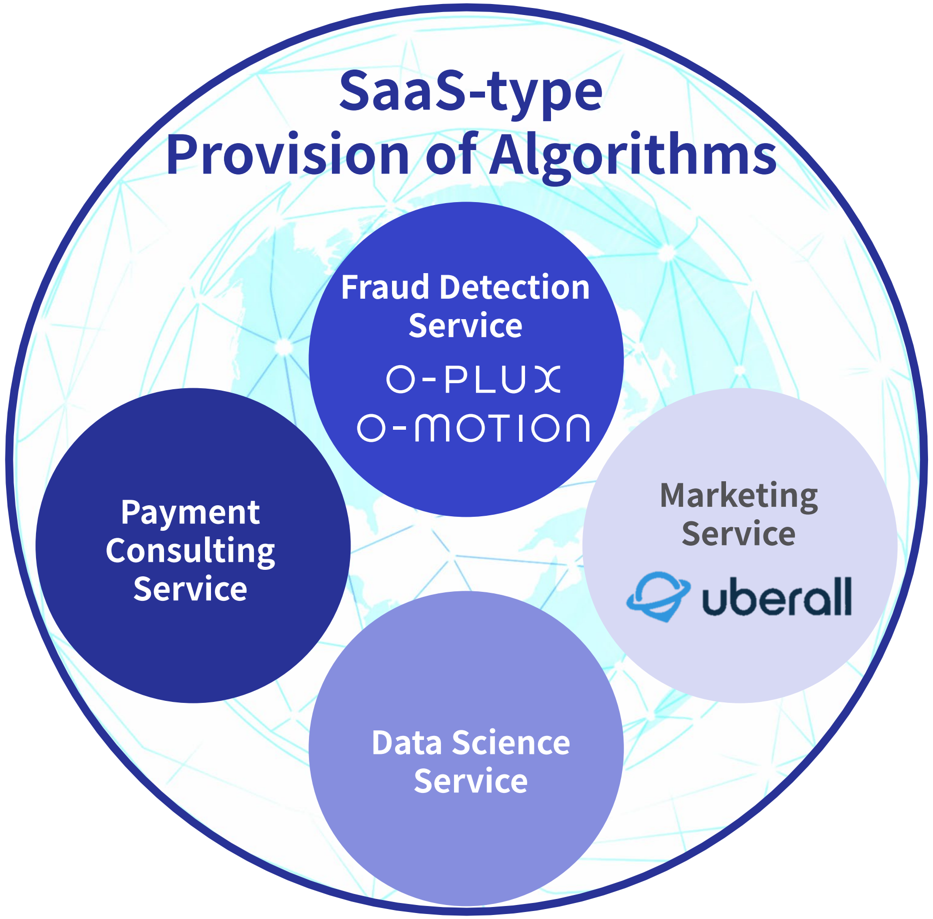
Appendix / Company Profile

Company name:	Cacco Inc.
Representative:	Hiroyuki Iwai, Representative Director, President and CEO
Business description:	Provision of SaaS-type Algorithms (Fraud detection services, marketing services, payment consulting services, and data science services)
Capital:	364,928,335 yen *as of April 30, 2022
Listed on:	Tokyo Stock Exchange, Growth Market (Stock Code 4166)
Founded on:	January 28, 2011
Address/TEL:	1-5-31, Motoakasaka, Minato-ku, Tokyo, JAPAN TEL: 03-6447-4534
Patents:	Patent #6534255, #6534256, and #6860156
Certifications:	ISMS (Information Security Management System) ISO/IEC 27001:2013 JIS Q 27001:2014 Registration number: IA120255 Privacy Mark® #10824248 (04)
Affiliates accounted for by the equity method:	Recovery Co., Ltd. (a Japanese general agent of Uberall, a local search marketing solution)

Appendix / Company History

History

2011	January	Establishment of business (Fraud prevention consulting)
	November	Start of payment consulting service (BNPL* Payment system development and consulting for business operators)
2012	June	Release of O-PLUX, a fraudulent order detection service
2015	January	Start of data science service (Data analysis and algorithm development for industries including retail and manufacturing)
2016	July	Release of O-MOTION, unauthorized access detection service
2020	December	Listed on the Tokyo Stock Exchange Mothers (currently Growth) Market
2021	August	Entry into marketing service (Capital and business alliance with Recovery Co., Ltd.)



SaaS-type Provision of Algorithms

Fraud Detection Service
O-PLUX
O-MOTION

Payment Consulting Service

Marketing Service
uberall

Data Science Service

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* BNPL: Abbreviation for Buy Now Pay Later, post-payment settlement

Appendix / Our Strengths

1 **Expertise in data science and advanced technical capabilities in the security domain**

(Three patents obtained: Patent #6534255, Patent #6534256, and Patent #6860156)

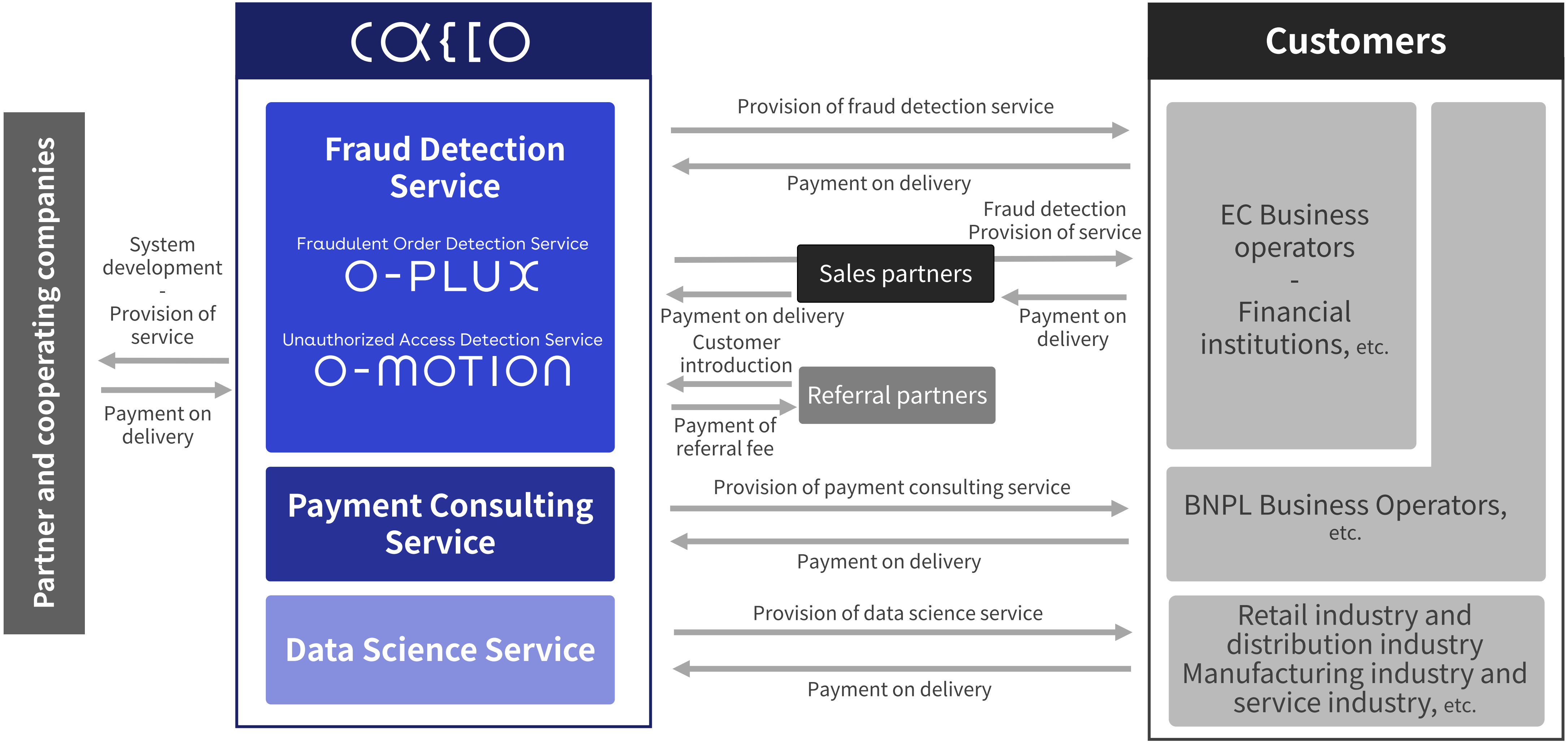
2 **Top* selling services in the EC and payment domains in Japan**

(*Based on "Survey on the number of EC sites in Japan introducing paid fraud detection services" (as of the end of May 2021) performed by TOKYO SHOKO RESEARCH, LTD.)

3 **Steady growth in recurring revenue due to increased use of O-PLUX, our core service**

(**Recurring revenue accounted for 74.2%** of our total sales in FY2022 1Q)

Appendix / Our Business' Sales Channels



Partner and cooperating companies

System development
-
Provision of service

Payment on delivery

Fraud Detection Service

Fraudulent Order Detection Service
O-PLUX

Unauthorized Access Detection Service
O-MOTION

Payment Consulting Service

Data Science Service

Provision of fraud detection service

Payment on delivery

Fraud detection Provision of service

Sales partners

Payment on delivery

Payment on delivery

Customer introduction

Referral partners

Payment of referral fee

Provision of payment consulting service

Payment on delivery

Provision of data science service

Payment on delivery

Customers

EC Business operators
-
Financial institutions, etc.

BNPL Business Operators, etc.

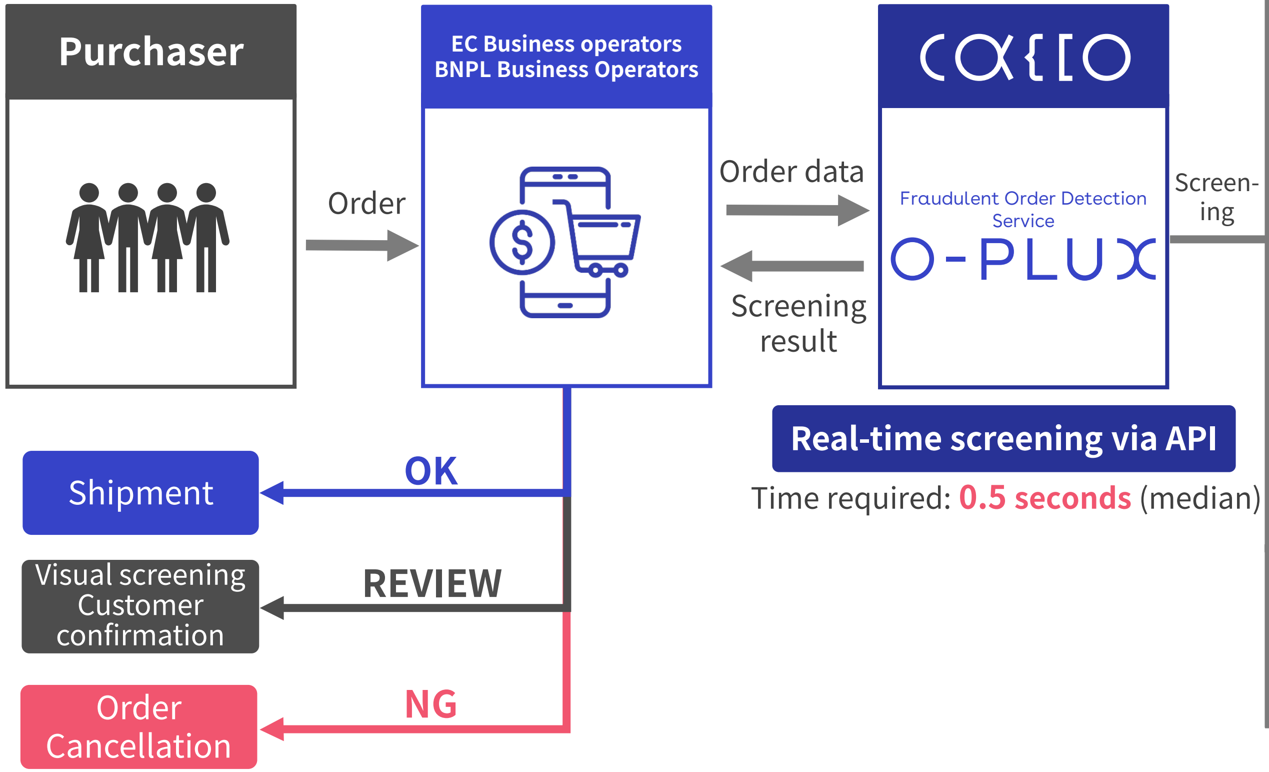
Retail industry and distribution industry
Manufacturing industry and service industry, etc.

Appendix / Overview of O-PLUX Fraudulent Order Detection Service

Fraudulent Order Detection Service
O-PLUX

SaaS-type service that uses a unique screening model to detect fraudulent orders in real time such as payments in arrears in EC.

Screening Process

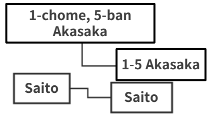

Purchaser
Order
EC Business operators
BNPL Business Operators
Order data
Screening result
cacco
Fraudulent Order Detection Service
O-PLUX
Screen-ing
OK
Shipment
REVIEW
Visual screening
Customer confirmation
NG
Order Cancellation

Real-time screening via API

Time required: **0.5 seconds** (median)

Main Screening Functions

Normalization of name and address notation


1-chome, 5-ban Akasaka
1-5 Akasaka
Saito
Saito

Utilize the same address and last name with different notation after normalization process.
ex: 3-2, Akasaka 4-chome
4-3-2 Akasaka

Device Information

- Identification by IP and cookies
- Detection of access from overseas
- Detection of impersonation by a non-Japanese person based on language setting, time zone, etc...

External DB Linkage

- Vacancies detection (weekly apartments or hotels)
- Detection of overseas forwarding services
- Validation of phone numbers, etc...

Behavioral Analysis

Detection of fraudsters by analyzing information and behavioral patterns that are characteristic of fraudsters, such as large numbers of purchases over a short period of time and identity theft.

Shared Negative Data

Finding matches with the negative database shared among user companies.

Appendix / O-PLUX Fraudulent Order Detection Service | Differentiating Factors

Differentiating Factors in Products

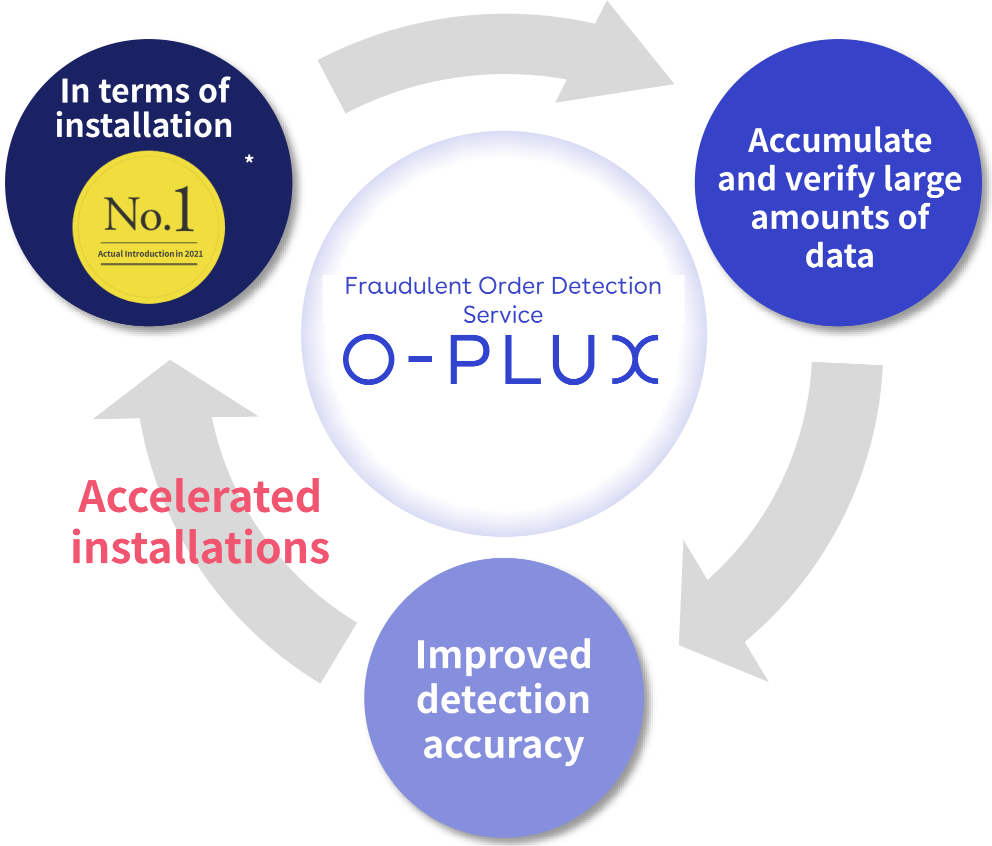
1 High fraud detection accuracy through possession of a large volume of domestic fraudulent order data

*No. 1 in Japan in terms of number of installations

2 Building a unique detection model with data science, security technology, and know-how

3 Speedy and flexible monitoring and support system that only domestic and in-house products can provide

Positive Growth Cycle in which Competitive Advantage is Maintained



In terms of installation *

No.1

Actual Introduction in 2021

Accumulate and verify large amounts of data

Fraudulent Order Detection Service

O-PLUX

Improved detection accuracy

Accelerated installations

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* TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service,” (as of the end of May 2021)

Appendix / O-PLUX Fraudulent Order Detection Service | Revenue Structure

Fraudulent Order Detection Service
O-PLUX

A stable revenue structure in which about 70% of total sales comes from recurring revenue, which is the sum of pay-per-use and fixed fees.
In addition, the pay-per-use billing system enables us to capture the upside potential associated with the expansion of the EC market and BNPL market.

Three Reasons Why Recurring Revenue of O-PLUX Is Growing

Number of Clients

BNPL business operators

EC Business operators
EC Business operators
EC Business operators

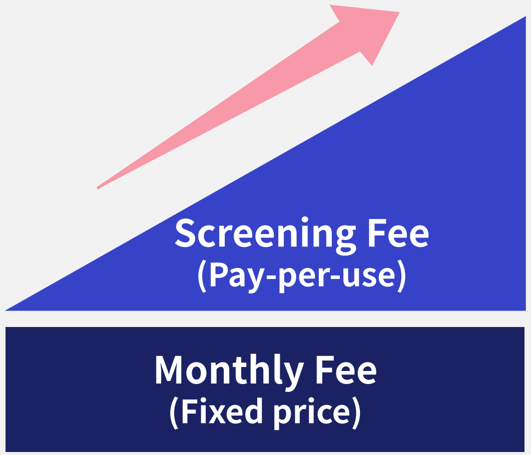
(t) Continued growth in use by EC business operators through BNPL business operators.

EC Business operators (Direct sales clients)

(t) ① Eliminate barriers to installation ② Improve the added value of products ③ Further increase market share by expanding sales channels and developing markets

×

Unit Price per Client



As the number of screening cases expands in proportion to the growth of the EC market and BNPL market, the screening fee, which is charged on a pay-per-use basis, is expected to increase.

×

Cross Selling

Unauthorized Access Detection Service
O-MOTION

Marketing Services
uberall

×

Payment Consulting Services

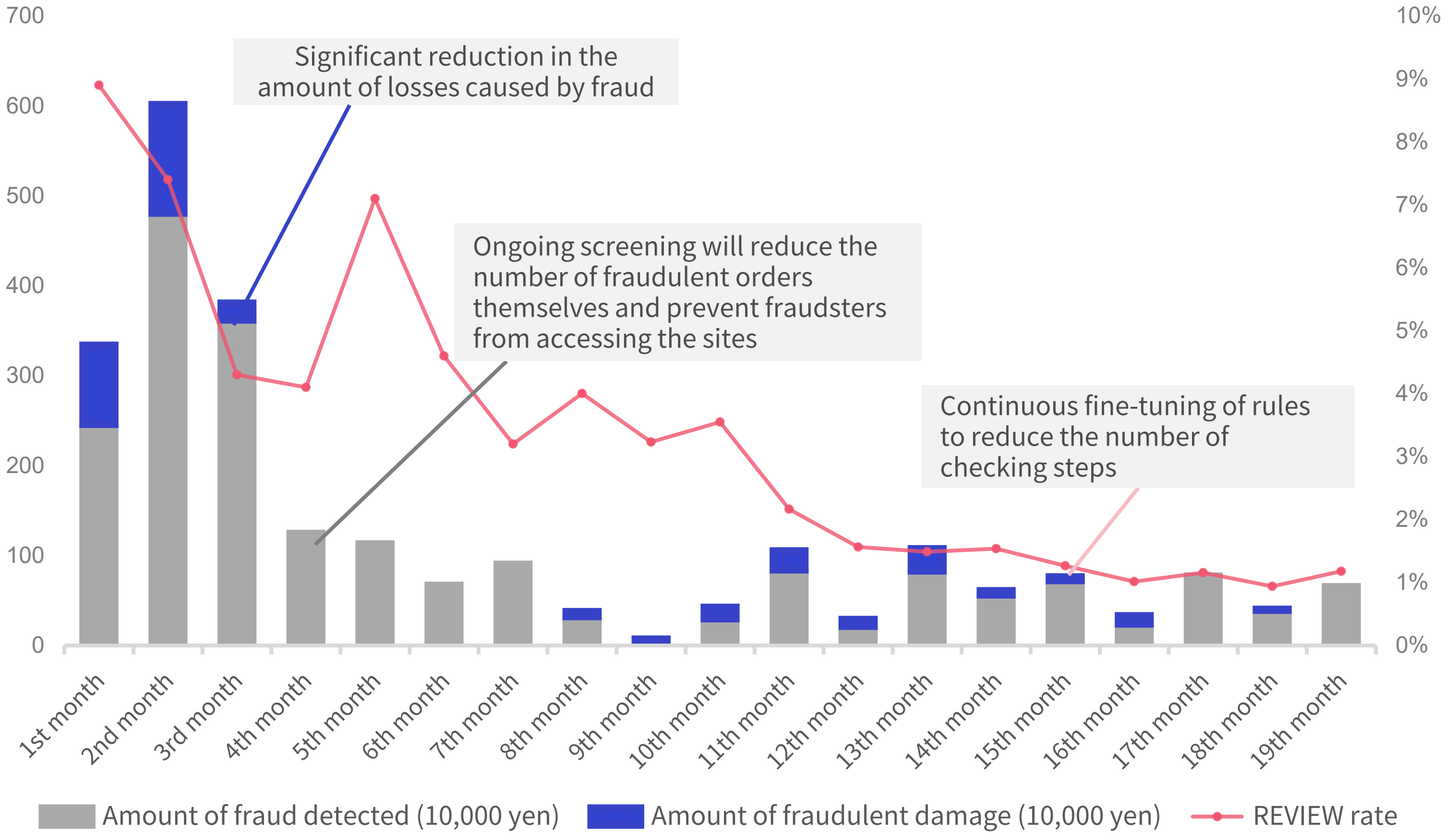
Data Science Services

We will further expand earnings by cross-selling each service.

Appendix / O-PLUX Fraudulent Order Detection Service | Installation Example

O-PLUX has detected approximately 250 million yen in fraudulent credit card use in EC over a five-year cumulative period.

General Retailing	
Annual distribution amount	**7 billion yen per year**
Challenges faced by customers	**Fraudulent use of credit cards in EC (Maximum 10 million yen per month)**
Achievement	**Detected fraudulent uses worth 100 million yen in the first year of installation** **Cumulative total of approximately 250 million yen was detected over a period of approximately five years.**



Significant reduction in the amount of losses caused by fraud

Ongoing screening will reduce the number of fraudulent orders themselves and prevent fraudsters from accessing the sites

Continuous fine-tuning of rules to reduce the number of checking steps

* The amount of fraud detected is the total amount of transactions that are confirmed as fraudulent (negative registration) before chargeback due to failed screening results, card attribute discrepancies in "REVIEW" screening results, and failed identity verification before shipment.
* The REVIEW rate is the ratio of the number of REVIEWs to the total number of screening results.

Appendix / O-PLUX Fraudulent Order Detection Services | Corporate Clients

Fraudulent Order Detection Service
O-PLUX

O-PLUX has been installed in various industries and is the No. 1 solution in terms of the number of installations in Japan (*1). It promotes the development of a safe infrastructure for e-commerce by preemptively preventing losses from fraudulent orders.

No.1
Actual Introduction in 2021

Hobby

animate
あみあみ
Toys"R"Us トイザらス
Babies"R"Us ベビーザらス
CRAFTSMANSHIP KOTOBUKIYA

Food and health food

Oisix ra daichi
SUNSTAR
Sparty
Sakashita Shouten Co.,Ltd
NICORIO
Belle Neige Direct ベルネージュダイレクト
株式会社 AIJ

PC and tablet

Dospara COMPUTER SHOP ドスパラ
ZOA
NEC Direct
mouse

Cosmetics and hair care

THE proactiv COMPANY
100% pure natural @aroma
STEFANY GINZA TOKYO
FINE AID
株式会社ユーピーエス
Im

Apparel and sports

洋服の青山 AOYAMA TAILOR SINCE 1964
J!NS
PUMA
CHUMS
KARITOKE
LACOSTE
Northmall

Hosting

SAKURA internet

Furniture and DIY

DIY FACTORY
KEYUCA

Travel

さくらトラベル Sakura Travel

Video and audio equipment

フジヤカメラ

Online shopping malls, MVNO, and others

DMM.com
petgo
LIBMO
DTI dream.jp
ポンパレモール
SOURCENEXT
U-CAN ユーキャン

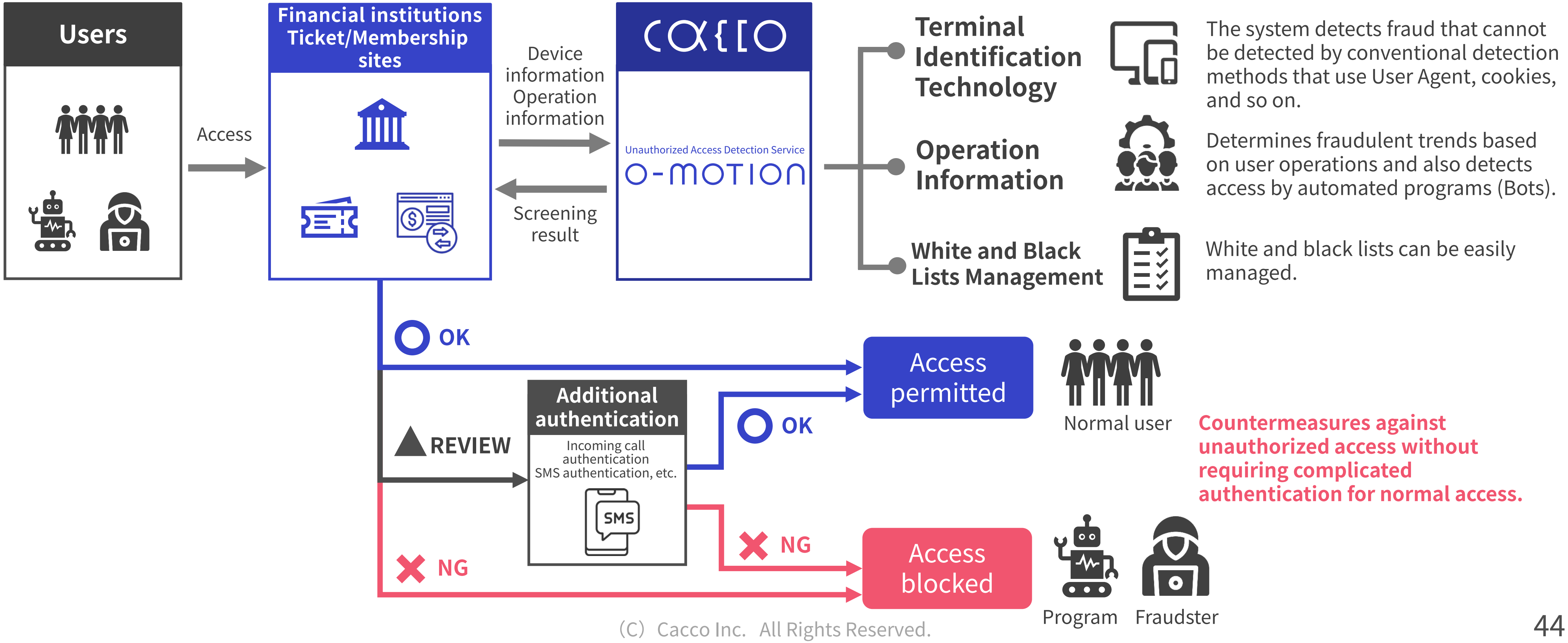
*1 TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service," (as of the end of May 2021)
*2 Only selected companies with permission to be listed are included. As of end of April, 2022.

Appendix / O-MOTION Fraudulent Access Detection Service

Real-time analysis of the operation information and device information of users who access websites.
The system identifies identity theft and prevents fraudulent activities (divulgence of personal information, unauthorized purchases, etc.) resulting from unauthorized access.

Screening Process

Main Screening Functions


Users
Access
Financial institutions Ticket/Membership sites
Device information
Operation information
Screening result
cacco
Unauthorized Access Detection Service
O-MOTION
OK
REVIEW
Additional authentication
Incoming call authentication
SMS authentication, etc.
SMS
OK
NG
NG
Access permitted
Access blocked
Normal user
Program
Fraudster

Terminal Identification Technology: The system detects fraud that cannot be detected by conventional detection methods that use User Agent, cookies, and so on.

Operation Information: Determines fraudulent trends based on user operations and also detects access by automated programs (Bots).

White and Black Lists Management: White and black lists can be easily managed.

Countermeasures against unauthorized access without requiring complicated authentication for normal access.

Appendix / Lineup of Fraud Detection Services with Price Flexibility

By introducing a new lineup that takes advantage of the architecture renewal, the company will flexibly respond to the needs of potential customers to develop new customer segments and expand its market share.

不正チェッカー

Fraudulent order detection

Offers certain O-PLUX functions at the lowest price in the industry. [*1] For online shopping businesses that are still small in scale, or for businesses that have not yet suffered major damage but need to prepare for the possibility of further damage.

Basic monthly charge

from **4,000** yen

(Includes screening costs for 1,000 cases)

O-MOTION Light

Unauthorized access detection

Detects brute force attacks by automated programs (Bots) and spoofing by unauthorized persons using other people's IDs and passwords.

Basic monthly charge

from **100,000** yen

(There is a cap on the number of accesses.)

O-PLUX Premium Plus

Fraudulent order detection + Chargeback compensation

Covers the amount of damage caused by fraudulent use of credit cards, with no upper limit. (Shipping decision agent service)

Basic monthly charge

from **100,000** yen

[*1] Based on our research as of January 31, 2022

Appendix / Partner and Alliance Companies

We will continue to promote partnerships and alliances, eliminate barriers to installation, and expand our sales channels to increase our market share.

EC package and shopping cart

- GMO クラウドEC パッケージEC
- EC-CUBE *1
- 売れるネット広告つくーる
- ebisumart
- リピートPLUS
- W2 Commerce V5
- ecforce
- Commerce21
- EC-ORANGE
- Salesforce Commerce Cloud
- 通販マーケッター
- eltex DC Direct Commerce EC / 通販統合パッケージ
- サブスクストア
- たまごリピート

Credit card companies

- UC CARD
- MUFG 三菱UFJニコス

Payment Service Providers (PSPs)

- SB Payment Service
- QCS QUICK COLLECTION SERVICE
- SBI GROUP ZEUS Payment Service
- Sony Payment Services
- remise
- DSK 株式会社電算システム
- UNIVA PAYCAST
- DGFT DG Financial Technology

Security service vendors

- CSC CYBER SECURITY CLOUD
- eltes

---

*1 EC-CUBE is a trademark of EC-CUBE Co., Ltd.
*2 As of the end of April 2022.

Appendix / Marketing Service

uberall

Formed a capital and business alliance with Recovery Co., Ltd., the Japanese general agency for Uberall, a solution for MEO and local search optimization. Entered the SaaS business in the marketing domain.

All the Management Required for MEO is Done by Uberall.

— More than 1.35 million stores worldwide are using the service. —

uberall

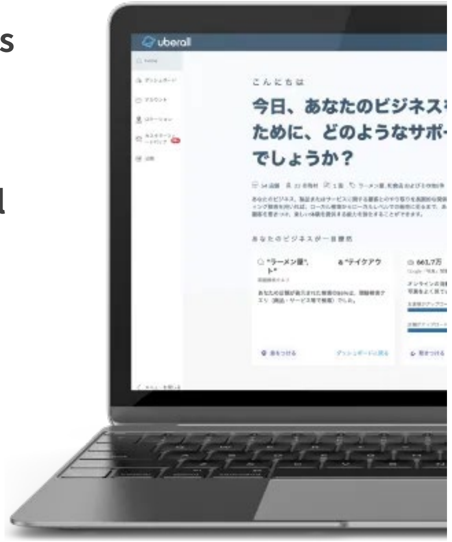
A cloud system that allows you to manage not only your Google Business profile, but also all of your store information, including your Facebook, Instagram, and more than 125 other social media, as well as your company website

Used in 1.35 million stores

Used by restaurants and retailers around the world!

Connected to **over 125 social networking sites and** platforms such as **MAP**!

As we are a **recommended Google partner**, you can take advantage of all the latest functions!



こんにちは

今日、あなたのビジネス

ために、どのようなサポ

でしょうか？

Centralized management of all store information

Thanks to the ability to centrally manage store information for all media, operations are significantly streamlined.

Excellent citation effects

Store information will be synchronized with many SNS media, which is expected to improve display rankings.

Easy to track and reply to comments

You can keep track of all the comments and respond to them efficiently.

Manage and maintain your own website as well

Centralized management of the company's website. Automatic generation of structured data is effective for getting high rankings.

We will always be right there for you.

We back up your own operations by providing the world's standard MEO method.

Appendix / Payment Consulting Service

We provide one-stop support for the establishment and launch of BNPL, including service construction, payment system development, and operational support.
We offer the O-PLUX fraudulent order detection service as the screening engine.

Investigation and development of BNPL business

▼

Payment system development

▼

Operational support

▼

Providing screening engine
O-PLUX

×

Point 1

Experience in setting up and developing systems for multiple BNPL businesses

- Experience in constructing payment systems that handle several million transactions per month
- Experience in supporting the launch of BNPL businesses (business planning, preparation of various requirement definitions, etc.)
- Experience in post-launch support (credit lines, operation process development, etc.)

Point 2

Support from consultants with experience in BNPL operations

Consultants with extensive experience in BNPL operations provide optimal proposals from the customer's perspective.

Point 3

Fraudulent order detection using O-PLUX, the No. 1 solution in terms of the number of installations in Japan*

No.1
Actual Introduction in 2021

We have achieved a great deal of success in fraud detection in the financial and settlement fields, where strict accuracy is required. O-PLUX, our fraudulent order detection service, is the No. 1 solution in terms of installation numbers in Japan*.

---

* As of the end of May 2021 (TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service")

Appendix / Data Science Service

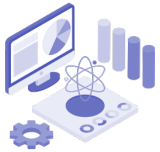
Based on the technologies of AI, statistics, and mathematical optimization, we develop and provide algorithms that contribute to the core of corporate activities, such as modeling predictions and automation by applying machine learning.

Our approach

SAKIGAKE KPI

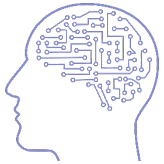
Our service includes data aggregation and visualization, factor analysis, KPI calculation, analysis reporting, and subsequent proposals. A data analysis service that provides up to 100 million records in 30 business days at a cost of 2 million yen.

Data Science Branch Office



Data science resources that can be utilized on a monthly contract basis as if it were a company division. It realizes the concept of a “data science branch office” to meet all kinds of analysis needs at various stages.

Algorithm development



Development of algorithms that seek to increase profits by processing business operations, including optimization beyond the employees’ own experience, productivity improvement through automated processing, and forecasting of demand and risk.

Case studies

Optimization

Wall material manufacturer with annual sales of 119 billion yen

Created production plans for 1,700 products and 12 production lanes. Made a production order plan to maximize production volume and minimize losses while observing complex conditions.

Annual cost reductions of up to 130 million yen

Statistics **AI**

Stationery manufacturer with annual sales of 5.5 billion yen

Developed algorithms for demand forecasting and production instructions that can maximize profits on calendars, organizers, and stationery. Minimized opportunity losses due to shortages.

70% reduction in sales opportunity losses

Optimization

Call center

Established automatic prediction of demand on a daily and hourly basis for the following month and generated a staffing plan to satisfy multiple constraints such as management indicators, employee work preferences, and working conditions.

Annual cost reductions of 60 million yen

Appendix / Cacco’s Social Value Creation Process (ESG Initiatives)

Support in breaking away from the resource-intensive industrial model by promoting DX

By supporting DX with data science services, we promote the optimization and efficiency of production, sales, and distribution, and contribute to breaking away from the resource-intensive industrial model.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

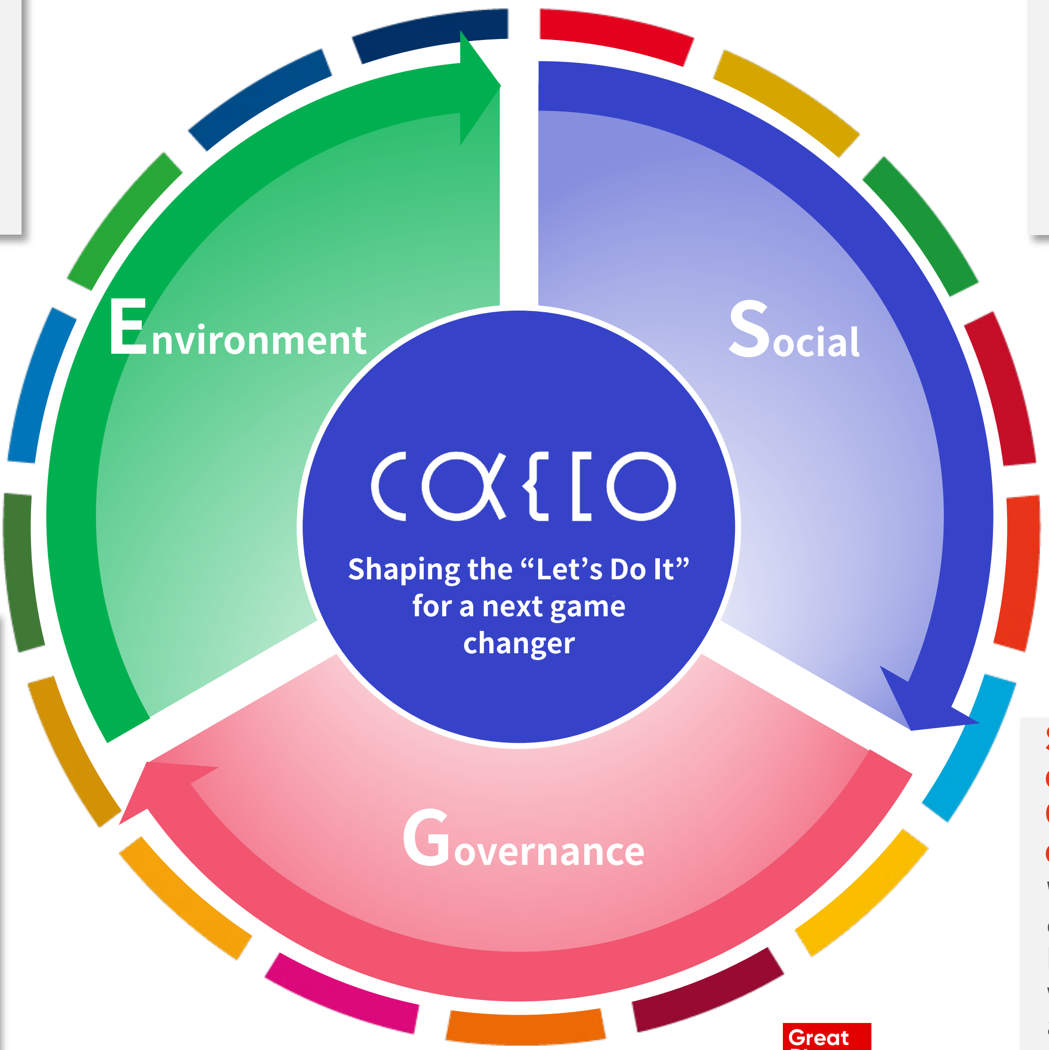
CERTIFIED EQA ISO 27001

ANAB ACCREDITED ISO/IEC 17021 MANAGEMENT SYSTEMS CERTIFICATION BODY

たいせつにしますプライバシー 10824248

Strengthen corporate governance and compliance systems

We believe that it is essential for sustainable growth to improve management efficiency and at the same time, to enhance the soundness, transparency and compliance of management to fulfil the trust of society. We are committed to strengthening corporate governance on a daily basis based on the recognition that the results of such efforts will enhance corporate value and lead to the return of profits to various stakeholders, including shareholders, creditors, and employees.



Shaping the “Let’s Do It” for a next game changer

Building a secure infrastructure for EC and online transactions

Our fraud detection services detect fraudulent activities such as spoofing and unauthorized access for credit cards, and contributes to the creation of a secure infrastructure for EC, online transactions, and cashless payments.

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Supporting the career development of diverse human resources Creating a rewarding work environment

We were selected as a “Best Workplace” for our efforts to support the activities of our diverse human resources, including foreign nationals, women raising children, and intern students, as well as for our efforts to improve our telecommuting environment and online communication.

Great Place To Work® Certified OCT 2021–SEP 2022 JAPAN ™

* Ranked in the 2021 edition of “Best Workplaces in Japan” by the Great Place to Work® Institute Japan.

Disclaimer and Cautionary Statement Regarding Forward-Looking Statements

This document may contain projections based on assumptions, forecasts and plans related to the future as of the announcement date. These forward-looking statements are based on information currently available to us and certain assumptions that we consider reasonable, and we do not promise that they will be achieved.

Actual results may differ materially from these forecasts due to various factors in the future, including changes in economic conditions, changes in customer needs and user preferences, competition with other companies, and changes in laws and regulations.

For inquiries and requests for individual interviews, please contact the following IR department.

E-mail: ir@cacco.co.jp

IR website: https://cacco.co.jp/ir/

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