Cacco Inc. | Stock Code: 4166

August 12, 2022

CACCO

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

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
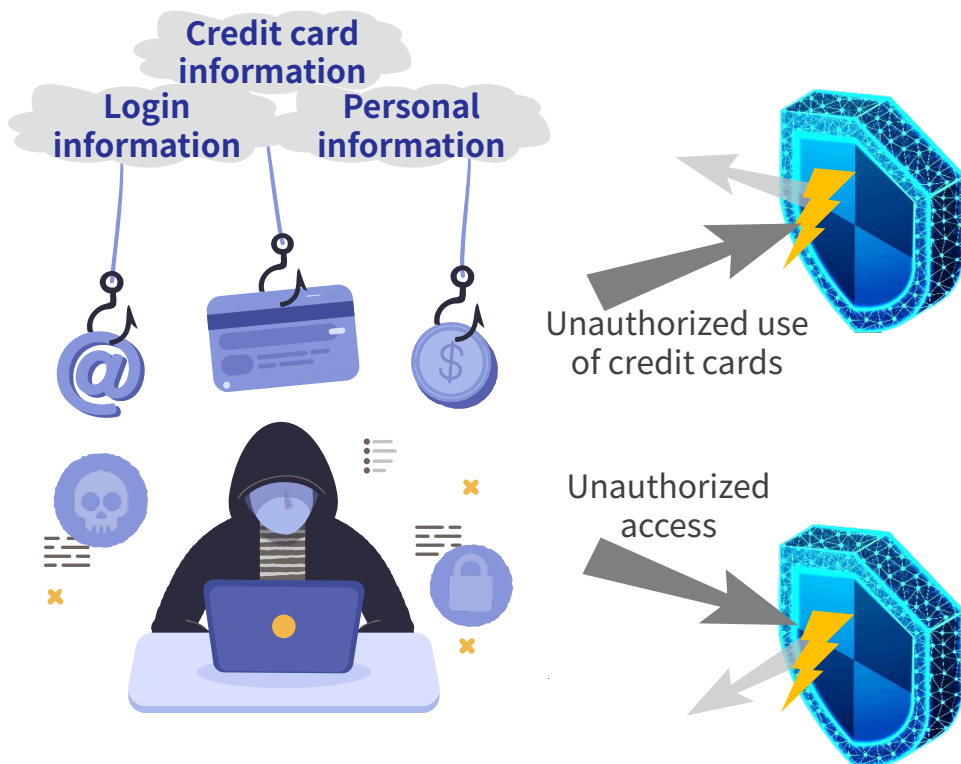
Online shopping
Fraudulent orders

Internet banking
Unauthorized remittances

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

Fraudulent Order Detection Service
O-PLUX

◆ **No. 1 in Japan in terms of number of installations for 4 consecutive years in a row**
◆ **Sharing of fraudulent information on 20,000 sites**
◆ **Well-connected with EC service cart systems**

Safe and secure online shopping

Unauthorized access

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 internet banking

* TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service," (as of the end of May 2022)

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)

Approx. 1.4 times larger than that in the previous year

31.1 billion yen

2014 2015 2016 2017 2018 2019 2020 2021
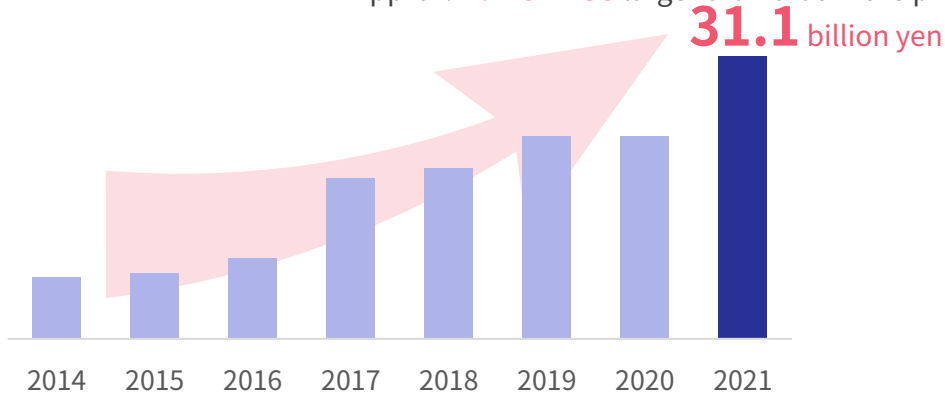
Source: Japan Consumer Credit Association, "Status of Damage from Unauthorized Use of Credit Cards," March 2022

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

+α

2026 Approx. **274.2** billion yen

2022 Approx. **184.9** billion yen
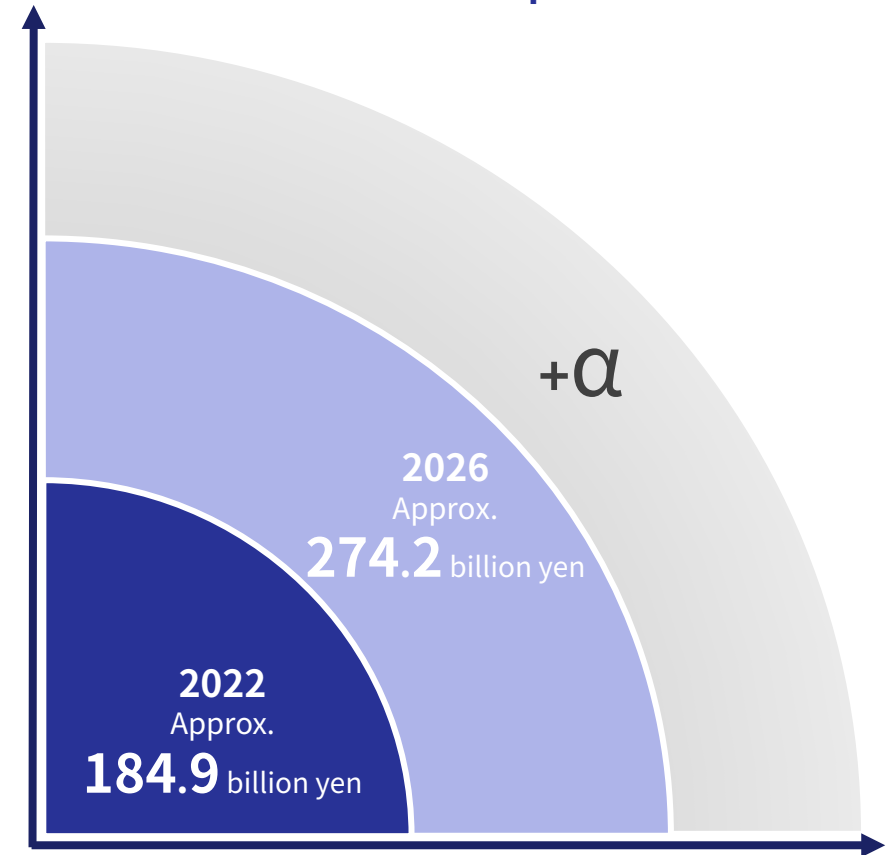
Source: "FRAUD DETECTION AND PREVENTION Global Market Trajectory & Analytics GLOBAL INDUSTRY ANALYSTS.INC. May 2021" (Calculated at $1 = ¥110)

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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 2022)

Contents

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Financial Results for FY2022 2Q

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

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Financial Results for FY2022 2Q / Highlight

Net sales

516 million yen

YoY: **+14.6**%
Plan progress: **46.8**%

O-PLUX recurring revenue*

373 million yen

YoY: **+9.7**%

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

Rate of O-PLUX cancellations

0.23 %

YoY: **+0.07pt**

Ordinary income

88 million yen

YoY: **-1.6**%
Plan progress: **45.4**%

O-PLUX screening volume

33.16 million cases

YoY: **+7.3**%

Progress of overseas expansion

- **Survey of Southeast Asian markets completed**
- **Began developing local pilot customers**

(Unit: million yen)

	FY2021 2Q cumulative	FY2022 2Q cumulative	YoY	FY2022 Forecast	Progress
Net sales	450	**516**	**+14.6%**	**1,102**	46.8%
(Net sales of fraud detection services)	380	**421**	+10.9%	875	48.1%
Operating income	94	**87**	**-8.0%**	**191**	45.4%
(Operating income margin)	21.0%	**16.9%**	-4.1 pt	17.4%	-
Ordinary income	90	**88**	**-1.6%**	**195**	45.4%
(Ordinary income margin)	20.0%	**17.2%**	-2.8 pt	17.7%	-
Net income (Quarterly net income)	61	**60**	**-2.3%**	**137**	43.8%

Summary of Financial Results

Achieved record-high cumulative quarterly sales of 516 million yen from steady acquisition of new customers for core fraud detection services

◆ Owing to steady progress in acquisition of new "O-PLUX" customers, cumulative sales reached 516 million yen (YoY: +14.6%) in FY2022 2Q.

◆ Although the income margin of each stage decreased year-over-year due to the impact of increased depreciation resulting from the O-PLUX architecture renewal, the income margin of each stage would have demonstrated an improving trend excluding such factor. In addition, the company carried out unwavering personnel reinforcement with the aim to strengthen its sales force.

◆ After completing a business survey in Southeast Asia, one of our main growth strategy pillars, the company commenced development of local pilot customers.

Progress in acquiring new customers for the core fraud detection services led to record quarterly sales of 516 million yen (YoY: +14.6%).

Net Sales Trends

(Unit: million yen)

- Data Science Service
- Payment Consulting Service
- Fraud Detection Services (O-MOTION)
- Fraud Detection Services (O-PLUX)

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Total	172	167	216	189	195	223	200	212	222	227	235	265	245	270
	FY2019				FY2020				FY2021				FY2022	

FY2019: 1Q 121/7/29/14, 2Q 136/4/13/12, 3Q 153/8/41/12, 4Q 152/6/21/7
FY2020: 1Q 141/7/27/18, 2Q 162/6/39/14, 3Q 161/6/24/8, 4Q 176/7/19/8
FY2021: 1Q 179/10/22/9, 2Q 179/9/9/28/9, 3Q 181/9/34/8, 4Q 190/11/51/12
FY2022: 1Q 191/14/24/14, 2Q 200/13/43/11

FY2021 2Q: 450 (359 / 20 / 50 / 19)
FY2022 2Q: 516 (392 / 28 / 68 / 26)

+14.6%
+10.9%
380
421

516
270
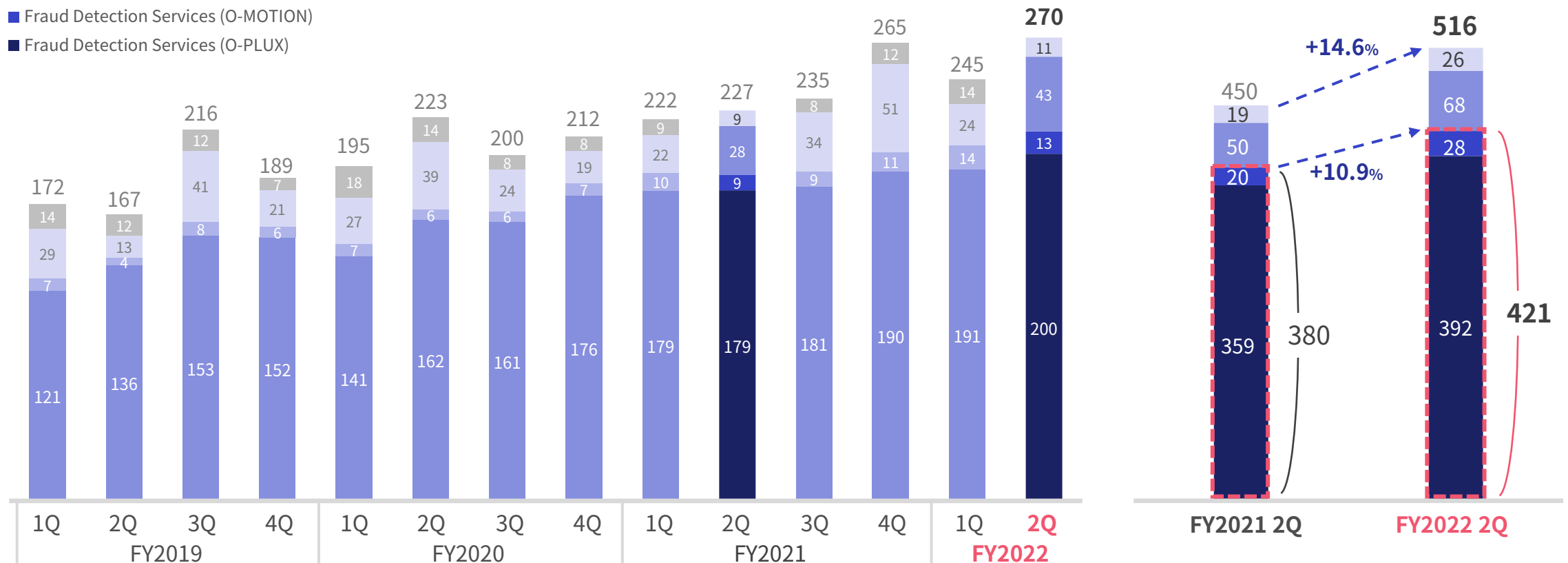
* No special demand was seen from the third COVID-19 state of emergency and onwards.

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The sales composition of fraud detection services, the core of our business, reached 81.6% (down 2.7 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 2Q of FY2022 YoY, but the actual sales continued to grow steadily.

Sales Composition Trends by Service

Legend:
- Data Science Service
- Payment Consulting Service
- Fraud Detection Services (O-MOTION)
- Fraud Detection Services (O-PLUX)

(Unit : %)

Main chart

	FY2019				FY2020				FY2021				FY2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Data Science Service	8.2	7.5	5.8	4.2	9.6	6.5	4.4	4.2	4.4	4.4	3.8	4.7	5.9	4.4
Payment Consulting Service	17.3	8.2	19.3	11.3	14.2	17.8	12.0	9.2	10.1	12.3	14.8	19.3	10.1	16.2
Fraud Detection Services (O-MOTION)	4.1	2.8	4.0	3.7	3.7	3.0	3.2	3.5	4.8	4.3	4.2	4.3	5.9	5.2
Fraud Detection Services (O-PLUX)	70.4	81.4	70.9	80.8	72.6	72.7	80.4	83.1	80.6	79.0	77.3	71.8	78.1	74.3

Comparison chart

	FY2021 2Q	FY2022 2Q
Data Science Service	4.4	5.1
Payment Consulting Service	11.2	13.3
Fraud Detection Services (O-MOTION)	4.6	5.5
Fraud Detection Services (O-PLUX)	79.8	76.1
Total fraud detection	84.4%	81.6%

-2.7 pt

Although the gross profit margin was 68.8% (down 5.4 pt YoY) due to an increase in depreciation, gross profit in value terms expanded by +6.3% YoY. Excluding the impact of increased depreciation, the gross profit margin is on an improving trend and is expected to improve even further.

Gross Profit Trends

(Unit: million yen)

Legend:
- Gross Profit
- Gross Profit Margin
- Labor cost
- Outsourcing processing expenses
- Server expense/ Data expense
- Other
- Depreciation

Gross Profit Margin (%):
63.4%, 68.5%, 66.1%, 68.7%, 66.5%, 68.0%, 72.1%, 76.0%, 75.1%, 73.2%, 73.0%, 69.8%, 70.2%, **67.6%**

Gross Profit values:
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
	109	114	142	130	130	151	144	161	167	166	171	185	172	182
	FY2019				FY2020				FY2021				FY2022	

Right chart:
- FY2021 2Q: 74.2% / 334 / -32 / -38 / -36 / -6 / -2
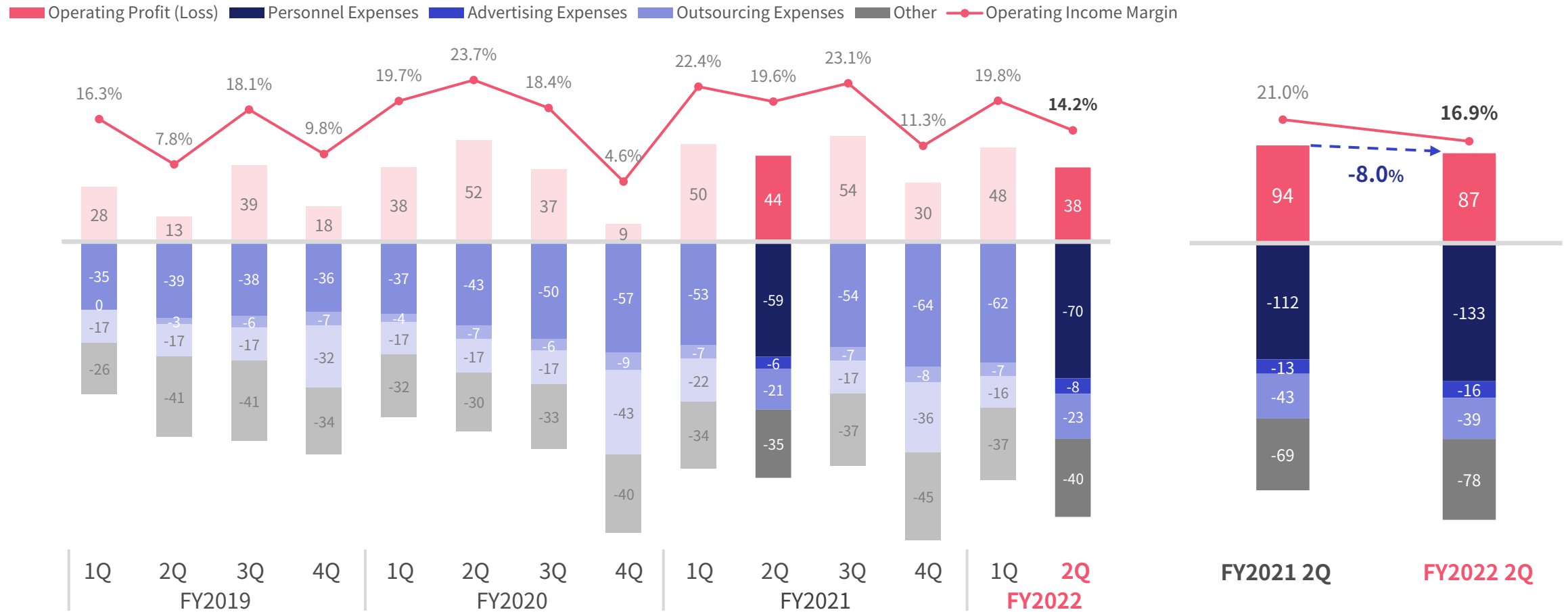- FY2022 2Q: 68.8% / 355 / -28 / -47 / -39 / -4 / -40
- +6.3%

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Operating income decreased 8.0% YoY, and the operating margin was 16.9% (down 4.1 pt YoY).

- Despite a decline in gross profit margin due to an increase in depreciation (see previous page), we expect further improvement in the profit margin due to cost containment effects from the upcoming renewal of the O-PLUX architecture. Further sales expansion will be sought through increase in personnel, mainly in sales.

—— Trends in Operating Income/Selling, General and Administrative Expenses ——
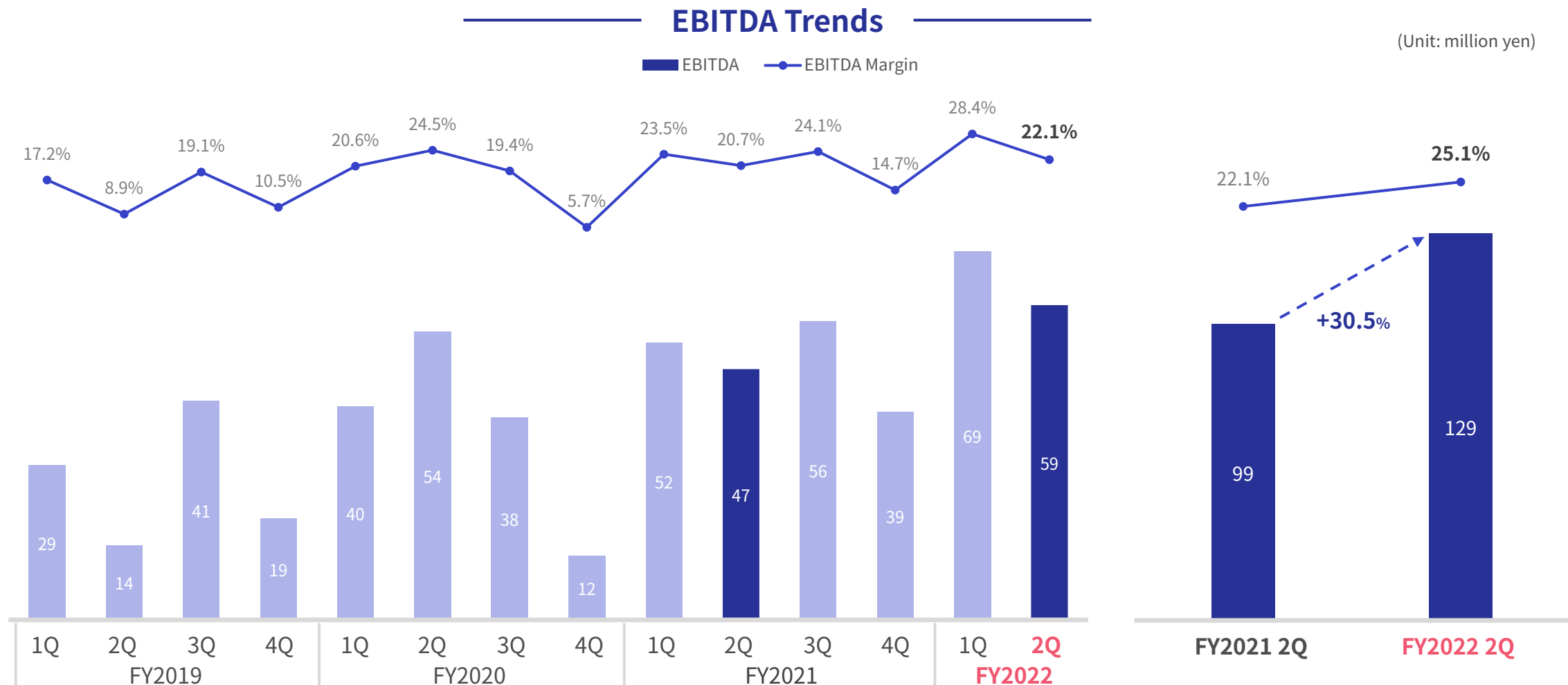
(Unit: million yen)

Legend: ■ Operating Profit (Loss) ■ Personnel Expenses ■ Advertising Expenses ■ Outsourcing Expenses ■ Other ●— Operating Income Margin

	FY2019				FY2020				FY2021				FY2022	
Quarter	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Operating Income Margin	16.3%	7.8%	18.1%	9.8%	19.7%	23.7%	18.4%	4.6%	22.4%	19.6%	23.1%	11.3%	19.8%	14.2%
Operating Profit (Loss)	28	13	39	18	38	52	37	9	50	44	54	30	48	38
Personnel Expenses	-35	-39	-38	-36	-37	-43	-50	-57	-53	-59	-54	-64	-62	-70
Advertising Expenses	0	-3	-6	-7	-4	-7	-6	-9	-7	-6	-7	-8	-7	-8
Outsourcing Expenses	-17	-17	-17	-32	-17	-30	-17	-43	-22	-21	-17	-36	-16	-23
Other	-26	-41	-41	-34	-32		-33	-40	-34	-35	-37	-45	-37	-40

Comparison:

	FY2021 2Q	FY2022 2Q
Operating Income Margin	21.0%	16.9%
Operating Profit (Loss)	94	87 (−8.0%)
Personnel Expenses	-112	-133
Advertising Expenses	-13	-16
Outsourcing Expenses	-43	-39
Other	-69	-78

EBITDA increased to 130 million yen (up 30.5% YoY) and EBITDA margin increased to 25.1% (up 3.1 pt YoY).

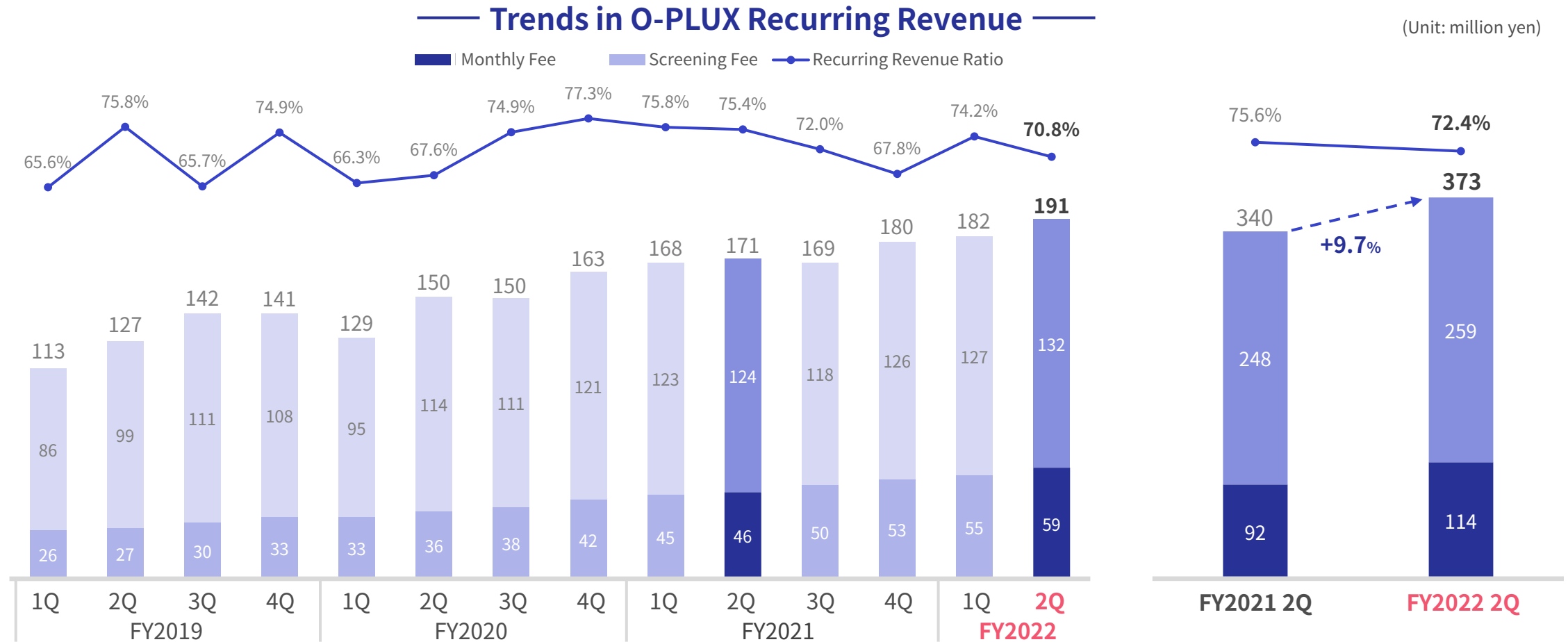- Improvement due to completion of software development related to O-PLUX architecture renewal.

EBITDA Trends

EBITDA   EBITDA Margin

(Unit: million yen)

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Margin	17.2%	8.9%	19.1%	10.5%	20.6%	24.5%	19.4%	5.7%	23.5%	20.7%	24.1%	14.7%	28.4%	22.1%
EBITDA	29	14	41	19	40	54	38	12	52	47	56	39	69	59

FY2019   FY2020   FY2021   FY2022

	FY2021 2Q	FY2022 2Q
Margin	22.1%	25.1%
EBITDA	99	129

+30.5%

O-PLUX recurring revenue increased 9.7% YoY. Recurring revenue ratio stood at 72.4% (down 3.2 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)

Legend: ■ Monthly Fee　■ Screening Fee　●— Recurring Revenue Ratio

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
	FY2019				FY2020				FY2021				FY2022	
Ratio	65.6%	75.8%	65.7%	74.9%	66.3%	67.6%	74.9%	77.3%	75.8%	75.4%	72.0%	67.8%	74.2%	70.8%
Total	113	127	142	141	129	150	150	163	168	171	169	180	182	191
Screening Fee	86	99	111	108	95	114	111	121	123	124	118	126	127	132
Monthly Fee	26	27	30	33	33	36	38	42	45	46	50	53	55	59

	FY2021 2Q	FY2022 2Q
Ratio	75.6%	72.4%
Total	340	373
Screening Fee	248	259
Monthly Fee	92	114

+9.7%

* 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)
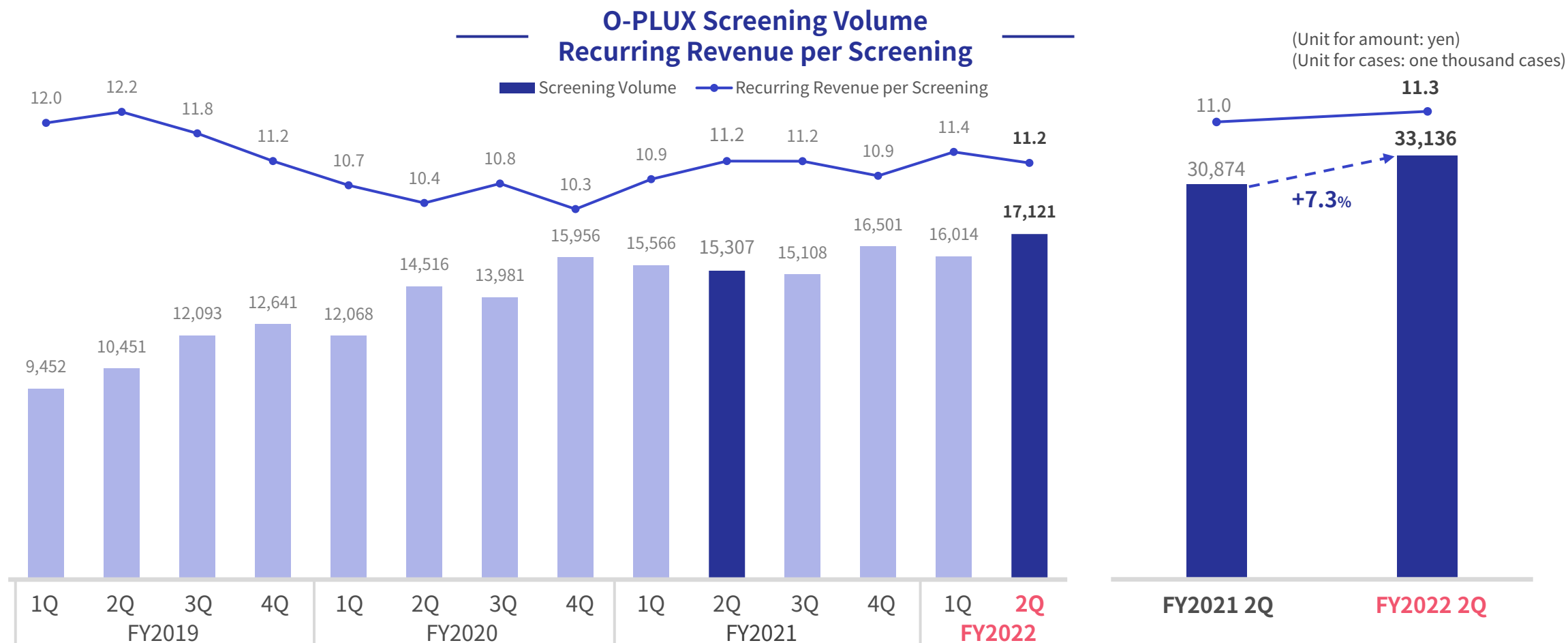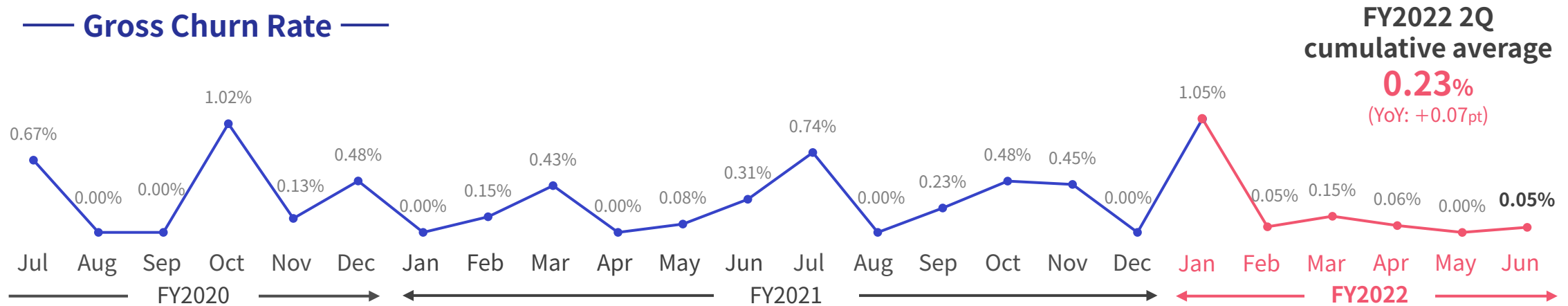* Recurring revenue ratio = Recurring revenue/Net sales (total of all services)

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The screening volume of O-PLUX increased by 7.3% year-on-year.

- Screening volume during FY2022 2Q continued to increase steadily due to steady progress in acquiring new customers from EC business operators.

O-PLUX Screening Volume
Recurring Revenue per Screening

■ Screening Volume ●— Recurring Revenue per Screening

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

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Recurring Revenue per Screening	12.0	12.2	11.8	11.2	10.7	10.4	10.8	10.3	10.9	11.2	11.2	10.9	11.4	11.2
Screening Volume	9,452	10,451	12,093	12,641	12,068	14,516	13,981	15,956	15,566	15,307	15,108	16,501	16,014	17,121
	FY2019				FY2020				FY2021				FY2022	

FY2021 2Q: 11.0 / 30,874
FY2022 2Q: 11.3 / 33,136
+7.3%

* 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)

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

Gross Churn Rate

**FY2022 2Q
cumulative average
0.23%**
(YoY: +0.07pt)

0.67% | 0.00% | 0.00% | 1.02% | 0.13% | 0.48% | 0.00% | 0.15% | 0.43% | 0.00% | 0.08% | 0.31% | 0.74% | 0.00% | 0.23% | 0.48% | 0.45% | 0.00% | 1.05% | 0.05% | 0.15% | 0.06% | 0.00% | 0.05%

| Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |

FY2020 — FY2021 — FY2022

* 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 2Q
cumulative average
-0.57%**
(YoY: -0.27 pt)

-0.47% | -0.58% | -0.29% | 0.75% | -0.26% | -1.42% | -0.40% | -0.45% | -0.19% | -0.37% | -0.01% | -0.40% | -0.49% | -0.65% | -0.13% | -0.62% | -0.59% | -0.86% | 0.68% | -0.90% | -0.39% | -2.07% | -0.36% | -0.39%

| Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |

FY2020 — FY2021 — FY2022
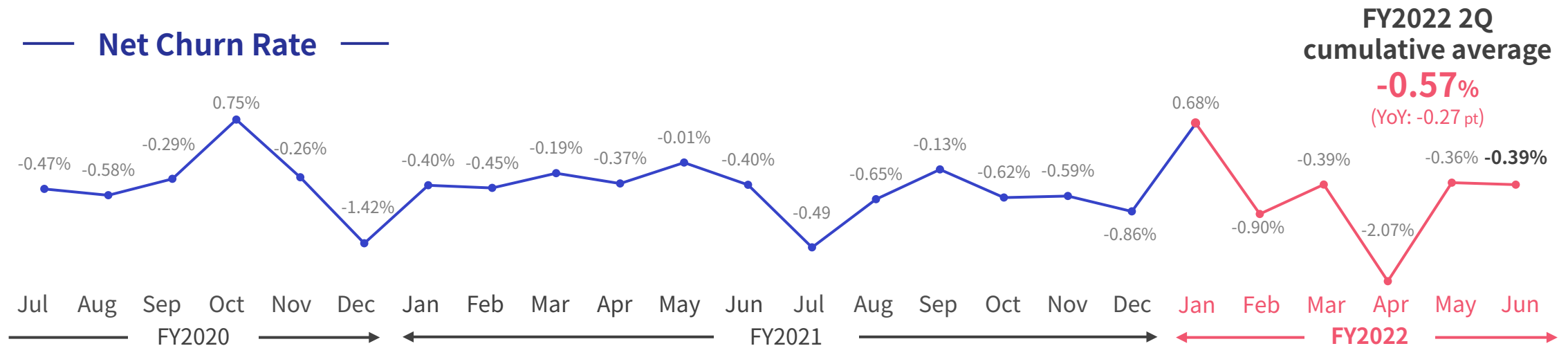
* Net churn rate = (annual average of MRR from the clients who churned in the current month - MRR from new contracts for current month) / MRR at the beginning of the current month

COXCO

(Unit: million yen)

	FY2022 1Q	FY2022 2Q	Change	Main Drivers
Current assets	898	**986**	+9.8%	Increase in cash and deposits
(Cash and deposits)	769	**846**	+10.0%	
Non-current assets	488	**470**	-3.7%	
Total assets	1,387	**1,457**	+5.1%	
Current liabilities	84	**121**	+44.9%	Increase in accounts payable – other related to system development
Non-current liabilities	0	**0**	-100%	
Net assets	1,302	**1,335**	+2.5%	Increase in retained earnings due to recording of quarterly net income
Capital ratio	93.7%	**91.4%**	-2.2 pt	

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Growth Strategy

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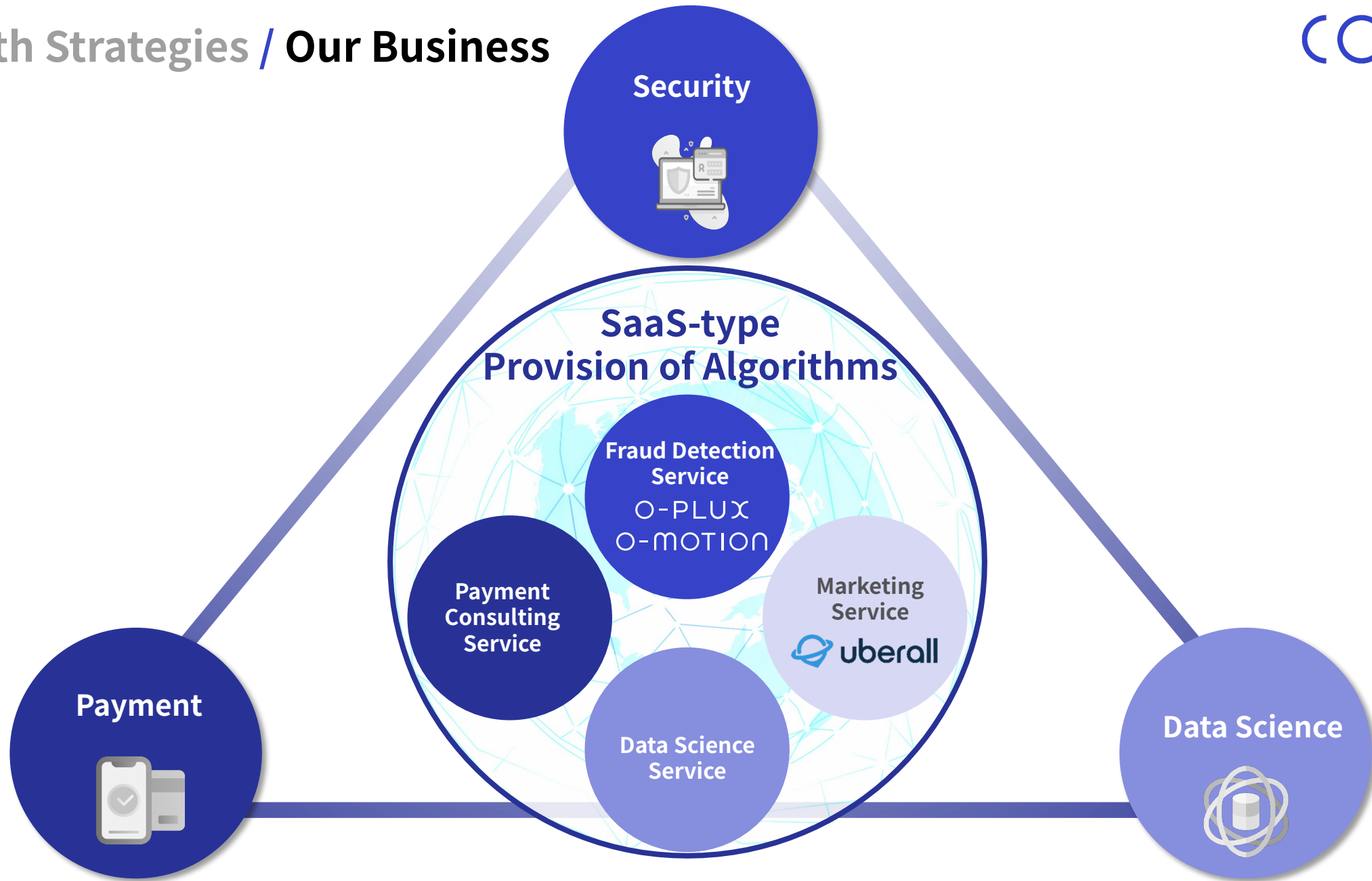
Utilizing our technology and know-how in security, payments, and data science, we develop and provide SaaS-type algorithms to support game changers with their various challenges.

Fraud Detection Service

Fraudulent Order Detection Service

O-PLUX

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.
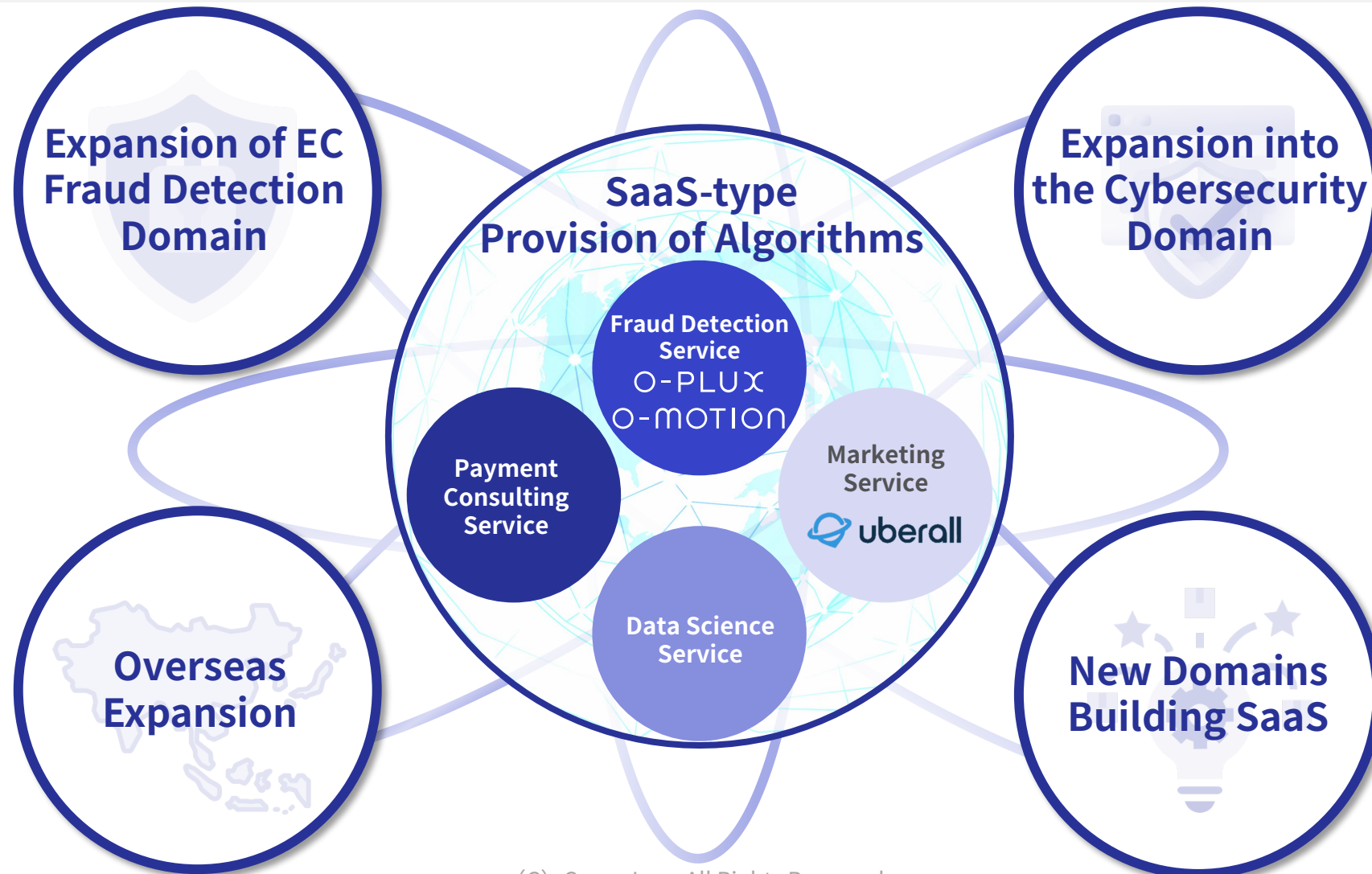
SAKIGAKE KPI

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.

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

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

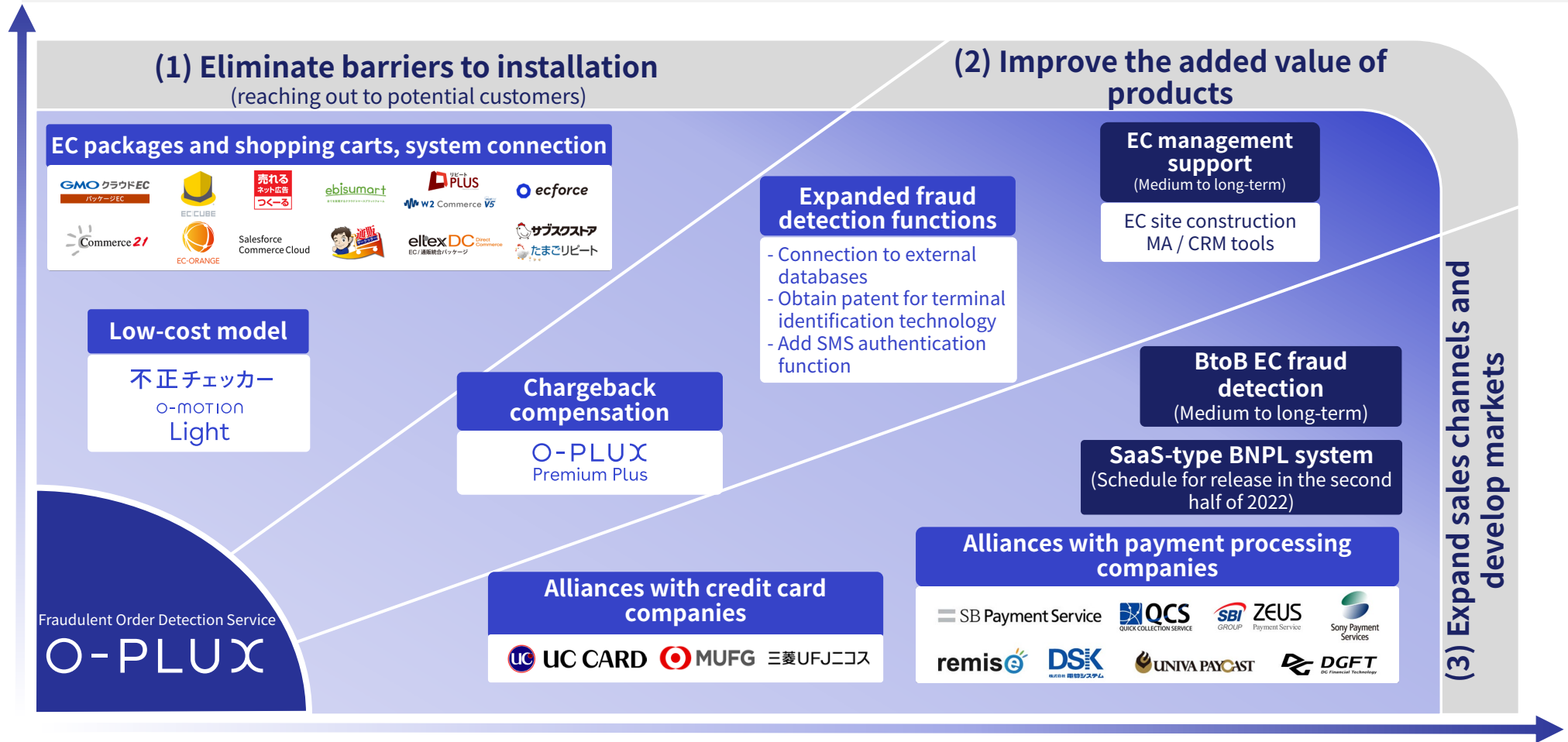**Expansion of EC Fraud Detection Domain**

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

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Growth Strategies / **Expansion of EC Fraudulent Detection Domain**
－**Growth strategy for O-PLUX, the fraudulent order detection service**－

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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.
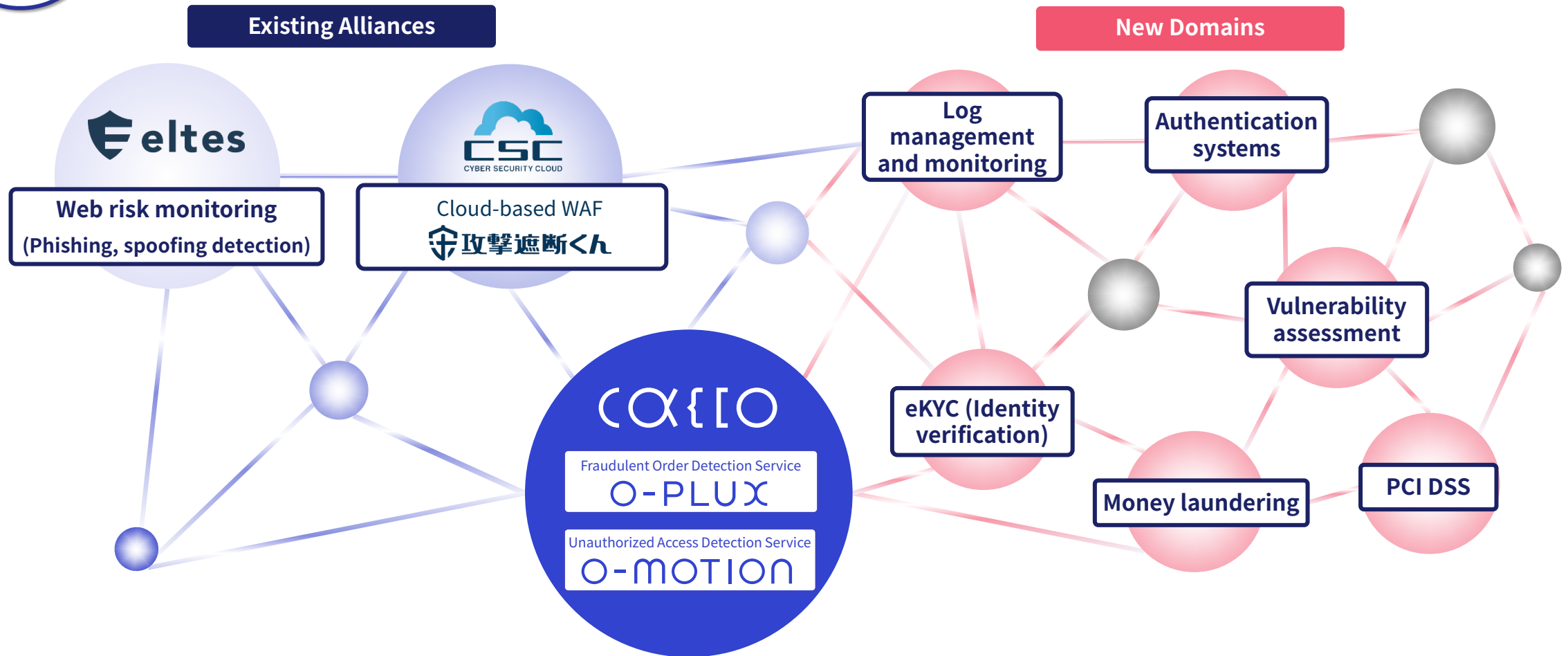Three strategies will be implemented to achieve further growth of O-PLUX.

(1) Eliminate barriers to installation
(reaching out to potential customers)

(2) Improve the added value of products

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 | 逆転 | 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

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

Low-cost model
不正チェッカー
O-MOTION
Light

Chargeback compensation
O-PLUX
Premium Plus

BtoB EC fraud detection
(Medium to long-term)

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

Alliances with payment processing companies
SB Payment Service | QCS QUICK COLLECTION SERVICE | SBI GROUP ZEUS Payment Service | Sony Payment Services
remise | DSK 株式会社即収システム | UNIVA PAYCAST | DGFT DG Financial Technology

Alliances with credit card companies
UC CARD | MUFG 三菱UFJニコス

Fraudulent Order Detection Service
O-PLUX

(3) Expand sales channels and develop markets
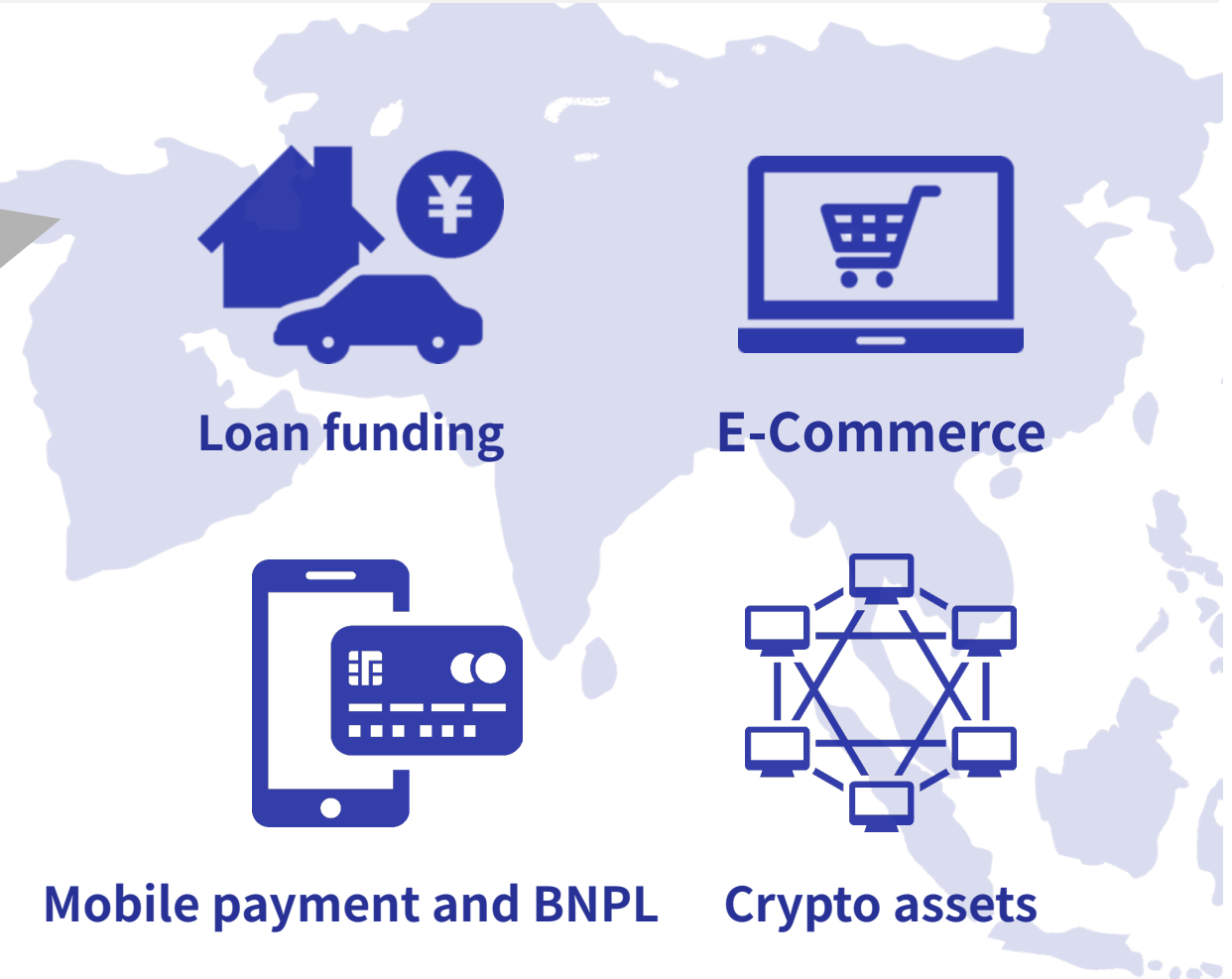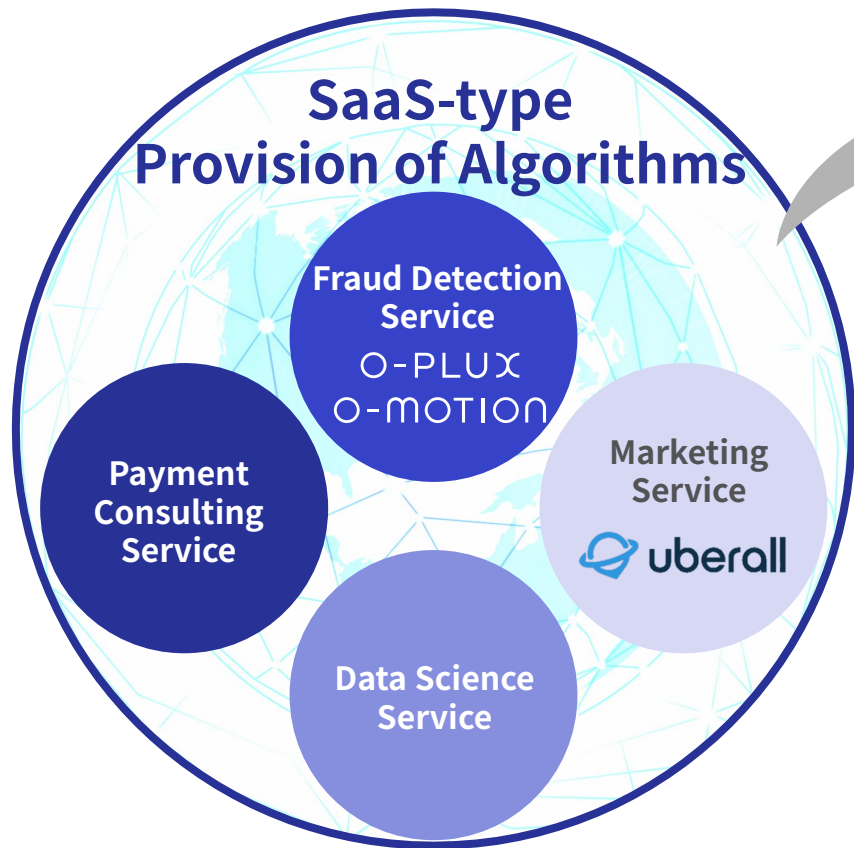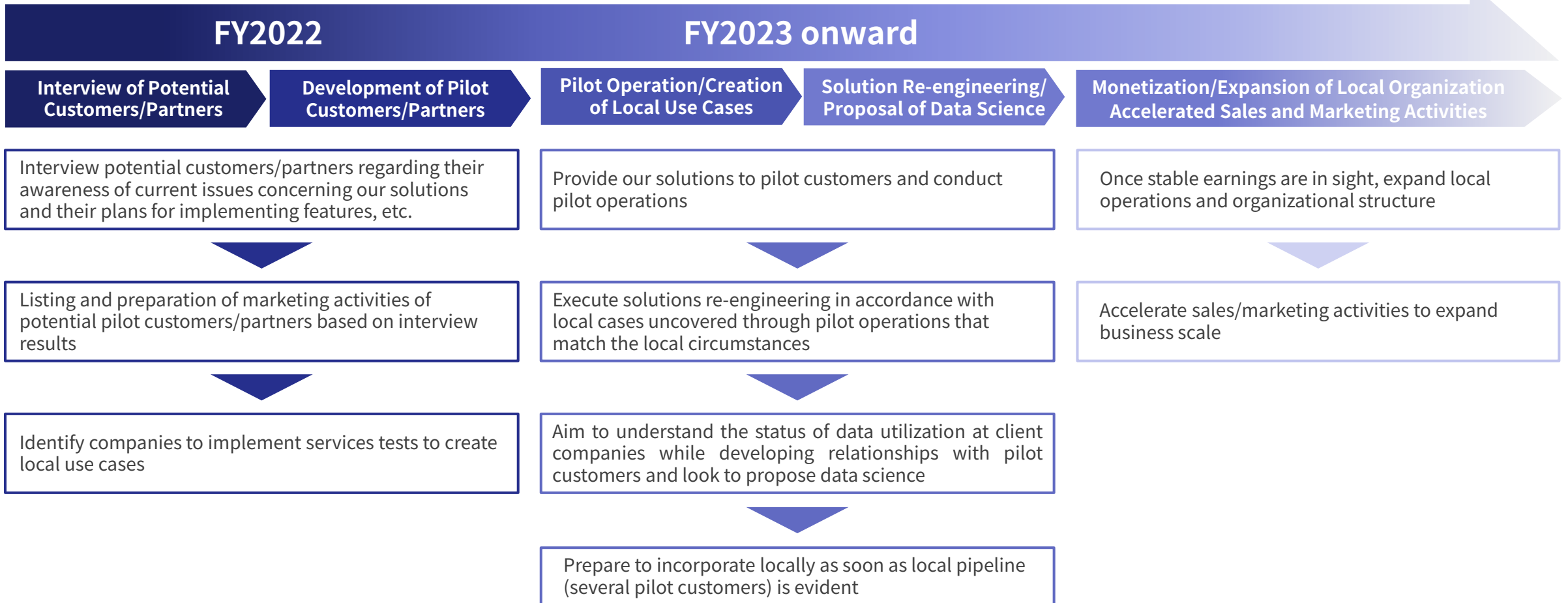
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Overseas Expansion

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

Growth Strategies / Roadmap for Overseas Expansion

Overseas Expansion

By FY2022 2Q, we have completed our research of the Southeast Asian market and interviews with potential customers/partners.
Subsequently, we are in the process of identifying companies to implement service tests in order to create local use cases.

FY2022

FY2023 onward

| Interview of Potential Customers/Partners | Development of Pilot Customers/Partners | Pilot Operation/Creation of Local Use Cases | Solution Re-engineering/ Proposal of Data Science | Monetization/Expansion of Local Organization Accelerated Sales and Marketing Activities |

Interview potential customers/partners regarding their awareness of current issues concerning our solutions and their plans for implementing features, etc.

Provide our solutions to pilot customers and conduct pilot operations

Once stable earnings are in sight, expand local operations and organizational structure

Listing and preparation of marketing activities of potential pilot customers/partners based on interview results

Execute solutions re-engineering in accordance with local cases uncovered through pilot operations that match the local circumstances

Accelerate sales/marketing activities to expand business scale

Identify companies to implement services tests to create local use cases

Aim to understand the status of data utilization at client companies while developing relationships with pilot customers and look to propose data science

Prepare to incorporate locally as soon as local pipeline (several pilot customers) is evident

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.

SaaS-type Service for New Domains

2022

2021

2016

2012

SaaS-type BNPL system

Marketing Service

uberall

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

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

Unauthorized Access Detection Service

O-MOTION

Use of terminal identification technology (patented)

Fraudulent Order Detection Service

O-PLUX

Fraud detection know-how × Data science

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
FY**2021**

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

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COKKO

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 publication of the "Credit Security Measures Vision 2025," is increasing.

Scale of BtoC and EC Market in Japan

(Unit: 100 million yen)

■ Scale of BtoC and EC market for digital industry
■ Scale of BtoC and EC market for service industry
■ Scale of BtoC and EC market for product sales industry

Year	digital	service	product sales	Total
2016	17,782	53,532	80,043	151,358
2017	19,478	59,568	86,008	165,054
2018	20,382	66,471	92,992	179,845
2019	21,422	71,672	100,515	193,609
2020	24,614	45,832	122,333	192,779

Product sales-related areas +21.7%
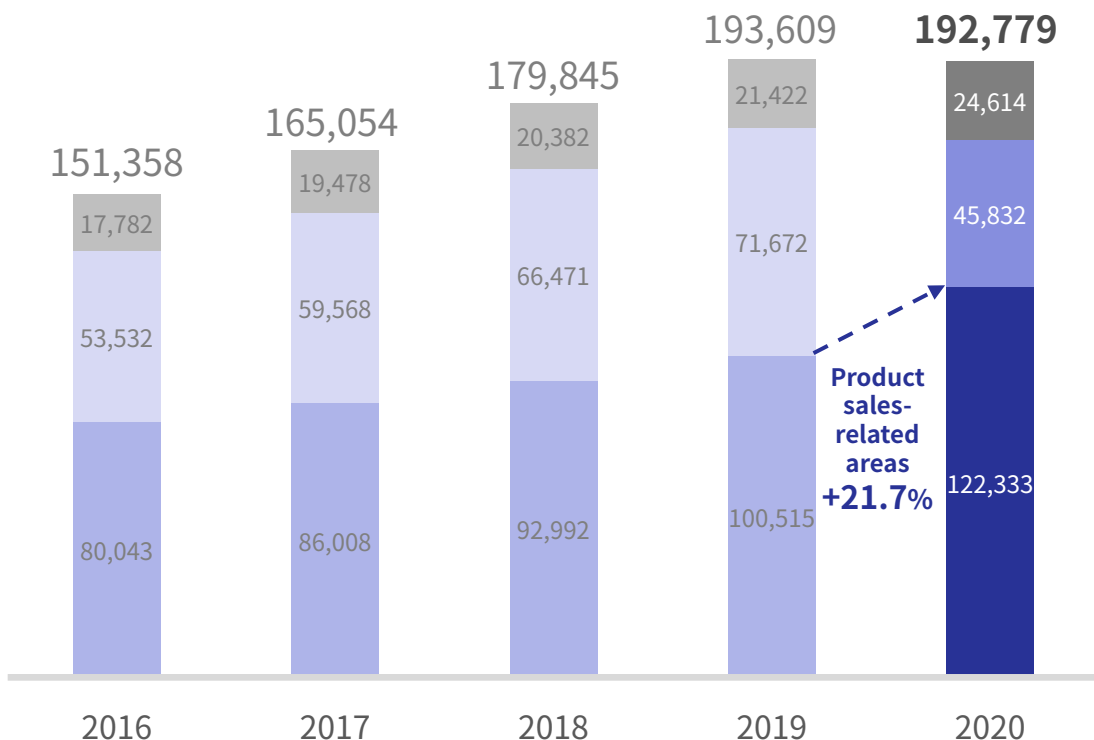
The Amount of Credit Card Fraudulent Damage in Japan
(Number Theft)

(Unit: 100 million yen)

Approx. 1.4 times

Year	Amount
2017	176.7
2018	187.6
2019	222.9
2020	223.6
2021	311.7
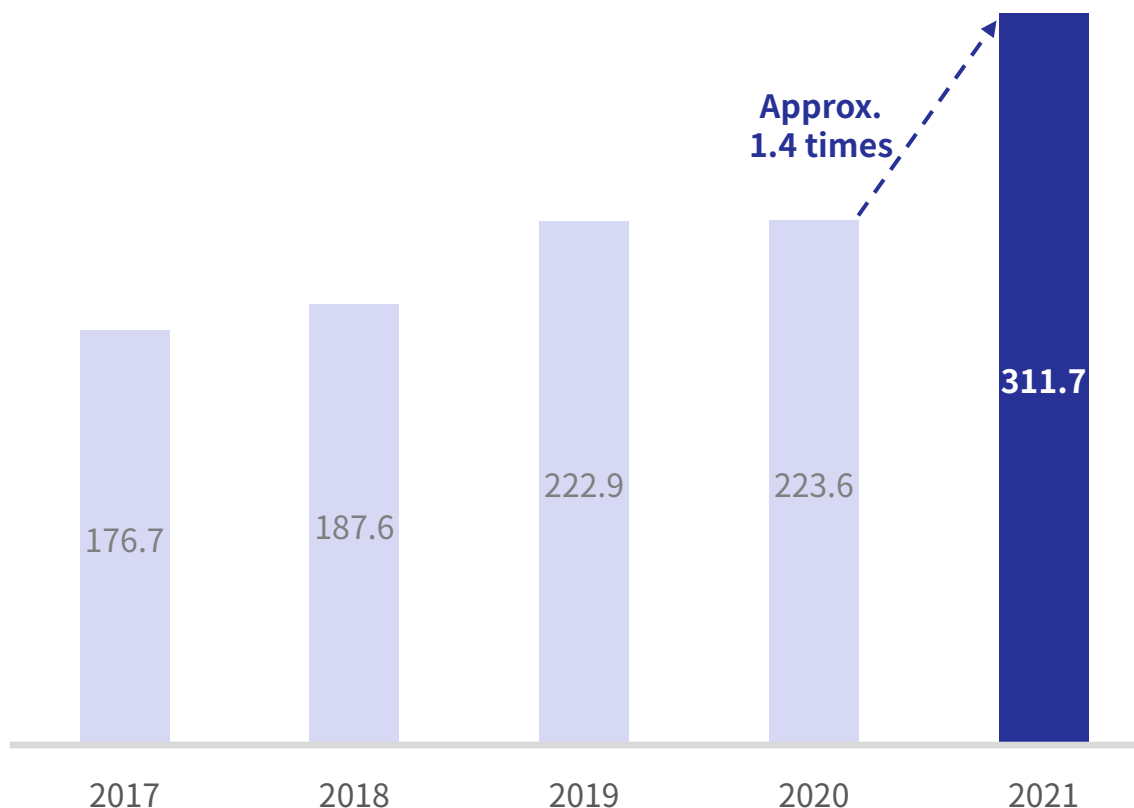
Source: Ministry of Economy, Trade and Industry, Commerce and Information Policy Bureau, Information Economy Division, "FY2020 Report on Commissioned Industrial and Economic Research (Market Research on Electronic Commerce)."
Japan Consumer Credit Association, "Status of Damage from Unauthorized Use of Credit Cards," March 2022

COΣ{IO

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

1,909 billion yen

Approx. **1.4** times

1,329 billion yen

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 (Estimate) | 2023 (Forecast) | 2024 (Forecast) | 2025 (Forecast) |
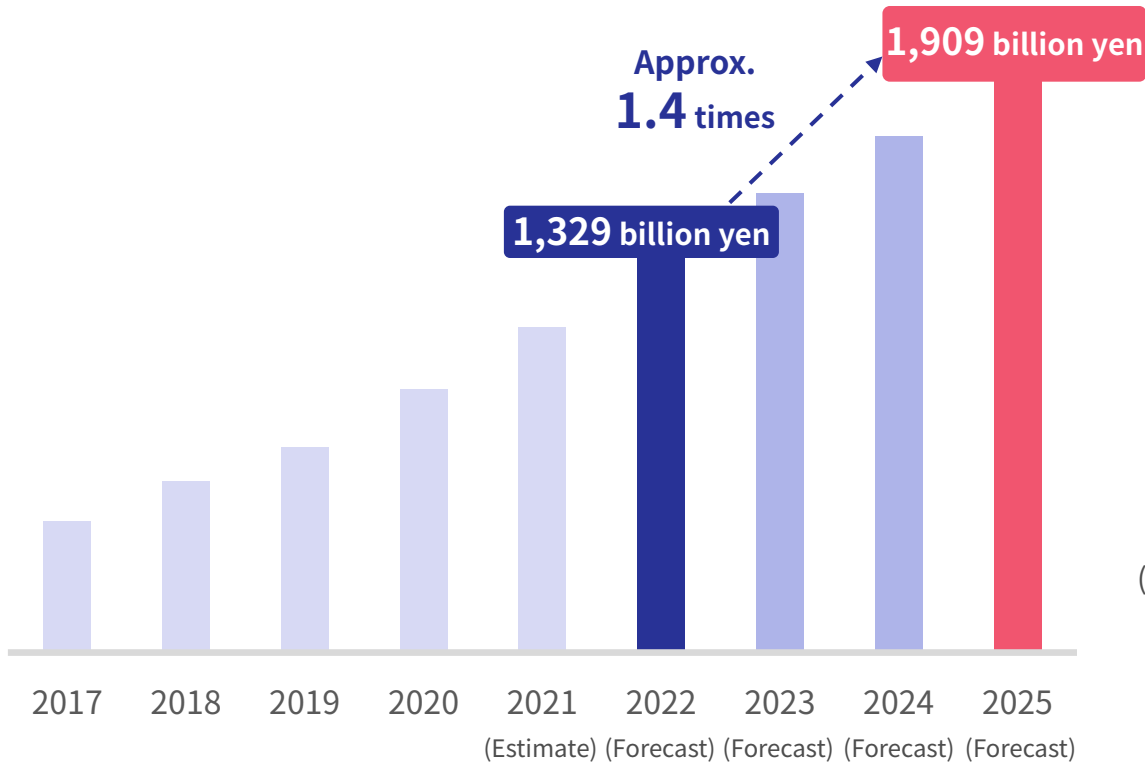
Source: Yano Research Institute, "Current Status and Future Forecast of Online Payment Service Providers, 2022 Edition"

Forecast of BNPL Utilization in North America

- ■ Digital/Mobile wallets
- ■ Credit cards
- ■ Debit cards
- ■ Bank transfers
- ■ Other
- ■ BNPL (deferred payment)

Year	Digital/Mobile wallets	Credit cards	Debit cards	Bank transfers	Other	BNPL (deferred payment)
2020	26.4%	18.9%	18.8%	13.0%	15.5%	7.4%
2024 (Forecast)	29.9%	19.0%	16.1%	11.1%	10.3%	13.6%

Market share, approx. **1.8** times

0% 20% 40% 60% 80% 100%
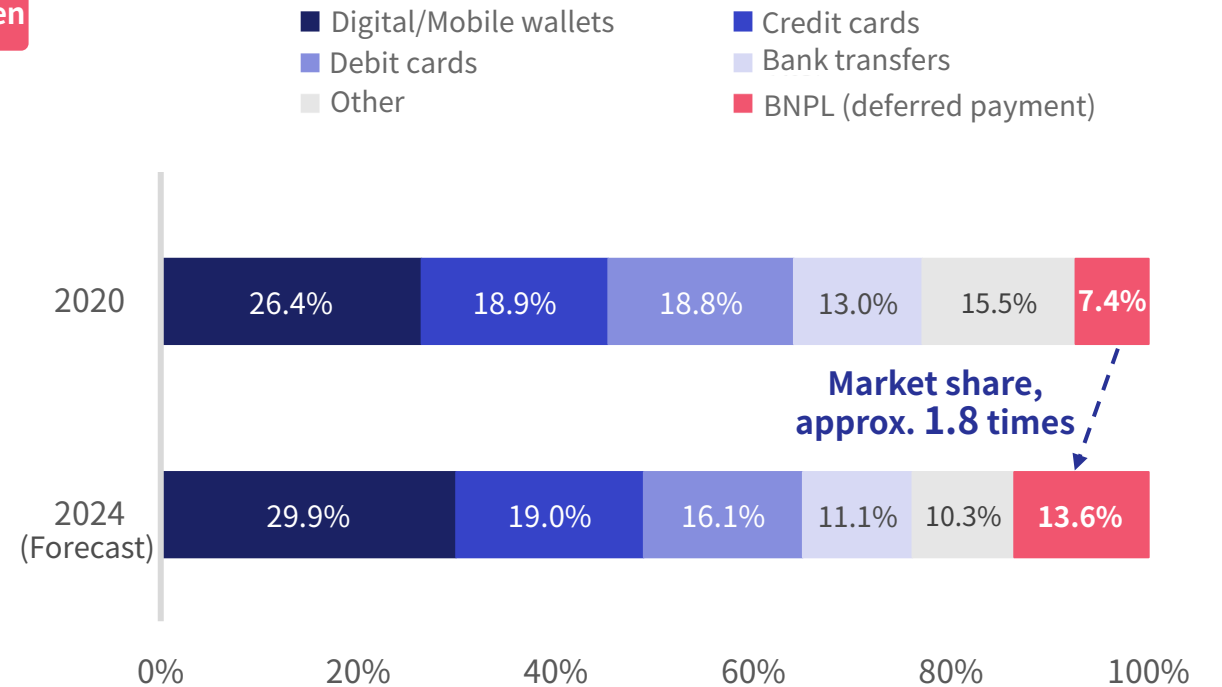
Source: Worldpay, "Global Payments Report 2021"

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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%

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

Time of occurrence	Business affected	Description
June 2022	Major clothing retailer	Due to a cyberattack on the company's e-commerce site, information on approximately 2.75 million customers and 10 financial institutions stored in its database may have been hacked.
May 2022	Major brewing company	The company's servers were breached by ransomware, which may have led to data leakage of approximately 27,700 customer and business partner information managed by the company and its subsidiaries.
May 2022	Major confectionery company	A vulnerability in the system of the company's online store may have resulted in the leakage of 14,127 items of credit card information of users who made credit card purchases in the past.
May 2022	EC company	The company's online store became the target of a cyberattack, and 16,093 items of credit card information of users who made credit card purchases in the past were hacked and may have been used without authorization.
May 2022	Credit card company	The company's site came under cyberattack, and 44,559 items of personal information, authentication information, and merchant data stored on the web server may have been leaked to external parties.
May 2022	Major pharmacy	Approximately 50,000 spam e-mails were sent from a single e-mail account registered on the mail server.
April 2022	Public-service corporation	An employee's terminal was infected with Emotet, which may have resulted in the leakage of addresses and 3,265 items of e-mail data stored on the terminal.
April 2022	Major building developer	The company's server came under cyberattack and personal information on 4,650 individuals managed by the company may have been hacked.

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)"

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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.
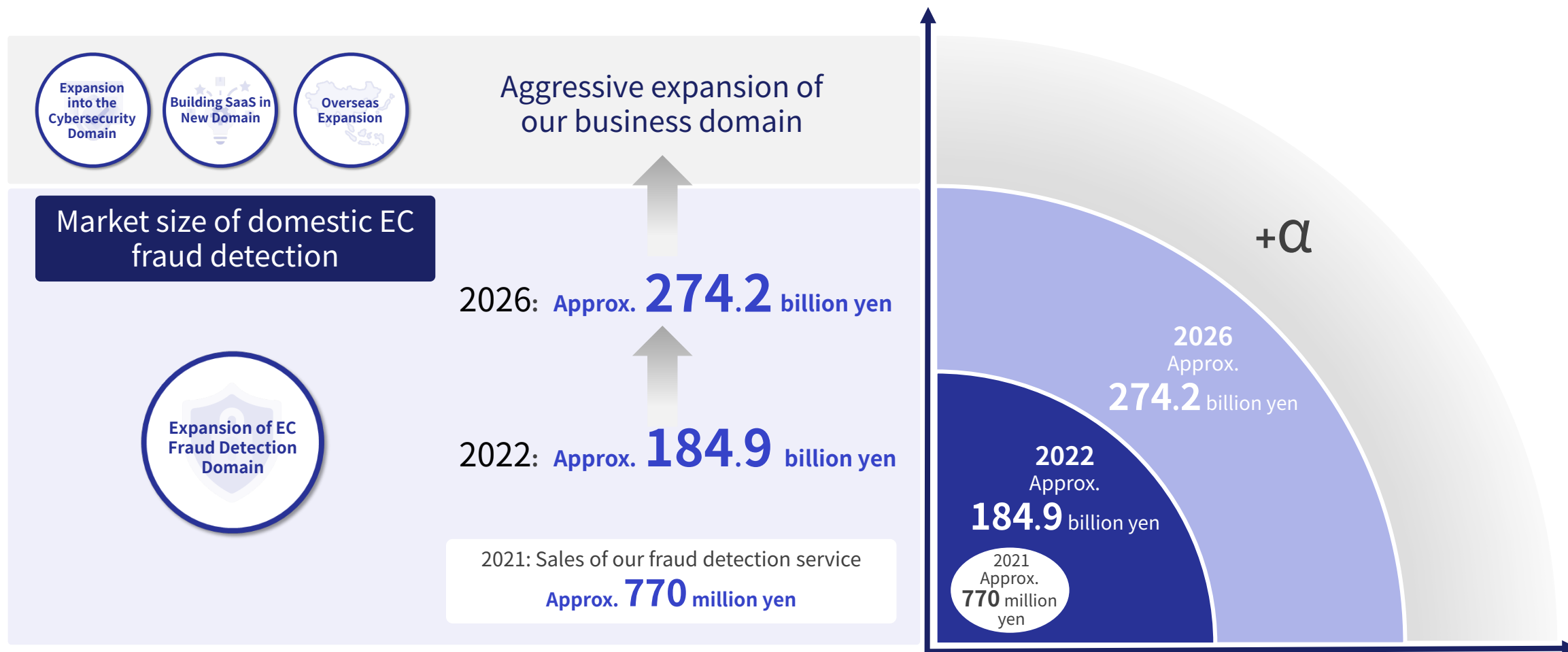
Expansion into the Cybersecurity Domain

Building SaaS in New Domain

Overseas Expansion

Aggressive expansion of our business domain

Market size of domestic EC fraud detection

Expansion of EC Fraud Detection Domain

2026: Approx. **274.2** billion yen

2022: Approx. **184.9** billion yen

2021: Sales of our fraud detection service
Approx. **770** million yen

+α

2026
Approx.
274.2 billion yen

2022
Approx.
184.9 billion yen

2021
Approx.
770 million yen

Forecast of Financial Results for FY2022

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

CACCO
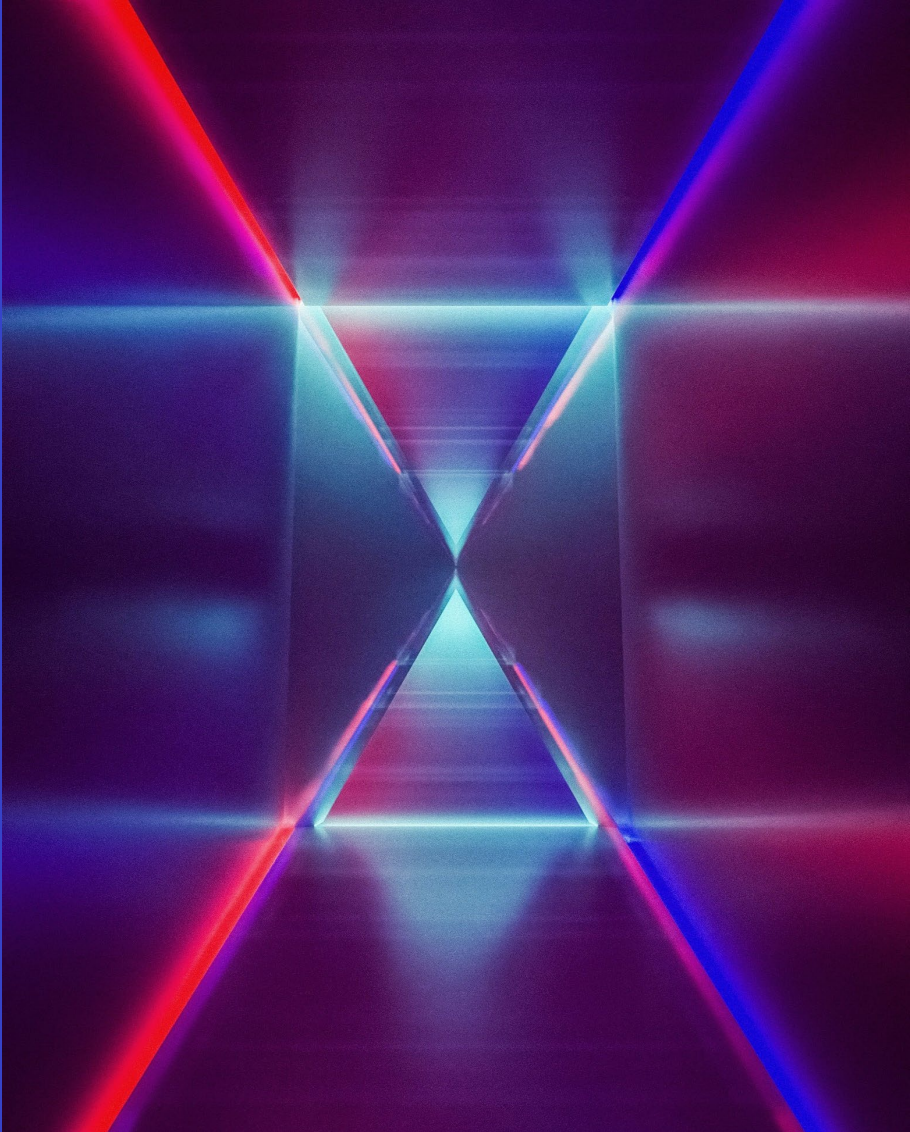
Forecast Financial Results for FY2022 / **Summary**

(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.

CXEO

Appendix

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:	365,308,435 yen *as of July 31, 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)

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.)

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

SaaS-type Provision of Algorithms

- Fraud Detection Service — O-PLUX / O-MOTION
- Payment Consulting Service
- Marketing Service — uberall
- Data Science Service
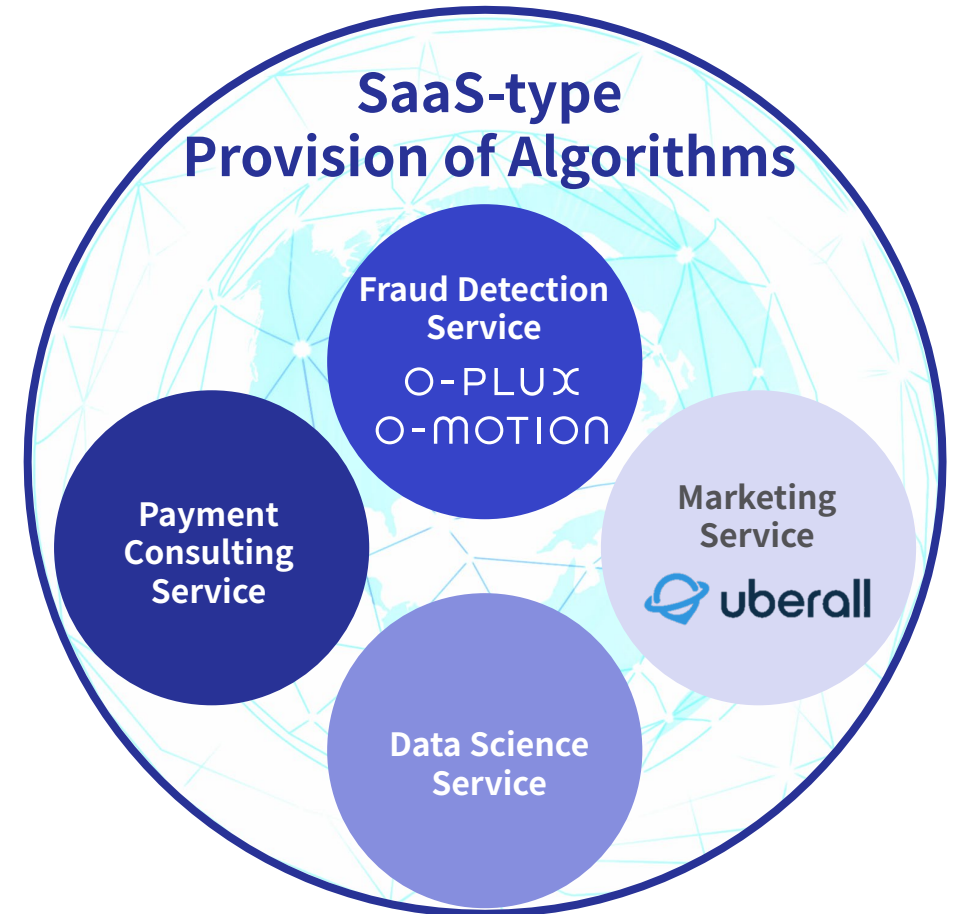
1	**Expertise in data science and advanced technical capabilities in the security domain** (Three patents obtained: Patent #6534255, Patent #6534256, and Patent #6860156)

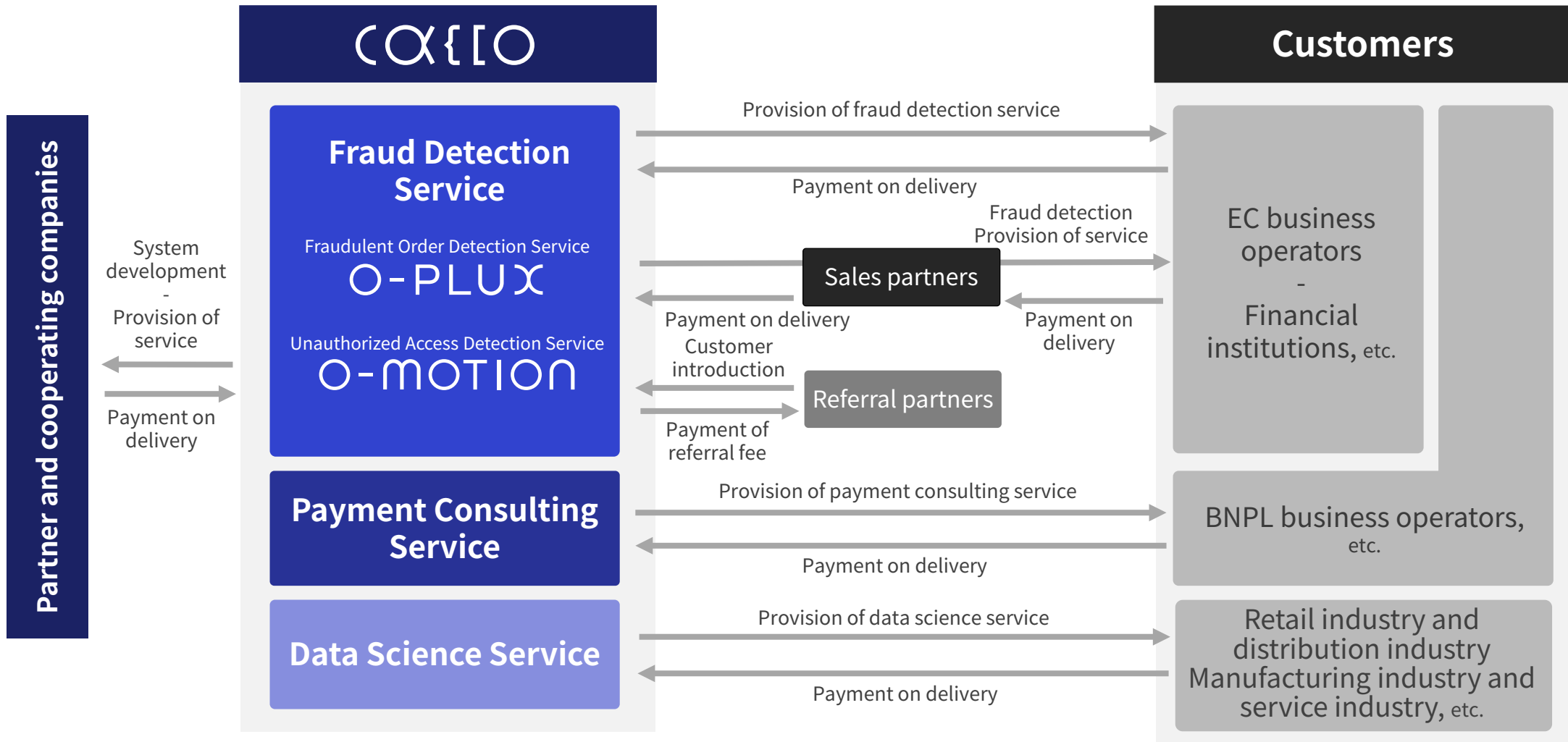| 2	**Top* selling services in the EC and payment domains in Japan** (*Based on "Survey on the number of EC sites in Japan introducing paid fraud detection services" (as of the end of May 2022) performed by TOKYO SHOKO RESEARCH, LTD.)

3	**Steady growth in recurring revenue due to increased use of O-PLUX, our core service** (**Recurring revenue accounted for 72.4%** of our total sales in FY2022 2Q cumulative)

CA((O

CA((O

Customers

Partner and cooperating companies

Fraud Detection Service

Fraudulent Order Detection Service
O-PLUX

Unauthorized Access Detection Service
O-MOTION

System development - Provision of service

Payment on delivery

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

EC business operators - Financial institutions, etc.

Payment Consulting Service

Provision of payment consulting service

Payment on delivery

BNPL business operators, etc.

Data Science Service

Provision of data science service

Payment on delivery

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

CACCO

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 →

Real-time screening via API

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

OK → Shipment

REVIEW → Visual screening Customer confirmation

NG → Order Cancellation
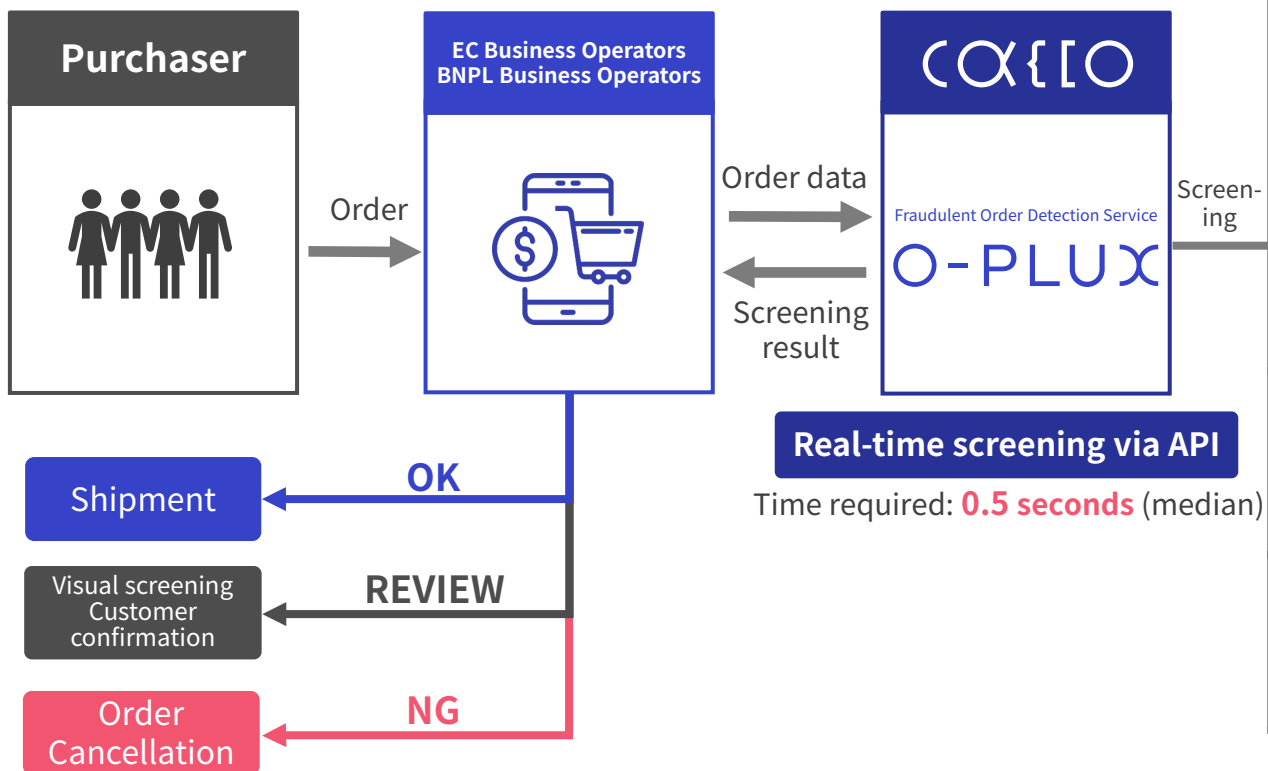
Main Screening Functions

Normalization of Name and Address Notation

1-chome, 5-ban Akasaka
1-5 Akasaka
Saito
Saito
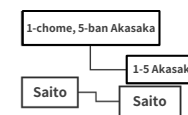
Utilize the same address and last name with different notation after normalization process.
ex: 3-2, Akasaka 4-chome
4-3-2 Akasaka

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.

Differentiating Factors in Products

1 **High fraud detection accuracy through possession of a large volume of domestic fraudulent order data**
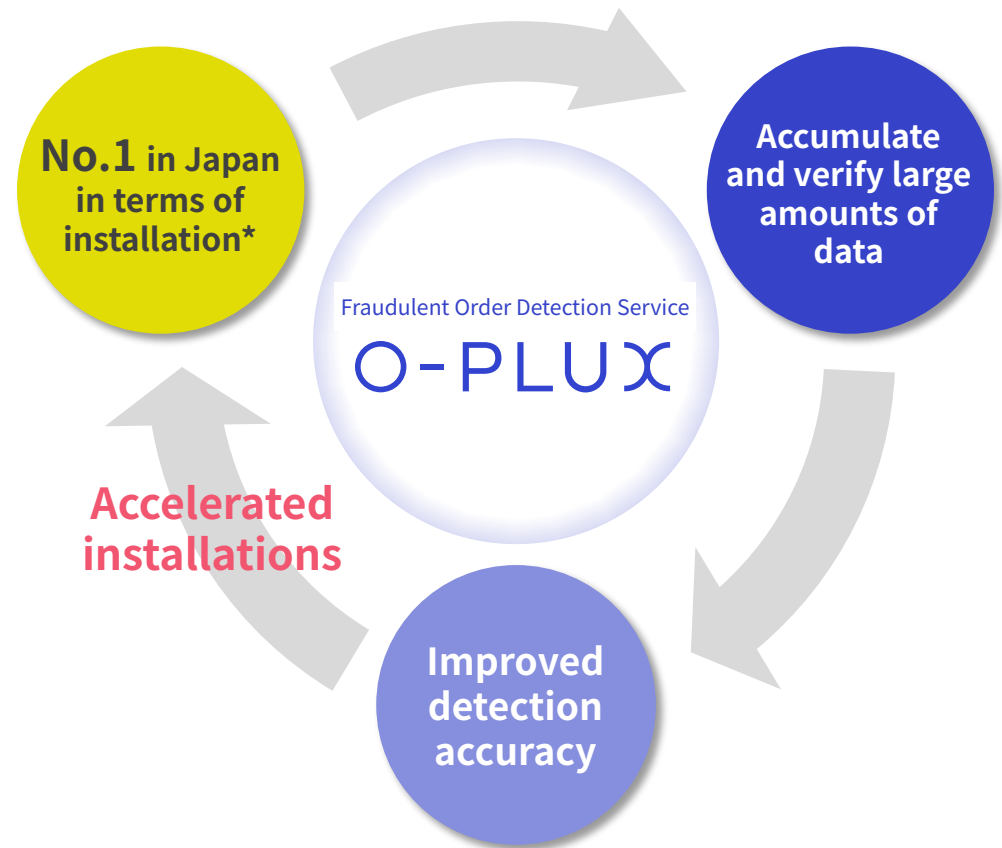*No. 1 in Japan in terms of number of installations

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**

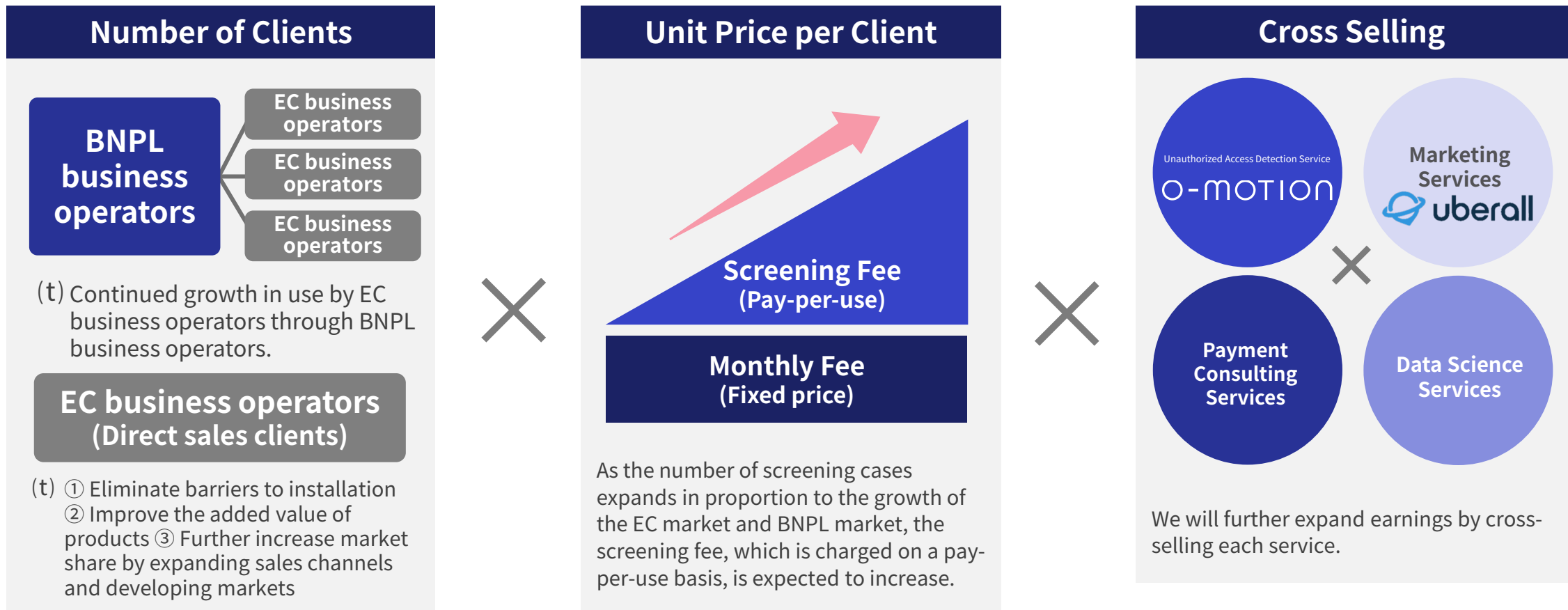## Positive Growth Cycle in which Competitive Advantage is Maintained

No.1 in Japan in terms of installation*

Accumulate and verify large amounts of data

Fraudulent Order Detection Service
O-PLUX

Accelerated installations

Improved detection accuracy

* TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service," (as of the end of May 2022)

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.

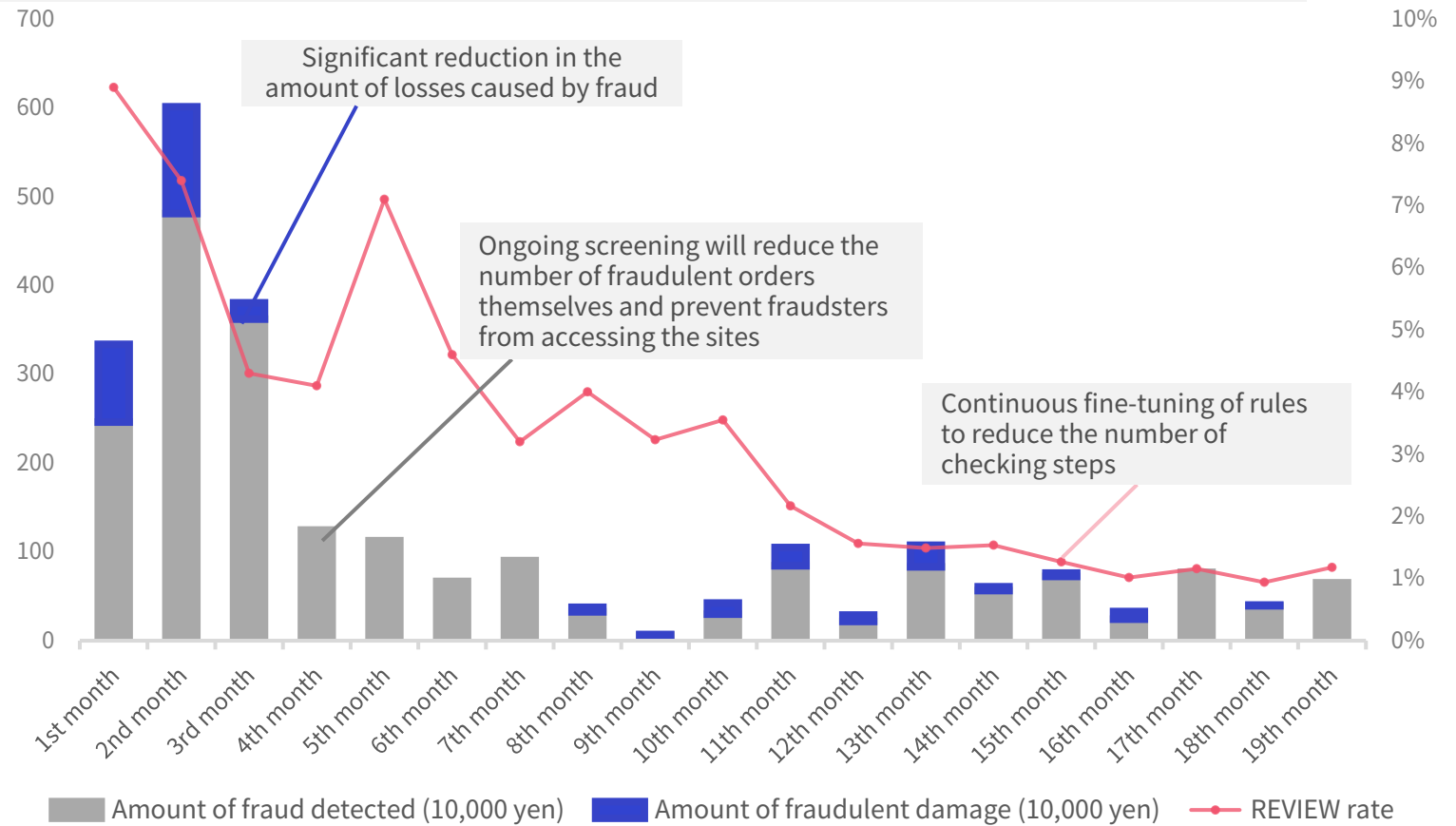## Three Reasons Why Recurring Revenue of O-PLUX Is Growing

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

Screening Fee
(Pay-per-use)

Monthly Fee
(Fixed price)

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.

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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.

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COJIO

Fraudulent Order Detection Service
O-PLUX

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

(Chart x-axis: 1st month through 19th month; left y-axis: 0–700; right y-axis: 0%–10%)

■ Amount of fraud detected (10,000 yen)　■ Amount of fraudulent damage (10,000 yen)　—● REVIEW rate

* 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.

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.

Hobby	Food and health food	PC and tablet

Cosmetics and hair care	Apparel and sports	Furniture and DIY	Travel

Video and audio equipment	Online shopping malls, MVNO, and others	Hosting

*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 2022)
*2 Only selected companies with permission to be listed are included. As of the end of July, 2022.

Appendix / O-MOTION Fraudulent Access Detection Service

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Unauthorized Access Detection Service — O-MOTION

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

Users

Access →

Financial institutions Ticket/Membership sites

Device information Operation information →

← Screening result

COCCO
Unauthorized Access Detection Service
O-MOTION
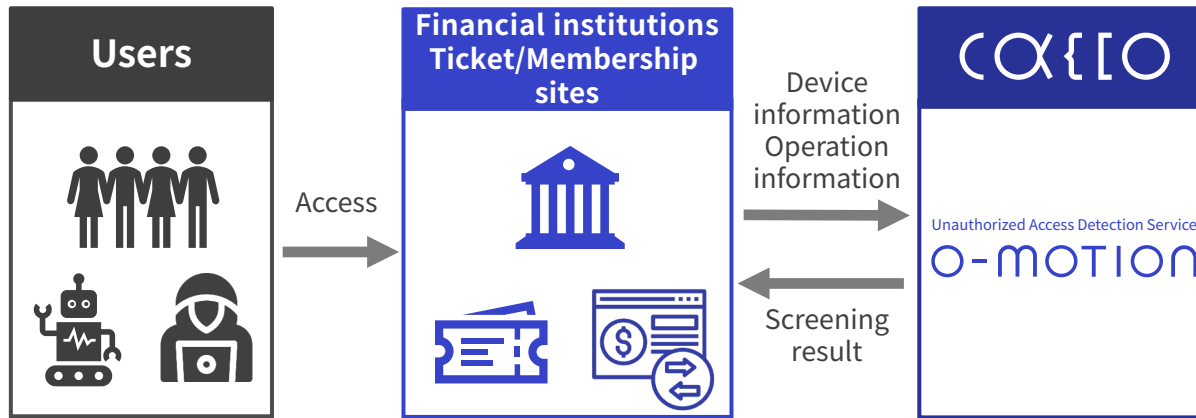
Main Screening Functions

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.

⬤ **OK**

▲ **REVIEW**

Additional authentication
Incoming call authentication SMS authentication, etc.

⬤ **OK**

❌ **NG**

❌ **NG**

Access permitted

Access blocked

Normal user

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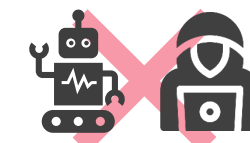
Program   Fraudster

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 July 31, 2022

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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 全てを実現するクラウドコマースプラットフォーム

リピート PLUS Powered by ACommerce

W2 Commerce V5 VALUE FIVE

ecforce

Commerce 21 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 July 2022.

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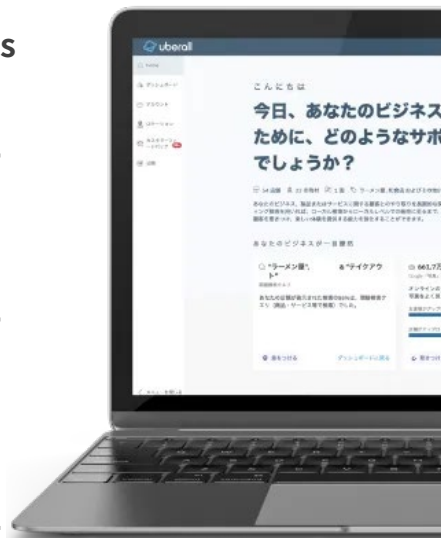
Centralized management of all store information
Thanks to the ability to centrally manage store information for all media, operations are significantly streamlined.

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.

CACCO

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

✕
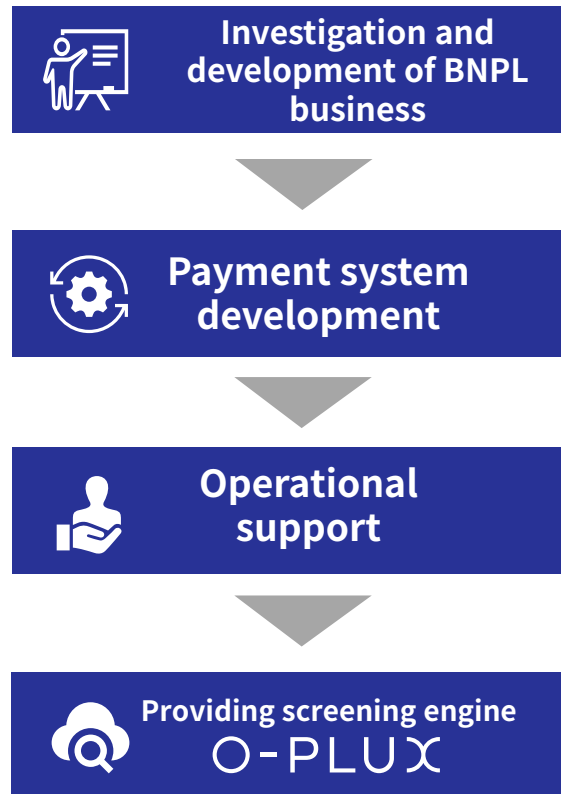
Point 1 | **Experience in setting up and developing systems for multiple BNPL businesses**

- 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***

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 2022 (TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service")

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COLLO

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

CACCO

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

EQA European Quality Assurance

ANAB ANSI National Accreditation Board ACCREDITED MANAGEMENT SYSTEMS CERTIFICATION BODY

プライバシー 10824248

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

Environment

Social

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

Governance

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

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.

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.

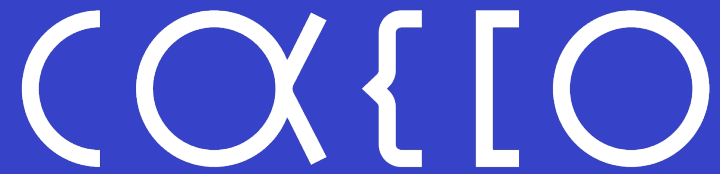# Disclaimer and Cautionary Statement Regarding Forward-Looking Statements

CACCO

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.

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

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Shaping the "Let's Do It"

for a next game changer