



Summary of Financial Results (Japanese GAAP) for the Second Quarter of Fiscal Year Ending December 31, 2022 (Non-consolidated)

August 12, 2022

Name of the listed company: Cacco Inc. Stock exchange listings: Tokyo Stock Exchange
 Code number: 4166 URL <https://cacco.co.jp>
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 Scheduled date of filing of Quarterly Securities Report: August 12, 2022
 Scheduled date of commencing dividend payments: –
 Preparation of supplementary explanatory materials for quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts less than one million yen have been omitted)

1. Results for the Second Quarter (2Q) of FY2022 (January 1, 2022 to June 30, 2022)

(1) Operating Results (Cumulative)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022 2Q	516	14.6	87	-8.0	88	-1.6	60	-2.3
FY2021 2Q	450	–	94	–	90	–	61	–

	Net income per share	Diluted net income per share
	Yen	Yen
FY2022 2Q	22.92	21.79
FY2021 2Q	23.54	21.52

(Note) As quarterly financial statements have not been prepared for the second quarter of the fiscal year ended December 31, 2020, the year on year rate of change for the second quarter of the fiscal year ended December 31, 2021 is not shown.

(2) Financial Position

	Total assets	Net assets	Capital ratio
	Millions of yen	Millions of yen	%
FY2022 2Q	1,457	1,335	91.4
FY2021	1,417	1,273	89.6

(Reference) Equity capital: FY2022 2Q 1,332 million yen FY2021 1,270 million yen

2. Dividends

	Annual dividend				
	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	–	0.00	–	0.00	0.00
FY2022	–	0.00	–	0.00	0.00
FY2022 (Forecast)	–	–	–	0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Financial Forecasts for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(% figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	1,102	15.9	191	7.1	195	14.5	137	14.3	52.28

(Note) Revisions to the most recently announced financial forecasts: None

* Notes

(1) Application of special accounting methods for the preparation of quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

- | | |
|----------------------------------------------------------------------------------|--------|
| (i) Changes in accounting policies due to revision of accounting standards, etc. | : Yes |
| (ii) Changes in accounting policies other than (i) | : None |
| (iii) Changes in accounting estimates | : None |
| (iv) Restatements | : None |

(3) Number of shares issued (common stock)

(i) Number of issued shares at the end of the period (including treasury shares)	FY2022 2Q	2,630,582 shares	FY2021	2,629,382 shares
(ii) Number of treasury shares at the end of the period	FY2022 2Q	– shares	FY2021	– shares
(iii) Average number of shares during the period	FY2022 2Q	2,629,590 shares	FY2021 2Q	2,620,191 shares

* The quarterly financial statements are not subject to auditing by certified public accountants or auditing firms.

* Explanation regarding the appropriate use of financial forecasts and other special notes

(Cautionary note regarding forward-looking statements, etc.)

The forward-looking statements, including business forecasts, etc., contained in this document are based on the information currently available to us and on certain assumptions deemed reasonable, and are not intended as a guarantee by the Company that they will be achieved. Actual results may differ significantly from these forecasts due to various factors. Please refer to "1. Qualitative Information on Financial Results for the Second Quarter of FY2022 (3) Summary of Financial Forecasts and Other Forward-Looking Information" on page 3 of the attached documents for matters concerning financial forecasts.

(How to obtain supplementary explanatory materials and explanations of financial results for the current quarter)

The supplementary explanatory materials "Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2022" will be disclosed on TDnet on the same day and then posted on the Company's website. In addition, we are scheduled to hold a briefing session for institutional investors and analysts on Friday, August 12, 2022. Video of this briefing session and the materials for the financial results briefing to be distributed on that day will be promptly posted on our website after the briefing.

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1. Qualitative Information on Financial Results for the Second Quarter of FY2022

(1) Summary of Operating Results

During the first half of the current fiscal year (January 1, 2022 to June 30, 2022), COVID-19 infections began to spread again and uncertainty still remains as to when the pandemic will be contained, but the Japanese economy exhibited some signs of recovery as efforts to sustain socio-economic activities gained momentum. On the other hand, the future outlook remains uncertain due to volatility in financial and capital markets amid global monetary tightening and increasing inflation brought on by sharp depreciation of the yen.

According to the FY2020 Report on Commissioned Industrial and Economic Research (Market Research on Electronic Commerce) published by the Ministry of Economy, Trade and Industry in 2020, the size of the business-to-consumer EC (BtoC-EC) market as a whole was 19.3 trillion yen, shrinking by 0.43% year on year due to the significant decrease in the service-related areas mainly caused by the shrinkage of travel services. However, product sales-related areas expanded significantly by 21.71% year on year as a result of people being encouraged to stay at home and using EC as part of the measures to control COVID-19. The BtoC-EC market continues to grow steadily, as shown by the increase of 1.32 percentage points to 8.08% of the EC ratio (the ratio of the size of the EC market to the size of the entire commerce market).

On the other hand, there has been a sharp increase in damage caused in recent years by the theft and unauthorized use of credit card numbers and other information. In response to this trend, the amended Installment Sales Act mandates that necessary measures be taken to prevent the fraudulent use of credit card numbers and the like. In addition, the "Credit Card Security Guidelines Version 3.0 (Credit Card Transaction Security Council)," which serve as practical guidelines for such responses, require member businesses to introduce measures such as "attribute and behavior analysis (fraud detection system)" in accordance with the risk situation as a countermeasure against fraudulent use of credit cards in non-face-to-face transactions. As such, social demands for anti-fraud measures have been increasing more than ever.

In this current business environment, we have been offering a business that engages in the provision of SaaS-type algorithms to support companies in solving problems and coping with challenges by developing and providing algorithms and software based on our security payment data science technology and know-how in a way that aligns with our management vision of "Shaping the 'Let's Do It' mentality into the next game changer."

As for our fraud detection services, we expanded the sales of O-PLUX, our fraudulent order detection service, through O-PLUX Premium Plus (shipping decision agent service), which compensates for damages caused by the fraudulent use of credit cards with no upper limit, and Fraud Checker, a fraudulent order detection service available from 4,000 yen per month. In addition, thanks to our efforts to promote alliances, such as system integration with EC packages and shopping carts as well as the conclusion of partner agreements with credit card companies, the number of new customers has increased and existing customers have continued to grow. As a result, the amount of O-PLUX's recurring revenue (the sum of the monthly fee, which is a flat-rate charge, and the examination fee, which is a pay-as-you-go fee based on the number of examinations, including Fraud Checker) for the second quarter of the current fiscal year has increased to 373,686 thousand yen (up 9.7% year-on-year). Also, with regard to our O-MOTION unauthorized access detection services, we continued to expand its services, and worked to develop sales channels in a variety of fields, such as new linkage with an EC construction package system.

In our Payment Consulting Services, we worked to secure orders for system development projects, and in the Data Science Services, we worked to secure orders for data analysis projects.

As a result of the above, net sales for the second quarter of the current fiscal year were 516,116 thousand yen (up 14.6% year on year), operating income was 87,089 thousand yen (down 8.0% year on year), ordinary income was 88,827 thousand yen (down 1.6% year on year), and net income was 60,273 thousand yen (down 2.3% year on year).

Segment information is omitted because the Company has a single segment involved with the provision of SaaS-type algorithms.

(2) Summary of Financial Position

(Assets)

Current assets at the end of the second quarter of the current fiscal year were 986,884 thousand yen, an increase of 42,368 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 45,981 thousand yen in cash and deposits. Non-current assets were 470,908 thousand yen, a decrease of 2,034 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 31,872 thousand yen in software.

As a result, total assets amounted to 1,457,792 thousand yen, an increase of 40,334 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the second quarter of the current fiscal year were 121,814 thousand yen, a decrease of 20,366 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 13,746 thousand yen in accounts payable-trade. There are no non-current liabilities due to a decrease of 1,797 thousand yen in long-term borrowings.

As a result, total liabilities amounted to 121,814 thousand yen, a decrease of 22,163 thousand yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the second quarter of the current fiscal year were 1,335,978 thousand yen, an increase of 62,497 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 60,273 thousand yen in retained earnings as a result of the recording of quarterly net income.

As a result, the capital ratio was 91.4% (89.6% at the end of the previous fiscal year).

(2) Status of cash flows

Cash and cash equivalents (hereinafter "cash") at the end of the second quarter of the current fiscal year were 846,628 thousand yen, an increase of 45,981 thousand yen from the end of the previous fiscal year. The status and components of each cash flow during the cumulative period through the second quarter of the current fiscal year are as follows:

(Cash flows from operating activities)

Cash flow from operating activities resulted in a net inflow of 100,847 thousand yen. This was mainly due to recognition of quarterly net income before income taxes of 88,827 thousand yen, despite payment of income taxes of 14,022 thousand yen and a decrease of 14,291 thousand yen in accounts payable – other.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of 54,244 thousand yen. The main factor was expenditure of 50,354 thousand yen for the purchase of investment securities.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net outflow of 621 thousand yen. The main factor was expenditure of 2,142 thousand yen for repayment of long-term borrowings.

(3) Summary of Financial Forecasts and Other Forward-Looking Information

There are no revisions to the full-year financial forecasts for the FY2022 announced on February 14, 2022 in the Summary of Financial Results for Fiscal Year Ended December 31, 2021.

2. Quarterly Financial Statements and Significant Notes Thereto

(1) Quarterly Balance Sheet

(Unit: thousand yen)

	FY2021 (As of December 31, 2021)	FY2022 2Q (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	800,647	846,628
Accounts receivable – trade	112,908	96,455
Work in process	–	46
Prepaid expenses	28,823	24,724
Other	2,135	19,029
Total current assets	944,516	986,884
Non-current assets		
Property, plant and equipment	11,265	10,377
Intangible assets		
Software	388,464	356,591
Software in progress	–	10,350
Other	1,200	1,062
Total intangible assets	389,664	368,003
Investments and other assets	72,012	92,527
Total non-current assets	472,942	470,908
Total assets	1,417,458	1,457,792
Liabilities		
Current liabilities		
Accounts payable – trade	27,953	14,207
Current portion of long-term borrowings	4,284	3,939
Accounts payable – other	39,649	42,578
Income taxes payable	18,584	18,962
Accrued consumption taxes	25,592	18,822
Provision for bonuses	11,511	10,200
Other	14,605	13,104
Total current liabilities	142,180	121,814
Non-current liabilities		
Long-term borrowings	1,797	–
Total non-current liabilities	1,797	–
Total liabilities	143,977	121,814
Net assets		
Shareholders' equity		
Share capital	364,548	365,308
Capital surplus	540,759	541,519
Retained earnings	364,836	425,109
Total shareholders' equity	1,270,144	1,331,937
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	36	740
Total valuation and translation adjustments	36	740
Share acquisition rights	3,300	3,300
Total net assets	1,273,480	1,335,978
Total liabilities and net assets	1,417,458	1,457,792

(2) Quarterly Statement of Income
(The second quarter of FY2022)

(Unit: thousand yen)

	The second quarter of FY2021 (From January 1, 2021 to June 30, 2021)	The second quarter of FY2022 (From January 1, 2022 to June 30, 2022)
Net sales	450,497	516,116
Cost of sales	116,381	160,967
Gross profit	334,116	355,148
Selling, general and administrative expenses	239,438	268,058
Operating income	94,677	87,089
Non-operating income		
Interest and dividend income	86	139
Commission income	3	3
Consulting fee income	—	1,800
Total non-operating income	90	1,943
Non-operating expenses		
Interest expenses	3,299	33
Loss on redemption of bonds	783	—
Foreign exchange losses	375	172
Total non-operating expenses	4,457	205
Ordinary income	90,310	88,827
Income before income taxes	90,310	88,827
Income taxes – current	12,874	13,866
Income taxes – deferred	15,763	14,687
Total income taxes	28,638	28,554
Net income	61,672	60,273

(3) Quarterly Statement of Cash Flows

(Unit: thousand yen)

	The second quarter of FY2021 (From January 1, 2021 to June 30, 2021)	The second quarter of FY2022 (From January 1, 2022 to June 30, 2022)
Cash flow from operating activities		
Income before income taxes	90,310	88,827
Depreciation and amortization	5,383	43,086
Increase (decrease) in provision for bonuses	-3,145	-1,311
Interest and dividend income	-86	-139
Interest expenses	3,299	33
Decrease (increase) in trade receivables	4,993	18,453
Decrease (increase) in inventories	135	-46
Decrease (increase) in other current assets	-3,688	3,150
Increase (decrease) in trade payables	1,290	-13,746
Increase (decrease) in accounts payable – other	-19,409	-14,291
Increase (decrease) in accrued consumption taxes	152	-6,769
Increase (decrease) in other current liabilities	-3,742	-2,482
Other	255	–
Subtotal	75,747	114,764
Interest and dividends received	86	139
Interest paid	-3,299	-33
Income taxes paid	-15,607	-14,022
Cash flow from operating activities	56,928	100,847
Cash flow from investing activities		
Purchase of property, plant and equipment	-3,499	-2,090
Purchase of intangible assets	-98,309	-1,800
Purchase of investment securities	-309	-50,354
Cash flow from investing activities	-102,118	-54,244
Cash flow from financing activities		
Repayments of long-term borrowings	-396,963	-2,142
Redemption of bonds	-105,000	–
Proceeds from issuance of shares	1,359	1,520
Payment of listing expenses	-7,148	–
Cash flow from financing activities	-507,752	-621
Net increase (decrease) in cash and cash equivalents	-552,942	45,981
Cash and cash equivalents at beginning of period	1,293,177	800,647
Cash and cash equivalents at end of period	740,235	846,628

(4) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes in the event of significant changes in the amount of shareholders' equity)

Not applicable

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the Revenue Recognition Accounting Standard) and other standards from the beginning of the first quarter of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

As for the application of the Revenue Recognition Accounting Standard, etc., we follow transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, and see no effect on retained earnings at the beginning of the first quarter of the current fiscal year.

The application of the Revenue Recognition Accounting Standard, etc. has no impact on profit and loss for the second quarter of the current fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification based on the new presentation method has been made for the previous fiscal year.

(Application of Accounting Standard for Measurement of Fair Value, etc.)

The company adopted the Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Calculation Accounting Standard") from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in paragraph 19 of the Fair Value Calculation Accounting Standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply prospectively the new accounting policies set forth by the Fair Value Calculation Accounting Standard and other standards.

This has no impact on cumulative results of the first half of the current fiscal year.

(Segment information, etc.)

[Segment information]

For the second quarter of FY2021 (From January 1, 2021 to June 30, 2021)

Segment information is omitted because the Company has a single segment involved with the provision of SaaS-type algorithms.

For the second quarter of FY2022 (From January 1, 2022 to June 30, 2022)

Segment information is omitted because the Company has a single segment involved with the provision of SaaS-type algorithms.