



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

November 14, 2022

Name of the listed company: Cacco Inc. Stock exchange listings: Tokyo Stock Exchange
 Code number: 4166 URL <https://cacco.co.jp>
 Representative: (Title) Representative Director, President and CEO (Name) Hiroyuki Iwai
 Person in charge of inquiries: (Title) Senior Managing Director, CFO in charge of administration unit (Name) Kentaro Sekine
 TEL 03(6447)4534
 Scheduled date of filing of Quarterly Securities Report: November 14, 2022
 Scheduled date of commencing dividend payments: –
 Preparation of supplementary explanatory materials for quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts less than one million yen have been omitted)

1. Results for the Third Quarter (3Q) of FY2022 (January 1, 2022 to September 30, 2022)

(1) Operating Results (Cumulative) (% figures represent changes from the same quarter of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022 3Q	796	16.2	134	-9.4	123	-14.5	80	-18.0
FY2021 3Q	685	10.7	148	16.0	144	19.7	98	-23.7

	Net income per share	Diluted net income per share
	Yen	Yen
FY2022 3Q	30.72	29.27
FY2021 3Q	37.58	34.47

(2) Financial Position

	Total assets	Net assets	Capital ratio
	Millions of yen	Millions of yen	%
FY2022 3Q	1,476	1,355	91.6
FY2021	1,417	1,273	89.6

(Reference) Equity capital: FY2022 3Q 1,352 million yen FY2021 1,270 million yen

2. Dividends

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

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

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

(% figures represent changes from the previous fiscal year)

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

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

* Notes

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

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

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

(3) Number of shares issued (common stock)

(i) Number of issued shares at the end of the period (including treasury shares)	FY2022 3Q	2,630,582 shares	FY2021	2,629,382 shares
(ii) Number of treasury shares at the end of the period	FY2022 3Q	– shares	FY2021	– shares
(iii) Average number of shares during the period	FY2022 3Q	2,629,925 shares	FY2021 3Q	2,620,741 shares

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

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

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

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

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

The supplementary explanatory materials "Financial Results for the Third Quarter of Fiscal Year Ending December 31, 2022" will be disclosed on TDnet on the same day and then posted on the Company's website. In addition, we are scheduled to hold a briefing session for institutional investors and analysts on Monday, November 14, 2022. Video of this briefing session and the materials for the financial results briefing to be distributed on that day will be promptly posted on our website after the briefing.

○ Contents of attached documents

1. Qualitative Information on Financial Results for the Third Quarter of FY2022	2
(1) Summary of Operating Results.....	2
(2) Summary of Financial Position	2
(3) Summary of Financial Forecasts and Other Forward-Looking Information	3
2. Quarterly Financial Statements and Significant Notes Thereto	4
(1) Quarterly Balance Sheet	4
(2) Quarterly Statement of Income.....	5
(The third quarter of FY2022).....	5
(3) Notes to the Quarterly Financial Statements.....	6
(Notes on going concern assumption)	6
(Notes in the event of significant changes in the amount of shareholders' equity)	6
(Change in accounting policy).....	6
(Segment information, etc.).....	6
(Significant subsequent events).....	7

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

(1) Summary of Operating Results

During the cumulative period through the third quarter of the current fiscal year (January 1, 2022 to September 30, 2022), the Japanese economy continued to rebound albeit at a moderate pace partly owing to the effect of various government policies amid the ongoing transition to a new stage of living with COVID-19. On the other hand, the future outlook remains uncertain due to volatility in financial and capital markets amid global monetary tightening and increasing inflation brought on by sharp depreciation of the yen.

According to the "FY2021 Report on Commissioned Industrial and Economic Research (Market Research on Electronic Commerce)" published by the Ministry of Economy, Trade and Industry, the size of the business-to consumer EC (BtoC-EC) market as a whole in 2021 was 20.6 trillion yen (up 7.35% year on year), continuing to grow at a high growth rate. The BtoC-EC market continues to grow steadily, as shown by the increase of 0.7 percentage points to 8.78% of the EC ratio (the ratio of the size of the EC market to the size of the entire commerce market).

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

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

As for our fraud detection services, we expanded the sales of O-PLUX, our fraudulent order detection service, through O-PLUX Premium Plus (shipping decision agent service), which compensates for damages caused by the fraudulent use of credit cards with no upper limit, and Fraud Checker, a fraudulent order detection service available from 4,000 yen per month. In addition, thanks to our efforts to promote alliances, such as system integration with EC packages and shopping carts as well as the conclusion of partner agreements with credit card companies, the number of new customers has increased and existing customers have continued to grow. As a result, the amount of O-PLUX's recurring revenue (the sum of the monthly fee, which is a flat-rate charge, and the examination fee, which is a pay-as-you-go fee based on the number of examinations, including Fraud Checker) for the third quarter of the current fiscal year has increased to 564,216 thousand yen (up 10.7% year-on-year). Also, with regard to our O-MOTION unauthorized access detection services, we continued to expand its services, and worked to develop sales channels in a variety of fields, such as new linkage with an EC package/shopping cart system.

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

As a result of the above, net sales for the cumulative period through the third quarter of the current fiscal year were 796,561 thousand yen (up 16.2% year on year), operating income was 134,932 thousand yen (down 9.4% year on year), ordinary income was 123,916 thousand yen (down 14.5% year on year), and net income was 80,796 thousand yen (down 18.0% year on year).

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

(2) Summary of Financial Position

(Assets)

Current assets at the end of the third quarter of the current fiscal year were 1,016,583 thousand yen, an increase of 72,067 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 93,969 thousand yen in cash and deposits. Non-current assets were 459,584 thousand yen, a decrease of 13,357 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 52,759 thousand yen in software.

As a result, total assets amounted to 1,476,168 thousand yen, an increase of 58,709 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the third quarter of the current fiscal year were 120,187 thousand yen, a decrease of 21,993 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 6,543 thousand yen in accounts payable-trade. There are no non-current liabilities due to a decrease of 1,797 thousand yen in long-term borrowings.

As a result, total liabilities amounted to 120,187 thousand yen, a decrease of 23,790 thousand yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the third quarter of the current fiscal year were 1,355,980 thousand yen, an increase of 82,500 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 80,796 thousand yen in retained earnings as a result of the recording of quarterly net income.

As a result, the capital ratio was 91.6% (89.6% at the end of the previous fiscal year).

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

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

2. Quarterly Financial Statements and Significant Notes Thereto

(1) Quarterly Balance Sheet

(Unit: thousand yen)

	FY2021 (As of December 31, 2021)	FY2022 3Q (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	800,647	894,616
Accounts receivable – trade	112,908	101,078
Prepaid expenses	28,823	17,132
Other	2,135	3,755
Total current assets	944,516	1,016,583
Non-current assets		
Property, plant and equipment	11,265	10,697
Intangible assets		
Software	388,464	335,704
Software in progress	–	22,500
Other	1,200	993
Total intangible assets	389,664	359,198
Investments and other assets		
Other	72,012	99,689
Allowance for doubtful accounts	–	-10,000
Total investments and other assets	72,012	89,689
Total non-current assets	472,942	459,584
Total assets	1,417,458	1,476,168
Liabilities		
Current liabilities		
Accounts payable – trade	27,953	21,410
Current portion of long-term borrowings	4,284	2,868
Accounts payable – other	39,649	37,973
Income taxes payable	18,584	12,741
Accrued consumption taxes	25,592	23,027
Provision for bonuses	11,511	7,848
Other	14,605	14,317
Total current liabilities	142,180	120,187
Non-current liabilities		
Long-term borrowings	1,797	–
Total non-current liabilities	1,797	–
Total liabilities	143,977	120,187
Net assets		
Shareholders' equity		
Share capital	364,548	365,308
Capital surplus	540,759	541,519
Retained earnings	364,836	445,632
Total shareholders' equity	1,270,144	1,352,460
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	36	220
Total valuation and translation adjustments	36	220
Share acquisition rights	3,300	3,300
Total net assets	1,273,480	1,355,980
Total liabilities and net assets	1,417,458	1,476,168

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

(Unit: thousand yen)

	The third quarter of FY2021 (From January 1, 2021 to September 30, 2021)	The third quarter of FY2022 (From January 1, 2022 to September 30, 2022)
Net sales	685,523	796,561
Cost of sales	179,915	258,113
Gross profit	505,608	538,447
Selling, general and administrative expenses	356,738	403,515
Operating income	148,869	134,932
Non-operating income		
Interest and dividend income	91	143
Commission income	505	7
Consulting fee income	–	2,400
Total non-operating income	596	2,550
Non-operating expenses		
Interest expenses	3,333	45
Loss on redemption of bonds	783	–
Provision of allowance for doubtful accounts	–	10,000
Cost for system failure response	–	3,348
Other	474	172
Total non-operating expenses	4,591	13,565
Ordinary income	144,875	123,916
Income before income taxes	144,875	123,916
Income taxes – current	21,942	20,590
Income taxes – deferred	24,456	22,530
Total income taxes	46,398	43,120
Net income	98,476	80,796

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

Not applicable

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

Not applicable

(Change in accounting policy)

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

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

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

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

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

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

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

This has no impact on cumulative results through the third quarter of the current fiscal year.

(Segment information, etc.)

[Segment information]

For the third quarter of FY2021 (From January 1, 2021 to September 30, 2021)

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

For the third quarter of FY2022 (From January 1, 2022 to September 30, 2022)

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

(Significant subsequent events)

As announced by JACCS Payment Solutions Co., Ltd., a main business partner of the Company, on November 4, 2022, its "Atodene" deferred-payment settlement service (hereinafter, the "Business") will be discontinued effective September 30, 2023. As a result, any transactions related to the Business between the Company and the company and JACCS Co., Ltd. are expected to be discontinued.

1. Background

The Company has been providing its fraud detection services and payment consulting services (hereinafter "Transactions") to the company and JACCS Co., Ltd. since the commencement of the Business. However, as announced by JACCS Payment Solutions Co., Ltd. on November 4, 2022, the Business will be discontinued effective September 30, 2023. As a result, the Transactions are expected to be discontinued.

The specific timing of the discontinuation of the Transactions is currently under negotiation.

2. Outline of the business partners

- JACCS Payment Solutions Co., Ltd.

(i)	Name	JACCS Payment Solutions Co., Ltd.	
(ii)	Location	4-12-1 Higashi Shinagawa, Shinagawa-ku, Tokyo	
(iii)	Representative's title and name	Hiroataka Takagi, President and CEO	
(iv)	Main lines of business	Deferred-payment settlement services, collection agency services	
(v)	Share capital	480 million yen	
(vi)	Date of establishment	June 2, 1980	
(vii)	Net assets	1,317 million yen	
(viii)	Total assets	8,263 million yen	
(ix)	Major shareholders and shareholding ratios	JACCS Co., Ltd. 100%	
(x)	Relationship between the Company and this company	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Provision of fraud detection services to this company
		Status as related party	Not applicable

- JACCS Co., Ltd.

(i)	Name	JACCS Co., Ltd.	
(ii)	Location	2-5 Wakamatsu-cho, Hakodate City, Hokkaido (registered location of the head office)	
(iii)	Representative's title and name	Ryo Murakami, President, COO and Representative Director	
(iv)	Main lines of business	Credit business, credit card and payment business, financing business, overseas business	
(v)	Share capital	16,138 million yen	
(vi)	Date of establishment	June 29, 1954	
(vii)	Net assets	192,217 million yen	
(viii)	Total assets	4,828,881 million yen	
(ix)	Major shareholders and shareholding ratios	MUFG Bank, Ltd.	20.24%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	9.12%
		Custody Bank of Japan, Ltd. (Trust Account)	6.39%
		Shareholding Association of JACCS	4.73%
		The Dai-ichi Life Insurance Company, Limited (Standing Proxy: Custody Bank of Japan, Ltd.)	3.92%
		Meiji Yasuda Life Insurance Company (Standing Proxy: Custody Bank of Japan, Ltd.)	3.68%
		JACCS Co. Ltd. Employee Stock Ownership Association	2.90%
		RE FUND 107-CLIENT AC (Standing Proxy: Citibank, N.A., Tokyo Branch)	1.73%
		Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1.69%
		Mitsubishi UFJ Trust and Banking Corporation (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1.62%

(x) Relationship between the Company and this company	Capital relationship	- This company holds 39,000 shares of the Company. - The Company holds 1,693 shares of this company.
	Personnel relationship	Not applicable
	Business relationship	Provision of payment consulting services to this company
	Status as related party	Not applicable

3. Transaction details (actual results for the fiscal year ended December 2021)

Company name	Type of transaction	Net sales	Share in total net sales of the Company
JACCS Payment Solutions Co., Ltd.	Provision of fraud detection services	194,794 thousand yen	20.48%
JACCS Co., Ltd.	Provision of payment consulting services	133,215 thousand yen	14.01%

4. Future outlook

As the schedule date of discontinuation of the Business is September 30, 2023, the impact on the financial results of the Company for the fiscal year ending December 2022 is expected to be insignificant.

As for the impact on our financial results for the fiscal year ending December 2023, we plan to announce it at the time of the announcement of financial results for the fiscal year ending December 2022 and financial forecasts for the fiscal year ending December 2023, which is scheduled for February 2023, after careful evaluation based on the result of the ongoing negotiation with JACCS Payment Solutions Co., Ltd. and JACCS Co., Ltd. concerning the specific timing of the discontinuation of the Transactions as a result of the discontinuation of the Business.