Cacco Inc. | Stock Code: 4166
November 10, 2021

Financial Results for the Third Quarter of Fiscal Year Ending December 31, 2021

Cacco Evolutionary Purpose

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

Since its foundation, the "**Cacco Evolutionary Purpose**" has been the driving force for everything we do.

 Japan's GDP has barely grown for 20 years, and compared to the growth of other developed countries, Japan is approaching relative poverty on a global scale. We hope to increase the number of next game changers and contribute to a more prosperous Japanese society for the next generation. With our security, payment, and data science technologies, we will support the challenges of companies and people who will become the next game changers and contribute to the sustainable growth of Japan.

CACCO

Contents

Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2021

Fraud detection services, the core of our business, increased by 17.7% YoY
Progress toward the FY2021 full-year forecasts reached 96% at each stage of profit

   With the sustained growth of the EC market, FY2021 3Q sales of fraud detection services grew 17.7% YoY to 571 million yen, and overall sales grew 10.7% YoY to 685 million yen.
   The progress at each stage of profit toward the FY2021 full-year forecasts is 96.4% for operating income, 97.0% for ordinary income, and 96.3% for net income.
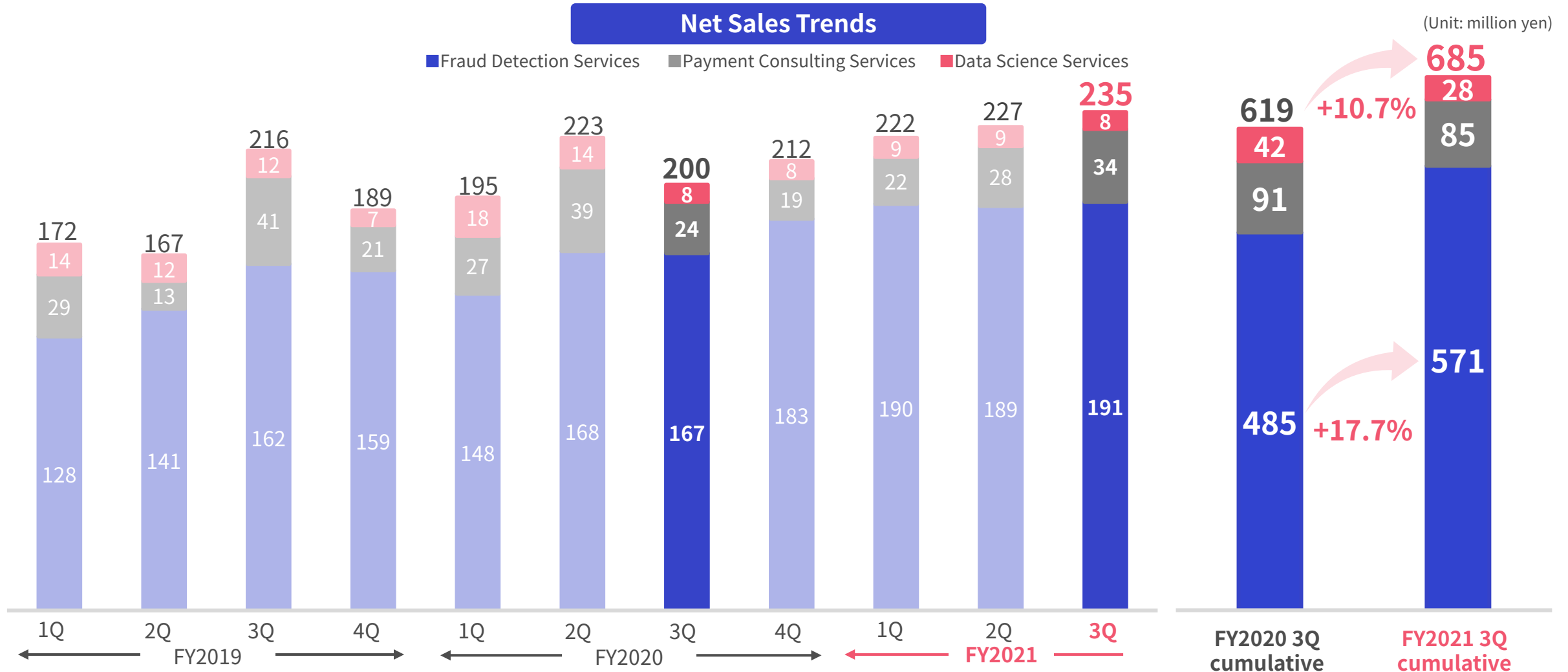
Topics for FY2021 3Q

Aug.	Formed a capital and business alliance with Recovery Co. Ltd., a Japanese general agent for Uberall, a local search marketing solution company.
Aug.	Added O-MOTION and O-PLUX to the lineup of DG financial technology's fraud detection services
Sep.	Launched, O-MOTION Light, unauthorized access detection services available at a low cost
Sep.	Signed a referral partner agreement with UC Card for O-PLUX
Sep.	Launched O-PLUX Premium Plus (shipping decision agent service) to compensate for damage caused by credit card fraud with no upper limit

(Unit: million yen)

	FY2020 3Q cumulative	FY2021 3Q cumulative	YoY	FY2021 forecast	Progress %
Net sales	**619**	**685**	**+10.7%**	**909**	75.4%
(Net sales of fraud detection services)	485	571	+17.7%	755	75.7%
Operating income	**128**	**148**	**+16.0%**	**154**	96.4%
(Operating profit margin)	20.7%	21.7%	+1.0 pt	17.0%	-
Ordinary income	**121**	**144**	**+19.7%**	**149**	97.0%
(Ordinary income margin)	19.5%	21.1%	+1.6 pt	16.4%	-
Net income	**129**	**98**	**-23.7%**	**102**	96.3%

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Sales of fraud detection services, the core of our business, showed steady growth, **up 17.7% YoY**. Total net sales **grew by 10.7% YoY**.

Net Sales Trends

(Unit: million yen)

■ Fraud Detection Services　■ Payment Consulting Services　■ Data Science Services

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Total	172	167	216	189	195	223	200	212	222	227	235
Data Science	14	12	12	7	18	14	8	8	9	9	8
Payment Consulting	29	13	41	21	27	39	24	19	22	28	34
Fraud Detection	128	141	162	159	148	168	167	183	190	189	191

FY2019　FY2020　**FY2021**

	FY2020 3Q cumulative	FY2021 3Q cumulative
Total	619	685 (+10.7%)
Data Science	42	28
Payment Consulting	91	85
Fraud Detection	485	571 (+17.7%)

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The sales composition of fraud detection services, the core of our business, expanded to **83.4%** **(+4.9 pt YoY)**.

Sales Composition Trends by Service

■Fraud Detection Services　■Payment Consulting Services　■Data Science Services

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	FY2020 3Q cumulative	FY2021 3Q cumulative
Data Science	8.2%	7.5%	5.8%	4.2%	9.6%	6.5%	4.4%	4.2%	4.4%	4.4%	3.8%	6.8%	4.2%
Payment Consulting	17.3%	8.2%	19.3%	11.3%	14.2%	17.8%	12.0%	9.2%	10.1%	12.3%	14.8%	14.8%	12.4%
Fraud Detection	74.5%	84.2%	74.9%	84.4%	76.2%	75.7%	83.5%	86.6%	85.4%	83.3%	81.5%	78.4%	83.4%

+4.9 pt

FY2019　FY2020　FY2021

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Gross profit **increased 18.5% YoY**. Gross profit margin expanded to **73.8%** **(+4.9 pt YoY)**.
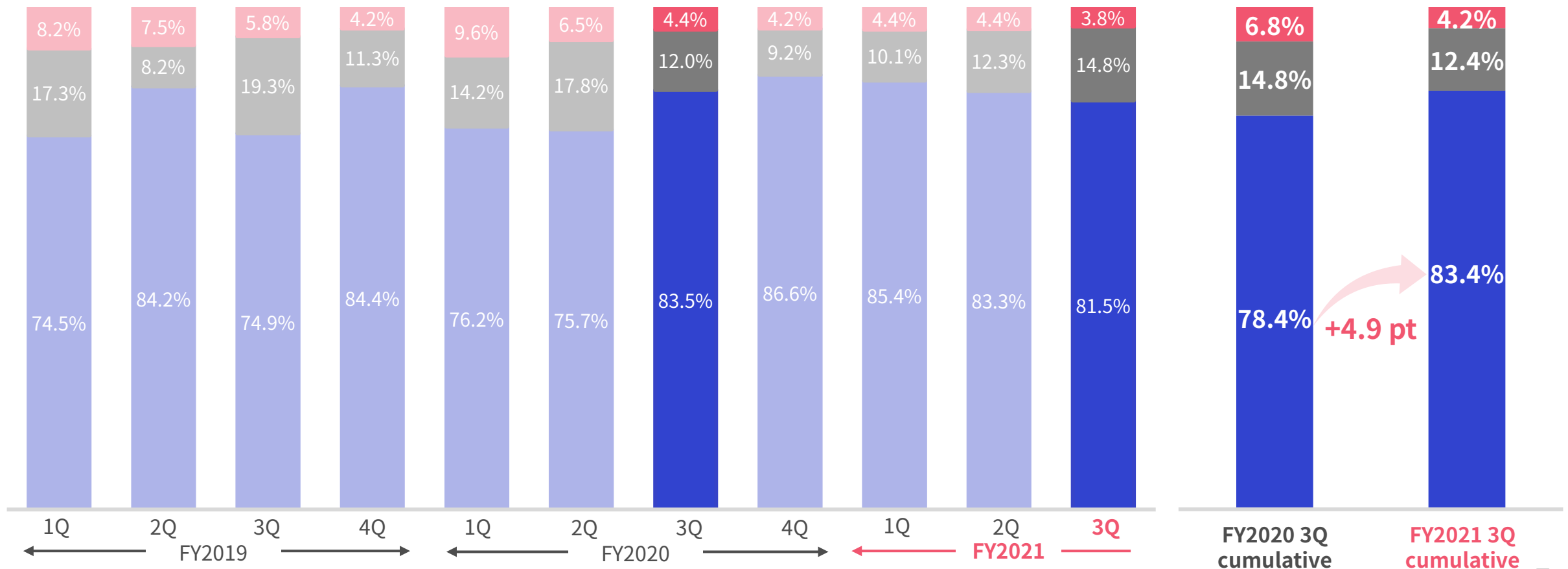
Gross Profit Trends

■ Gross Profit ━●━ Gross Profit Margin

(Unit: million yen)

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
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%
Gross Profit	109	114	142	130	130	151	144	161	167	166	171

FY2019 — FY2020 — FY2021

FY2020 3Q cumulative: 68.9%, 426
FY2021 3Q cumulative: 73.8%, 505
+4.9 pt
+18.5%

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Operating income **increased 16.0% YoY**. Operating profit margin expanded to **21.7% (+1.0 pt YoY)**.
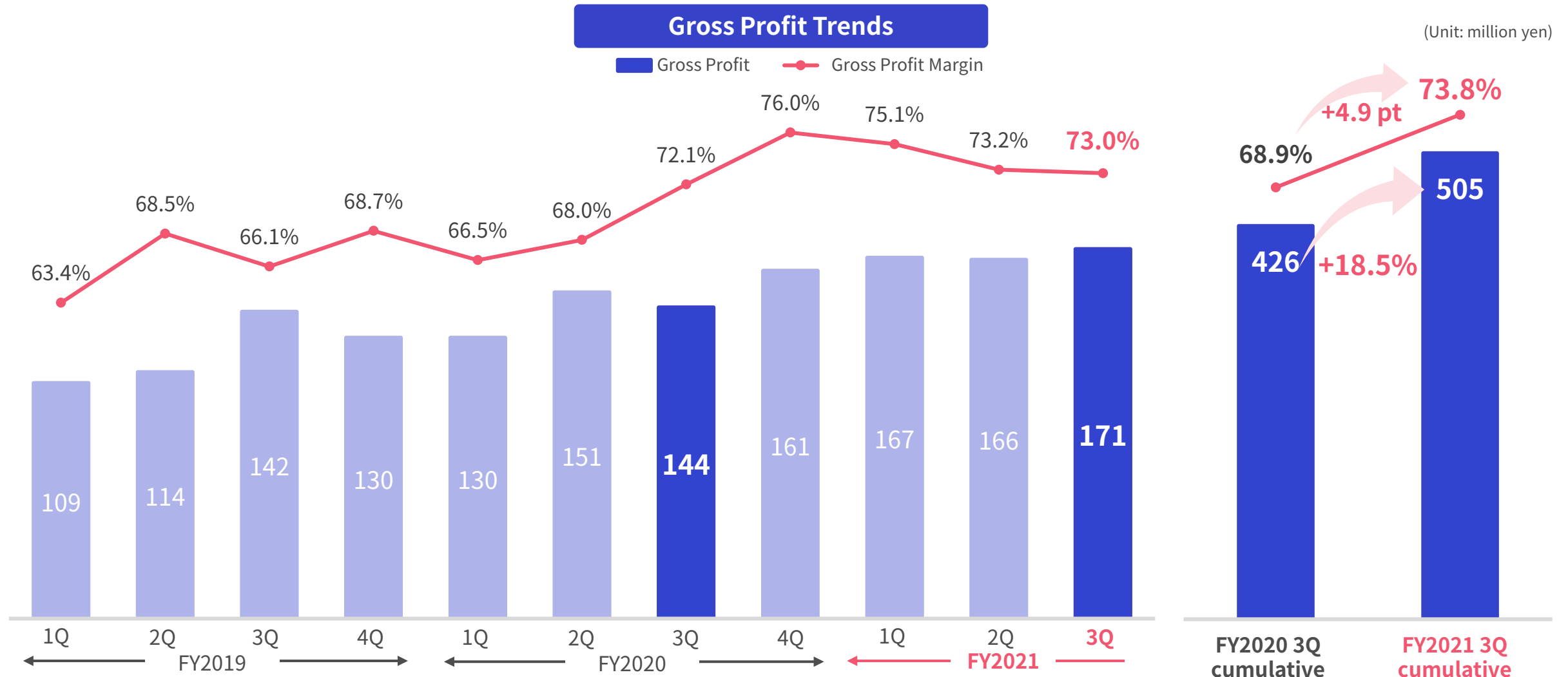
Trends in Operating Income/Selling, General and Administrative Expenses

(Unit: million yen)

■ Operating Profit (Loss)　■ HR Expenses　■ Advertising Expenses　■ Outsourcing Expenses　■ Other　● Operating Profit Margin

|	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	FY2020 3Q cumulative	FY2021 3Q cumulative
Margin	16.3%	7.8%	18.1%	9.8%	19.7%	23.7%	18.4%	4.6%	22.4%	19.6%	23.1%	20.7%	21.7%
Advertising / Op. Profit	28	13	39	18	38	52	37	9	50	44	54	128	148
HR Expenses	-35	-39	-38	-36	-37	-43	-50	-57	-53	-59	-54	-130	-167
Advertising		-3	-6	-7	-4	-7	-6	-9	-7	-6	-7	-18	-21
Outsourcing	-17	-17	-17	-32	-17	-17	-17	-43	-22	-21	-17	-53	-61
Other	-26	-41	-41	-34	-32	-30	-33	-40	-34	-35	-37	-96	-106

+1.0 pt
+16.0%

1Q　2Q　3Q　4Q
FY2019

1Q　2Q　3Q　4Q
FY2020

1Q　2Q　**3Q**
FY2021

FY2020 3Q cumulative　**FY2021 3Q cumulative**

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CO{[O

EBITDA increased steadily in line with profit growth, with **EBITDA margin expanding to 22.8% (+1.2 pt YoY)**.

EBITDA Trends

■ EBITDA ●— EBITDA Margin

(Unit: million yen)
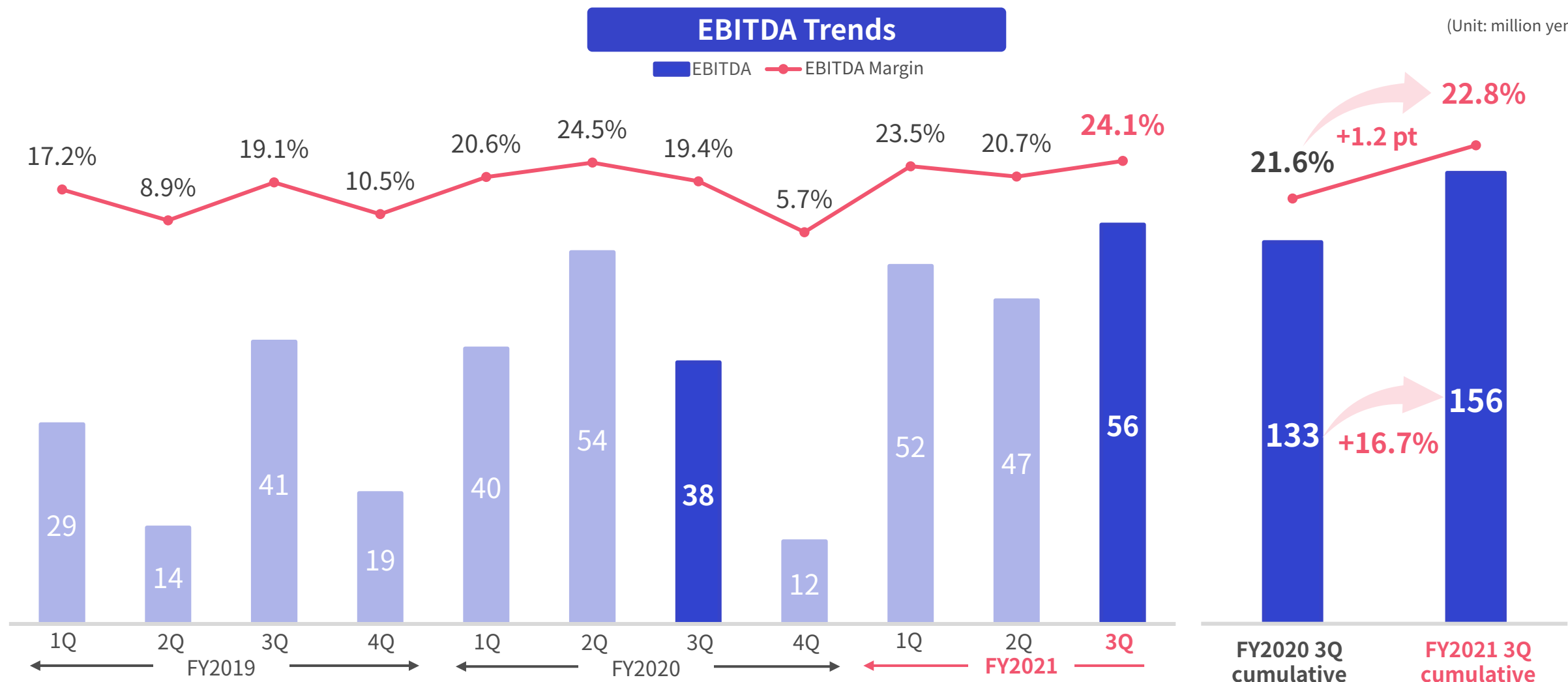
* EBITDA = Operating income + Depreciation and amortization
* EBITDA margin = EBITDA / Net sales

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QRR of O-PLUX **increased 18.3% YoY**. QRR Ratio grew to **74.4% (+4.8 pt YoY)**.
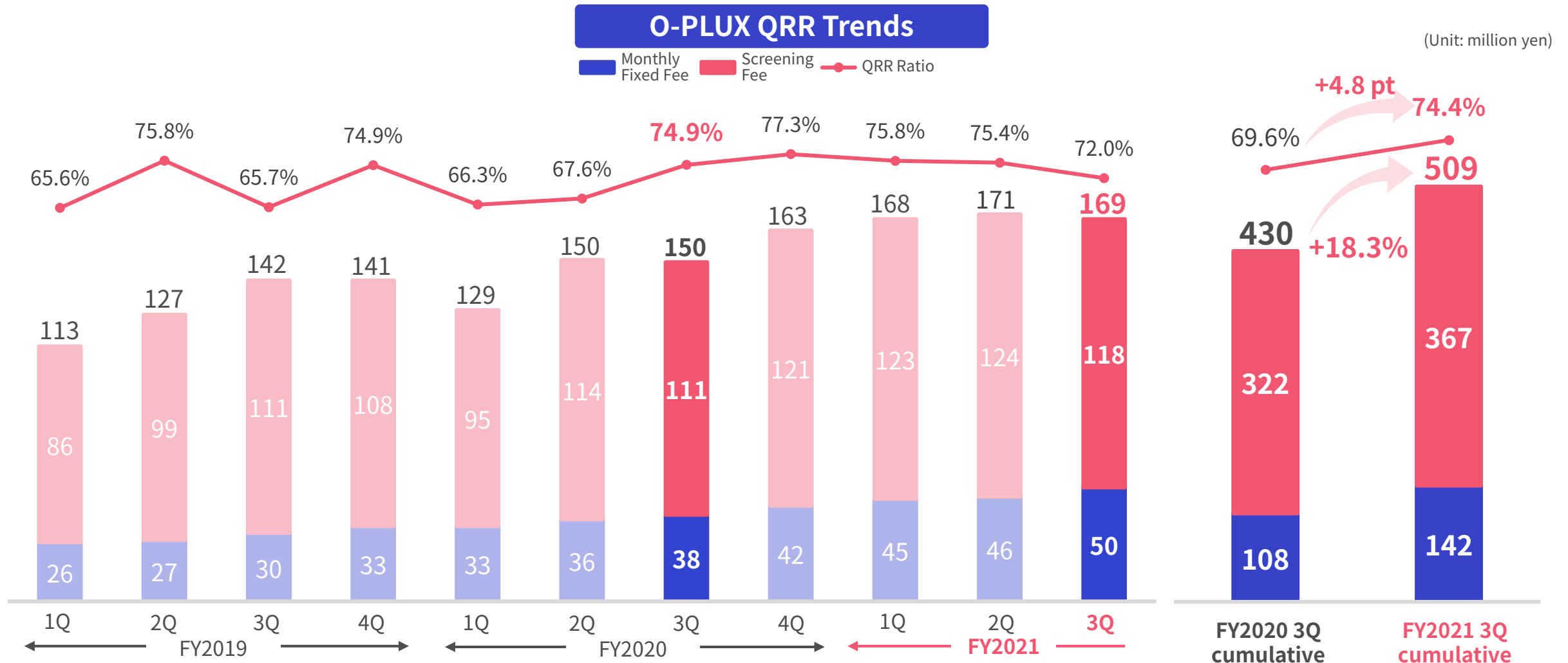
O-PLUX QRR Trends

■ Monthly Fixed Fee   ■ Screening Fee   ─●─ QRR Ratio

(Unit: million yen)

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Total	113	127	142	141	129	150	150	163	168	171	169
Screening Fee	86	99	111	108	95	114	111	121	123	124	118
Monthly Fixed Fee	26	27	30	33	33	36	38	42	45	46	50
QRR Ratio	65.6%	75.8%	65.7%	74.9%	66.3%	67.6%	74.9%	77.3%	75.8%	75.4%	72.0%

FY2019   FY2020   **FY2021**

+4.8 pt
74.4%
69.6%
509
430
+18.3%
367
322
142
108

	FY2020 3Q cumulative	FY2021 3Q cumulative

* QRR = fixed monthly fee + screening fee based on the number of screenings (does not include spot revenue such as initial installation fee)
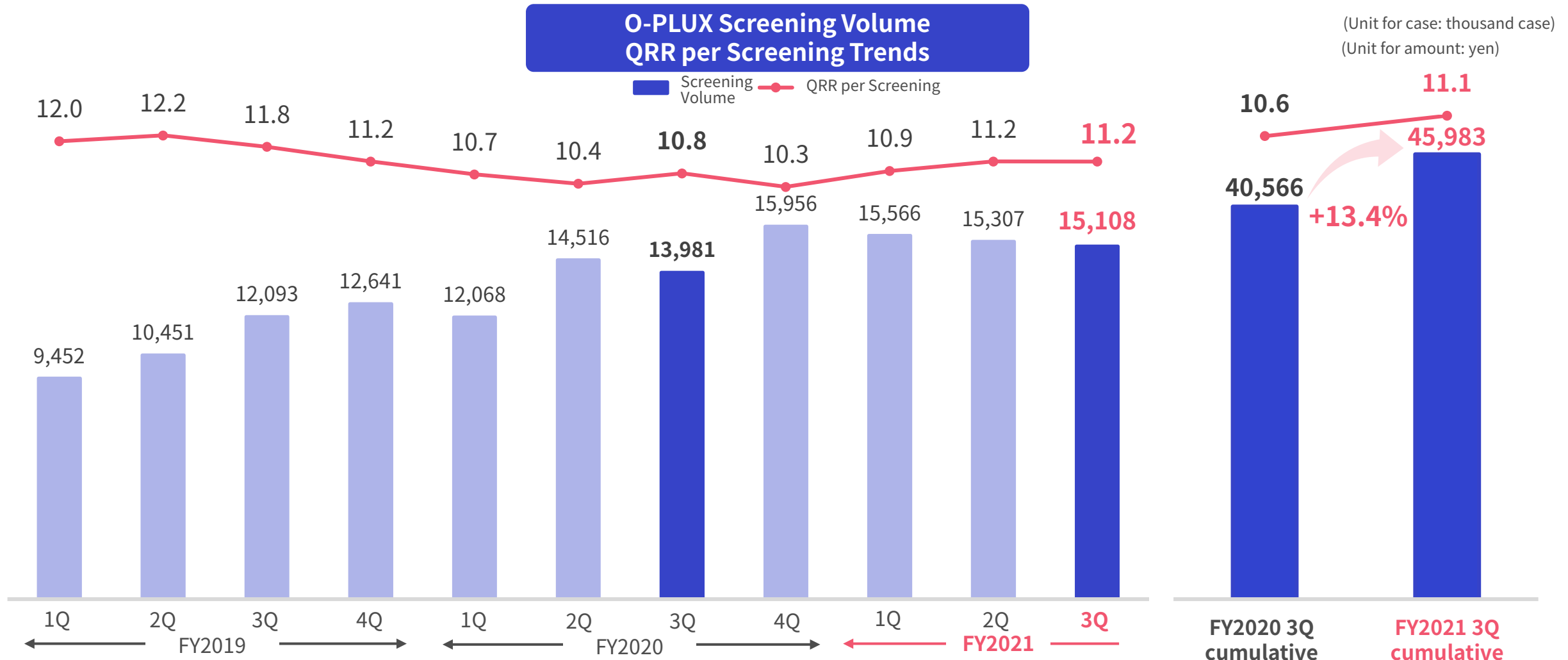* QRR ratio = QRR / Net sales (total of all services)
* Spot revenue = Revenue other than QRR

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Screening volume of O-PLUX **increased 13.4% YoY**.

O-PLUX Screening Volume
QRR per Screening Trends

■ Screening Volume　—●— QRR per Screening

(Unit for case: thousand case)
(Unit for amount: yen)

Period	Screening Volume	QRR per Screening
FY2019 1Q	9,452	12.0
FY2019 2Q	10,451	12.2
FY2019 3Q	12,093	11.8
FY2019 4Q	12,641	11.2
FY2020 1Q	12,068	10.7
FY2020 2Q	14,516	10.4
FY2020 3Q	**13,981**	**10.8**
FY2020 4Q	15,956	10.3
FY2021 1Q	15,566	10.9
FY2021 2Q	15,307	11.2
FY2021 3Q	**15,108**	**11.2**

	FY2020 3Q cumulative	FY2021 3Q cumulative
Screening Volume	40,566	45,983
QRR per Screening	10.6	11.1
		+13.4%

* QRR = fixed monthly fee + screening fee based on the number of screenings (does not include spot revenue such as initial installation fee)
* QRR ratio = QRR / Net sales (total of all services)
* Spot revenue = Revenue other than QRR

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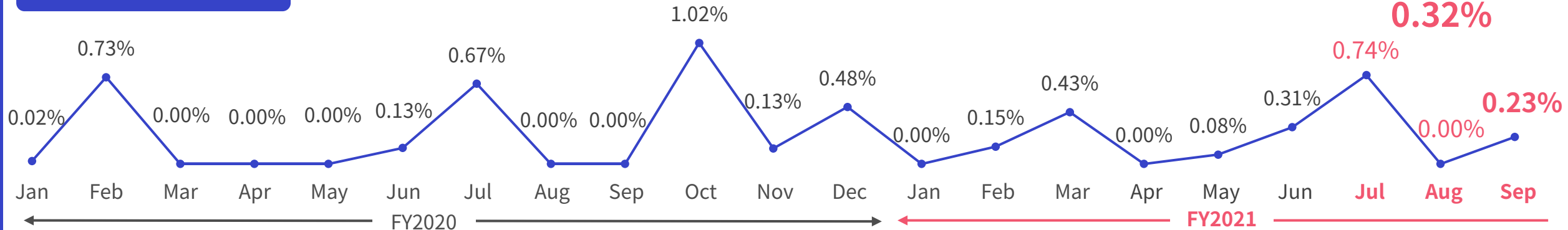# Financial Results for FY2021 3Q / **Monthly Churn Rate for O-PLUX**

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> The monthly churn rate of O-PLUX has remained low, **generating constant negative churn.**
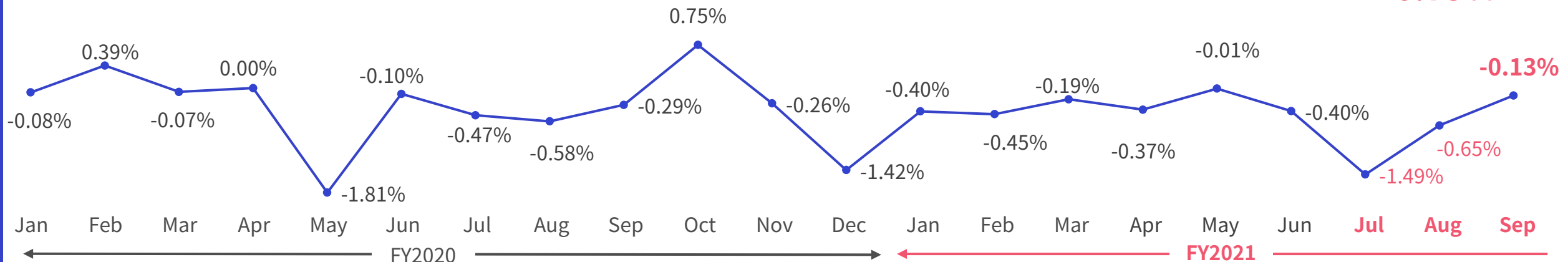
Gross Churn Rate

FY2021 3Q average
0.32%

0.02% | 0.73% | 0.00% | 0.00% | 0.00% | 0.13% | 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%**

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

FY2020 — FY2021

* 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

FY2021 3Q average
-0.75%

-0.08% | 0.39% | -0.07% | 0.00% | -1.81% | -0.10% | -0.47% | -0.58% | -0.29% | 0.75% | -0.26% | -1.42% | -0.40% | -0.45% | -0.19% | -0.37% | -0.01% | -0.40% | -1.49% | -0.65% | **-0.13%**

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

FY2020 — FY2021

*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

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Financial Results for FY2021 3Q / Balance Sheet

(Unit: million yen)

	FY2021 (2Q)	FY2021 (3Q)	Change	Main Drivers
Current assets	**848**	**889**	+4.9%	Increase in cash and deposits
(Cash and deposits)	**740**	**784**	+6.0%	
Fixed assets	**469**	**480**	+2.5%	Increase in software and software in progress, and shares of subsidiaries and associates
Total assets	**1,317**	**1,370**	+4.0%	
Current liabilities	**101**	**117**	+16.0%	Increase in accounts payable - other
Non-current liabilities	**3**	**2**	-27.2%	
Net assets	**1,212**	**1,250**	+3.1%	Recording of quarterly net income
Capital ratio	**91.8%**	**91.0%**	-0.8 pt	

Forecast Financial Results of the Fiscal Year Ending December 31, 2021
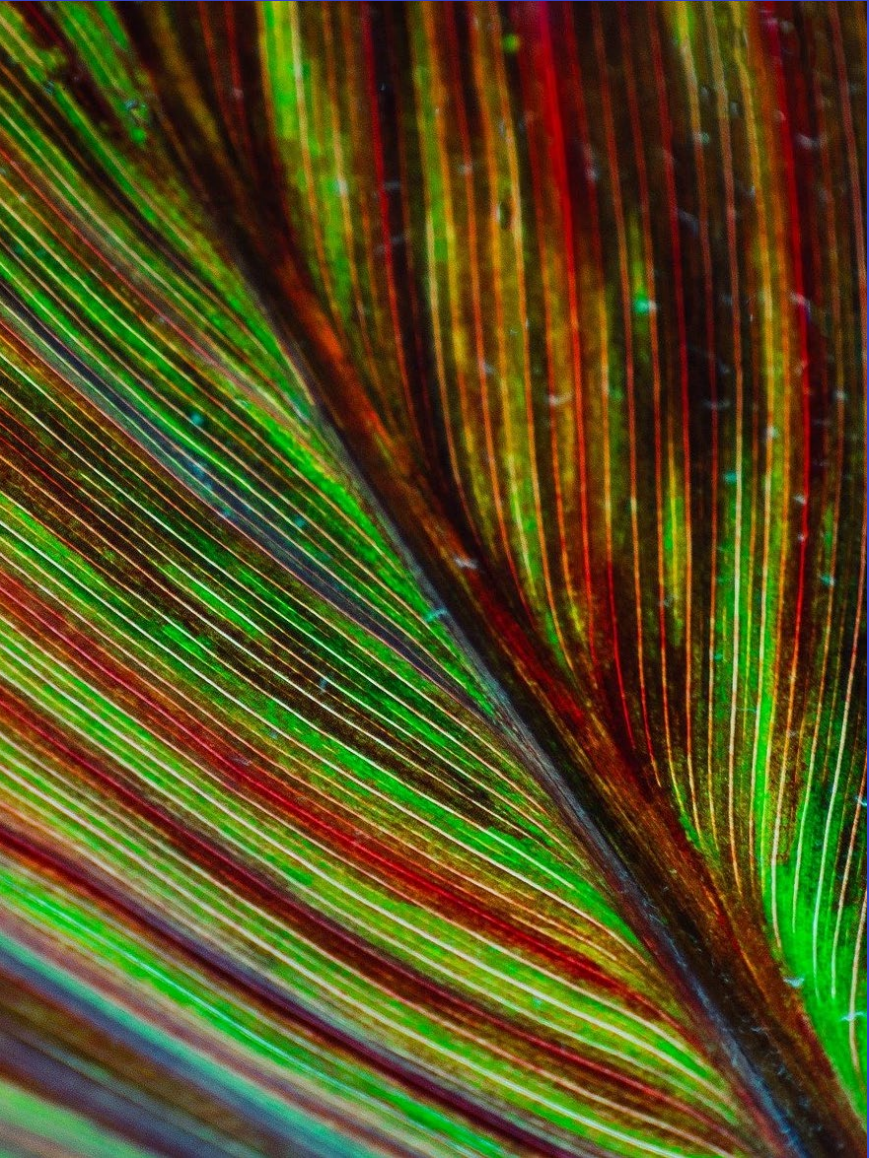
Forecast of Financial Results for FY2021 / **Summary**

Net sales +9.4% YoY

(Unit: million yen)

- Fraud detection services are expected to grow by 12.9% YoY due to the expanding sales of O-PLUX and O-MOTION.

- Sales of payment consulting services are expected to decrease by 7.1% YoY due to a decrease in system development projects, and sales of data science services are expected to be at the same level as the previous year.

Ordinary income +29.3% YoY

- Operating income is expected to grow by 11.8% YoY, and ordinary income is expected to grow by 29.3% YoY, as listing-related expenses recorded in FY2020 will not be incurred in FY2021.

- Net income is expected to decrease due to an increase in income taxes – deferred (tax expenses) resulting from a decrease in deferred tax assets.

	FY2020 (Actual)	FY2021 (Forecast)	YoY
Net sales	831	**909**	+9.4%
(Net sales of fraud detection services)	669	**755**	+12.9%
Operating income	138	**154**	+11.8%
(Operating profit margin)	16.6%	**17.0%**	+3.4 pt
Ordinary income	115	**149**	+29.3%
(Ordinary income margin)	13.9%	**16.4%**	+2.5 pt
Net income	130	**102**	-21.3%
EPS (yen)	55.37	**39.05**	—

Forecast of Financial Results for FY2021 / Net sales / Sales Composition Trends by Service
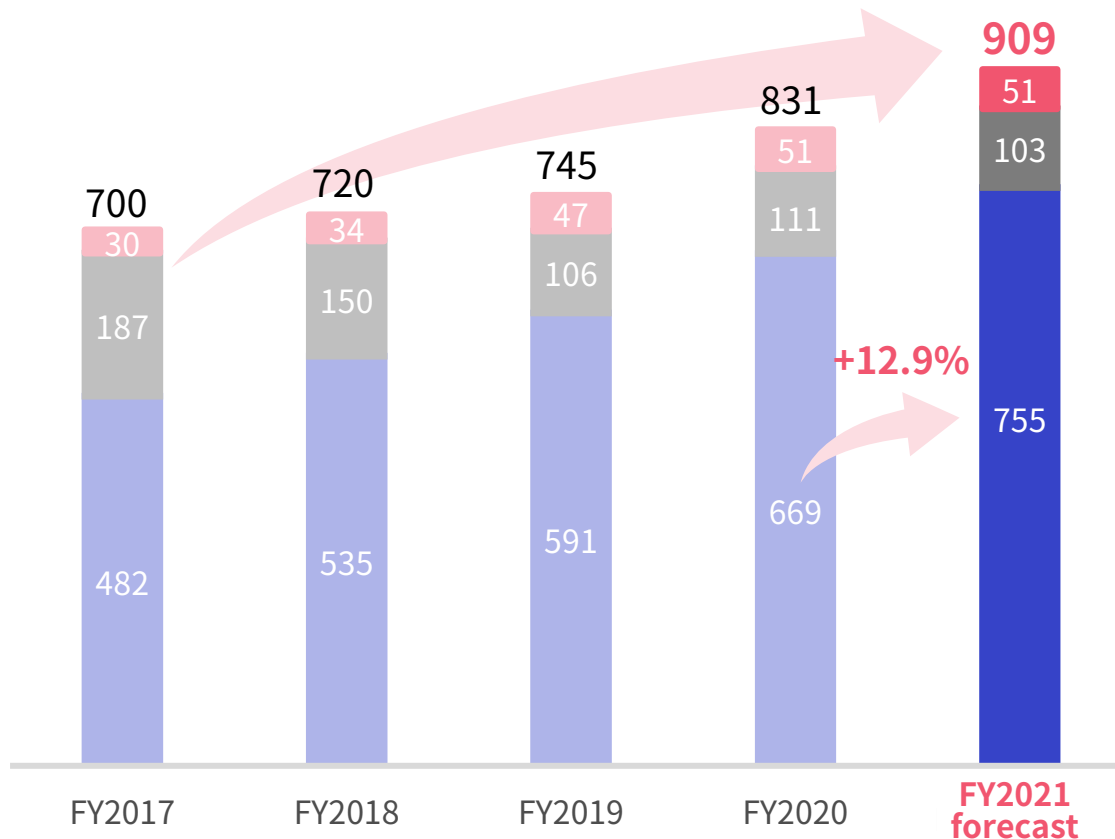
Our core fraud detection services are expected to **increase by 12.9% YoY** and to account for **83.0%** of total sales.
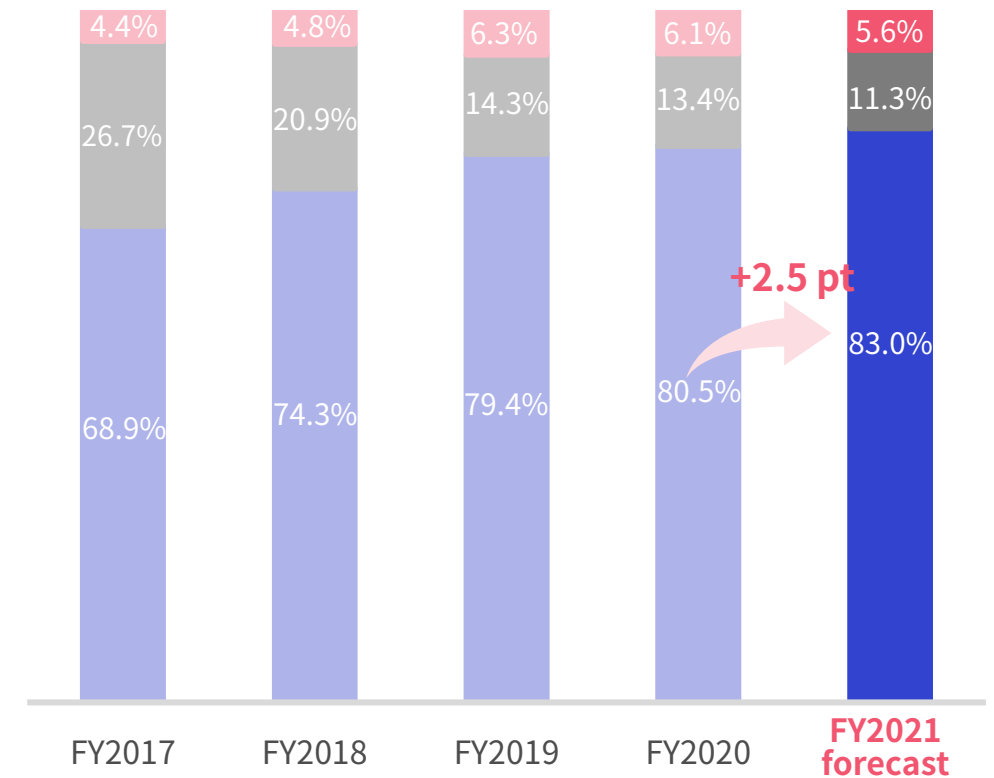
Net Sales Trends

(Unit: million yen)

■Fraud Detection Services ■Payment Consulting Services ■Data Science Services

	FY2017	FY2018	FY2019	FY2020	FY2021 forecast
Total	700	720	745	831	**909**
Data Science Services	30	34	47	51	51
Payment Consulting Services	187	150	106	111	103
Fraud Detection Services	482	535	591	669	755

+12.9%

Sales Composition Trends by Service

■Fraud Detection Services ■Payment Consulting Services ■Data Science Services

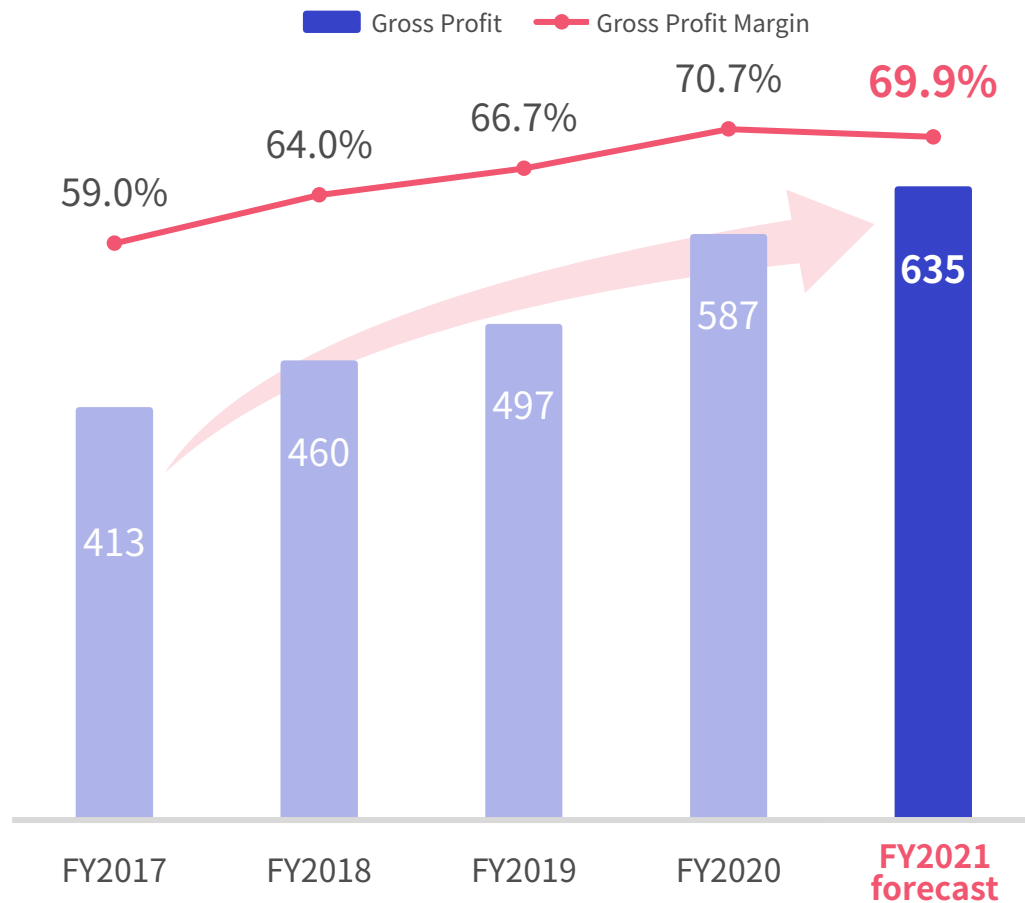|	FY2017	FY2018	FY2019	FY2020	FY2021 forecast
Data Science Services	4.4%	4.8%	6.3%	6.1%	5.6%
Payment Consulting Services	26.7%	20.9%	14.3%	13.4%	11.3%
Fraud Detection Services	68.9%	74.3%	79.4%	80.5%	83.0%

+2.5 pt

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Forecast of Financial Results for FY2021 / **Trends in Gross Profit** and Operating Income

Although the gross 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 settlement system), the operating profit margin is expected to increase steadily.
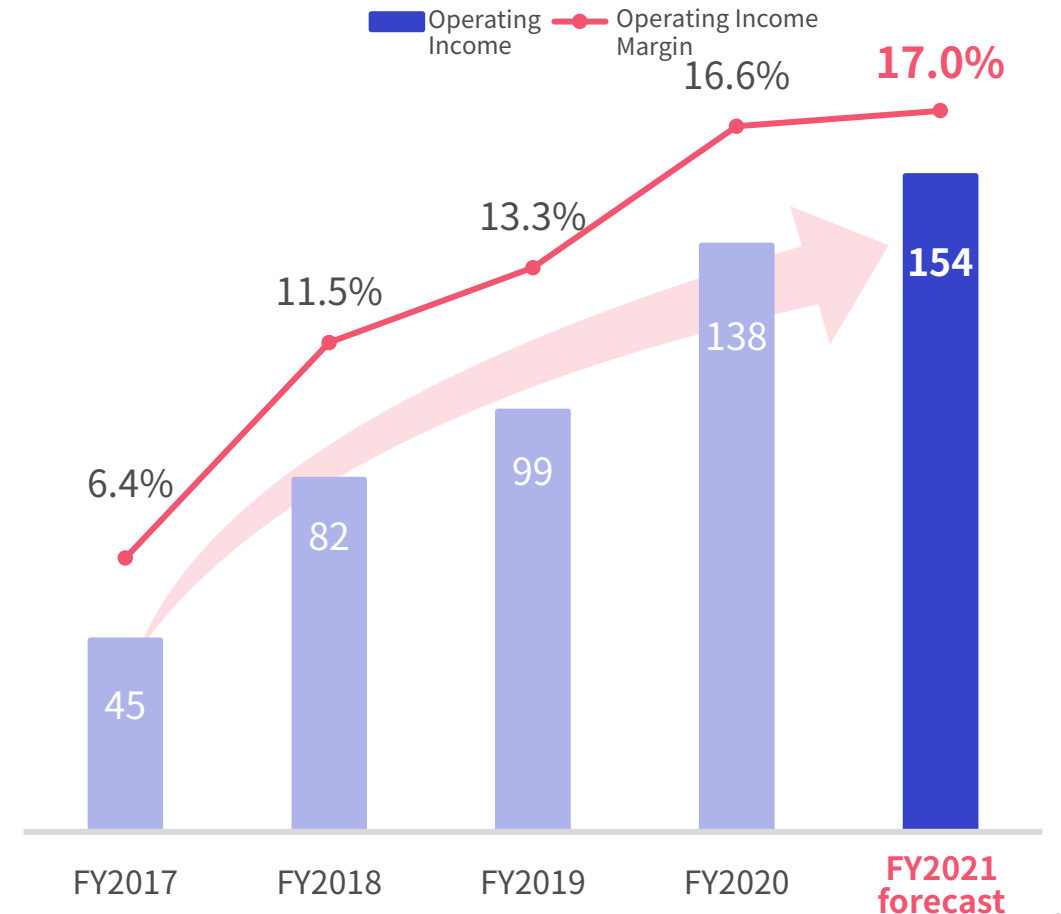
Gross Profit Trends
(Unit: million yen)

■ Gross Profit ●— Gross Profit Margin

	FY2017	FY2018	FY2019	FY2020	FY2021 forecast
Gross Profit Margin	59.0%	64.0%	66.7%	70.7%	**69.9%**
Gross Profit	413	460	497	587	**635**

Operating Income Trends
(Unit: million yen)

■ Operating Income ●— Operating Income Margin

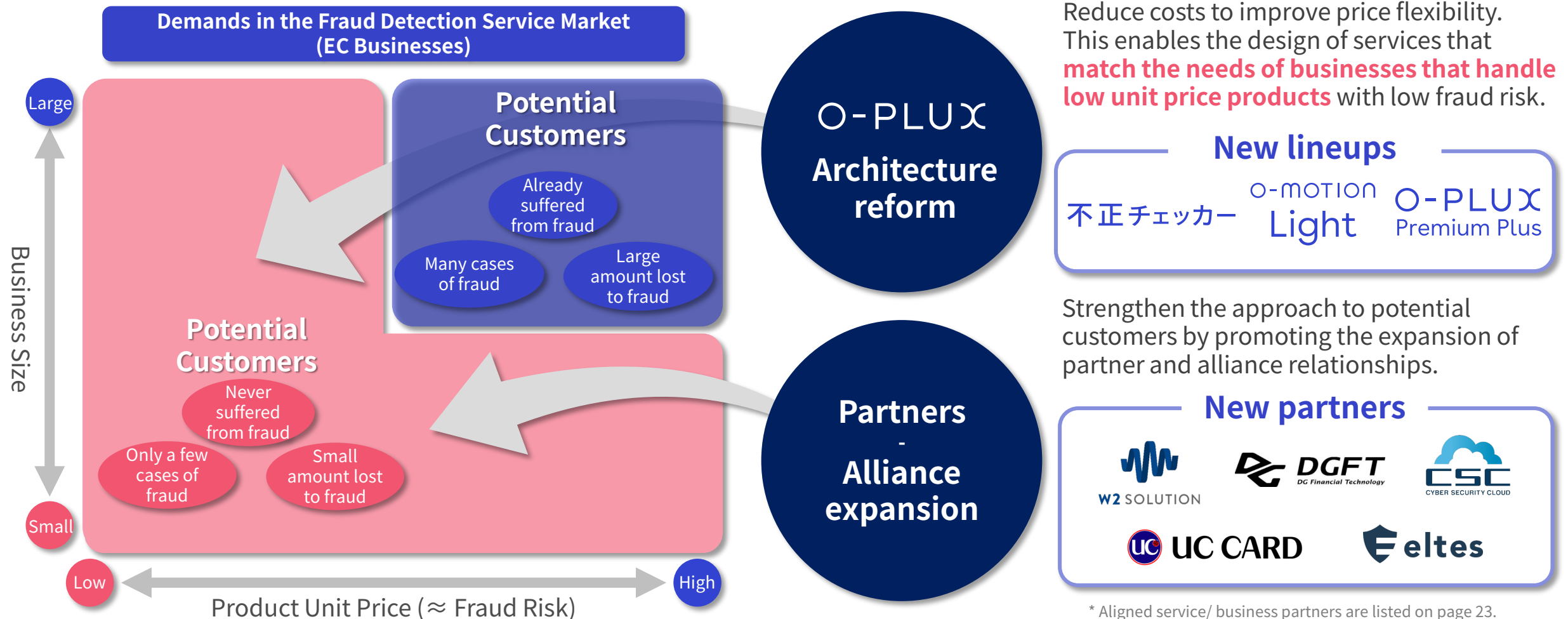|	FY2017	FY2018	FY2019	FY2020	FY2021 forecast
Operating Income Margin	6.4%	11.5%	13.3%	16.6%	**17.0%**
Operating Income	45	82	99	138	**154**

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Growth Strategy

Through the four growth strategies, we will accelerate business expansion with a focus on Fraud Detection Services and **create our own market**.

Provision of SaaS-Type Algorithms

Fraud Detection Services
O-PLUX
O-MOTION
Core Services

Payment Consulting Services

Marketing Services
uberall
New Domains

Data Science Services
SAKIGAKE KPI

O-PLUX
Architecture reform

Development completed by the end of September 2021. Migration is in progress.

Partners - Alliance Expansion

Launched and being expanded

SaaS-type BNPL settlement system

To be released in 2022 (Scheduled)

SaaS-type services in new domain

Formed a capital and business alliance with Recovery Co., Ltd. Entering the marketing field.

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In the future, we expect to see more potential customers emerge due to the growing social problem of damage due to fraud and further strengthening of regulations such as legislation, and we will work to acquire customers from all segments by renewing the architecture of O-PLUX and expanding our partner alliances.

Demands in the Fraud Detection Service Market (EC Businesses)

Business Size

Large

Small

Potential Customers

- Already suffered from fraud
- Many cases of fraud
- Large amount lost to fraud

Potential Customers

- Never suffered from fraud
- Only a few cases of fraud
- Small amount lost to fraud

Low — Product Unit Price (≈ Fraud Risk) — High

O-PLUX Architecture reform

Partners - Alliance expansion

Reduce costs to improve price flexibility. This enables the design of services that **match the needs of businesses that handle low unit price products** with low fraud risk.

New lineups

不正チェッカー　O-MOTION Light　O-PLUX Premium Plus

Strengthen the approach to potential customers by promoting the expansion of partner and alliance relationships.

New partners

W2 SOLUTION　DGFT DG Financial Technology　CSC CYBER SECURITY CLOUD

UC CARD　eltes

* Aligned service/ business partners are listed on page 23.

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O-PLUX
Architecture Reform

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 not yet large 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
(Including 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 + Compensation for Damage due to Fraud

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 October 1, 2021.

Partner and Alliance Expansion

The number of partner and alliance companies is gradually expanding. We will continue to promote partnerships to expand our market share.

EC package/Shopping cart vendors

EC-ORANGE

EC CUBE *1

売れる ネット広告 つくーる

ebisumart

eltex DC Direct Commerce
EC / 通販統合パッケージ

Commerce 21

GMO クラウドEC
パッケージEC

Salesforce Commerce Cloud

通販マーケッター

W2 SOLUTION

Credit card companies

UC CARD

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

New business field

*1 EC-CUBE is a trademark of EC-CUBE Co., Ltd.
*2 As of the end of October 2021.

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Partner and Alliance Expansion

Formed alliances with Cyber Security Cloud, Inc. and Eltes Co., Ltd. to expand our existing core business field. Enables the provision of a wide range of security services that address the latest tactics of fraudsters.
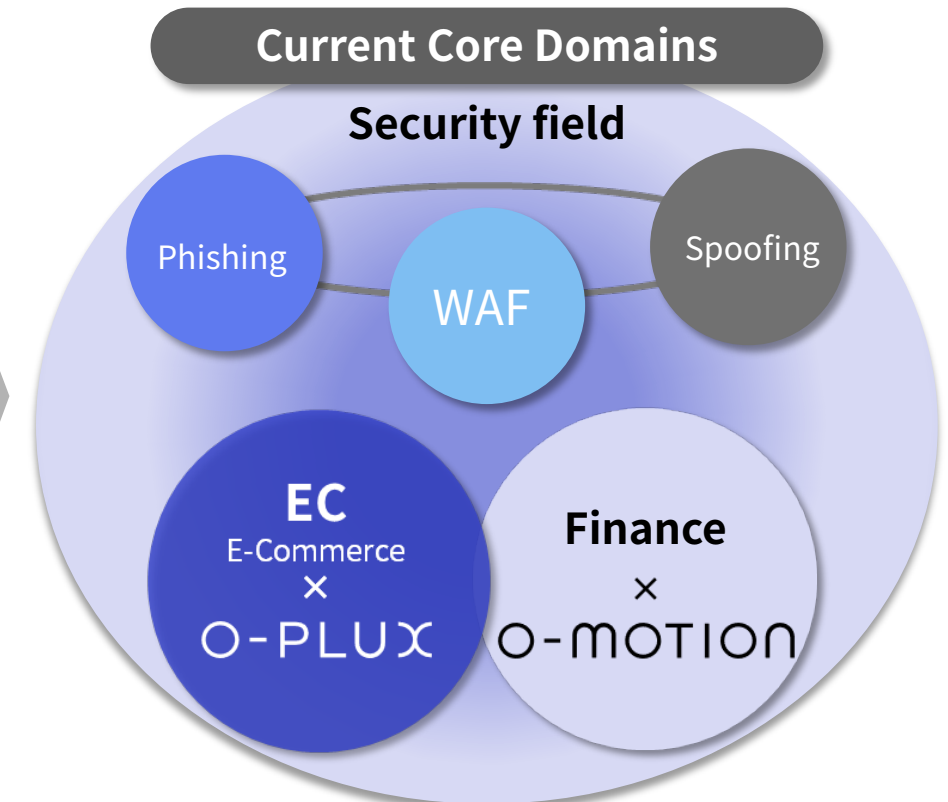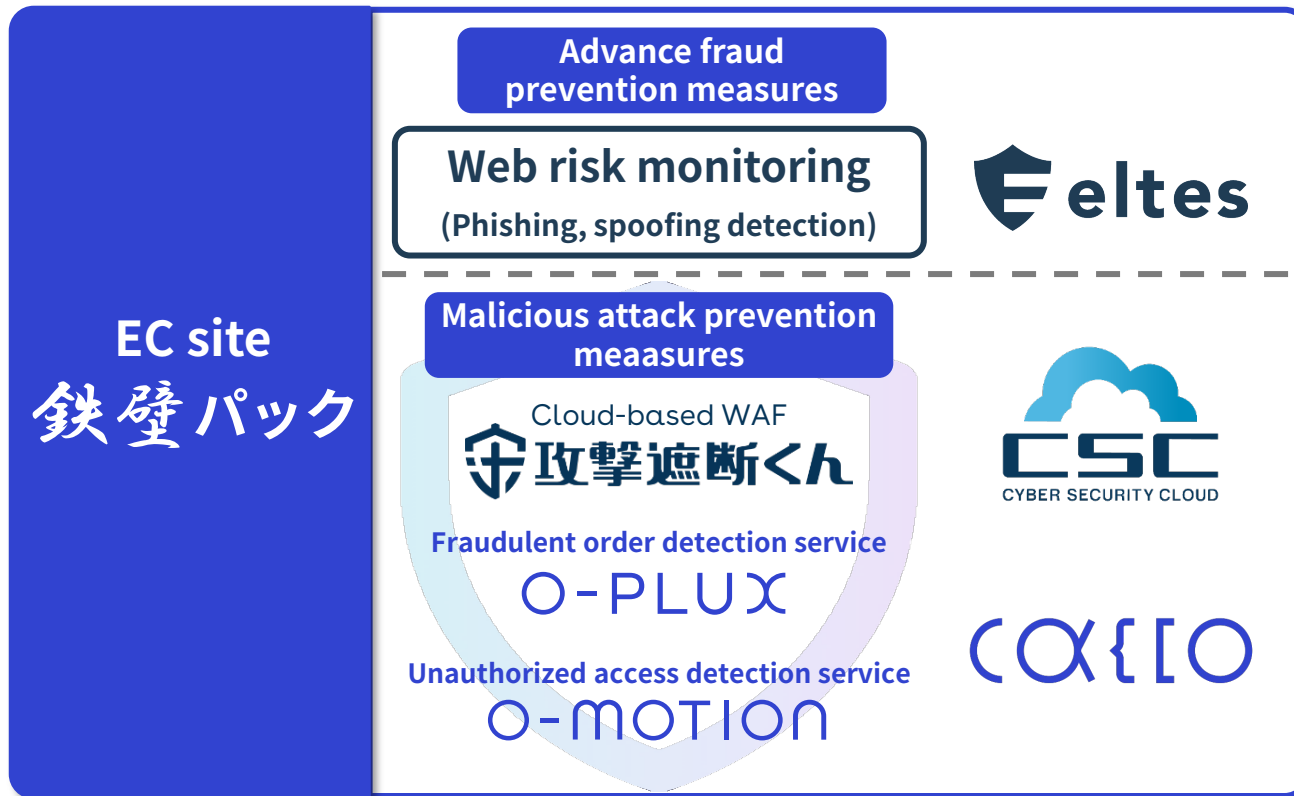
EC site 鉄壁パック

Advance fraud prevention measures

Web risk monitoring
(Phishing, spoofing detection)

E eltes

Malicious attack prevention meaasures

Cloud-based WAF
攻撃遮断くん

Fraudulent order detection service
O-PLUX

Unauthorized access detection service
O-MOTION

CSC CYBER SECURITY CLOUD

CACCO

Current Core Domains

Security field

Phishing

WAF

Spoofing

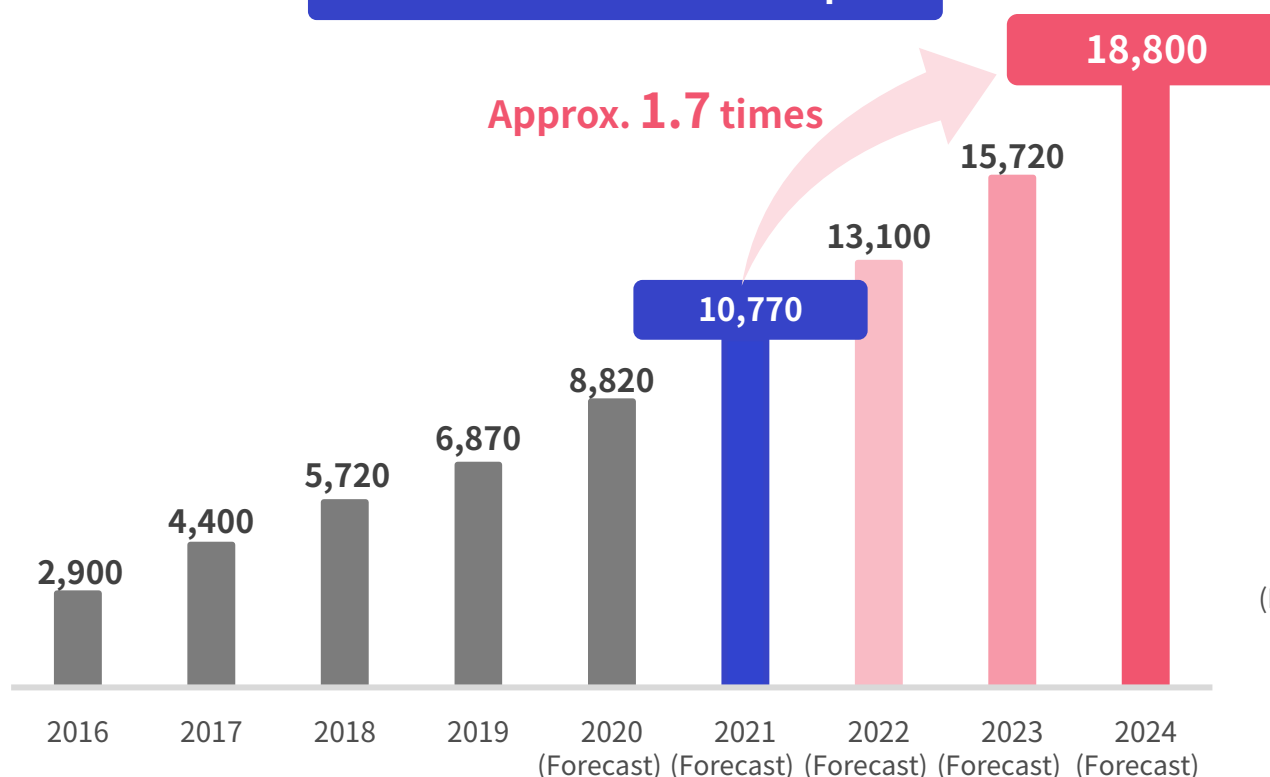**EC** E-Commerce × **O-PLUX**

Finance × **O-MOTION**
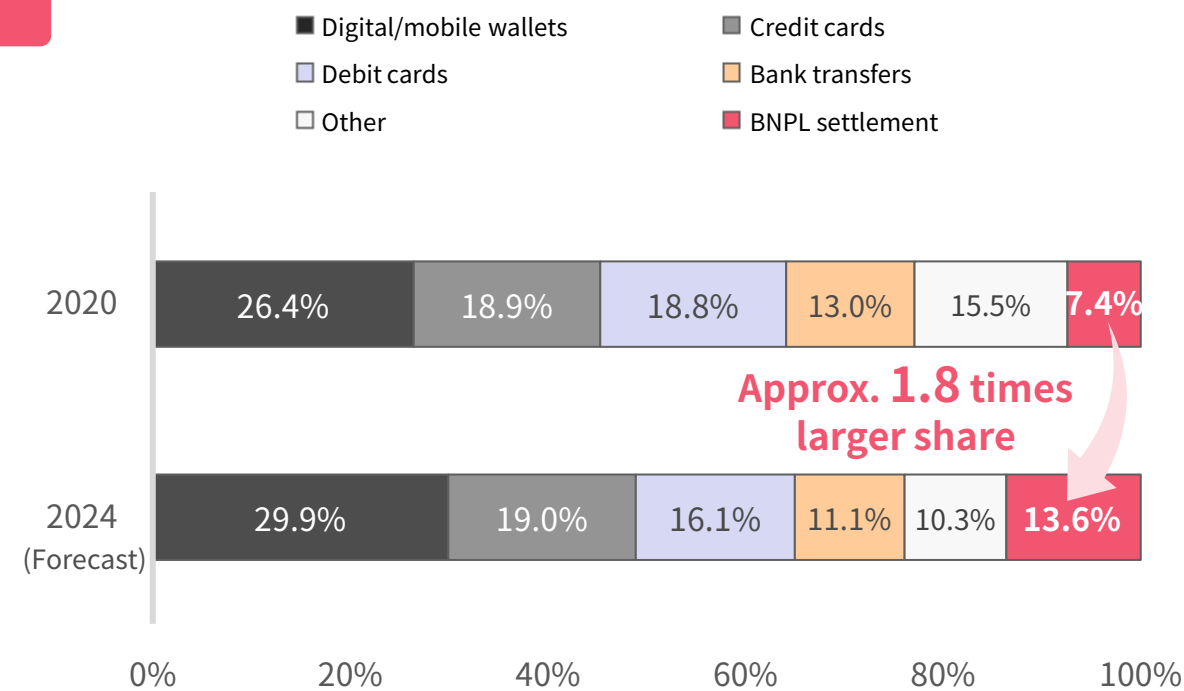
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SaaS-type BNPL Settlement System

In the buy now pay later (BNPL) market, the company will support the growth of the postpaid settlement market and expand the use of O-PLUX by providing a SaaS-type postpaid payment system that can be started without major development. We are currently examining the market needs and system requirements definition. Scheduled for release in 2022.

BNPL Market Trends in Japan

(Unit: 100 million yen)

Forecast of BNPL Usage Rate in North America

Approx. 1.7 times

18,800

15,720

13,100

10,770

8,820

6,870

5,720

4,400

2,900

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 (Forecast) | 2022 (Forecast) | 2023 (Forecast) | 2024 (Forecast) |

■ Digital/mobile wallets   ■ Credit cards
□ Debit cards   □ Bank transfers
□ Other   ■ BNPL settlement

2020

| 26.4% | 18.9% | 18.8% | 13.0% | 15.5% | 7.4% |

Approx. 1.8 times larger share

2024 (Forecast)

| 29.9% | 19.0% | 16.1% | 11.1% | 10.3% | 13.6% |

0%   20%   40%   60%   80%   100%

Source: Worldpay, "Global Payment Report 2021"

Source: Yano Research Institute, "Current Status and Future Forecast of Online Payment Service Providers, 2020 Edition"
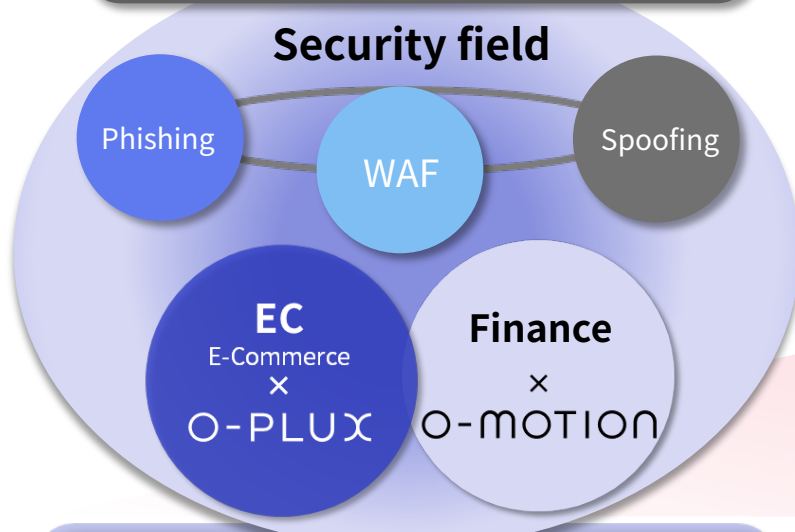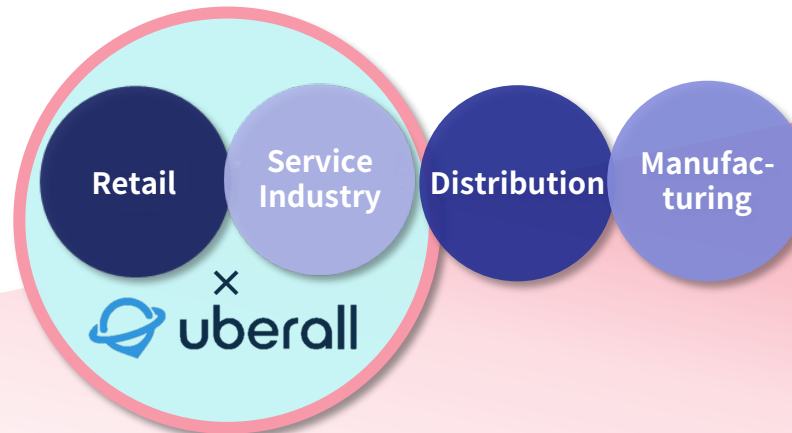
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CACCO

Partner and Alliance Expansion

Building SaaS-type Services in New Domains

In addition to expanding existing domains by expanding alliances, we are accumulating knowhow based on data science services to build SaaS-type services in new domains.

Current Core Domains

Security field

Phishing

WAF

Spoofing

EC E-Commerce × O-PLUX

Finance × O-MOTION

Domains Being Cultivated

Retail

Service Industry

Distribution

Manufac-turing

× uberall

New Domains for the Future

Advertisement

Human Resources

Real Estate

Overseas

Fraud Detection Services

SaaS-Type Services for Existing Domains

Marketing Services

SaaS-Type Services for New Domains

Payment Consulting Services

Data Science Services

Growth Strategies / 🪐 uberall Formed a Capital and Business Alliance with Recovery Co., Ltd., a General Agent in Japan

CACCO

Building SaaS-type Services in New Domains

In August 2021, through a capital and business alliance with Recovery, Co. Ltd., a Japanese general agent of Uberall, the world's largest local search marketing solution, we launched our entry into the SaaS business in the marketing domain.

Local Search Accounts for over 50% of All Searches

"Local Search" refers to a keyword search that uses the searcher's location information, such as "restaurants in Akasaka," "restaurants nearby," or "popular restaurants," rather than the restaurant name or address. It accounts for more than 50% of all Google searches*, and has rapidly spread globally in recent years.
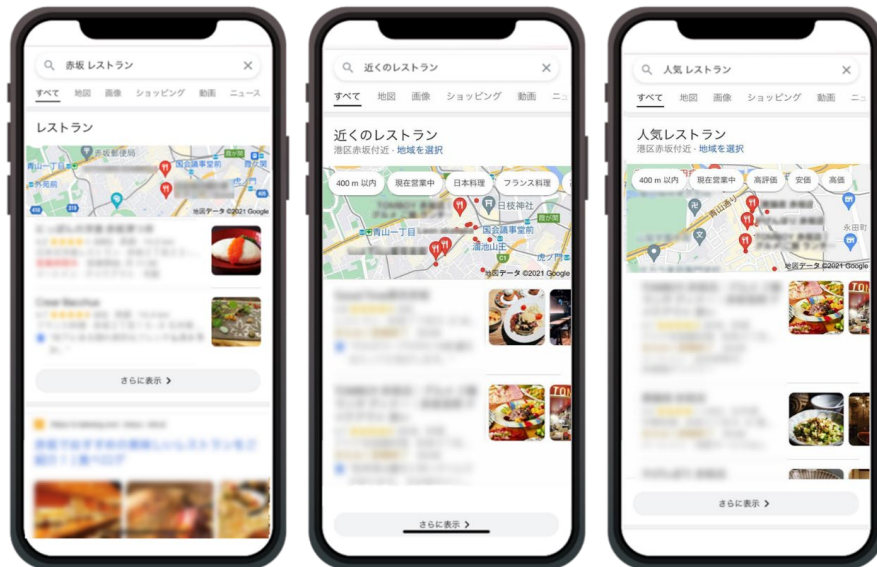
*uberall GmbH's calculations based on Google Trends and publicly available data

Uberall, a Local Search Marketing Solution

Uberall is a SaaS service that enables integrated management of store information and reviews from more than 125 online platforms including Google My Business, Facebook and Instagram, as well as the company's own website. We provide total support not only for attracting more customers to stores by improving local search rankings, but also for improving customer experience through media posts and word-of-mouth support.

Search & Discovery
Find your store

Listings
Presence Management
Local SEO

Locator + Pages
Store Locator +
Store Pages

Engagement
Make your store a favorite

Engage
Social media
Review management and reply
Google Post

Control Center
Centralized management of store data from various platforms such as Google My Business

Conversion
Buy products in your store

Control Center
Measurement and visualization of phone calls, routing, reservations, etc.

Loyalty & Advocacy
Visit your store again

Engage
Social media
Review management and reply
Google Post

Recommend your store to others.

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Building SaaS-type Services in New Domains

Overseas

Considering entering the following three markets in Southeast Asia.

As the demands for funds are growing for both individuals and companies, we will provide loan screening and other services utilizing our data science and security technologies based on our fraud detection services.

E-commerce market

We will bring in our fraud detection and payment consulting services to help with the expansion of credit transactions, which is essential for the development of the EC market in Southeast Asia.

Micro finance

Real estate/car collateralized loan

Using our data science technology, we will develop and provide algorithms for value assessment and risk calculation for various types of collateralized loans.

CACCO

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:	363,562,837 yen *As of September 30, 2021
Listed on:	Tokyo Stock Exchange, Mothers 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)

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Provision of SaaS-Type Algorithms

Fraud Detection Services
O-PLUX
O-MOTION

Core Services

Payment Consulting Services

Marketing Services
🪐 uberall

New Domains

Data Science Services
SAKIGAKE KPI

(1) Fraud Detection Services

O-PLUX
Real-time detection services for fraudulent orders such as non-payment in EC payment, ticket reservations or resale.

O-MOTION
Real-time detection services for unauthorized access and logging in at financial institutions (Internet banking or securities)

(2) Marketing Services
Provides a local search marketing solution, Uberall, primarily for the retail and service industries. A service that integrates and manages store information and word-of-mouth information, and helps increase the number of store visits by improving search engine rankings

(3) Payment Consulting Services
Services that provide payment systems and consulting for the launch and operation of BNPL settlement businesses, mainly for BNPL Agents

"O-PLUX" is provided as the screening engine for BNPL settlement

(4) Data Science Services
Services that develop and provide data analysis and algorithms for various fields using AI, statistics, and mathematical optimization technologies

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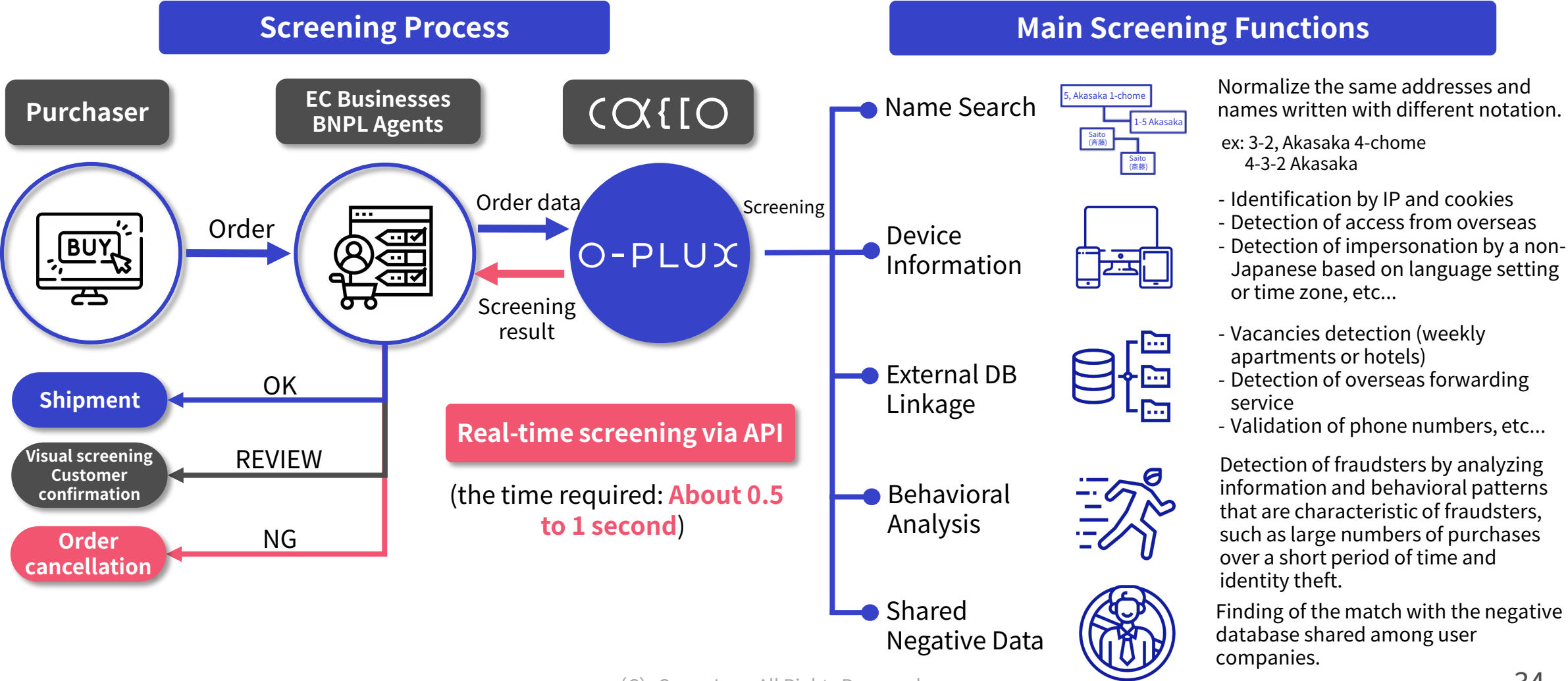| 1	**Expertise in data science and advanced technical capabilities in the security domain** (Three patents obtained: Patent #6534255, Patent #6534256 and Patent #6860156)
2	**Top selling services in the EC and payment domains in Japan** (Based on "Survey on the number of EC sites in Japan introducing paid fraud detection services" (as of the end of May 2021) performed by TOKYO SHOKO RESEARCH, LTD.)
3	**Steady growth in QRR driven by increasing users for our mainstay product O-PLUX** (**The rate of QRR of this product accounted for 74.4% (+4.8 pt YoY)** of total net sales in FY2021 3Q cumulative)

SaaS-type services that use a unique screening model to detect fraudulent orders in real time such as nonpayments in EC.

Screening Process

Purchaser

EC Businesses BNPL Agents

Order → Order data → **O-PLUX** → Screening

Screening result

OK → **Shipment**

REVIEW → **Visual screening Customer confirmation**

NG → **Order cancellation**

Real-time screening via API

(the time required: **About 0.5 to 1 second**)

Main Screening Functions

Name Search

5, Akasaka 1-chome / 1-5 Akasaka / Saito (斉藤) / Saito (斎藤)

Normalize the same addresses and names written with different notation.

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 based on language setting or time zone, etc...

External DB Linkage

- Vacancies detection (weekly apartments or hotels)
- Detection of overseas forwarding service
- 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 of the match with the negative database shared among user companies.
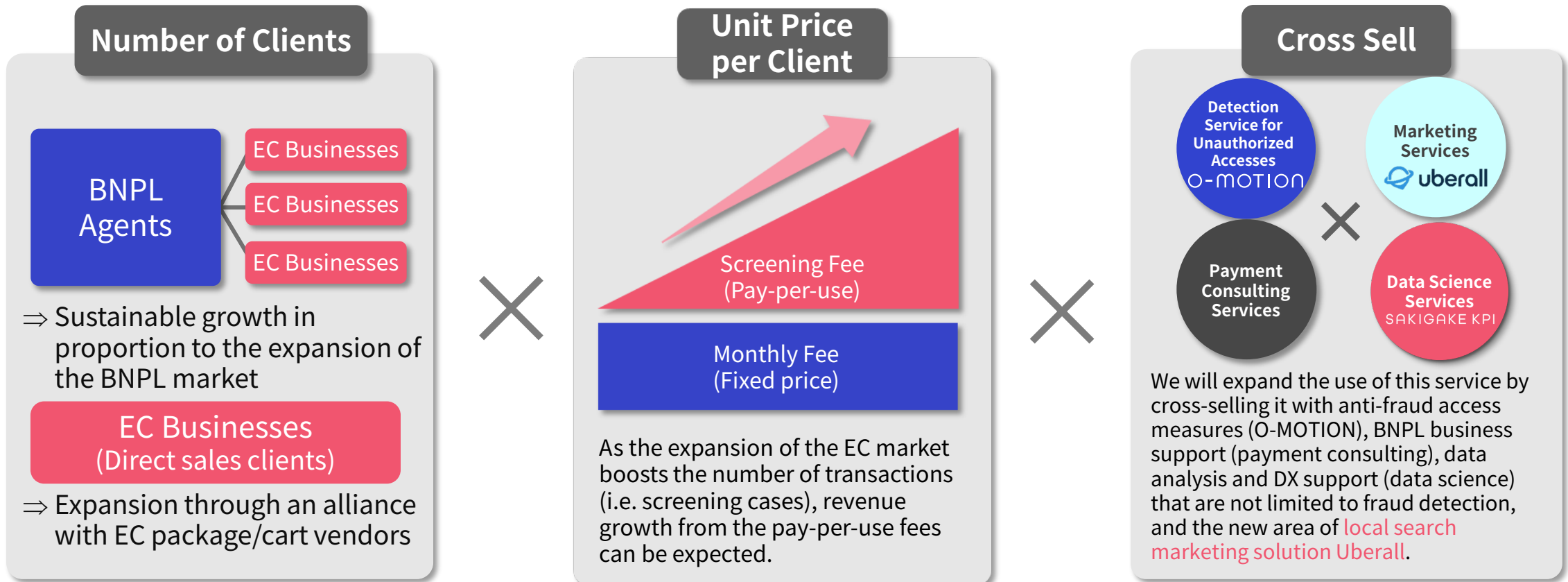
Credit card fraud (number theft) is increasing in proportion to the growth of the EC market, and social demand for anti-fraud measures, such as a revision of the Installment Sales Law and the update of credit card security guidelines, is increasing.
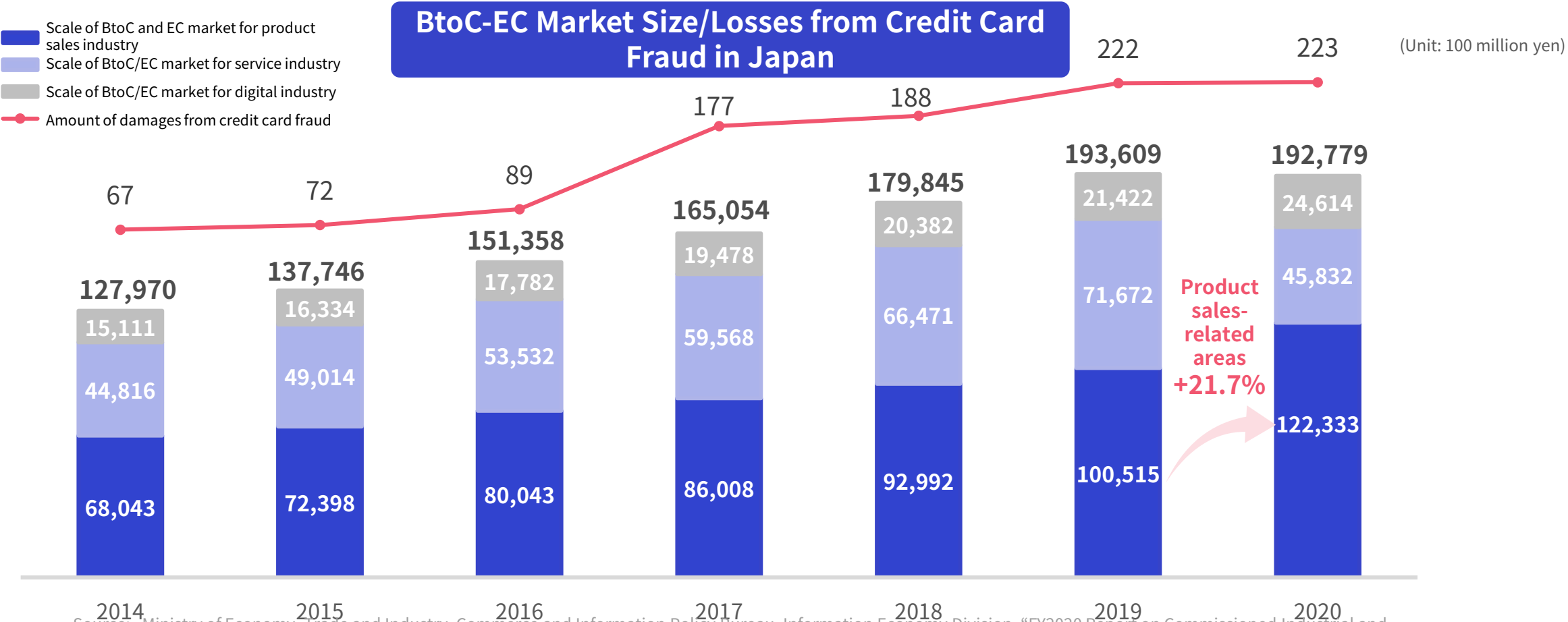
BtoC-EC Market Size/Losses from Credit Card Fraud in Japan

Legend:
- Scale of BtoC and EC market for product sales industry
- Scale of BtoC/EC market for service industry
- Scale of BtoC/EC market for digital industry
- Amount of damages from credit card fraud

(Unit: 100 million yen)

Amount of damages from credit card fraud (line):
- 2014: 67
- 2015: 72
- 2016: 89
- 2017: 177
- 2018: 188
- 2019: 222
- 2020: 223

Market size bars:

Year	Digital industry	Service industry	Product sales industry	Total
2014	15,111	44,816	68,043	127,970
2015	16,334	49,014	72,398	137,746
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%

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Three Reasons Why QRR for O-PLUX Is Growing

Number of Clients

BNPL Agents
— EC Businesses
— EC Businesses
— EC Businesses

⇒ Sustainable growth in proportion to the expansion of the BNPL market

EC Businesses (Direct sales clients)

⇒ Expansion through an alliance with EC package/cart vendors

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Unit Price per Client

Screening Fee (Pay-per-use)

Monthly Fee (Fixed price)

As the expansion of the EC market boosts the number of transactions (i.e. screening cases), revenue growth from the pay-per-use fees can be expected.

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Cross Sell

Detection Service for Unauthorized Accesses
O-MOTION

Marketing Services
uberall

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Payment Consulting Services

Data Science Services
SAKIGAKE KPI

We will expand the use of this service by cross-selling it with anti-fraud access measures (O-MOTION), BNPL business support (payment consulting), data analysis and DX support (data science) that are not limited to fraud detection, and the new area of local search marketing solution Uberall.

A stable revenue structure in which **about 70% of** total sales comes from **QRR**, 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**.

No.1 Actual introduction in 2021

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

Category	Clients
Hobby	animate / あみあみ / KOTOBUKIYA CRAFTSMANSHIP / ToysЯus BABiESЯus
Hosting	SAKURA internet
PC - Tablet	NEC Direct / Dospara COMPUTER SHOP ドスパラ / ZOA / mouse
Video - Audio equipment	フジヤカメラ
Food - Health Food	Oisix / SUNSTAR / NICORIO / Belle Neige Direct ベルネージュダイレクト
Home improvement store	CAINZ
Cosmetics - Hair Care	THE proactiv COMPANY / 株式会社ユーピーエス / FINE AID
Apparel	STEFANY GINZA TOKYO / LACOSTE / CHUMS / Northmall
Online shopping mall MVNO/Other	DMM.com / petgo / LIBMO / DTI dream.jp / ポンパレモール / SOURCENEXT / U-CAN ユーキャン
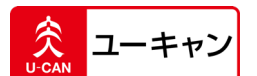
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Real-time analysis of the operation information and device information of users who access websites.
The system identifies identity theft and prevents fraudulent activities (divulgence of personal information, unauthorized purchases, etc.) resulting from unauthorized access.
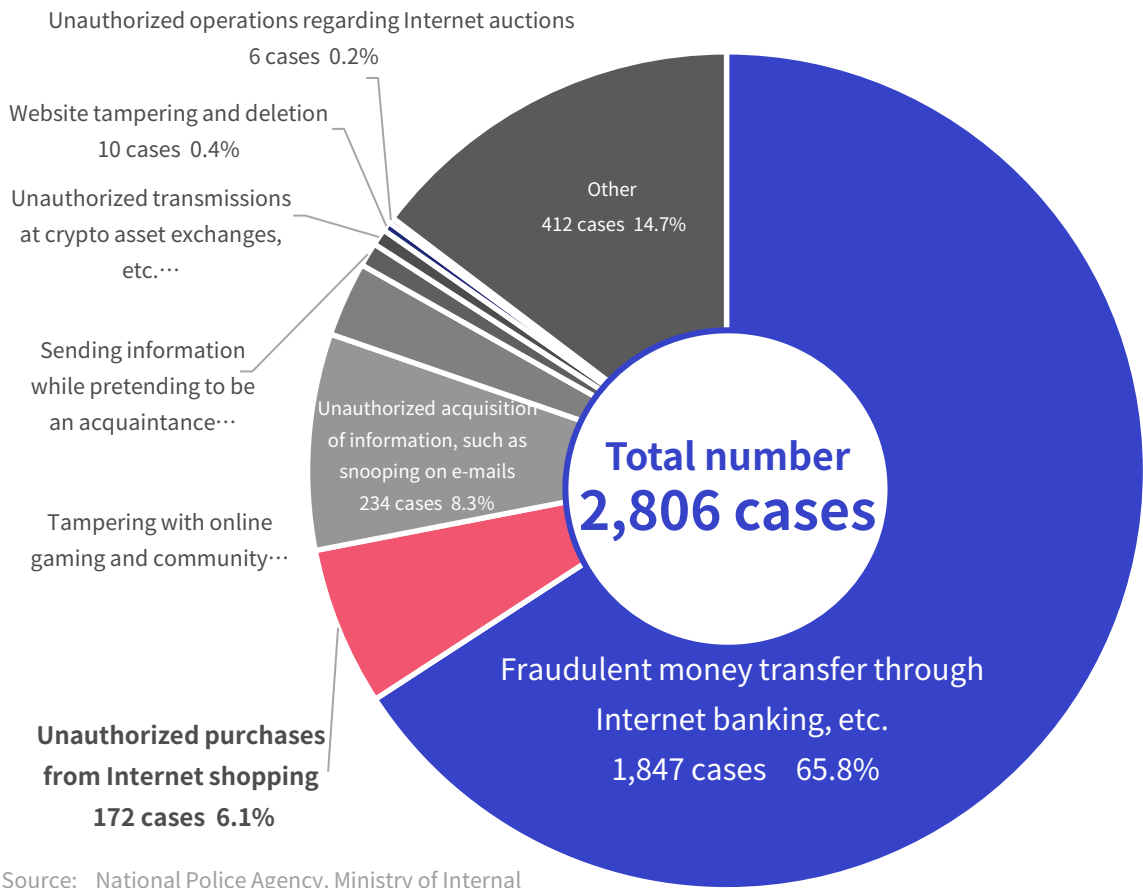
Screening Process

Main Functions

Users

Financial Institutions Ticket/Membership Sites

CACCO

Access

Device information
Operation information

O-MOTION

Screening result

Terminal Identification Technology

Operation Information

White/Black Lists Management

The system detects fraud that cannot be detected by conventional detection methods that use user agent metadata, cookies and the like.

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

White/black lists can be easily managed.

○ **OK**

▲ **REVIEW**

✖ **NG**

Additional authentication

Incoming call authentication
SMS authentication,

Login

○ **OK**

✖ **NG**

Access permitted

Normal user

Access blocked

Program Fraudster

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

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Of the 2,806 cases of fraudulent access in 2020, more than 70% of the damage was caused by EC and online transactions, such as unauthorized remittances in Internet banking and unauthorized purchases in Internet shopping.
In addition, there is no end to damage such as the divulgence of personal information caused by unauthorized access.
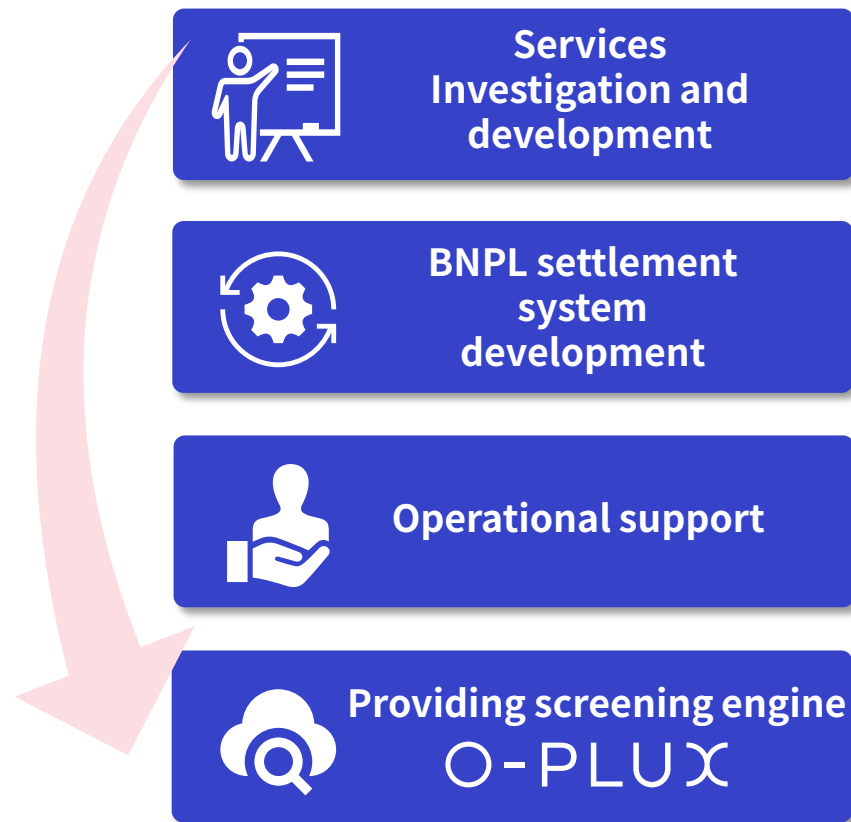
Actions Taken after Fraudulent Access (2020)

Unauthorized operations regarding Internet auctions
6 cases 0.2%

Website tampering and deletion
10 cases 0.4%

Unauthorized transmissions at crypto asset exchanges, etc.…

Sending information while pretending to be an acquaintance…

Unauthorized acquisition of information, such as snooping on e-mails
234 cases 8.3%

Tampering with online gaming and community…

Unauthorized purchases from Internet shopping
172 cases 6.1%

Other
412 cases 14.7%

Total number
2,806 cases

Fraudulent money transfer through Internet banking, etc.
1,847 cases   65.8%

Examples of Damage Caused by Unauthorized Access (Extract from 2021)

When	Business affected	Description
October 2021	Major IT company	There was an unauthorized access to the server of the point business commissioned by the government, and there was a possibility that about 18,000 pieces of information were divulged.
October 2021	Crypto asset trading Service companies	A phishing scam attacked the accounts of 6,000 users using the exchange, resulting in unauthorized withdrawals.
August 2021	Major travel agency	A cyber attack occurred, resulting in the possible divulgence of approximately 5,000 pieces of information on tourists who traveled during a certain period of time.
August 2021	Major EC information site	Information on 13,756 readers and service contractors registered with the information site was divulged.
July 2021	Drugstore's EC site	More than 25,000 sets of credit card information may have been divulged due to unauthorized access.
July 2021	Major logistics company	More than eight million items of personal information may have been divulged due to unauthorized access.
June 2021	Major newspaper company	More than 143,000 items of personal information may have been divulged due to unauthorized access of a campaign site.
June 2021	Major communications equipment company's member site	405,576 items of information have been divulged due to unauthorized access.
March 2021	Major apparel company EC site	More than 300,000 pieces of personal information may have been leaked due to unauthorized access.

We provide one-stop support for businesses that are considering building or using BNPL settlement systems, including service building, payment system development, and operational support. We offer O-PLUX as the screening engine.

Services Investigation and development

BNPL settlement system development

Operational support

Providing screening engine O-PLUX

No.1 Actual introduction in 2021

POINT 01
Extensive experience in supporting BNPL businesses
- Experience in building payment systems for millions of transactions/month
- Experience in supporting start-ups (creating business plans, various requirement definitions, etc.)
- Post-launch support (credit lines, operation process flow development, etc.)

POINT 02
Support from consultants with real-world experience
Consultants with extensive experience in BNPL operations make a proposal that best suits the customer.

POINT 03
Data science technology cultivated for financial institutions and EC businesses
We listed our achievements in fraud detection in the financial and settlement fields, where serious decisions are required, such as the detection of unauthorized access and logins targeting financial institutions by O-MOTION and the detection of unauthorized orders targeting e-commerce businesses by O-PLUX.
O-PLUX 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 services")

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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 automating the application of machine learning.

Our approach

SAKIGAKE KPI

From packaged analysis support including data aggregation and visualization to factor analysis, KPI calculation, analysis reporting, and subsequent proposals, that generates value from up to 100 million data items within 30 business days with an investment of two million yen.

Data Science Branch Office

Data science resources that can be utilized on a monthly contract basis as if it were a division of your company. 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 in the processing of 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 generation of a staffing plan that satisfies multiple constraints such as management indicators, employee work preferences, and working conditions.

Annual cost reductions of 60 million yen

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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.

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.

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 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.

Environment

Social

Governance

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

*Ranked 23rd in the small-scale category in the 2021 edition of "Best Workplaces in Japan" by the Great Place to Work® Institute Japan.

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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.

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Shaping the "Let's Do It"

for a next game changer