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Cacco Inc. | Stock Code: 4166

November 14, 2022



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

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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

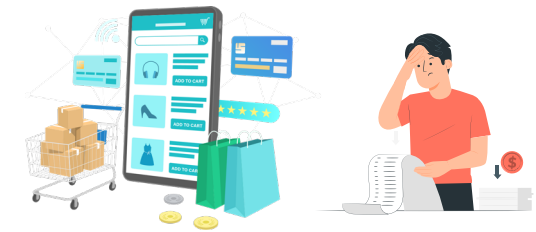


Unauthorized use
of credit cards

Unauthorized
access

Fraud crimes involving the misuse of information stolen

Online shopping
Fraudulent orders

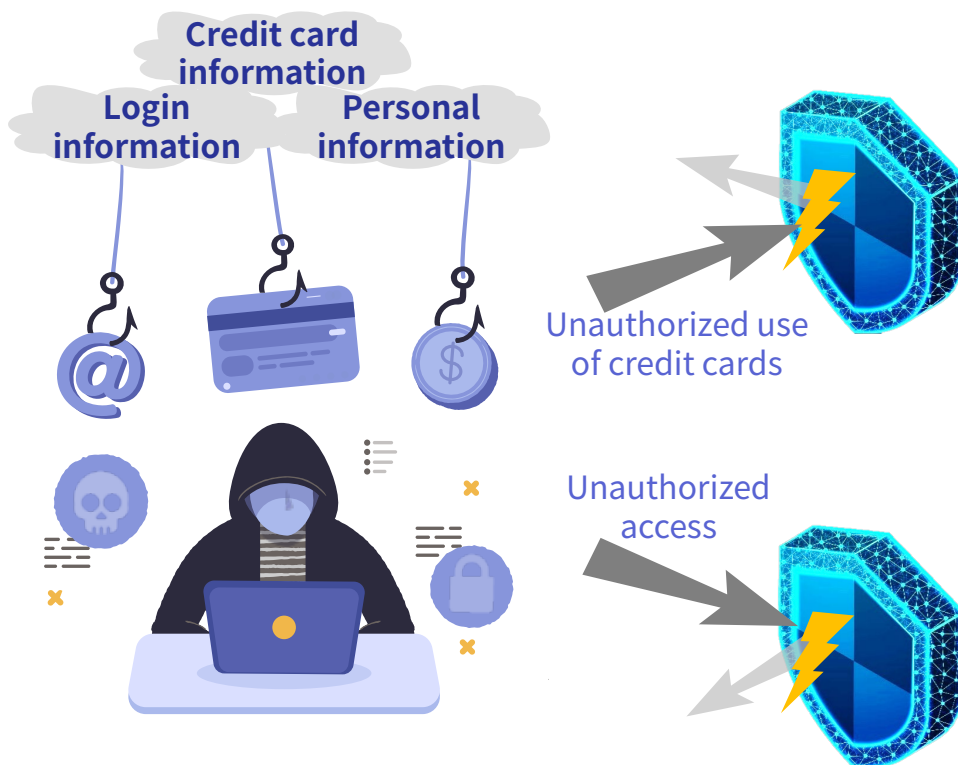


Internet banking
Unauthorized remittances



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.



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

Unauthorized Access Detection Service

O-MOTION

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

Safe and secure online shopping



Safe and secure internet banking



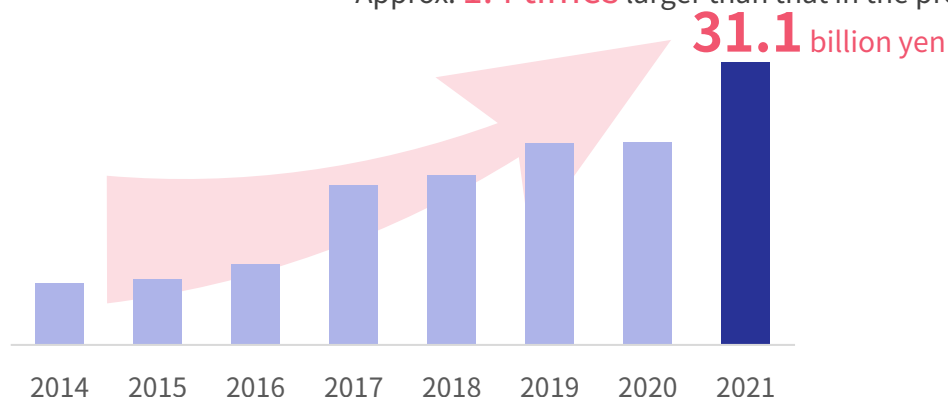
* TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service," (as of the end of May 2022)

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



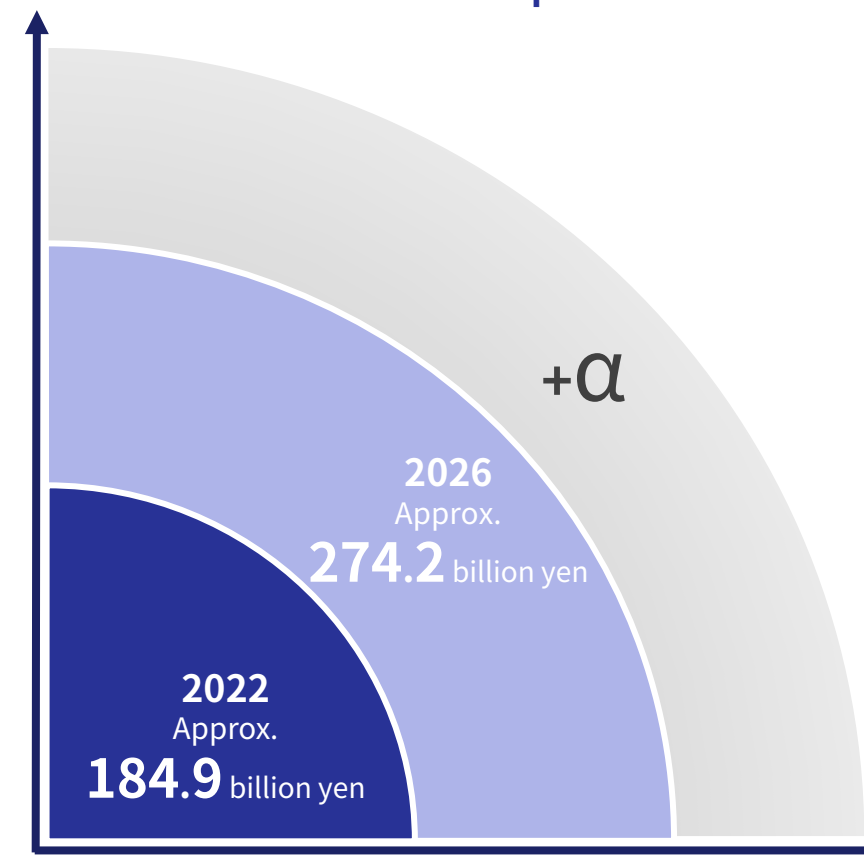
Source: Japan Consumer Credit Association, "Status of Damage from Unauthorized Use of Credit Cards," March 2022

Ranking of Fraudulent Activities after Unauthorized Access Has Occurred

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

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

Market Size of Fraud Detection Services in Japan

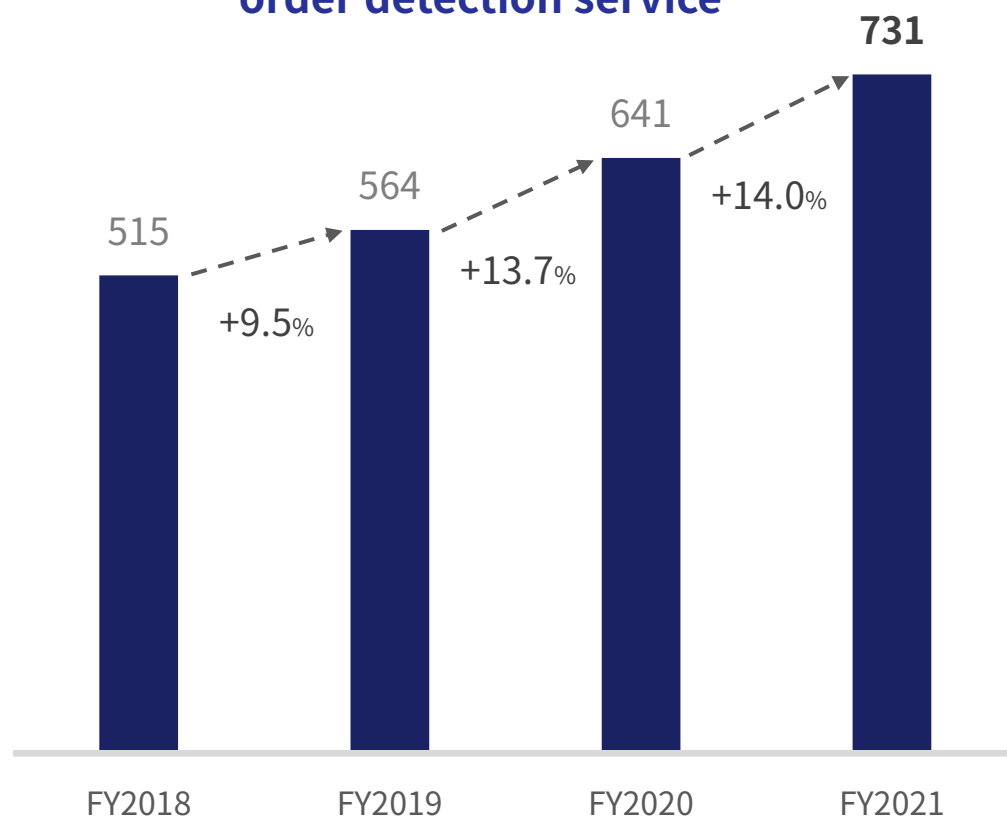


Source: "FRAUD DETECTION AND PREVENTION Global Market Trajectory & Analytics GLOBAL INDUSTRY ANALYSTS.INC. May 2021" (Calculated at \$1 = ¥110)

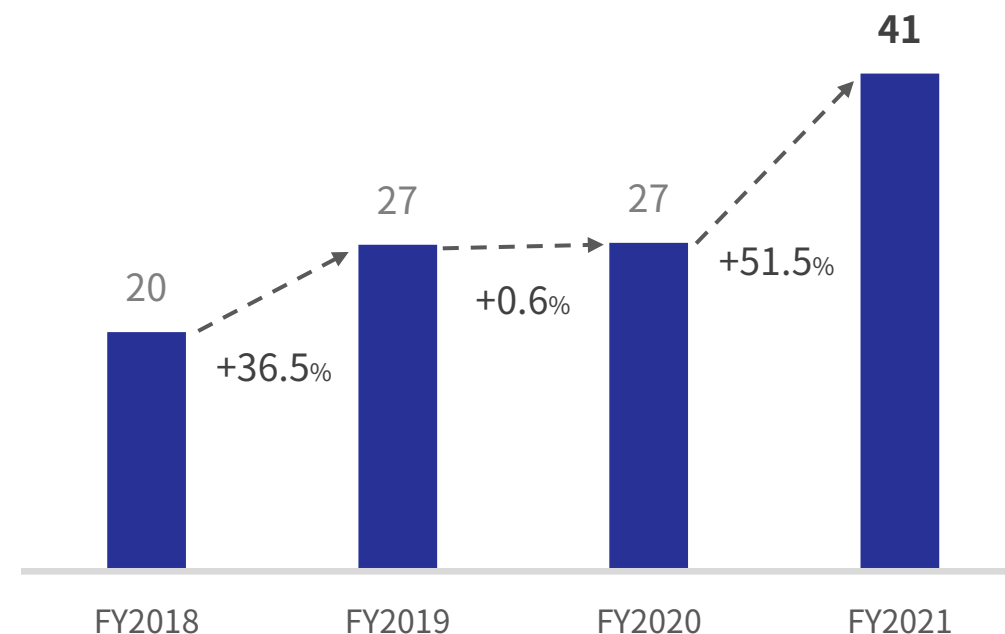
Sales of Cacco's fraud detection service are growing steadily in proportion to the rising social demand and the expansion of the market size of the fraud detection service market.

(Unit: million yen)

Sales of O-PLUX, a fraudulent order detection service



Sales of O-MOTION, an unauthorized access detection service



Cocco Evolutionary Purpose

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

The Cocco 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 of 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, Cocco will continue to strive to realize the Cocco Evolutionary Purpose and sustainably increase its corporate value.



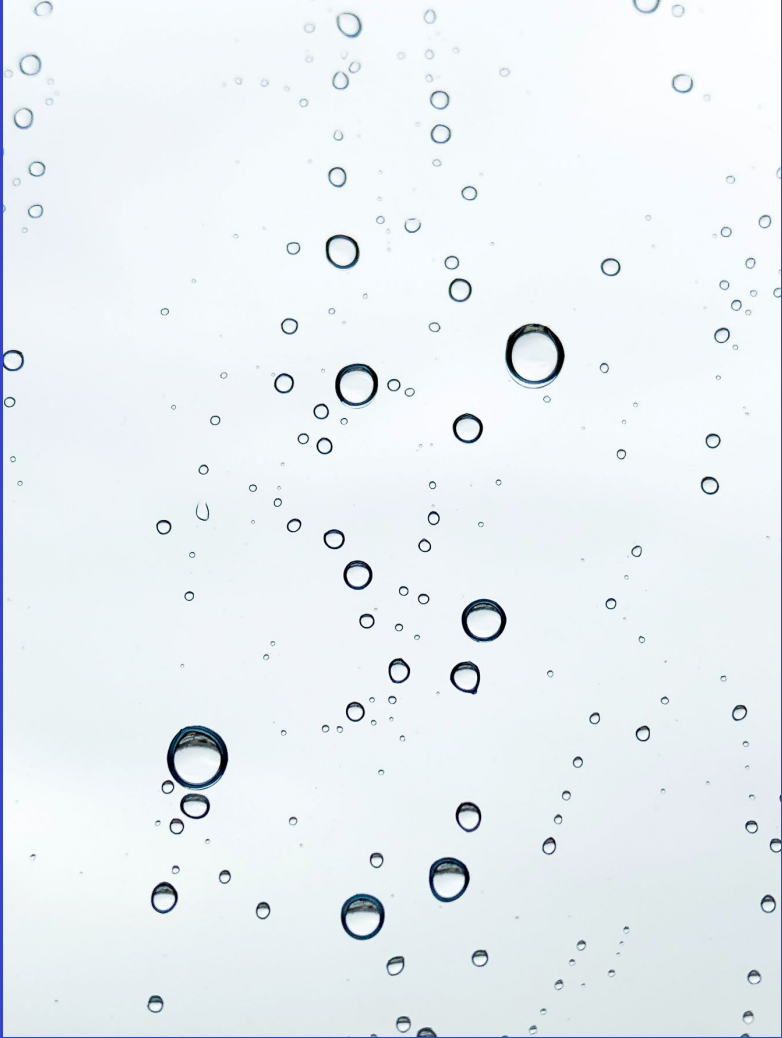
* TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service,”
(as of the end of May 2022)

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- 3 Forecast of Financial Results for FY2022
- 4 Appendix (Corporate Overview, Business Description, Other Materials for Reference)

Financial Results for FY2022 3Q

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



Financial Results for FY2022 3Q / Highlight

Net sales

796 million yen

YoY: **+16.2%**

Plan progress: **72.2%**

O-PLUX recurring revenue*

564 million yen

YoY: **+10.7%**

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

Ordinary income

123 million yen

YoY: **-14.5%**

Plan progress: **63.3%**

Rate of O-PLUX cancellations

0.17 %

YoY: **-0.04pt**

Business alliances and system connections



GeoTechnologies

*1



*2



NEO FINANCIAL SERVICES

*3

*1 A system connection between the address confirmation service of GeoTechnologies, Inc. and O-PLUX

*2 Start of collaboration with Syngula Inc. in the security business

*3 A business alliance with SBI Neo Financial Services Co., Ltd.

Financial Results for FY2022 3Q / Highlight of Business Results

(Unit: million yen)

	FY2021 3Q cumulative	FY2022 3Q cumulative	YoY	FY2022 Forecast	Progress
Net sales	685	796	+16.2%	1,102	72.2%
(Net sales of fraud detection services)	571	635	+11.1%	875	72.5%
Operating income	148	134	-9.4%	191	70.4%
(Operating income margin)	21.7%	16.9%	-4.8 pt	17.4%	-
Ordinary income	144	123	-14.5%	195	63.3%
(Ordinary income margin)	21.1%	15.6%	-5.6 pt	17.7%	-
Net income (Quarterly net income)	98	80	-18.0%	137	58.8%

Summary of Financial Results

Sales of fraud detection services were 635 million yen and overall sales were 796 million yen. As a result, plan progress reached 72.2%.

- ◆ With steady progress in the acquisition of new customers for fraud detection services, FY2022 3Q cumulative sales of these services amounted to 635 million yen (YoY: +11.1%) and overall sales amounted to 796 million yen (YoY: +16.2%).
- ◆ The income margin of each stage decreased year-over-year as depreciation increased due to the renewal of the O-PLUX architecture and we actively bore costs for initiatives to generate future revenue, such as a feasibility study and test marketing for business expansion in Southeast Asia. The income margin of each stage continued to be healthy excluding such factors.

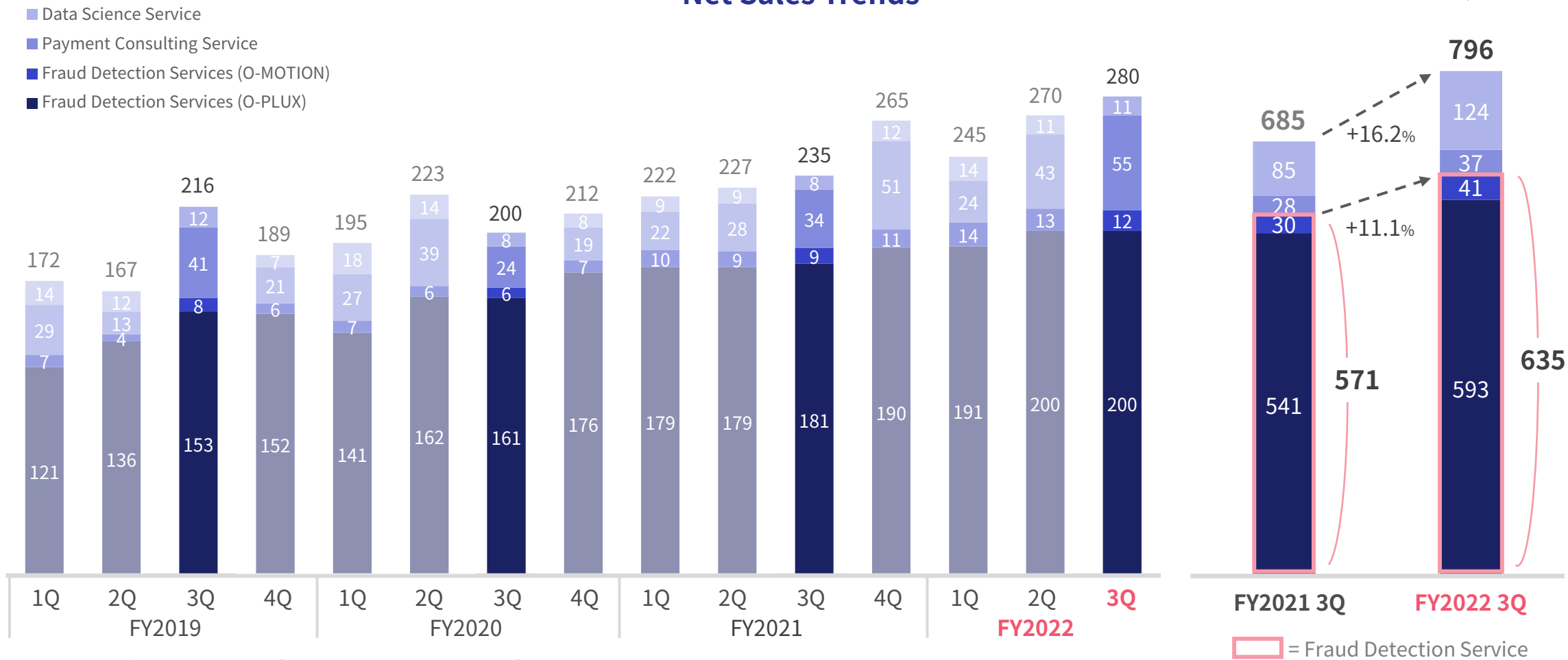
Financial Results for FY2022 3Q / Net Sales Trends

Overall sales amounted to **796 million yen** (YoY: +16.2%) and plan progress reached 72.2%.

- With steady progress in the acquisition of new customers for fraud detection services, FY2022 3Q cumulative sales of these services reached a record high at 635 million yen (YoY: +11.1%).

Net Sales Trends

(Unit: million yen)



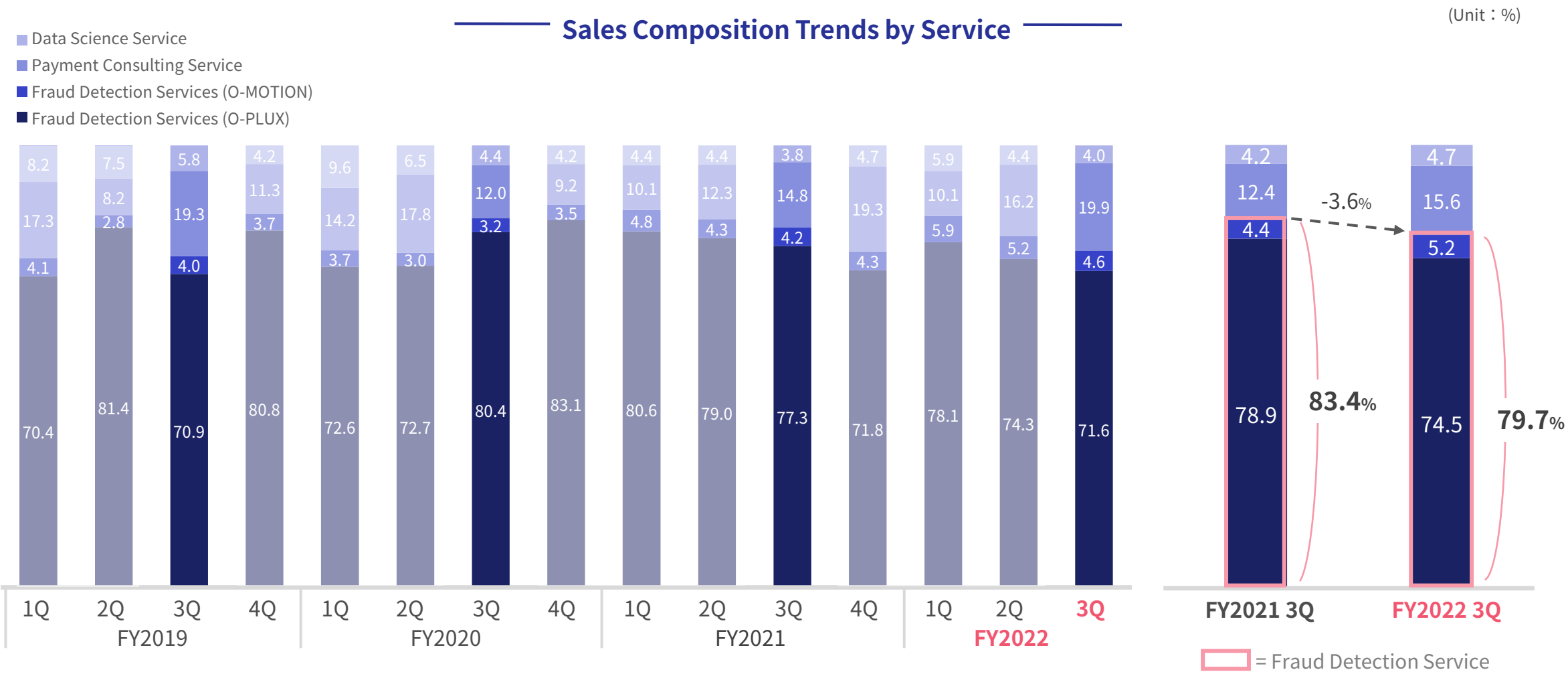
* No special demand was seen from the third COVID-19 state of emergency and onwards.

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Financial Results for FY2022 3Q / Sales Composition Trends by Service

The sales composition of fraud detection services, the core of our business, reached **79.7%** (down 3.6 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 3Q of FY2022 YoY, but the actual sales continued to grow steadily.

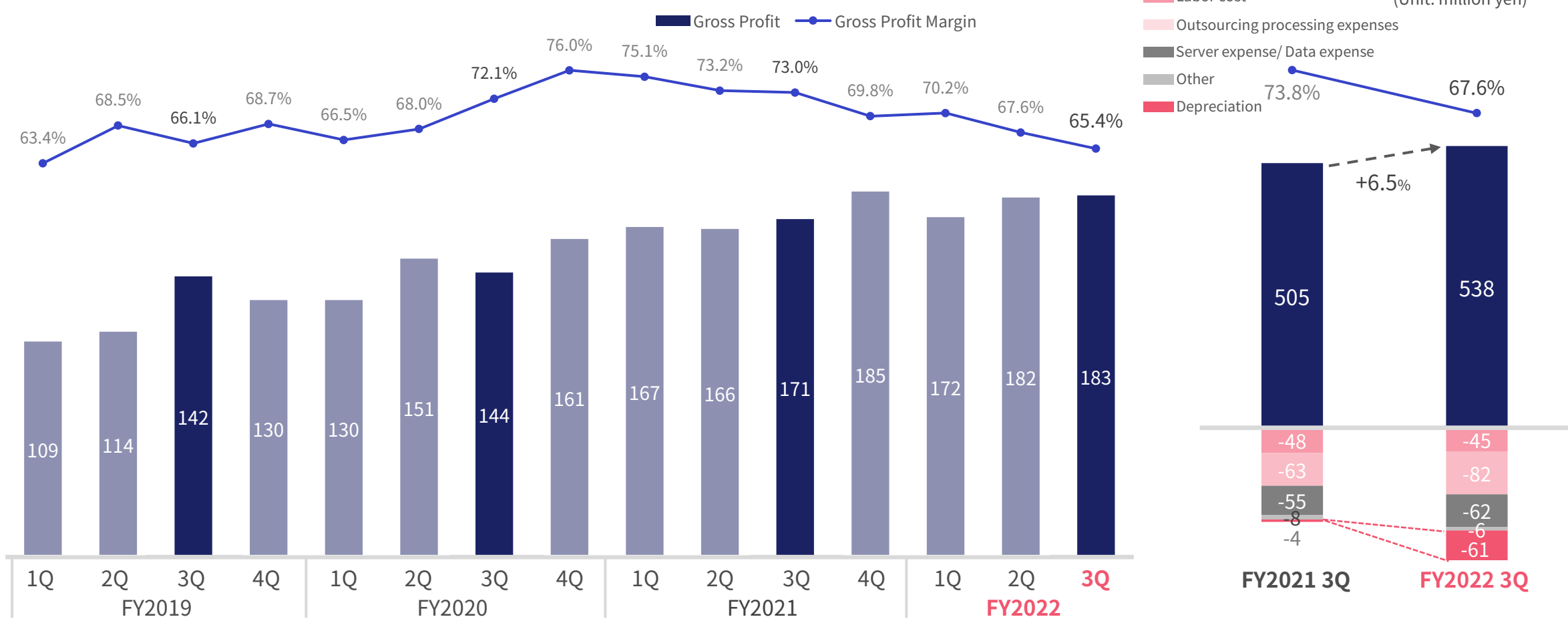


Financial Results for FY2022 3Q / Gross Profit Trends

Although the gross profit margin was **67.6%** (down 6.2 pt YoY) due to an increase in depreciation, gross profit in value terms expanded **by +6.5% YoY**.

Gross profit margin remained healthy excluding the effect of an increase in depreciation.

Gross Profit Trends



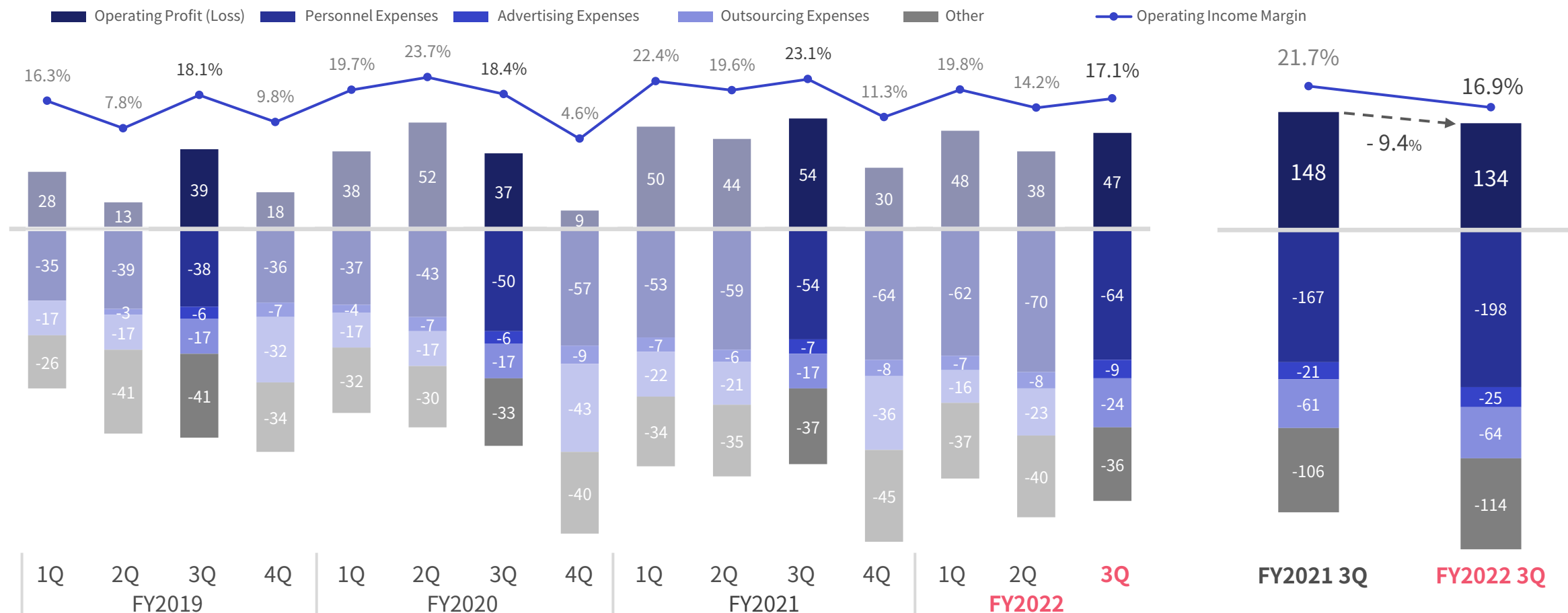
Financial Results for FY2022 3Q / Trends in Operating Income and Selling, General and Administrative Expenses

Operating income **decreased 9.4% YoY**, and the operating margin was **16.9%** (down 4.8 pt YoY).

- Despite a decline in gross profit margin (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. We also strengthened efforts on business expansion in Southeast Asia, aiming to achieve further revenue growth through workforce expansion focusing on sales marketing and customer success areas.

— Trends in Operating Income/Selling, General and Administrative Expenses —

(Unit: million yen)

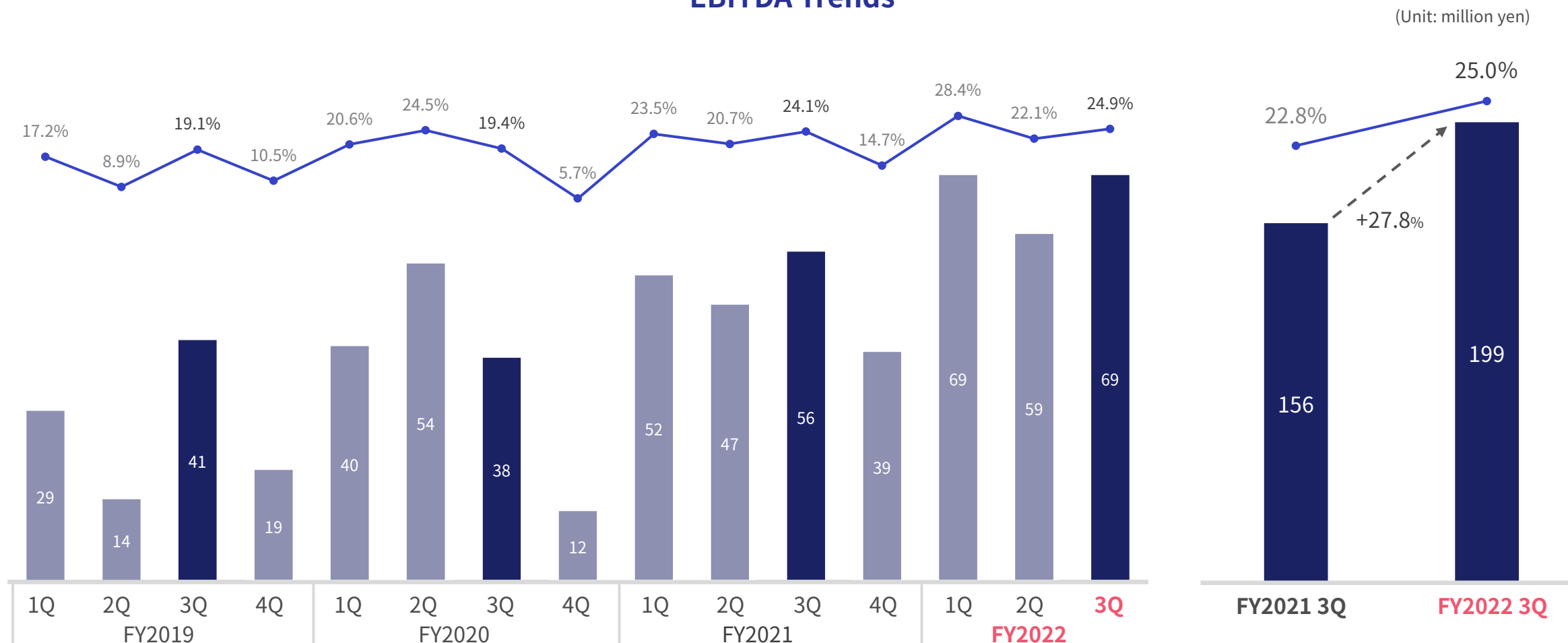


Financial Results for FY2022 3Q / EBITDA Trends

EBITDA increased to **199 million yen** (up 27.8% YoY) and EBITDA margin increased to **25.0%** (up 2.3 pt YoY).

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

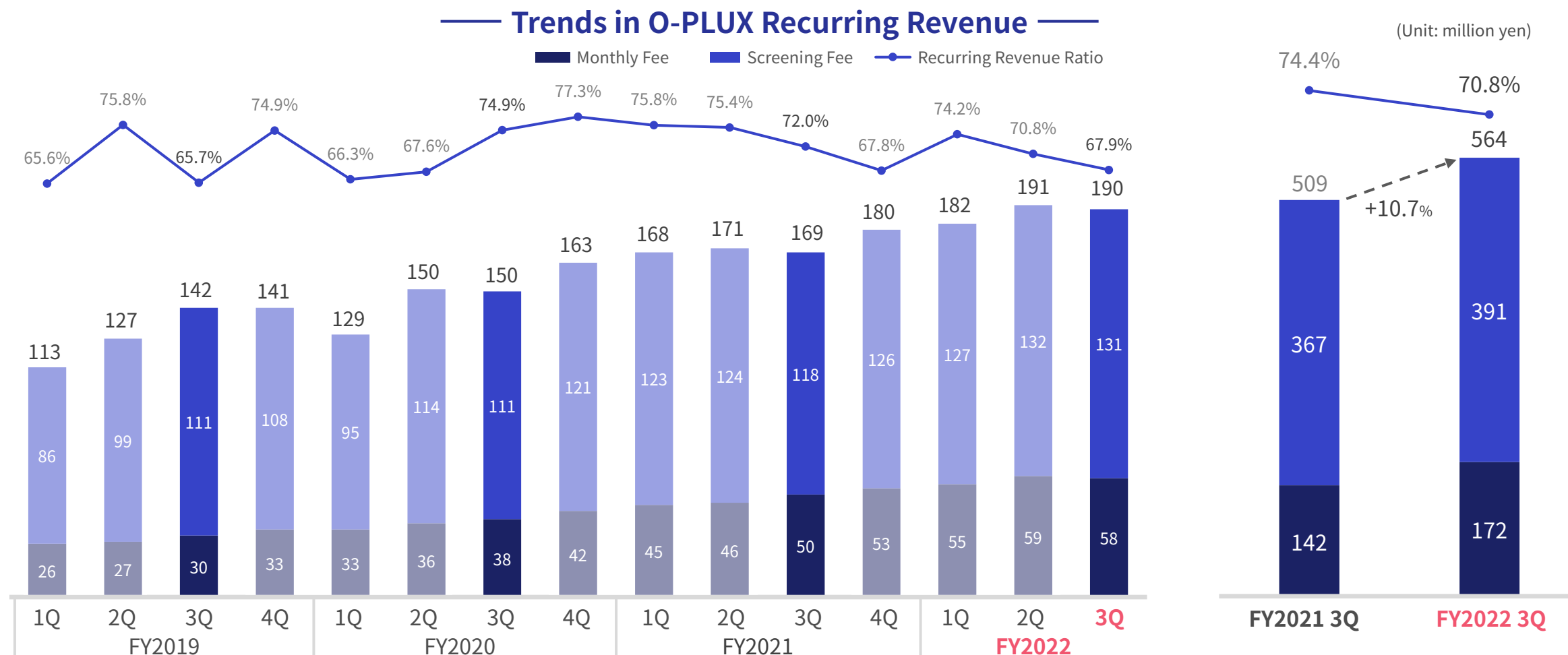
EBITDA Trends



Financial Results for FY2022 3Q / Trends in O-PLUX Recurring Revenue

O-PLUX recurring revenue increased **10.7% YoY**. Recurring revenue ratio stood at **70.8%** (down 3.5 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.



* 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)

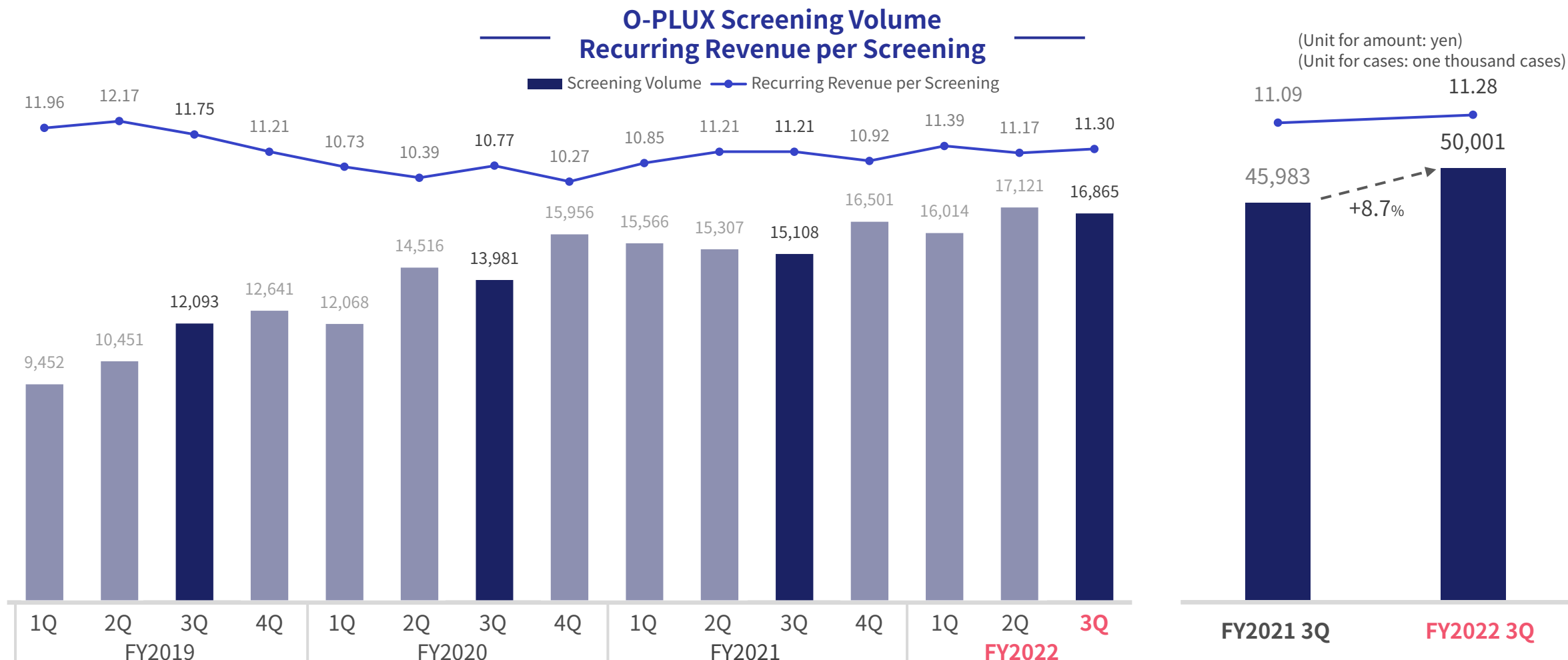
* Recurring revenue ratio = Recurring revenue/Net sales (total of all services)

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Financial Results for FY2022 3Q / Screening Volume Trends of O-PLUX

The screening volume of O-PLUX increased by **8.7% year-on-year**.

- Screening volume during FY2022 3Q continued to increase steadily due to steady progress in acquiring new customers from EC business operators.

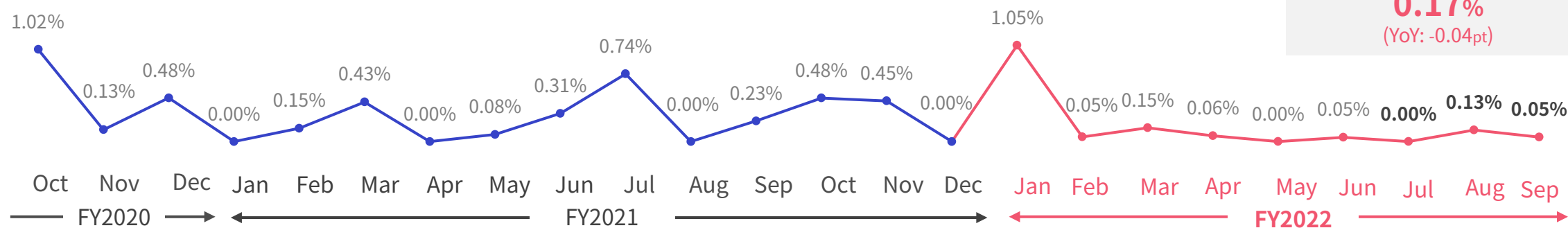


* Recurring revenue = Monthly fee charged as a fixed amount + Examination fee charged on a pay-per-use basis based on the number of examinations (including 不正チェッカー)

Financial Results for FY2022 3Q / Monthly Churn Rate for O-PLUX

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

Gross Churn Rate



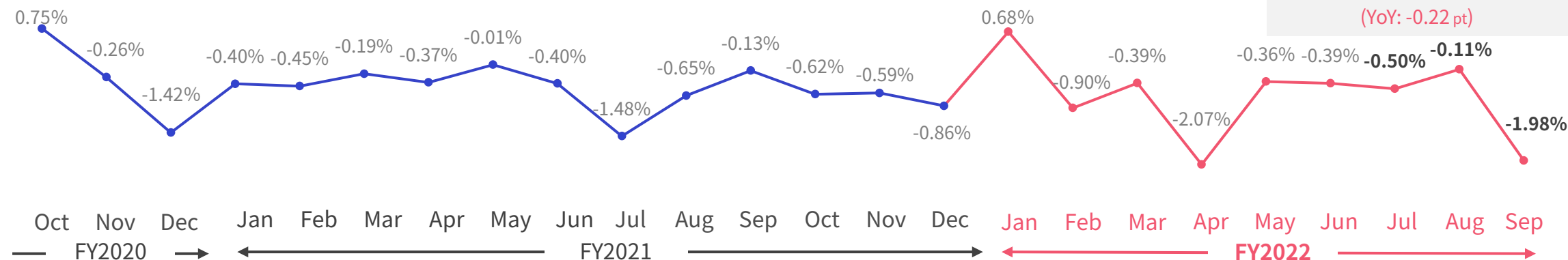
FY2022 3Q
cumulative average

0.17%

(YoY: -0.04pt)

* 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 3Q
cumulative average

-0.67%

(YoY: -0.22 pt)

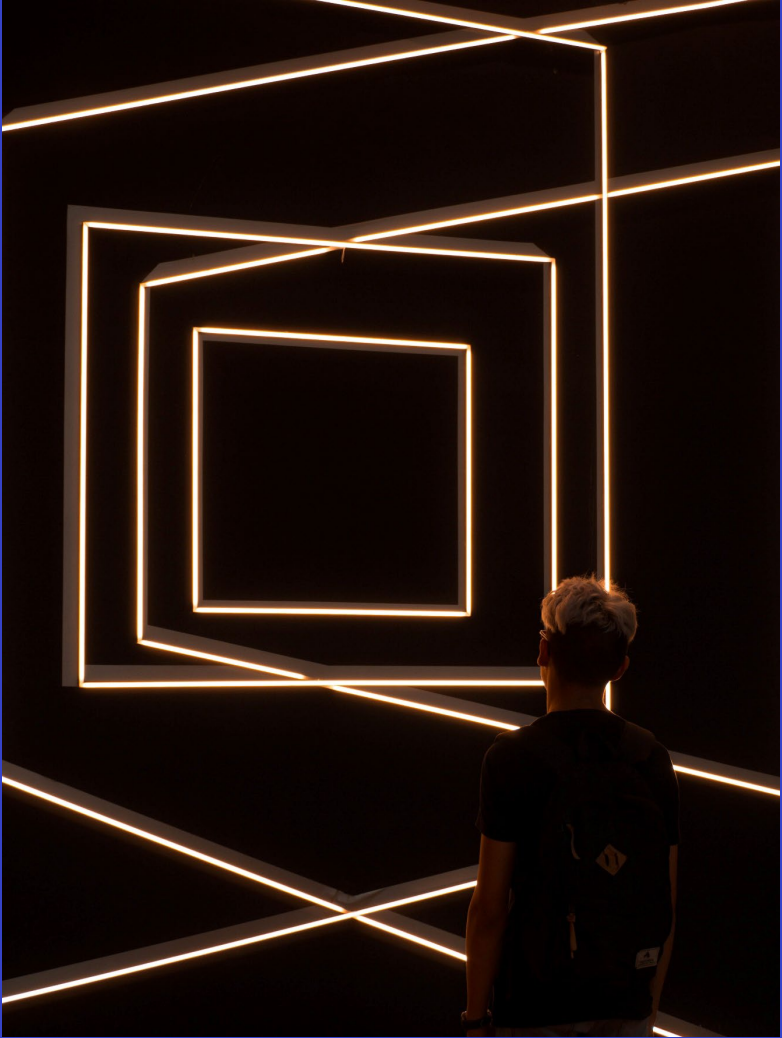
* Net churn rate = (annual average of MRR from the clients who churned in the current month - MRR from new contracts for current month) / MRR at the beginning of the current month

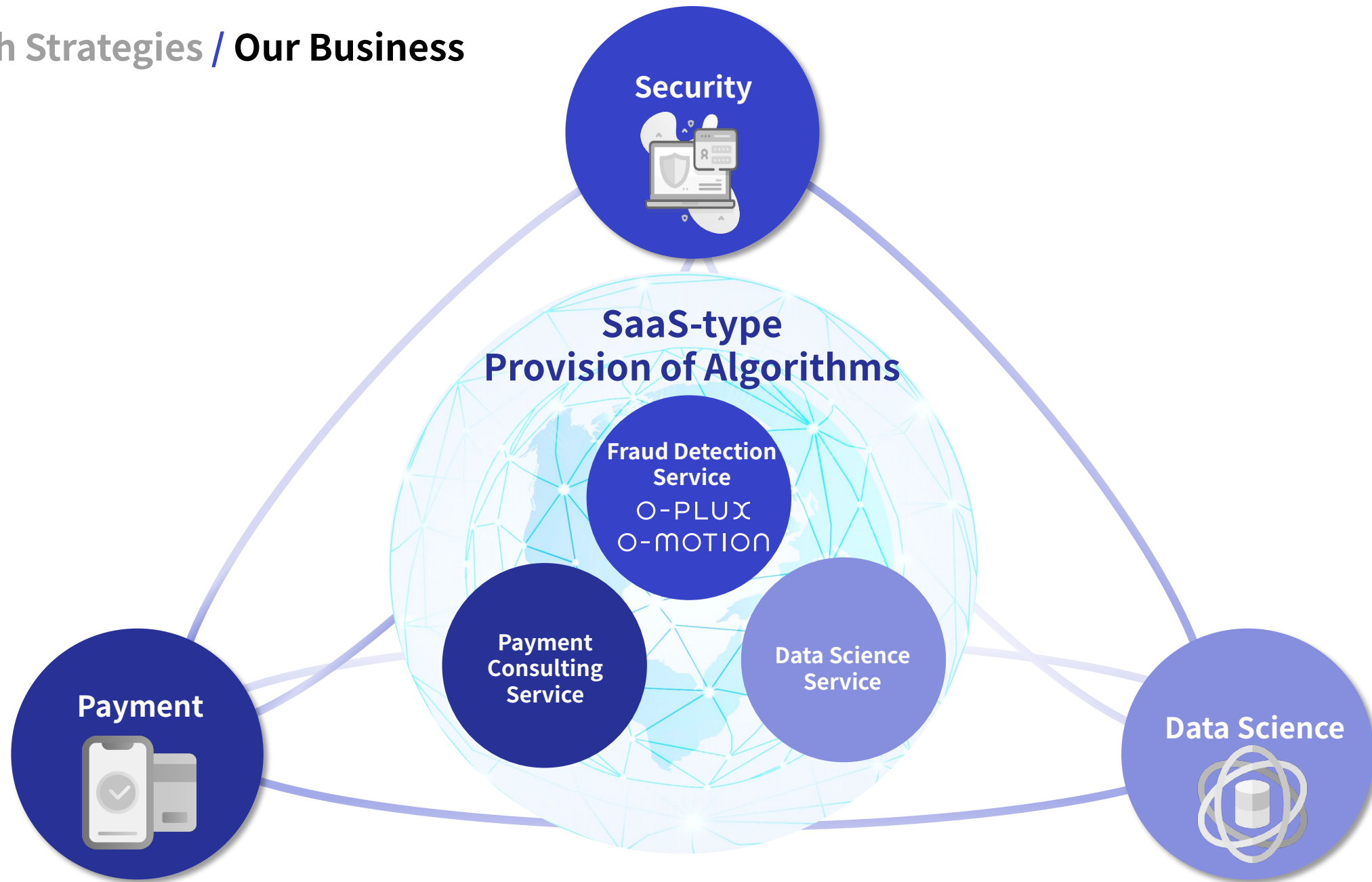
Financial Results for FY2022 3Q / Balance Sheet

(Unit: million yen)

	FY2022 2Q	FY2022 3Q	Change	Main Drivers
Current assets	986	1,016	+3.0%	Increase in cash and deposits
(Cash and deposits)	846	894	+5.7%	
Non-current assets	470	459	-2.4%	
Total assets	1,457	1,476	+1.3%	
Current liabilities	121	120	-1.3%	
Non-current liabilities	-	-	-	
Net assets	1,335	1,355	+1.5%	Increase in retained earnings due to recording of quarterly net income
Capital ratio	91.4%	91.6%	+0.2 pt	

Growth Strategy





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

A SaaS-type settlement system that requires no initial investment is scheduled for release in 4Q of 2022. We aim to further develop the BNPL market with this system.

Data Science Service

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

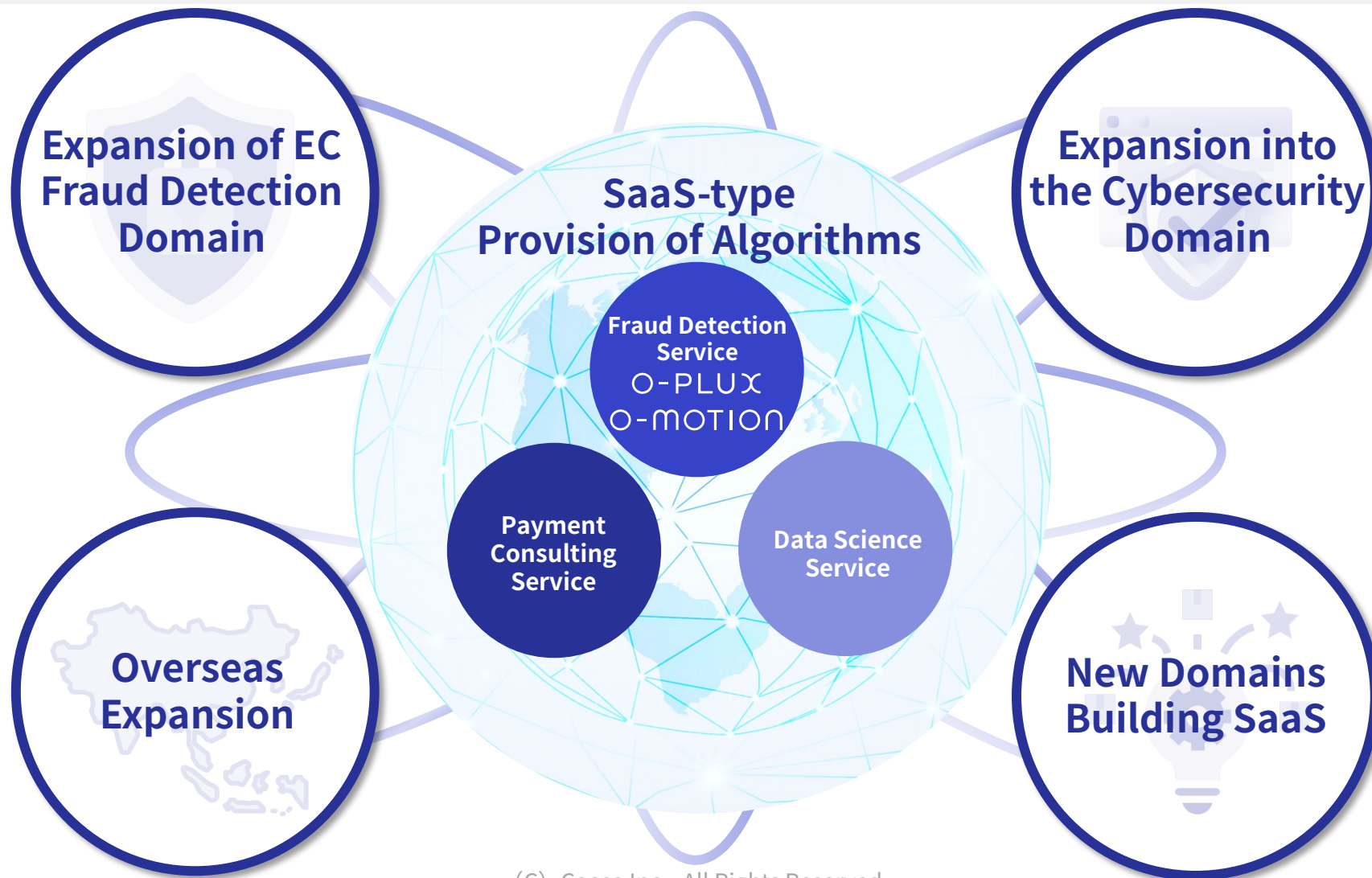
SAKIGAKE KPI

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

Growth Strategies / Four Strategies for Business Expansion

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



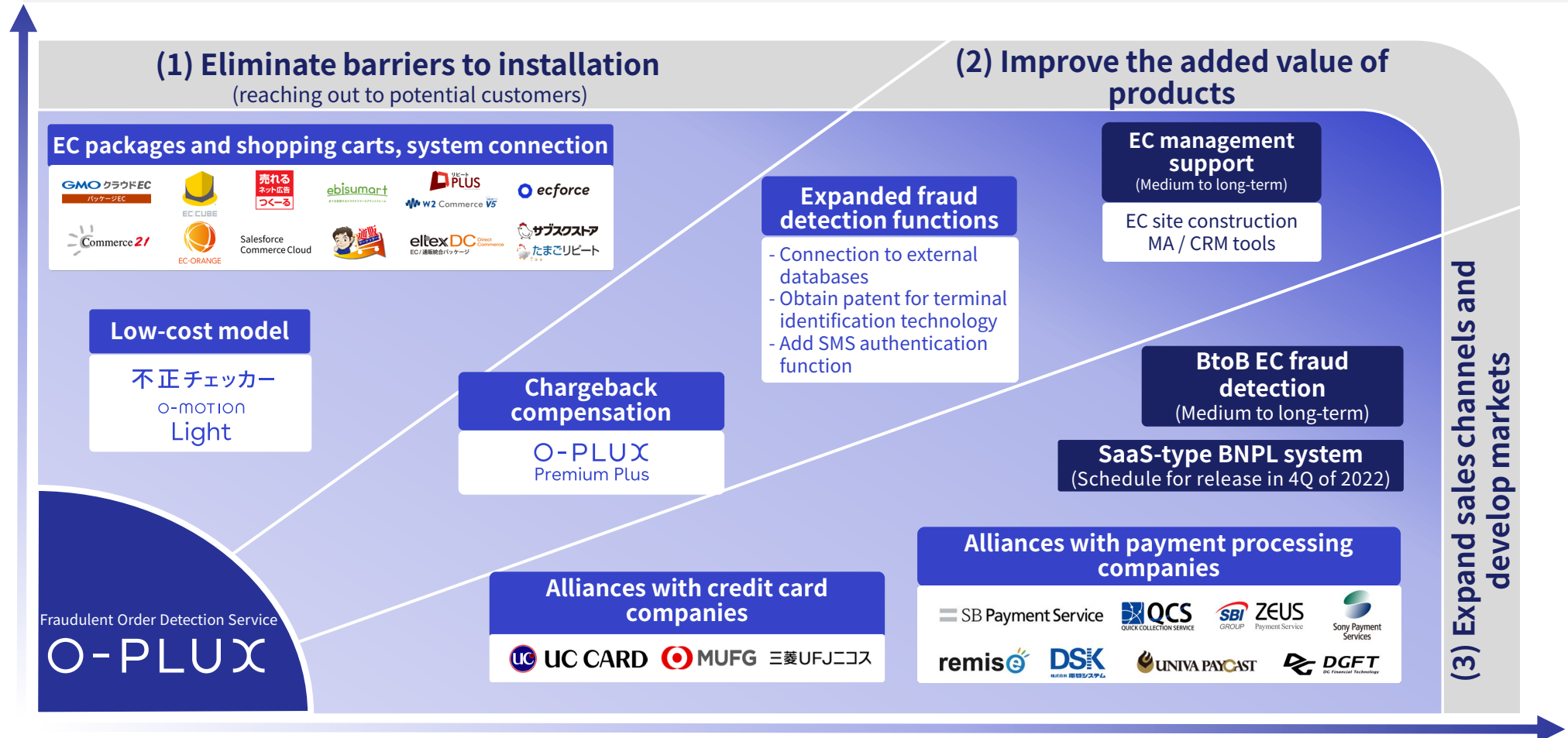
Growth Strategies / Expansion of EC Fraudulent Detection Domain

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



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.

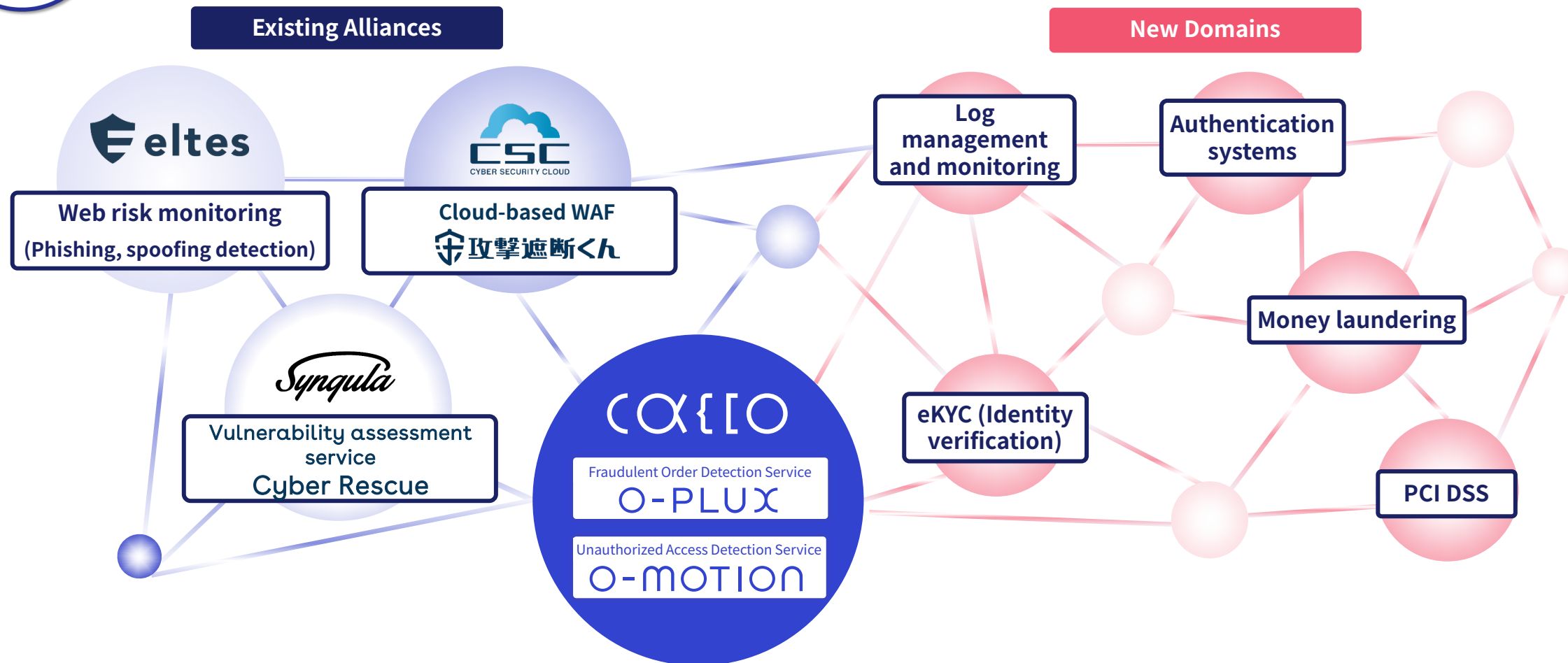
Three strategies will be implemented to achieve further growth of O-PLUX.



Growth Strategies / Expansion into Cyber Security Domain

Expansion
into the
Cybersecurity
Domain

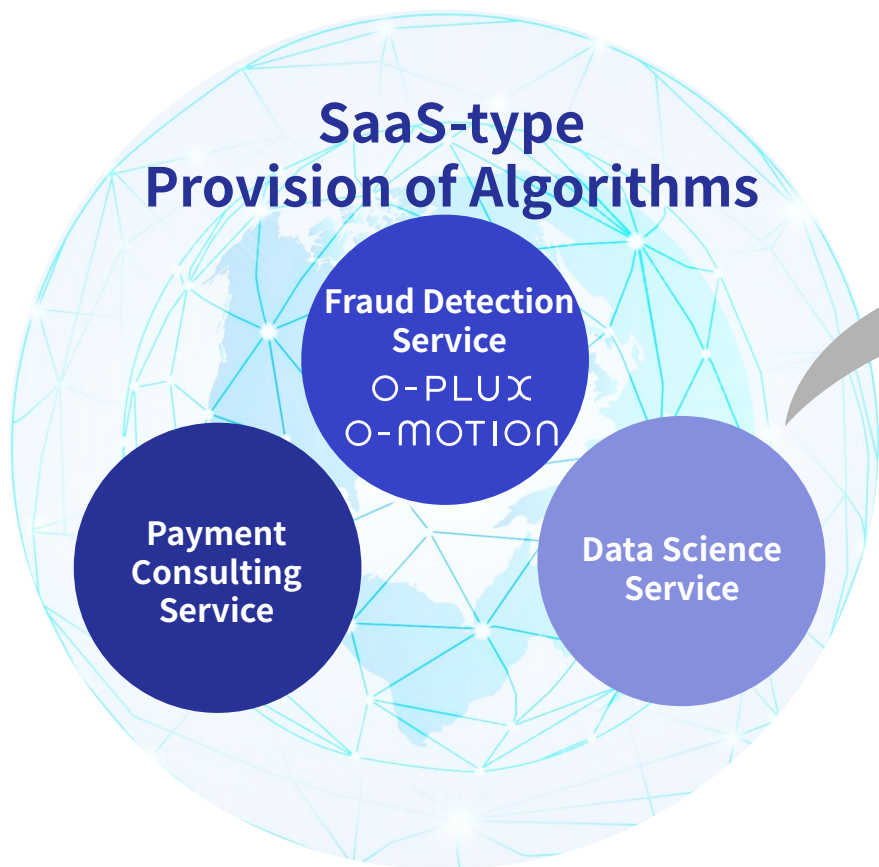
We will expand business into the cyber security domain with an eye on M&A and alliances as well as technological development.



Growth Strategies / 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.



Loan funding



E-Commerce



Mobile payment and BNPL

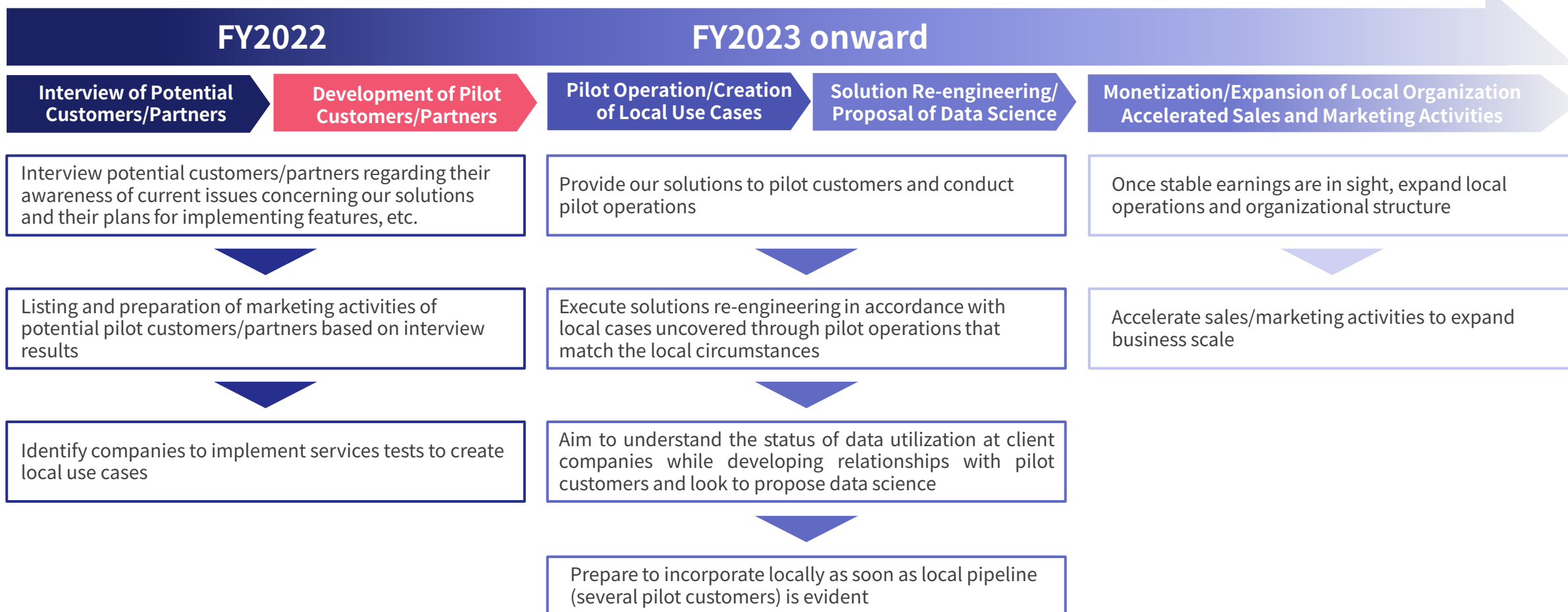


Crypto assets

Growth Strategies / Roadmap for Overseas Expansion



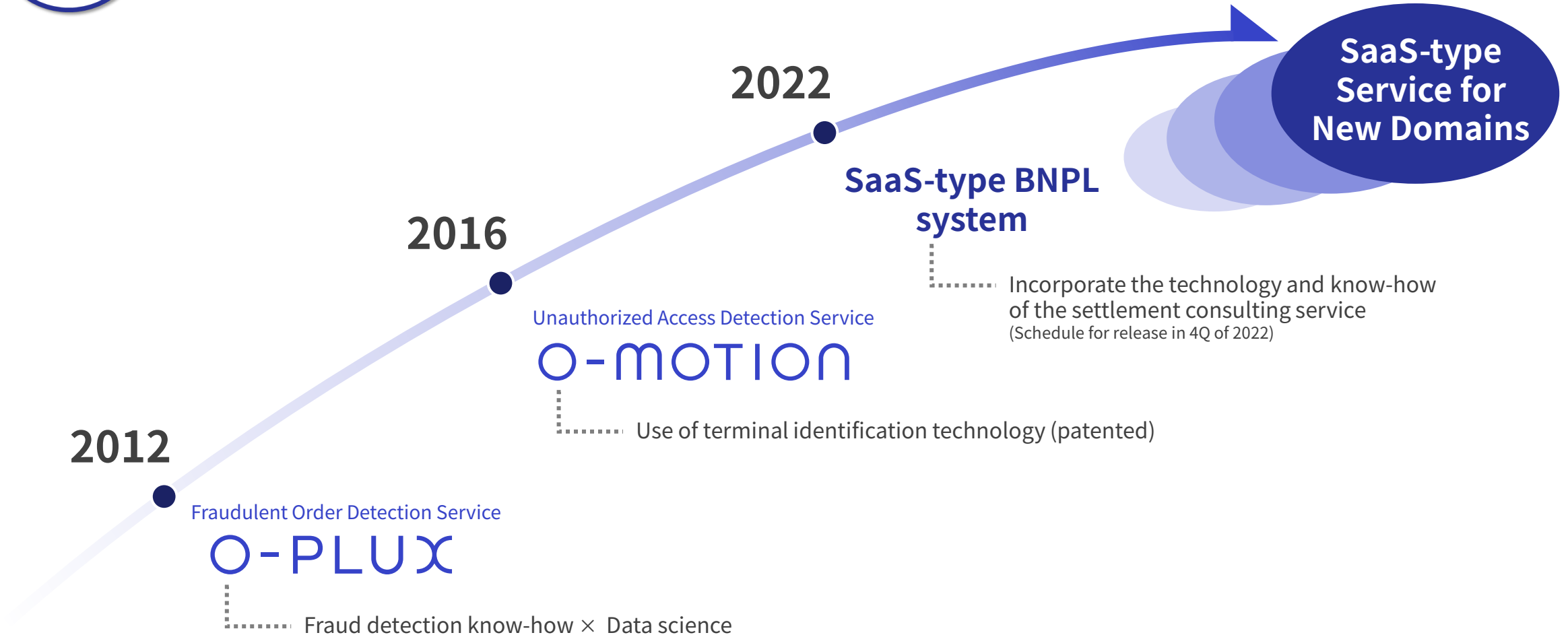
We have completed our research of the Southeast Asian market and interviews with potential customers/partners. Subsequently, we are in the process of identifying companies to implement service tests in order to create local use cases.



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



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.



Changes in Society and Realization of Management Vision

Cacco Evolutionary Purpose

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

A world where innovative challenges are accelerated by advanced risk control

Fraud prevention becomes the standard for the market

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

Measures only for apparent damage

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

As of the end of FY2021

Four Growth Strategies

Building SaaS in New Domain

Building SaaS in a new domain, by accumulating knowledge in various fields based on data science

Overseas Expansion

Expanding our services and know-how to Southeast Asia

Expansion into the Cybersecurity Domain

Expanding the cyber security domain through technology development and alliances

Expansion of EC Fraud Detection Domain

- (1) Eliminating barriers to installation
- (2) Improve the added value of products
- (3) Expand sales channels and develop markets

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



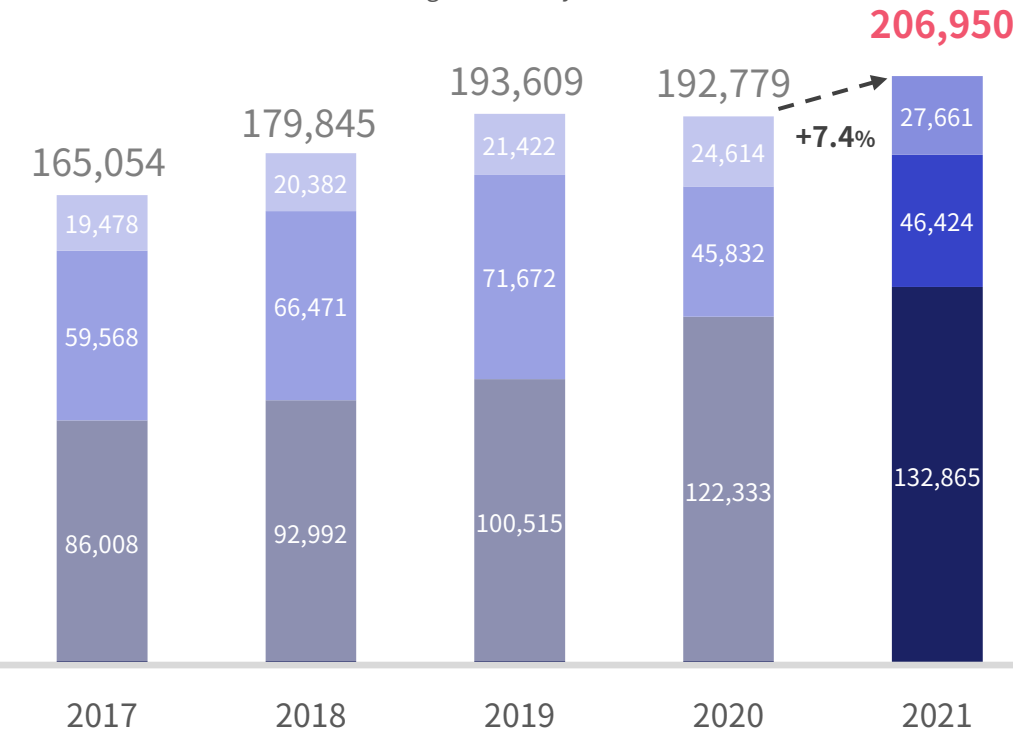
Credit card fraud (number theft) is increasing proportionally with the growth of the EC market.

- Social demand for anti-fraud measures, such as the revision of the Installment Sales Act and publication of the “Credit Security Measures Vision 2025,” is increasing.

Scale of BtoC and EC Market in Japan

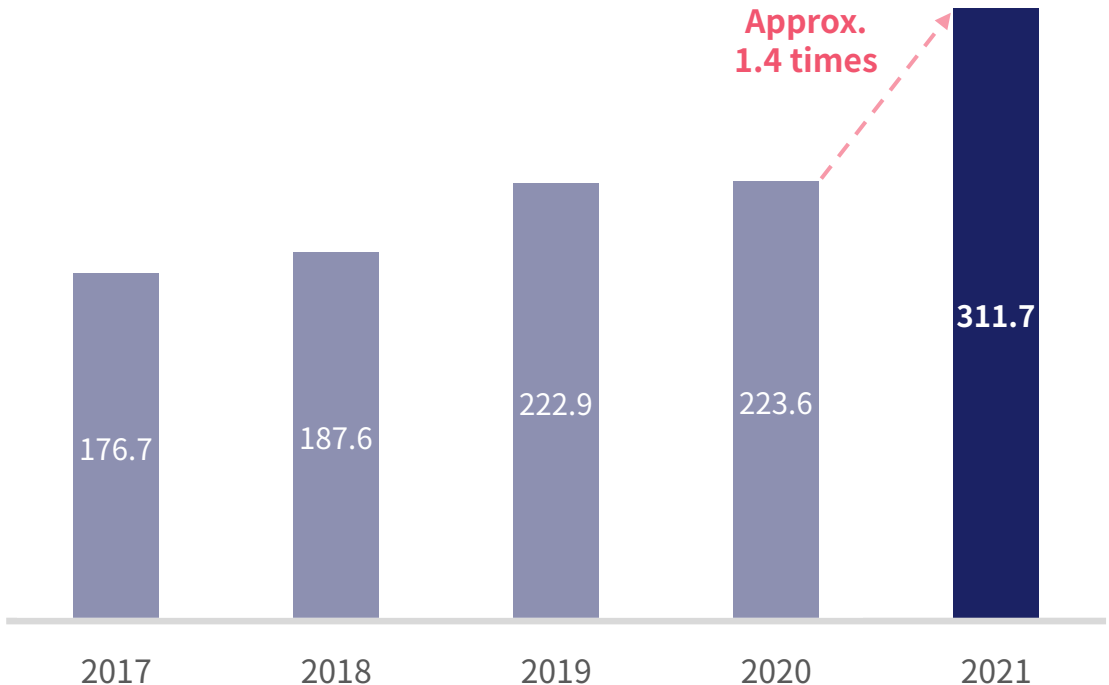
(Unit: 100 million yen)

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



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

(Unit: 100 million yen)



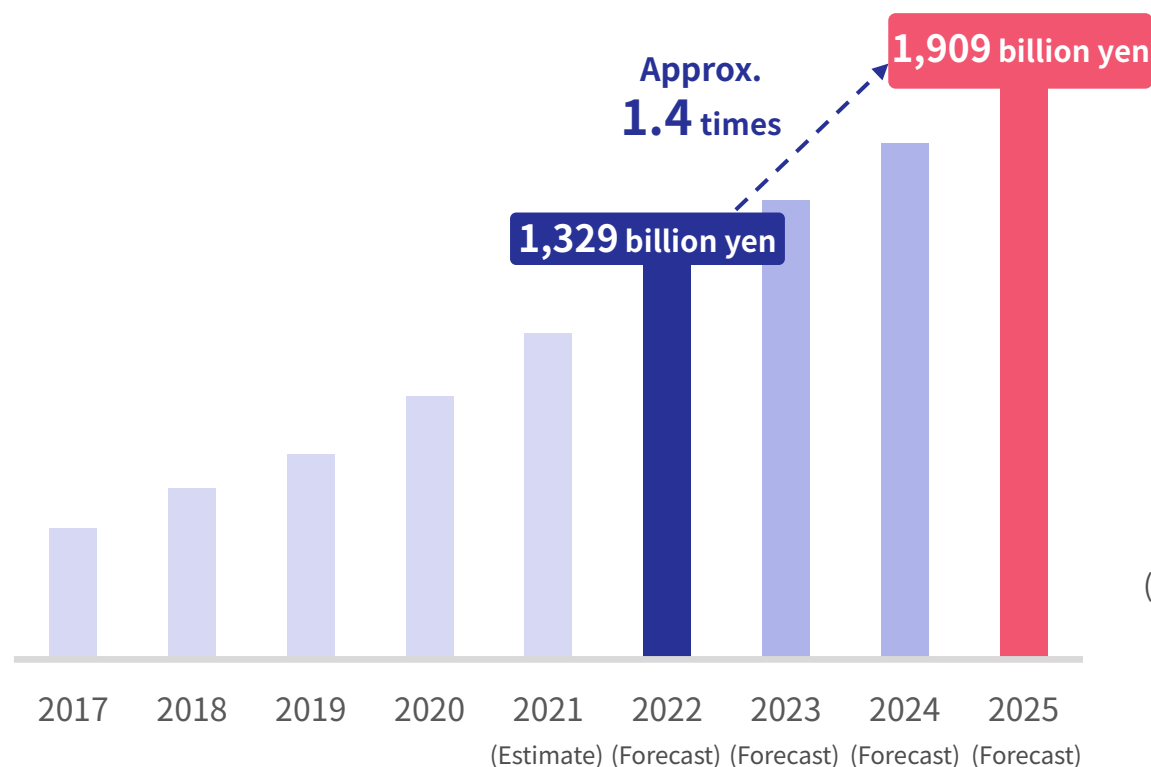
Source: Ministry of Economy, Trade and Industry, Commerce and Information Policy Bureau, Information Economy Division, “FY2021 Report on Commissioned Industrial and Economic Research (Market Research on Electronic Commerce).”
Japan Consumer Credit Association, “Status of Damage from Unauthorized Use of Credit Cards,” March 2022

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Growth Strategy / Market Scale / Expansion of the BNPL Market

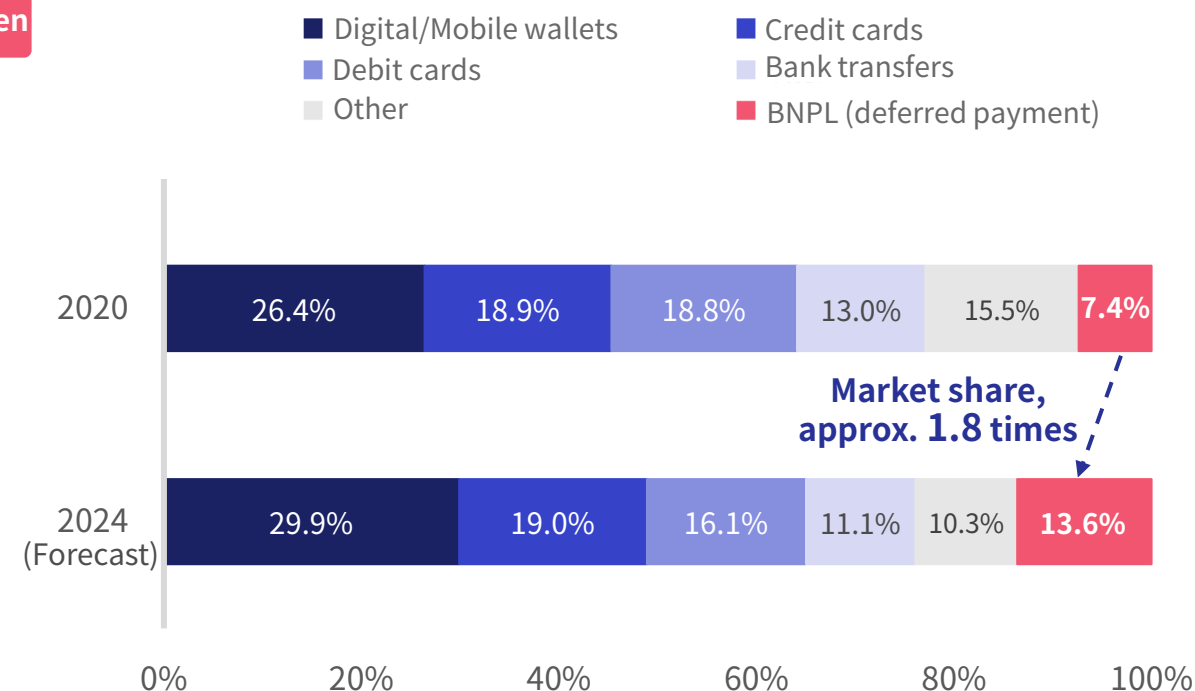
The BNPL market is growing continuously both domestically and internationally, and its use is expected to expand further in the future.

Domestic BNPL Market Trends



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

Forecast of BNPL Utilization in North America



Source: Worldpay, "Global Payments Report 2021"

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

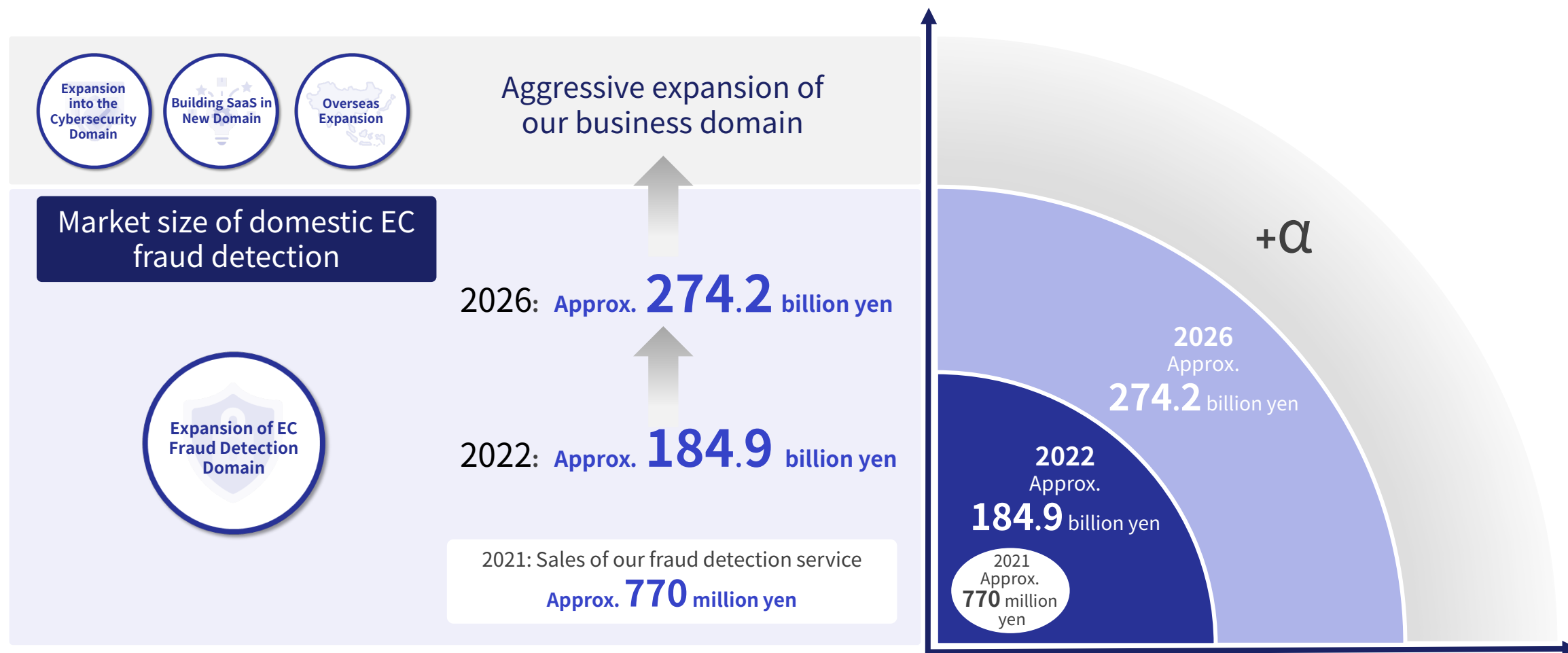
1st place	Unauthorized remittances through Internet banking	45.7%
2nd place	Unauthorized purchases from Internet shopping	23.0%
3rd place	Unauthorized acquisition of information, such as snooping on e-mails	11.5%
4th place	Sending information while pretending to be an acquaintance	4.7%
5th place	Tampering 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
September 2022	Major furniture company	Unauthorized access to the authentication program of a smartphone app provided by the company to customers may have resulted in a leakage of account information of about 132 thousand accounts.
August 2022	Major travel agency	Virus infection of terminals that manage unmanned check-in at hotels operated by the company may have resulted in a leakage of personal information of 34,425 persons.
August 2022	Major marketing company	The online shopping website operated by the company became a target of a cyberattack from outside. As a result, credit card information of 18,136 users who paid for a purchase by credit card on the website in the past may have been leaked.
August 2022	Staffing agency	Unauthorized access to the server operated by the company to manage persons registered for temporary staffing services has resulted in a leakage of personal information of 21,751 persons. It has also been confirmed that these persons have received unsolicited emails afterwards.
August 2022	Fisheries cooperative	Infection with Emotet of the PC dedicated to the online shop of direct sales stores operated by the cooperative may have resulted in an external leakage of about 50,000 email addresses.
August 2022	Major staffing agency	The qualifying examination application website of the company became a target of a cyberattack. As a result, up to 298,826 email addresses of service users may have been leaked.
July 2022	Manufacturer of industrial mats	Unauthorized access to an internal server operated by the company may have resulted in a leakage of customer information of up to 40,600 customers held by the Company.
July 2022	Gift EC company	The online shop operated by the company became a victim of a cyberattack, which may have resulted in a leakage of credit card information of up to 28,700 customers and registered information of up to 150,236 members of the online shopping website.

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

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



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



Forecast of Financial Results for FY2022

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

Forecast Financial Results for FY2022 / Summary

(Unit: million yen)

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

Net sales +15.9% YoY

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

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

Ordinary income +14.5% YoY

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

Appendix



Appendix / Notice of Discontinuation of the Provision of Services to Major Business Partners (Released on November 9, 2022)

The deferred-payment settlement service business provided by JACCS Payment Solutions Co., Ltd., a major business partner of the Company, is scheduled to be discontinued on September 30, 2023. As a result, transactions with the company and JACCS Co., Ltd. are expected to be discontinued.

1. Background

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.

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

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

3. 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.

Appendix / Notice of Dissolution of a Capital and Business Alliance and Change in (Sale of) an Equity Method Affiliate

(Release on November 14, 2022 (Today))



All shares of Recovery Co., Ltd., an affiliate accounted for by the equity method, are to be transferred to dissolve the capital and business alliance with the company.



Powered by  uberall

After much consultation between these parties concerning the capital and business alliance between them, they have reached an understanding that both of them have achieved some satisfactory results and that it is desirable for both of them to be able to promote their own growth strategies in a flexible manner. For this reason, at its meeting held on November 14, 2022, the Board of Directors of the Company has resolved to dissolve the capital and business alliance with Recovery Co., Ltd., an affiliate accounted for by the equity method of the Company (equity contribution ratio: 38.46%), and sell all equity interest of the Company in the affiliate.

Although the capital relationship between the two companies will be dissolved, the service referral agreement between them will continue to be in force to maintain the good relationship that has been developed between them.

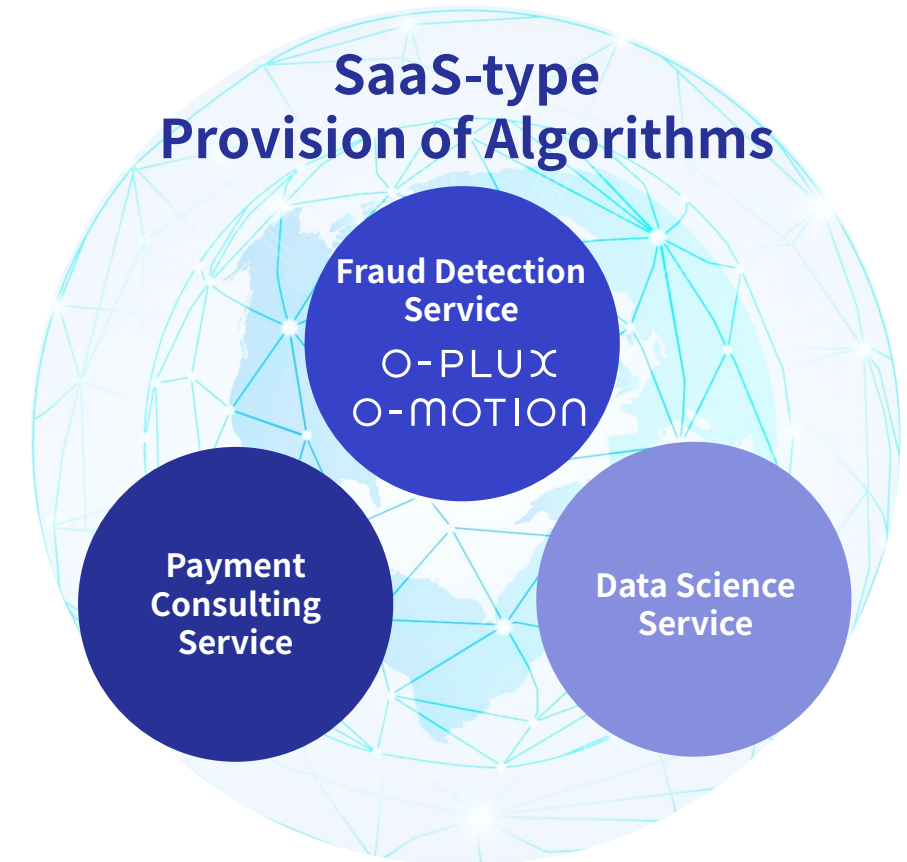
The impact of this matter on the Company's financial results for the current fiscal year is expected to be insignificant.

Appendix / Company Profile

Company name:		<u>Cacco Inc.</u>
Representative:		Hiroyuki Iwai, Representative Director, President and CEO
Business description:		Provision of SaaS-type Algorithms (Fraud detection services, payment consulting services, and data science services)
Capital:		365,308,435 yen *as of October 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)

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 TSE Growth Market |
| 2021 | • October | Formed a capital and business alliance with Eltes Co., Ltd. |



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

1

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

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

2

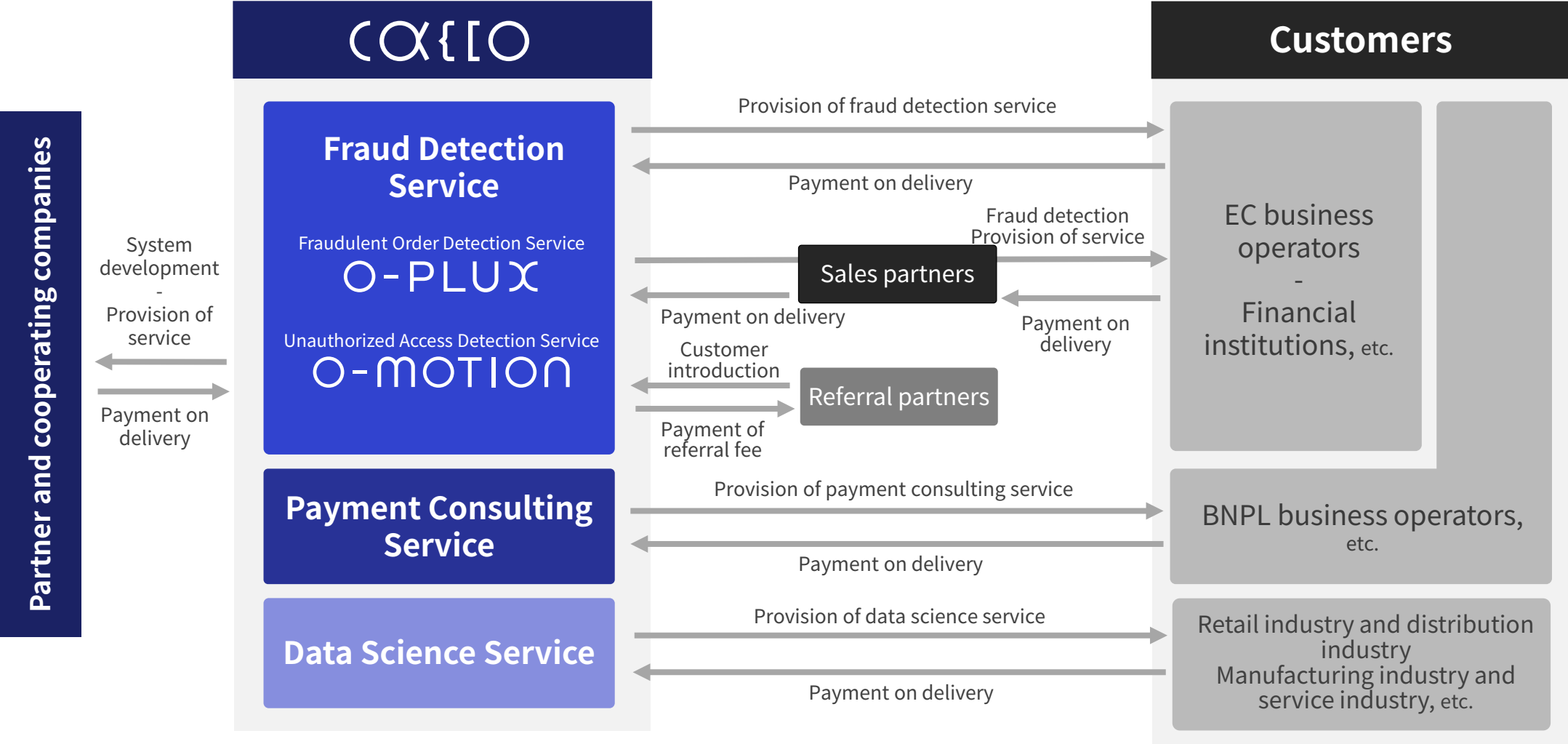
Top* selling services in the EC and payment domains in Japan

(*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 70.8% of our total sales in FY2022 3Q cumulative)

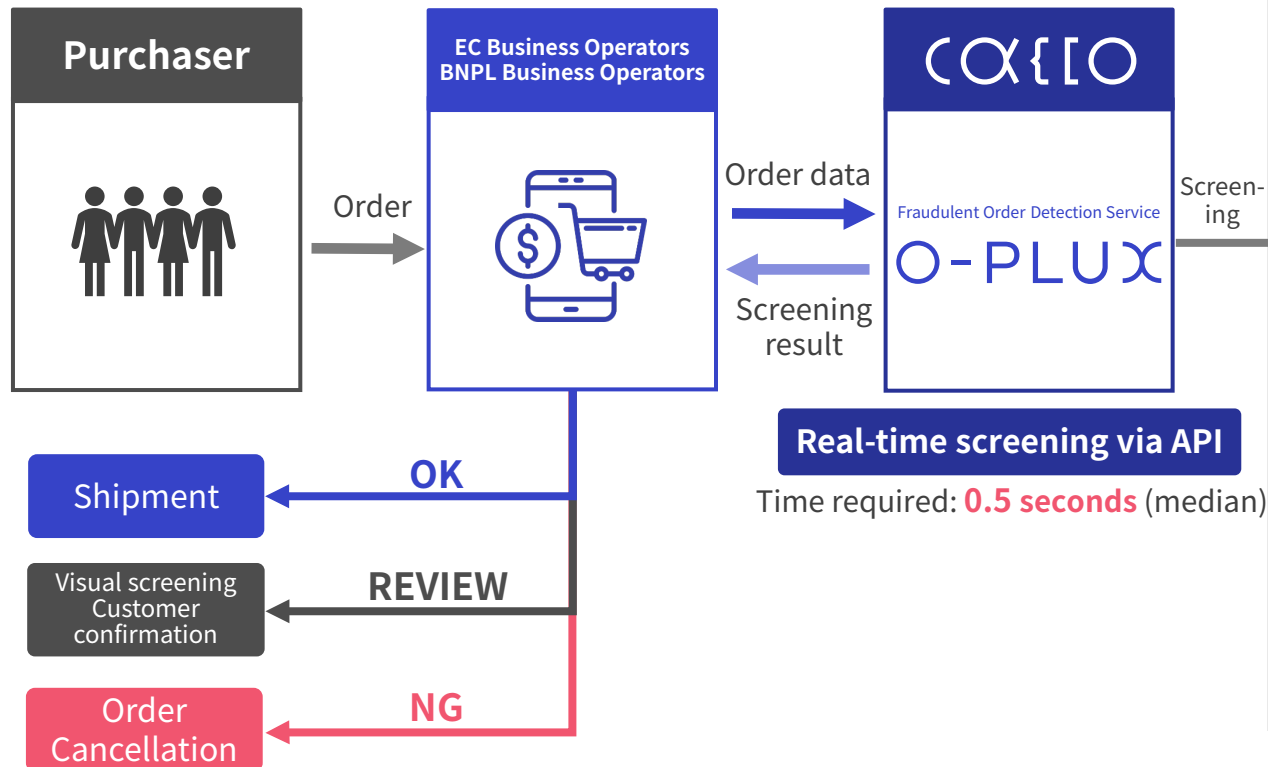


Appendix / Overview of O-PLUX Fraudulent Order Detection Service



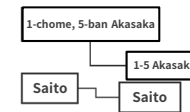
SaaS-type service that uses a unique screening model to detect fraudulent orders in real time such as payments in arrears in EC.

Screening Process



Main Screening Functions

Normalization of Name and Address Notation



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



External DB Linkage



Behavioral Analysis



Shared Negative Data



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

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.

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

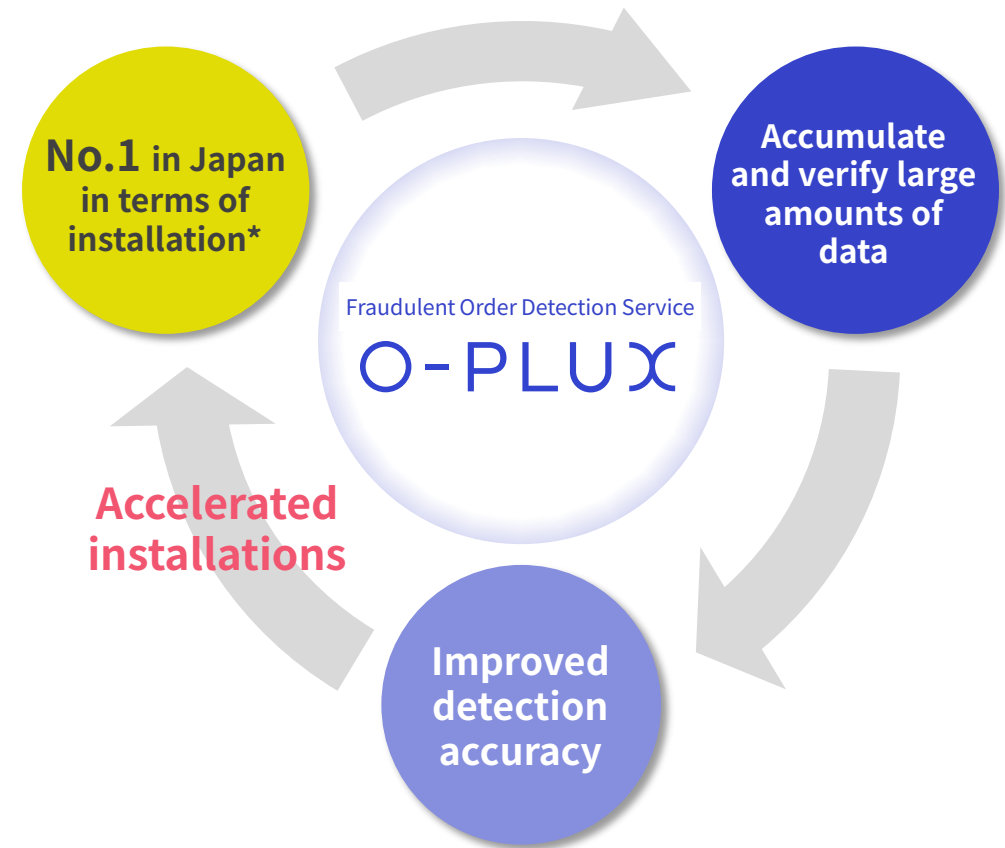
2

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



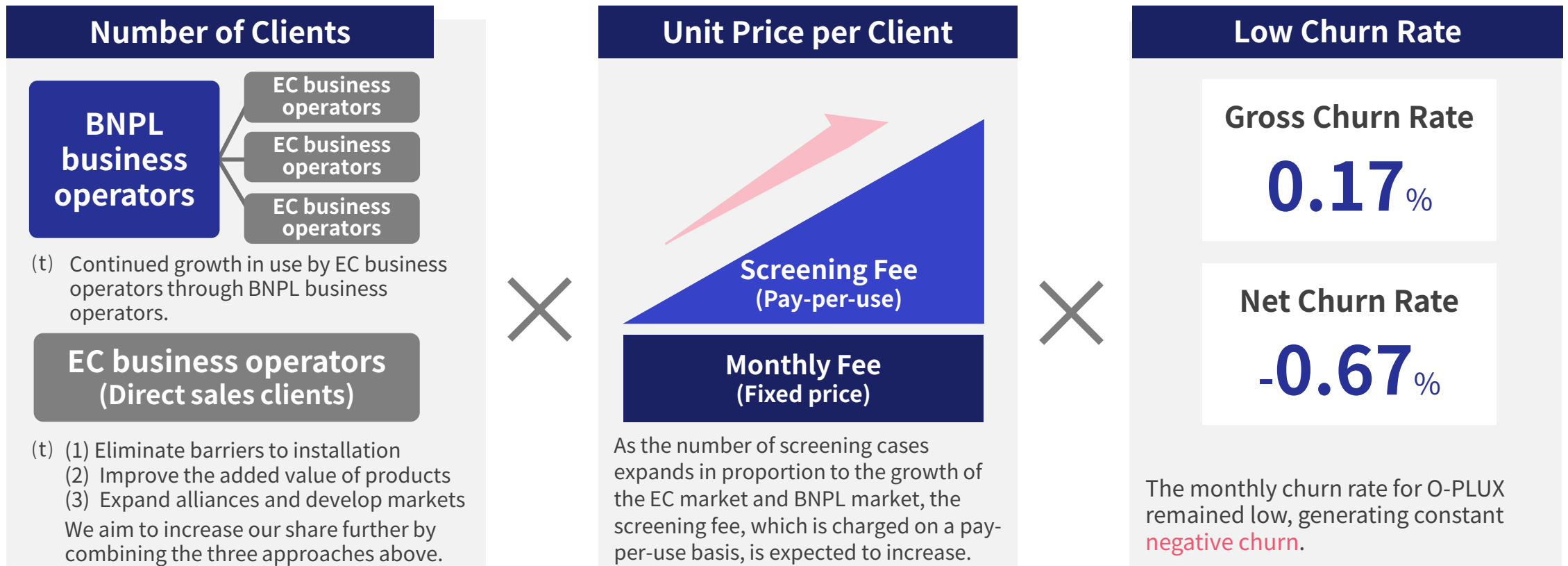
* TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service," (as of the end of May 2022)

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



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



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

*2 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

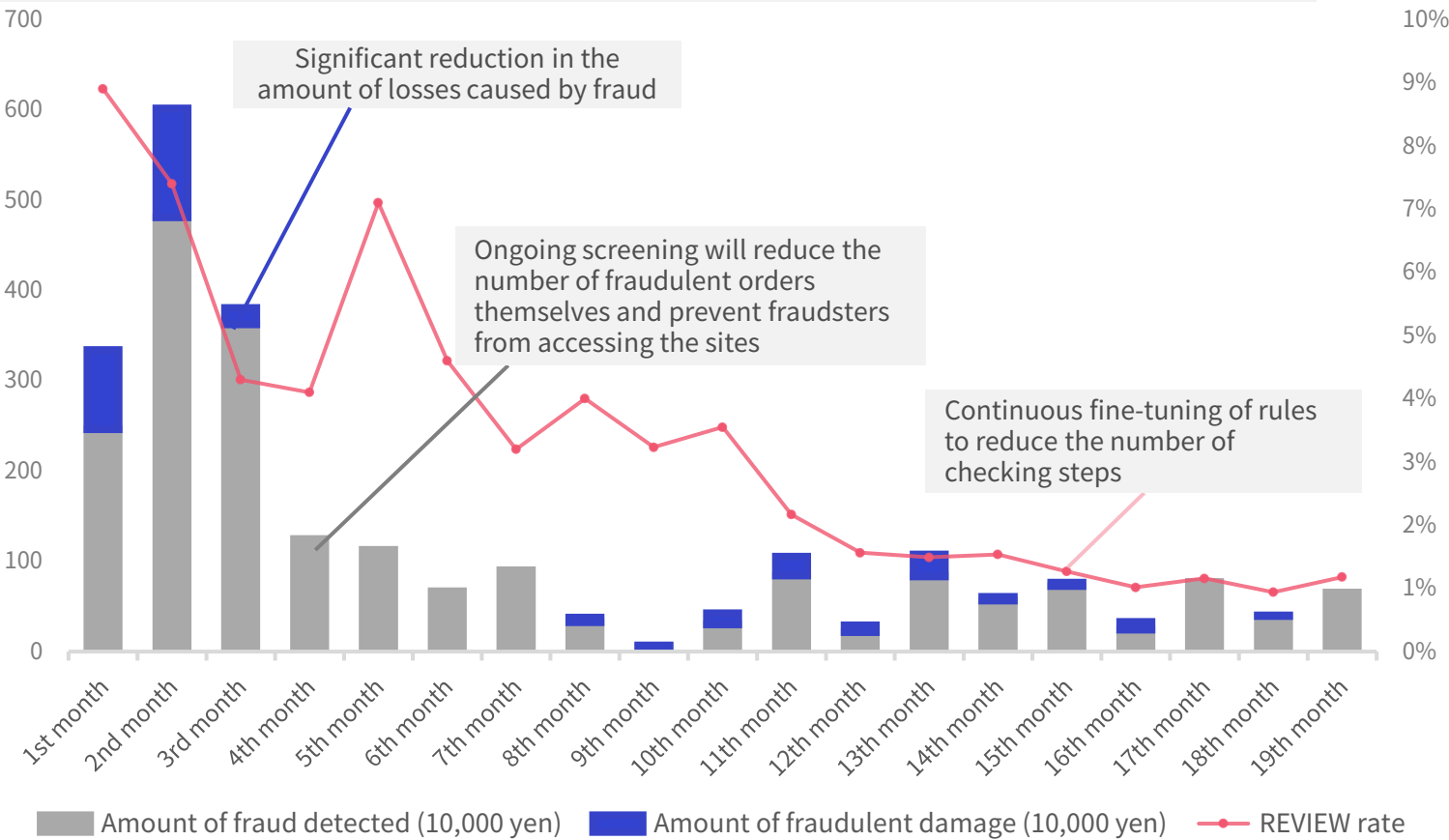
*3 Churn rates shown above are as of September 30, 2022.

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



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

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



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

* The REVIEW rate is the ratio of the number of REVIEWS to the total number of screening results.

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

Fraudulent Order Detection Service
O-PLUX

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

Hobby



Food and health food

Oisix ra daichi

SUNSTAR

NICORIO

Belle Neige Direct
ベルネージュダイレクト

Sparty

株式会社 AIJ

和漢の森
WAKANNOMORI

PC and tablet

Dospara
COMPUTER SHOP ドスパラ

NEC Direct



Cosmetics and hair care

THE proactiv
COMPANY



STEFANY
GINZA TOKYO



ALMADO

ホソカワミクロン化粧品株式会社

株式会社 ユーピーエス

Apparel and sports

J!NS



LACOSTE



YAMAHA

Northmall

L.L.Bean

FLAVA
THINK THE REAL FASHION AND LIFESTYLE.



RAGTAG KARITOKU

Furniture and DIY

KEYUCA



DIY FACTORY

Online shopping malls, MVNO, and others

DMM.com



DTI
dream.jp



SOURCENEXT



フジヤカマ

SAKURA internet

Video and audio equipment

Hosting

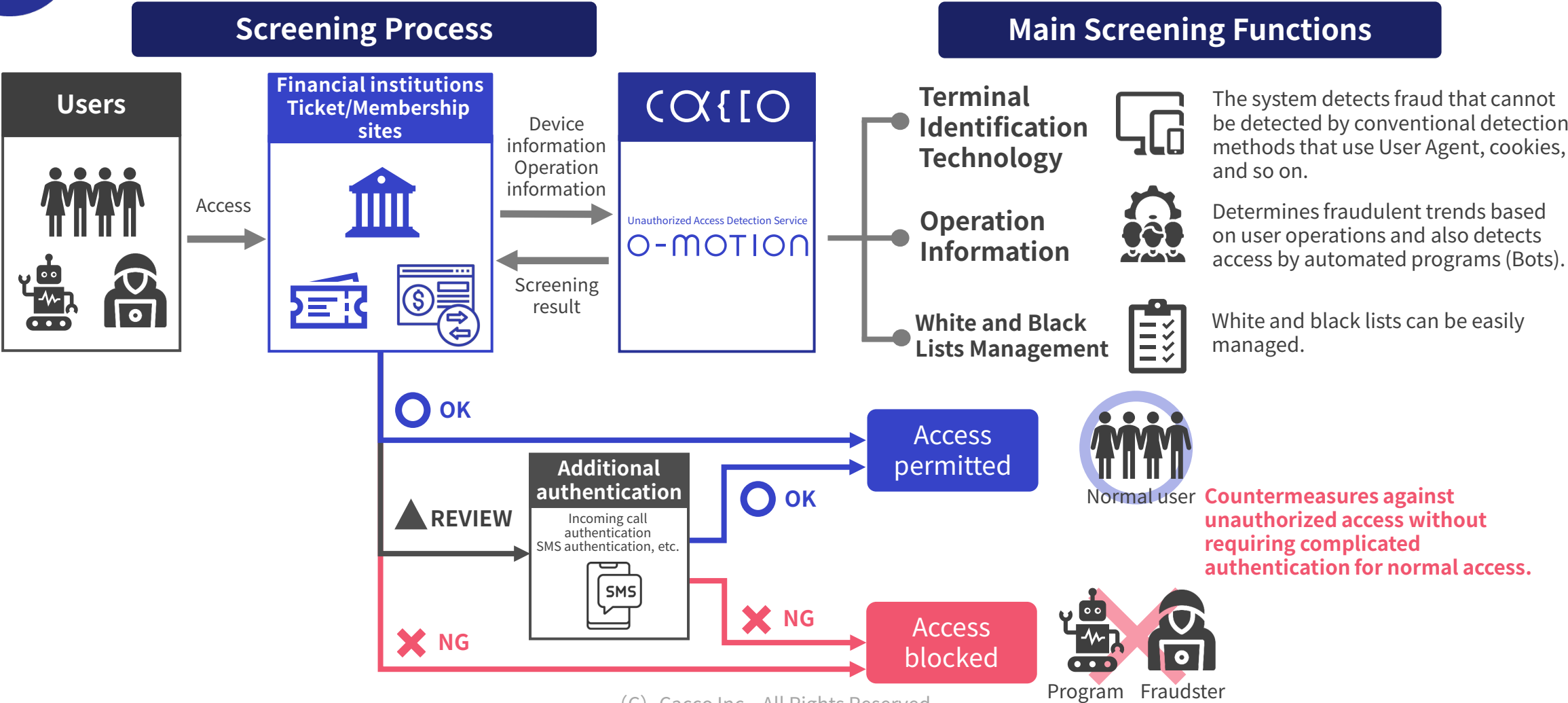
*1 TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service," (as of the end of May 2022)

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

Appendix / O-MOTION Fraudulent Access Detection Service



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



Appendix / Lineup of Fraud Detection Services with Price Flexibility

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

不正チェッカー

Fraudulent
order detection

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

Basic monthly charge
from **4,000** yen
(Includes screening costs for 1,000 cases)

o-motion Light

Unauthorized
access detection

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

Basic monthly charge
from **100,000** yen
(There is a cap on the number of accesses.)

O-PLUX Premium Plus

Fraudulent
order detection
+
Chargeback
compensation

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

Basic monthly charge
from **100,000** yen

*1 Based on our research as of October 31, 2022

Appendix / Partner and Alliance Companies

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

EC package and shopping cart



Credit card companies



Payment Service Providers (PSPs)



Security service vendors



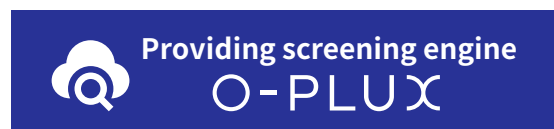
*1 EC-CUBE is a trademark of EC-CUBE Co., Ltd.

*2 As of the end of October 2022.

Appendix / Payment Consulting Service

We provide one-stop support for the establishment and launch of BNPL, including service construction, payment system development, and operational support.

We offer the O-PLUX fraudulent order detection service as the screening engine.



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")

Appendix / Data Science Service

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

Our approach

SAKIGAKE KPI



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

Data Science Branch Office



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

Algorithm development



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

Case studies

Optimization

Wall material manufacturer with annual sales of 119 billion yen

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

Annual cost reductions of up to 130 million yen

Statistics/AI

Stationery manufacturer with annual sales of 5.5 billion yen

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

70% reduction in sales opportunity losses

Optimization

Call center

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

Annual cost reductions of 60 million yen

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

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

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



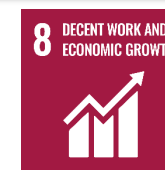
Strengthen corporate governance and compliance systems

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.



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.



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.



Disclaimer and Cautionary Statement Regarding Forward-Looking Statements

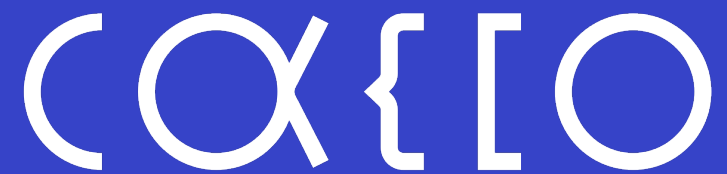
This document may contain projections based on assumptions, forecasts and plans related to the future as of the announcement date. These forward-looking statements are based on information currently available to us and certain assumptions that we consider reasonable, and we do not promise that they will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

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

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

E-mail: ir@cacco.co.jp

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



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