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**Cacco Inc. | Stock Code: 4166**  
**February 13, 2023**



## **Financial Results for the Fiscal Year Ended December 31, 2022**

Note: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

# Our Business / Main Services and the Products of the Company

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**

\*1

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\*2 operators. Use **O-PLUX** as the screening engine.

BNPL Settlement Package

### SaaS-type BNPL system

Release the “SaaS-type BNPL system,” a BNPL settlement package that can be installed without initial investment.

This is provided not only to payment service providers, but also to EC shopping carts and major EC businesses, etc.

It is intended to develop new customer segments in the BNPL market.

## Data Science Service

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

In the course of promoting the business, plan and develop our new SaaS-type services while expanding our business domain and creating new revenue opportunities.

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

# Our Business / Cacco's Main Business — Rapidly increasing information theft and fraud crimes —

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

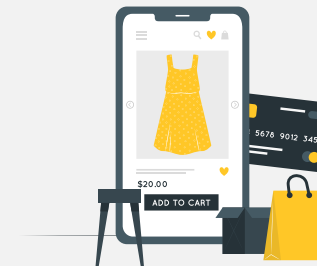


Unauthorized use  
of credit cards

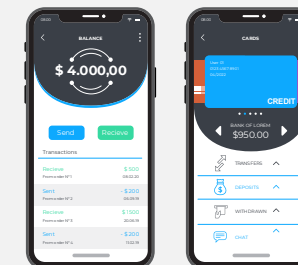
Unauthorized  
access

## Fraud crimes involving the misuse of information stolen

### Online shopping Fraudulent orders

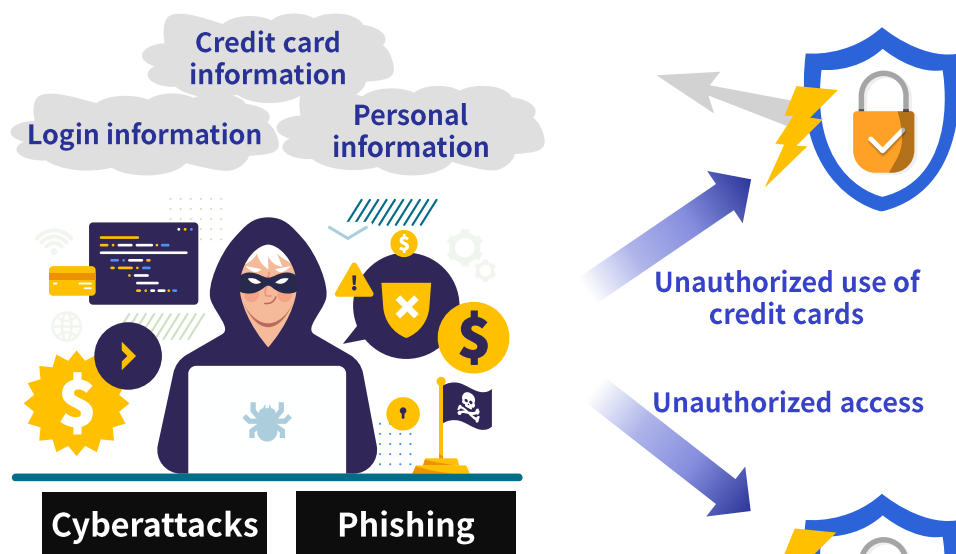


### Internet banking Unauthorized remittances



# Our Business / Cacco's Main Business — Cacco's fraud detection service —

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.



## Detect fraud

### Fraudulent Order Detection Service

## O-PLUS

- ◆ 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

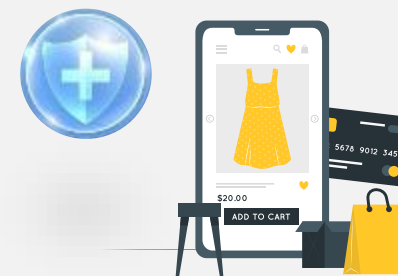
### Unauthorized Access Detection Service

## O-MOTION

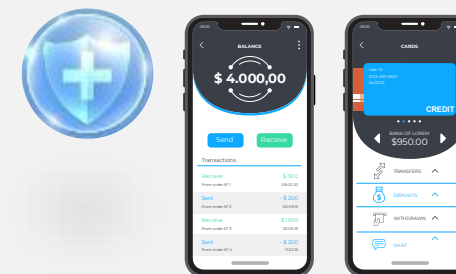
- ◆ Adopted by securities firms and banks
- ◆ Automatic detection of bots and spoofing
- ◆ Patented terminal identification technology

## Construct a safe and secure EC infrastructure

### 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)



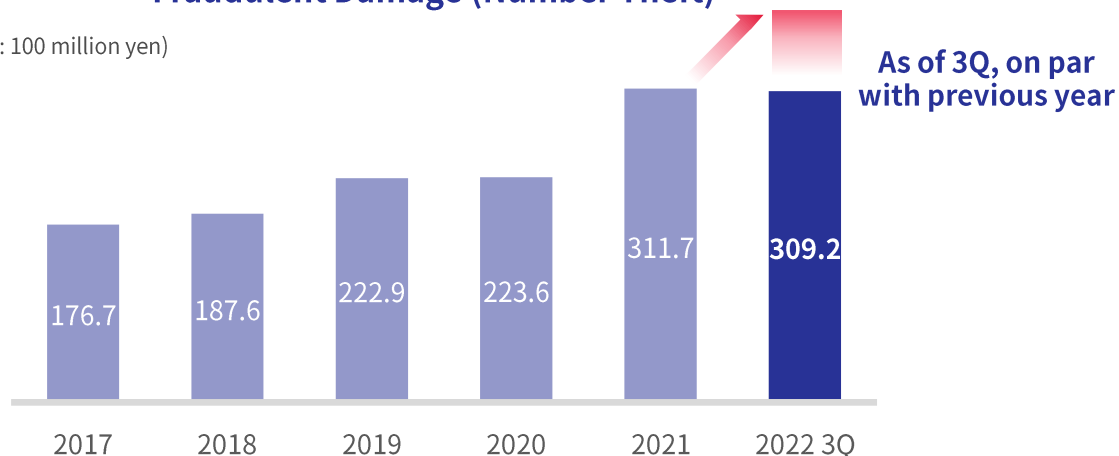
# Our Business / Cacco's Main Business — Business environment and market size —

**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)

(Unit: 100 million yen)



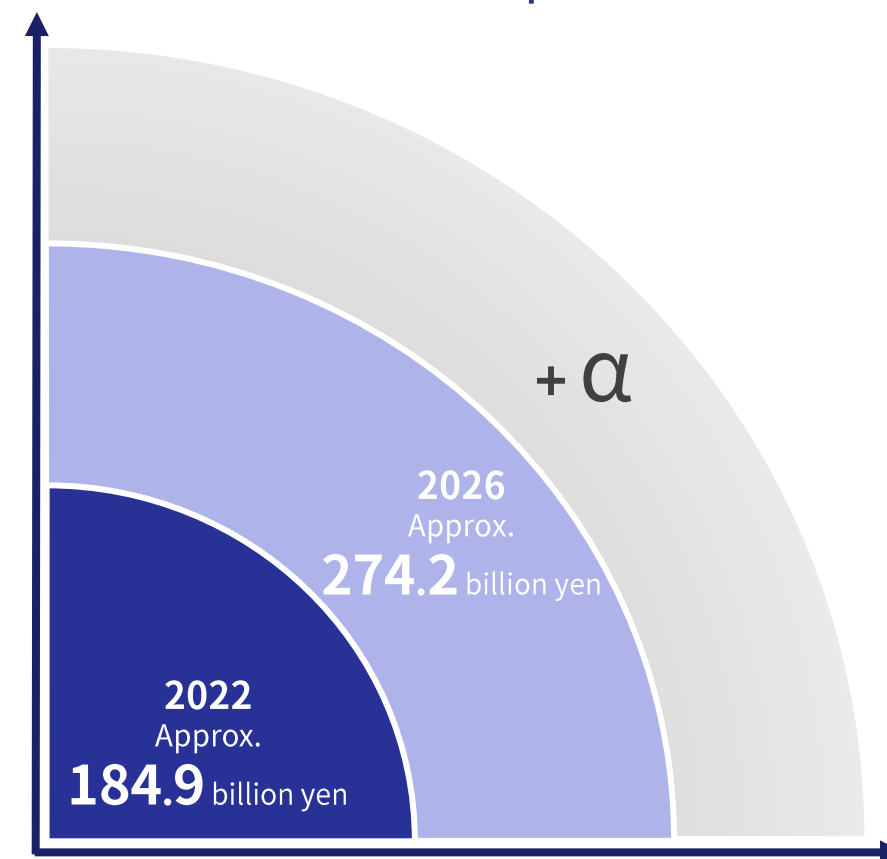
Source: Japan Consumer Credit Association, "Status of Damage from Unauthorized Use of Credit Cards," March 2022

## 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)

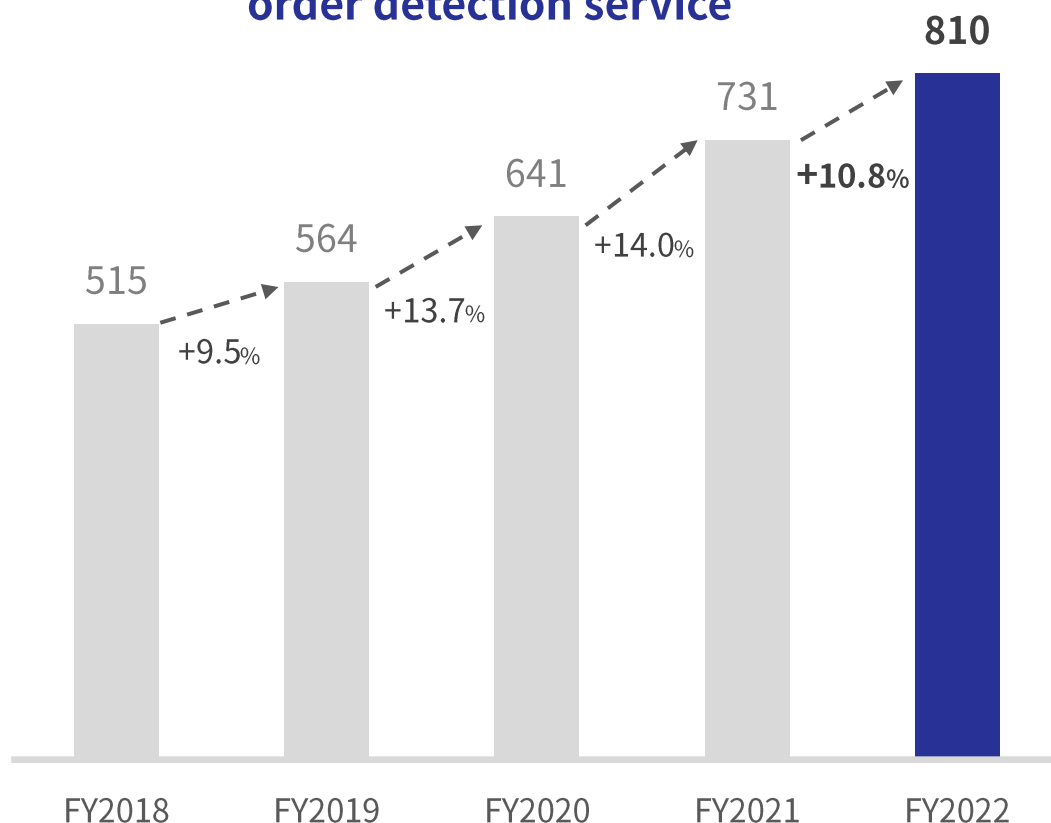
## Our Business / Cacco's Main Business — Sales of Cacco's fraud detection service —



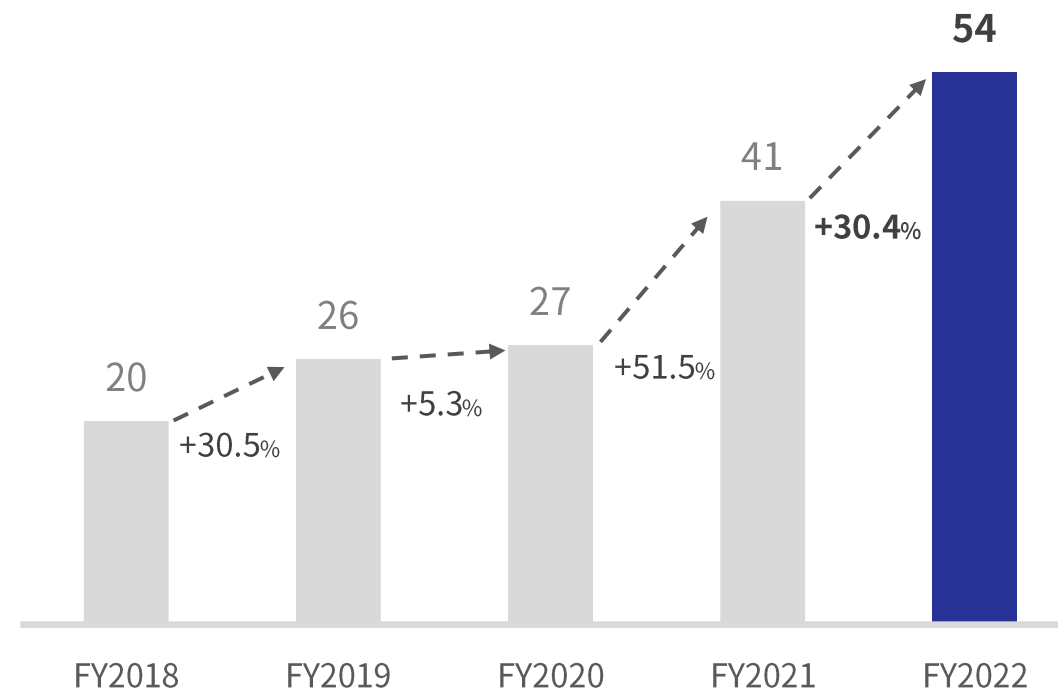
Sales of Cacco's fraud detection service are growing steadily in proportion to the rising social demand and the expansion of the market size of the fraud detection service market.

((Unit: million yen))

**Sales of O-PLUX, a fraudulent order detection service**



**Sales of O-MOTION, an unauthorized access detection service**



## Cacco Evolutionary Purpose

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

The Cacco Evolutionary Purpose embodies our desire to contribute to the development of the Japanese economy by supporting people and companies that are taking on the challenge of making the world a better place.

When the company was founded, there was little fraud in Internet transactions, and there were no fully functional fraud detection services in the world. But we believed that in the near future, there would be a wide variety and high volume of fraudulent activities in all Internet transactions, including e-commerce.

Almost a decade later, as we predicted, fraudulent activity is occurring in all kinds 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, Cacco will continue to strive to realize the Cacco Evolutionary Purpose and sustainably increase its corporate value.



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

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- 2 Forecast Financial Results of FY2023
- 3 Growth Strategy
- 4 Appendix (Corporate Overview, Business Description, Other Materials for Reference)

# Financial Results for FY2022



# Financial Results for FY2022 / Highlights in Figures

Net sales

**1,076** million yen

YoY: **+13.2%**

O-PLUX recurring revenue\*

**770** million yen

YoY: **+11.7%**

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

Rate of O-PLUX cancellations  
(Annual average)

**0.26%**

YoY: **+0.02pt**

Ordinary income

**154** million yen

YoY: **-9.8%**

Recurring revenue ratio in total  
net sales

**71.5%**

YoY: **-1.0pt**

O-PLUX Screening Volume

**70.02** million cases

YoY: **+12.1%**

## Improve the added value of products

### Addition of new functions

- Expansion of the functions of O-PLUX, the fraudulent order detection service
  - Connect with vacancy information from LIFULL HOME'S  
Connection with vacancy information from LIFULL HOME'S provided by LIFULL Co., Ltd. (about 690 thousand entries\* on vacancy information)  
\*As of the end of May 2022
  - Connection with Web API service Address Confirmation Service  
System connection with Web API service Address Confirmation Service provided by GeoTechnologies, Inc. (More than about 40 million entries on address data)



## Expand alliances

### API connection with EC packages and shopping carts

Expansion of the collaboration of O-PLUX, the fraudulent order detection service, which led to 5 new cases.



New 3 cases of collaboration with O-MOTION, an unauthorized access detection service



### Other alliances



## Business Domain Expansion / Overseas Expansion

### Business domain expansion

Further expansion of cyber security domain by business collaboration with Syngula Inc. and ROCKETWORKS Inc.



### Overseas Expansion

Currently negotiating with several companies considering service test introduction for creating local use cases in Indonesia.

Prepare in parallel CRM tools for e-commerce based on data science.

\*1 Provided by TEMONA, Inc.

\*2 Provided by SUPER STUDIO Inc.

\*3 Provided by GMO System Consulting Corporation

\*4 Provided by ECBEING CORP.

\*5 Provided by Shopify Inc.

\*6 Provided by Interfactory, Inc.

\*7 Provided by W2 Co., Ltd.

## **Net sales were 1,076 million yen, up 13.2% year on year.**

- Our O-PLUX core service, a fraudulent order detection service, progressed mostly as planned due to an increase in new customers and sustained growth of existing customers as a result of efforts to promote alliances, including system connection with EC packages and shopping carts.
- Net sales grew by 13.2% year on year to 1,076 million yen, although they fell short of initial estimates due to the cancellation of some customers for the O-MOTION unauthorized access detection service and the data science service, as well as weak new customer acquisition.

## **Operating income was 176 million yen, down 1.3% year on year.**

- Operating income was 176 million yen, down 1.3% year on year, due to the impact of increased depreciation resulting from the O-PLUX architecture renewal and aggressive investment of expenses in initiatives aimed at earning future revenues, including workforce expansion focusing on sales marketing and customer success areas, business research and test marketing for Southeast Asia business development.

## **Ordinary income was 154 million yen, down 9.8% year on year. Net income was 100 million yen, down 16.6% year on year.**

- In overseas expansion, which is one of our growth strategies, we had underwritten a convertible bond issued by a local start-up company established for the purpose of finance business in March 2020 as part of our business development in Southeast Asia, but as a result of a study on the collectability of the debt, a provision for allowance for doubtful accounts (20 million yen) was recorded as a non-operating expense. Consequently, ordinary income was 154 million yen, down 9.8% year on year, and net income was 100 million yen, down 16.6% year on year.



## Financial Results for FY2022 / Highlights in Results Figures

Total net sales were 1,076 million yen (up 13.2% year on year), operating income was 176 million yen (down 1.3% year on year), and ordinary income was 154 million (down 9.8% year on year).

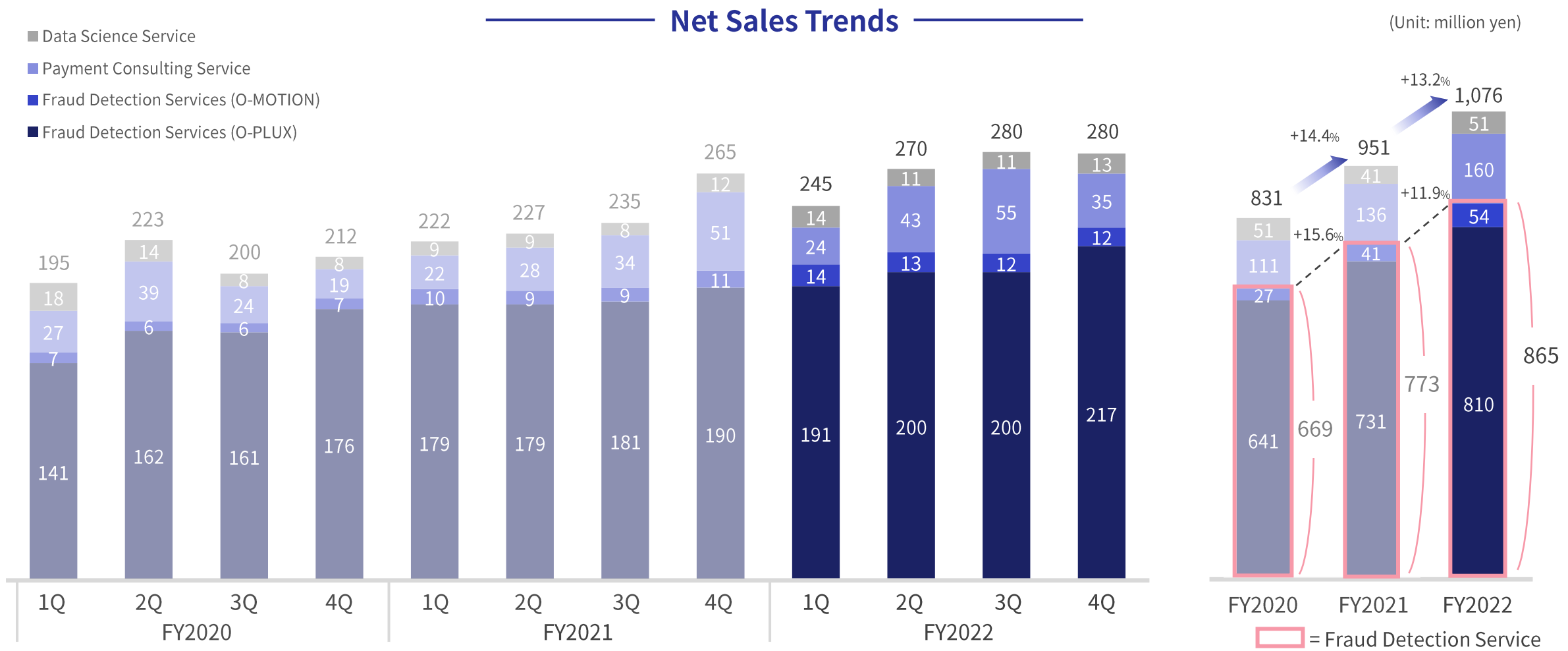
(Unit: million yen)

	FY2021	FY2022	YoY change	FY2022 Corrected Forecast on February 3	Corrected Forecast Change
<b>Net sales</b>	<b>951</b>	<b>1,076</b>	<b>+13.2%</b>	<b>1,076</b>	<b>±0</b>
(Net sales of fraud detection services)	773	865	+11.9%	865	±0
<b>Operating income</b>	<b>178</b>	<b>176</b>	<b>-1.3%</b>	<b>176</b>	<b>±0</b>
(Operating income margin)	18.8%	16.4%	-2.4 pt	16.4%	-
<b>Ordinary income</b>	<b>170</b>	<b>154</b>	<b>-9.8%</b>	<b>154</b>	<b>±0</b>
(Ordinary income margin)	18.0%	14.3%	-3.7 pt	14.3%	-
<b>Net income</b>	<b>120</b>	<b>100</b>	<b>-16.6%</b>	<b>99</b>	<b>+0.8%</b>
<b>EPS (yen)</b>	<b>45.90 yen</b>	<b>38.16 yen</b>	<b>-16.9%</b>	<b>37.84 yen</b>	<b>+0.8%</b>

# Financial Results for FY2022 / Net Sales Trends

The O-PLUX fraud detection service, the core of our business, steadily grew by 13.2% year on year and the net sales stood at 1,076 million yen.

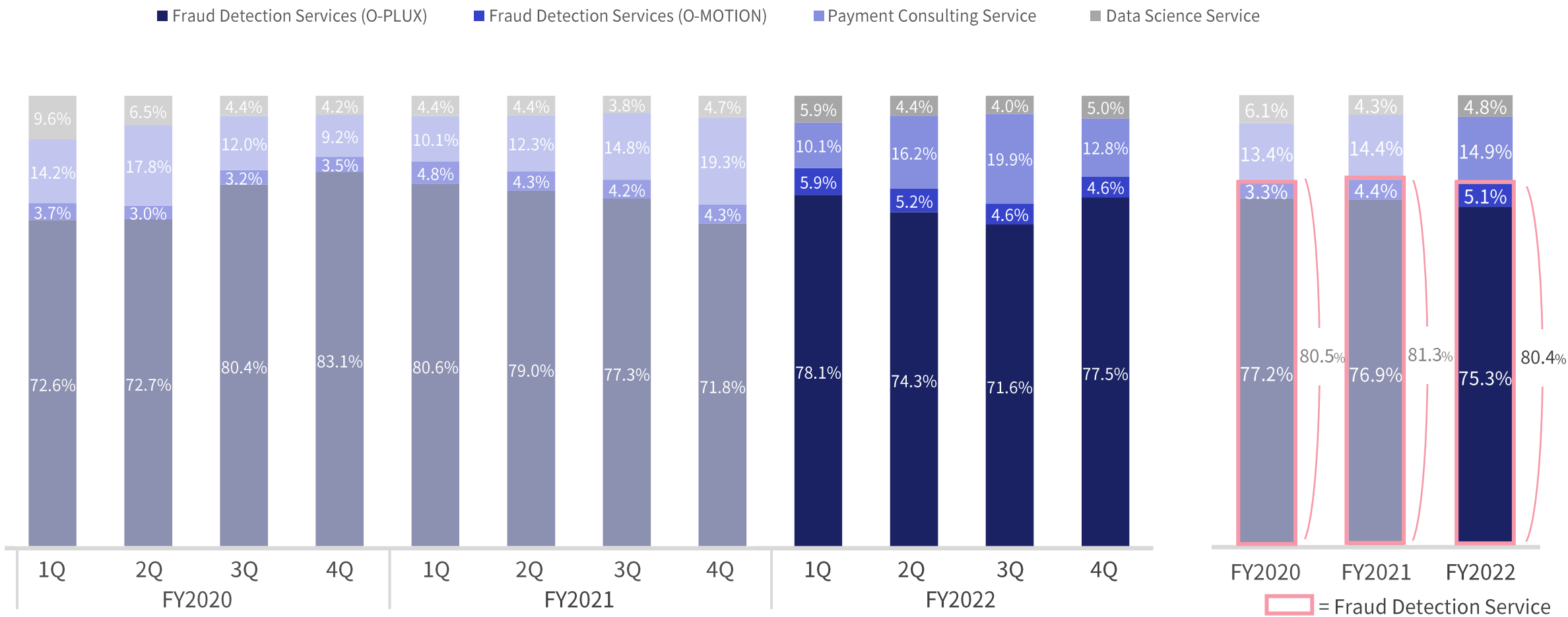
- Percentage of initial plan achieved was 97.7% due to weak sales of the O-MOTION fraud detection services and data science services.



# Financial Results for FY2022 / Sales Composition Trends by Service

The sales composition of fraud detection services, the core of our business, reached 80.4% (down 0.9 pt YoY).

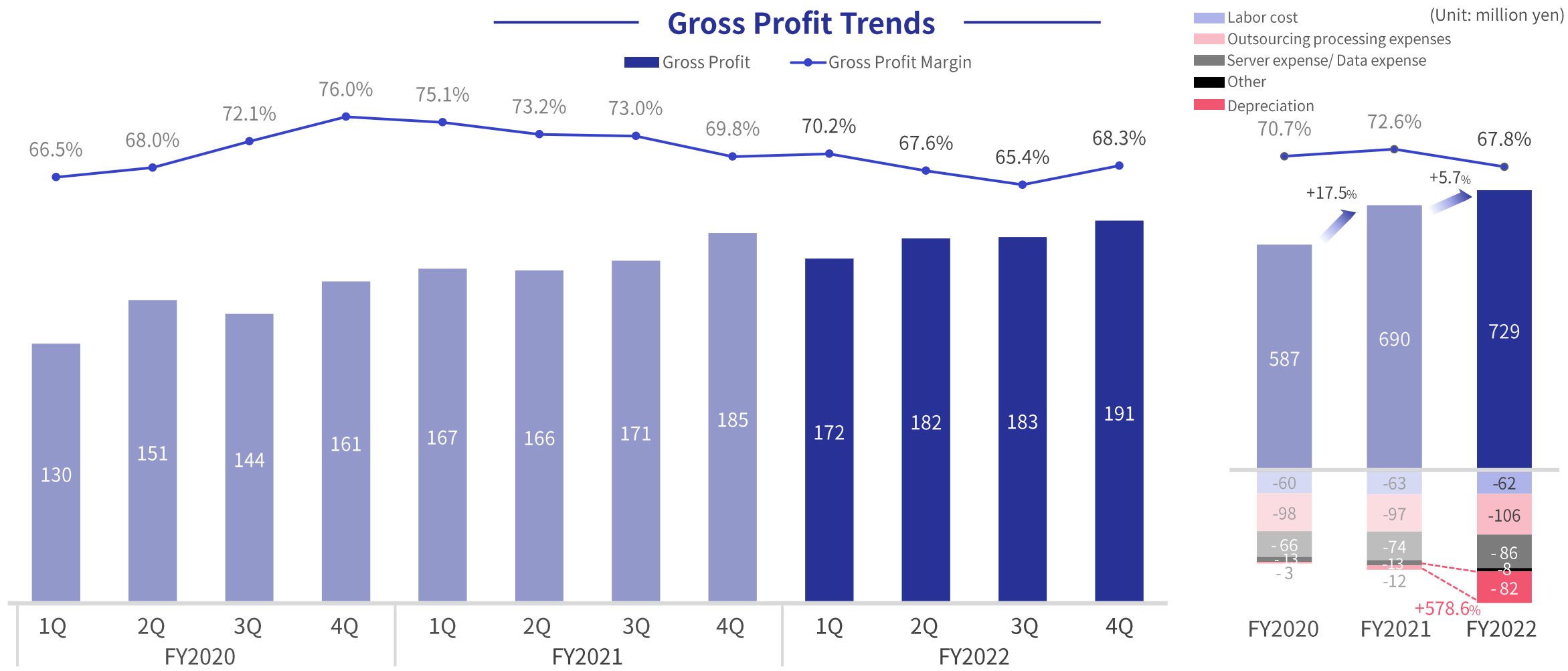
Sales Composition Trends by Service



# Financial Results for FY2022 / Gross Profit Trends

Although the gross profit margin was 67.8% (down 4.9 pt YoY) due to an increase in depreciation (up 578.6% YoY), gross profit in value terms expanded by +5.7% YoY.

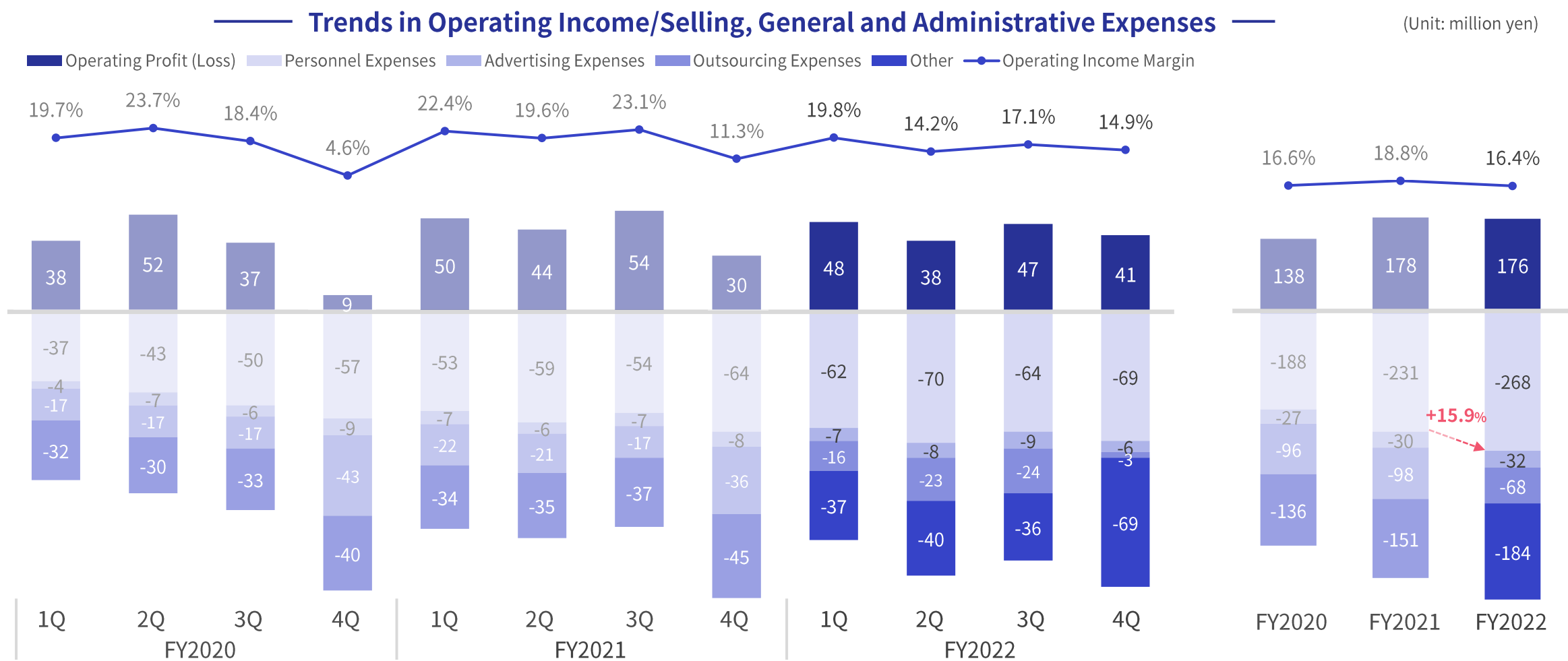
Gross profit margin remained healthy excluding the effect of an increase in depreciation.



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

Operating income was 176 million yen, down 1.3% year on year and operating income margin was 16.4%, down 2.4 pt year on year.

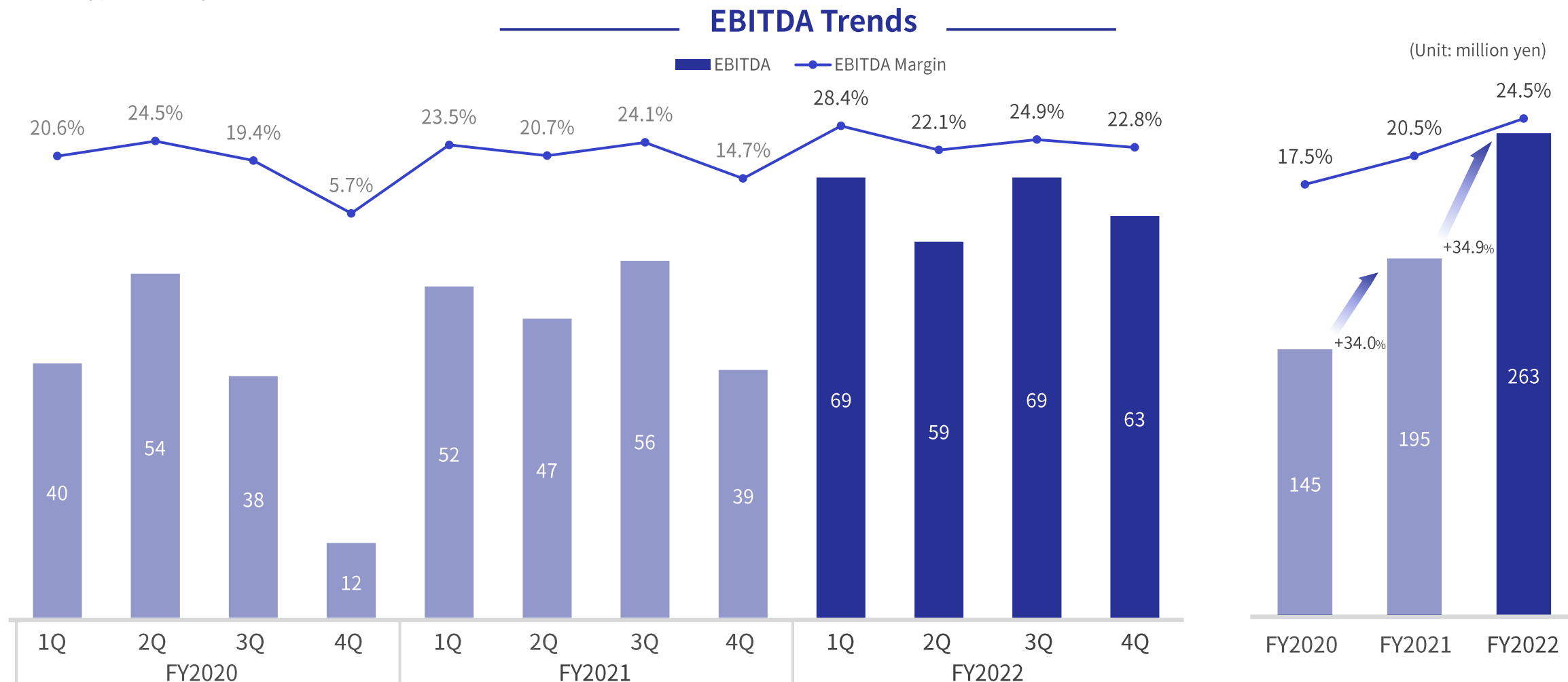
- Impact of higher personnel costs associated with workforce expansion focusing on sales marketing and customer success.



# Financial Results for FY2022 / EBITDA Trends

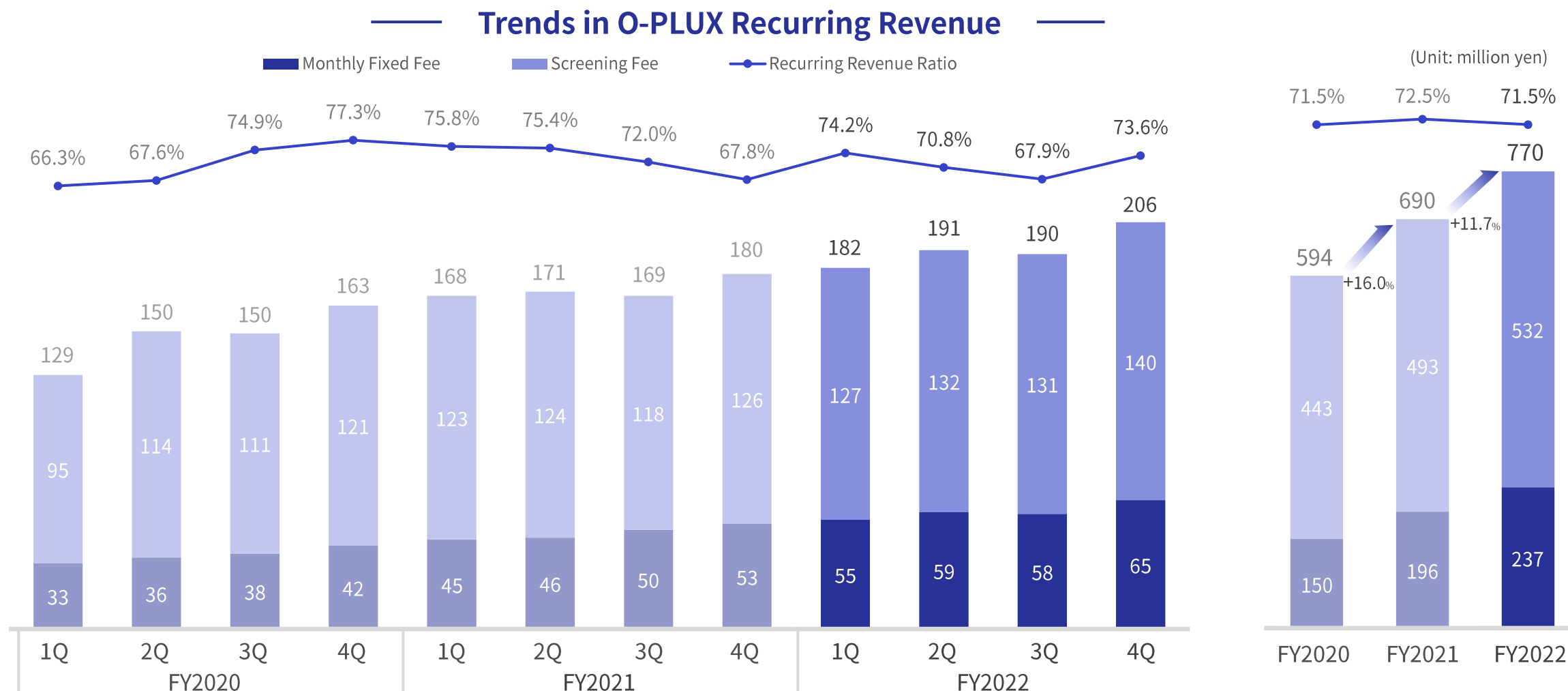
EBITDA increased to 263 million yen (up 34.9% YoY) and EBITDA margin increased to 24.5% (up 3.9 pt YoY).

- Improvements due to completion of software development related to O-PLUX architecture renewal and the completion of development of SaaS-type BNPL system.



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

O-PLUX recurring revenue increased 11.7% year on year. Recurring revenue ratio was 71.5% (down 1.0pt year on year), almost the same level as previous years.



\* 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 fraud detection)

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

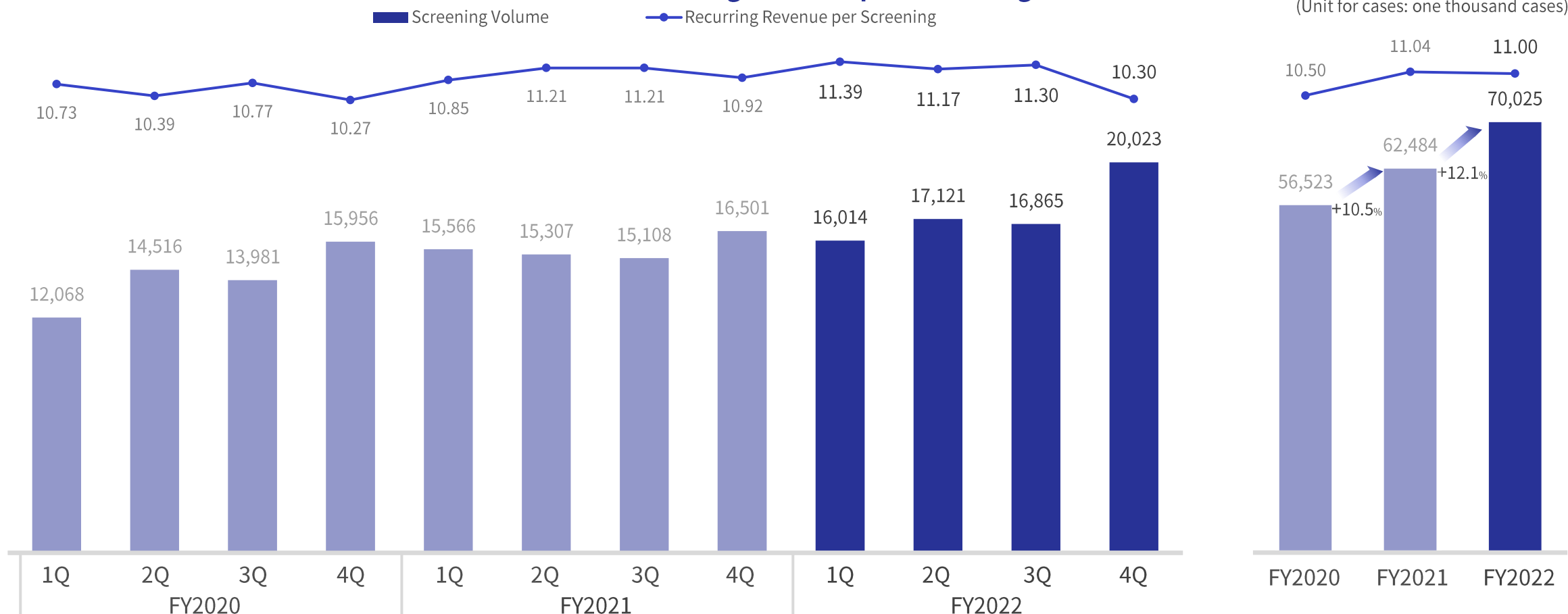
© Cacco Inc.

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

The screening volume of O-PLUX increased 12.1% YoY.

- The number of screening cases in FY2022 exceeded 70 million due to an increase in new customers from EC business operators, and the number continues to steadily expand.

## O-PLUX Screening Volume Recurring Revenue per Screening



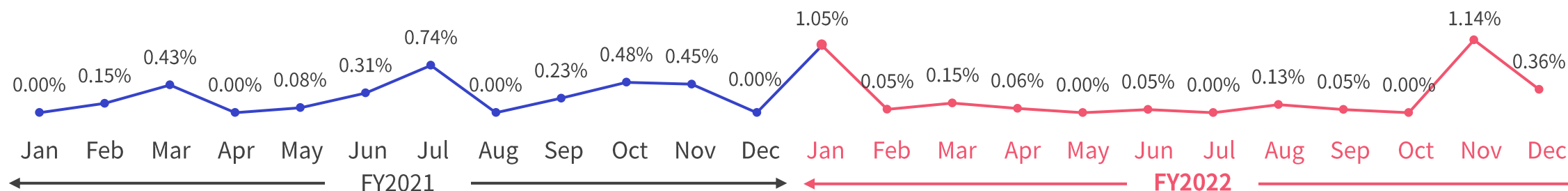
\* Recurring revenue = Monthly fee charged as a fixed amount + Examination fee charged on a pay-per-use basis based on the number of examinations (including fraud detection)



# Financial Results for FY2022 / Monthly Churn Rate for O-PLUX

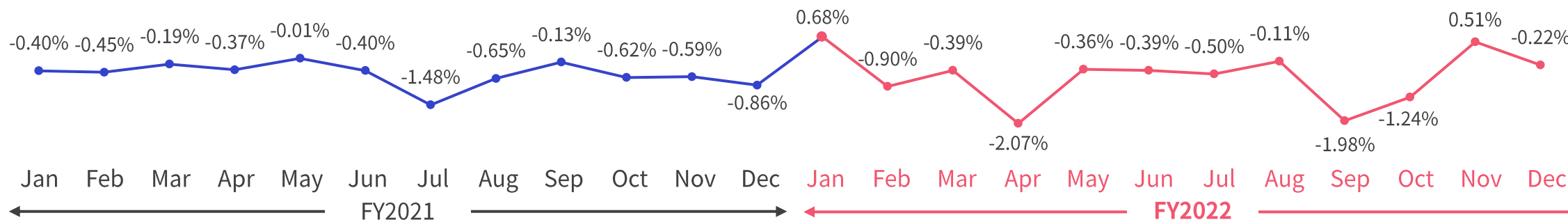
The monthly churn rate for O-PLUX remained low, generating constant negative churn.

## — Gross Churn Rate —



\* 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 —



\* 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 / Balance Sheet



(Unit: million yen)

	FY2021 (Actual)	FY2022 (Actual)	YoY change	Main Drivers
<b>Current assets</b>	944	<b>1,094</b>	+15.9%	Increase in cash and deposits
<b>(Cash and deposits)</b>	800	<b>962</b>	+20.2%	
<b>Non-current assets</b>	472	<b>439</b>	-7.0%	Decrease in software
<b>Total assets</b>	1,417	<b>1,534</b>	+8.2%	
<b>Current liabilities</b>	142	<b>161</b>	+13.3%	Increase in accounts payable - other
<b>Non-current liabilities</b>	1	<b>0</b>	-100.0%	Decrease in long-term borrowings
<b>Net assets</b>	1,273	<b>1,373</b>	+7.8%	Increase in retained earnings due to recording of net income for the current fiscal year
<b>Capital ratio</b>	89.6%	<b>89.5%</b>	-0.1 pt	

# Forecast Financial Results of FY2023



# Forecast Financial Results of FY2023 / Summary

(Unit: million yen)

	FY2022 Actual	FY2023 Forecast	YoY change
<b>Net sales</b>	1,076	<b>933</b>	-13.3%
(Net sales of fraud detection services)	865	<b>761</b>	-12.0%
<b>Operating income</b>	176	<b>-187</b>	-
(Operating income margin)	16.4%	<b>-20.0%</b>	-
<b>Ordinary income</b>	154	<b>-190</b>	-
(Ordinary income margin)	14.3%	<b>-20.4%</b>	-
<b>Net income</b>	100	<b>-190</b>	-
<b>EPS (yen)</b>	38.16 yen	<b>-72.33 yen</b>	-

## Net sales -13.3% YoY

Due to the discontinuation of the BNPL settlement services for major clients, sales of fraud detection services and payment consulting services, which were being provided to these clients, are expected to decrease significantly.

Net sales of fraud detection services and of payment consulting services are expected to be down 103 million yen and down 52 million yen year on year, respectively.

## Operating income -205.9% YoY

Due to an increase in depreciation expenses related to software (O-PLUX architecture renewal and SaaS-type BNPL system) and more aggressive investment and expense spending plan than in the previous fiscal year based on the growth strategy for future revenue growth, we expect operating income to be down 363 million yen year on year.

# Forecast Financial Results of FY2023 / Transformation of Profit Structure through Steady Implementation of Strategies — Fraud Detection Service —

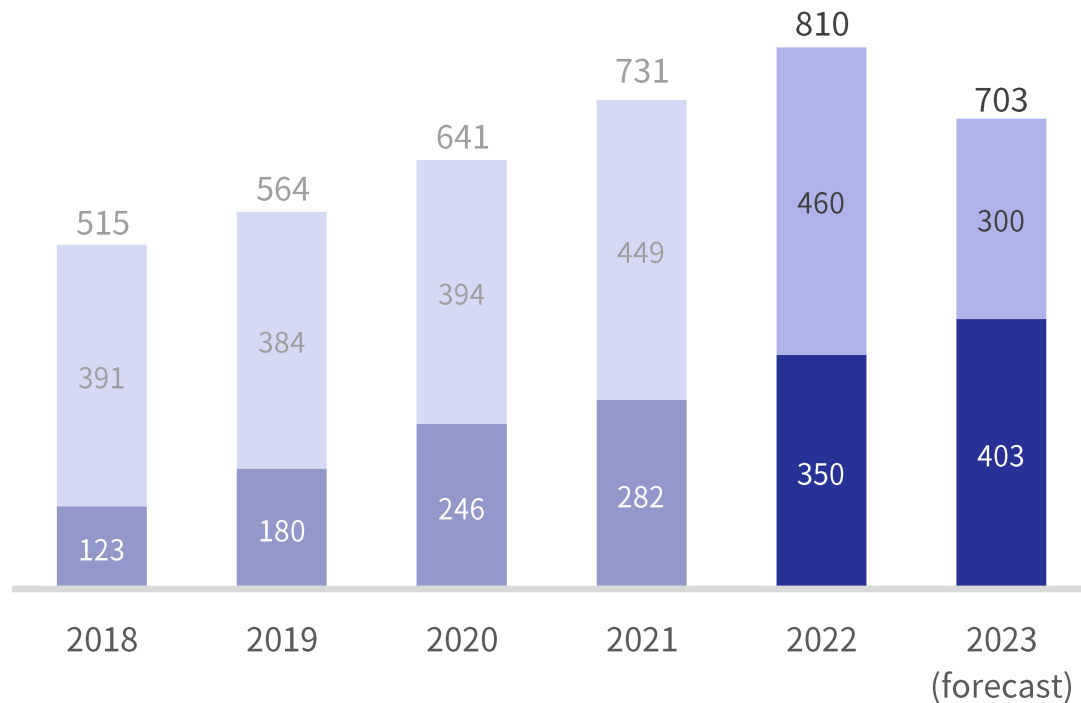
A major client, accounting for 30.4% of FY2022 sales, has decided to discontinue its BNPL business at the end of September 2023 (disclosed on November 9, 2022).

Although the Company's fraud detection service sales are expected to be significantly affected from FY2023 onwards, we intend to change our profit structure, which is dependent on BNPL providers, through the "Expansion strategy in the EC fraud detection area," which is one of the growth strategies we have already been pursuing.

## Changes in sales ratio for EC businesses and BNPL business operators in O-PLUX fraud detection service

■ EC Business Operators ■ Payment Service Provider (Unit: million yen)

EC businesses (direct sales) sales ratio increased to 40% in 2022.



## Expansion strategy in the EC fraud detection area

1

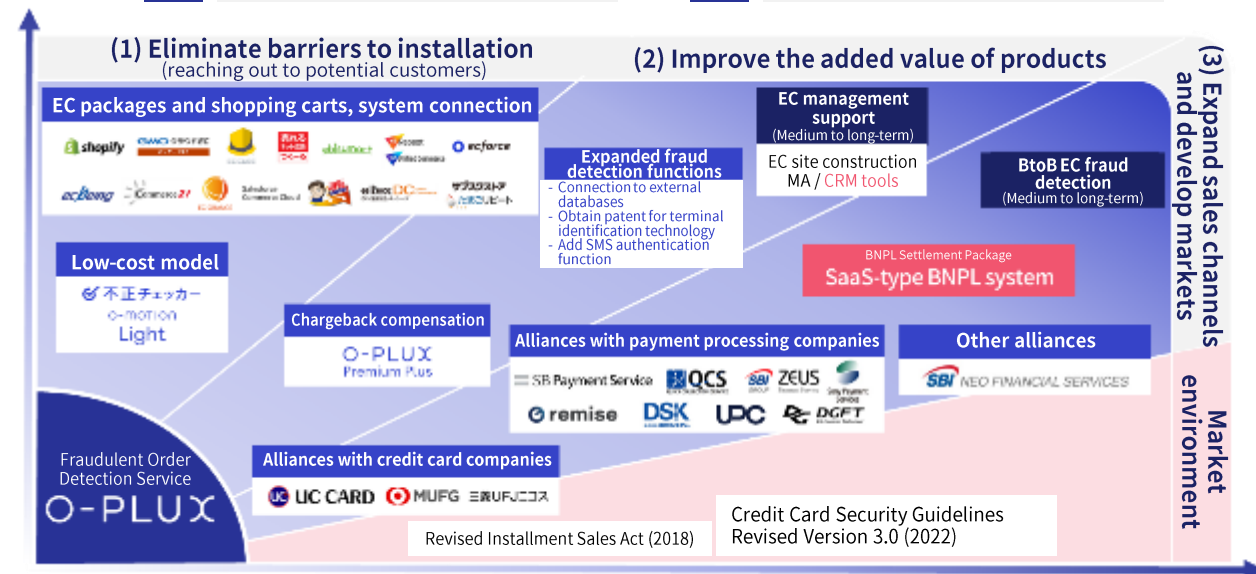
**Eliminate barriers to installation**  
(reaching out to potential customers)

2

**Improve the added value of products**

3

**Expand sales channels and develop markets**

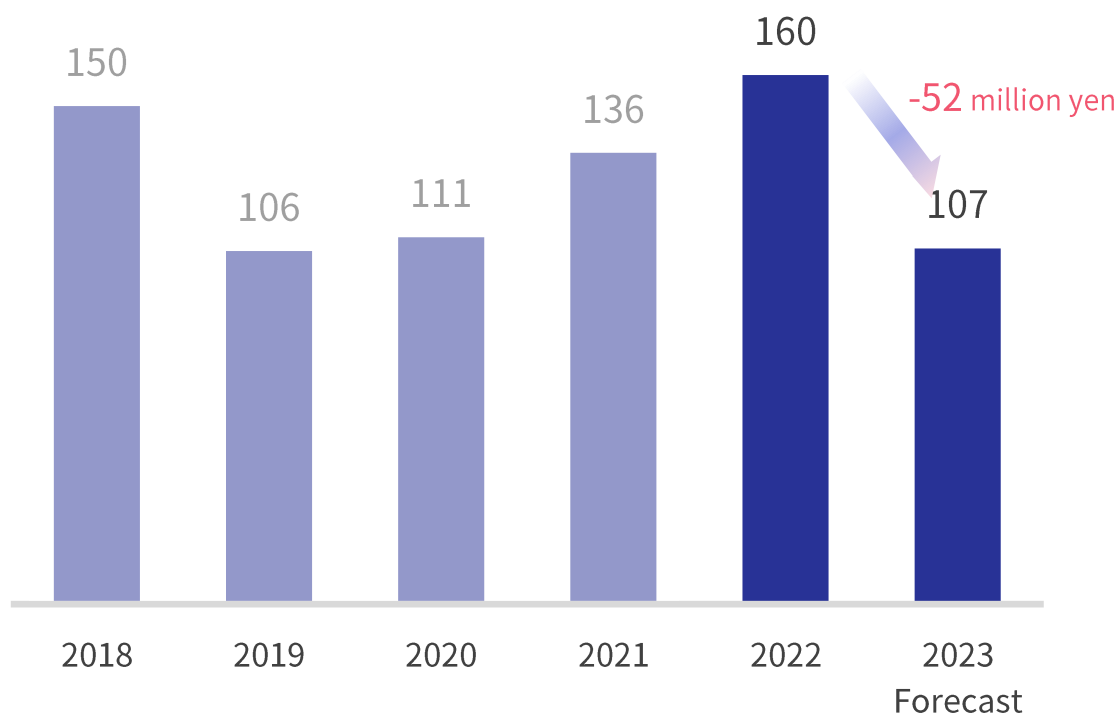


# Forecast Financial Results of FY2023 / Transformation of Profit Structure through Steady Implementation of Strategies — Payment Consulting Service —

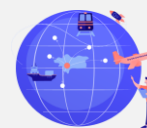
Although effects similar to those on the previous page are expected to significantly impact sales of payment consulting services in FY2023 and beyond, the release of the SaaS-type BNPL system will lower the barrier of entry into the BNPL market and enable businesses other than payment service providers that have been unable to introduce BNPL before.

## Changes in Sales from Payment Consulting Service

(Unit: million yen)



## What the SaaS-type BNPL system should be



Expansion of BNPL for overseas operators, mainly in Southeast Asia



BNPL expansion not only to payment service providers, **but also to EC shopping carts and major EC operators, etc.**

## Market Scale of BNPL settlements in Japan\*

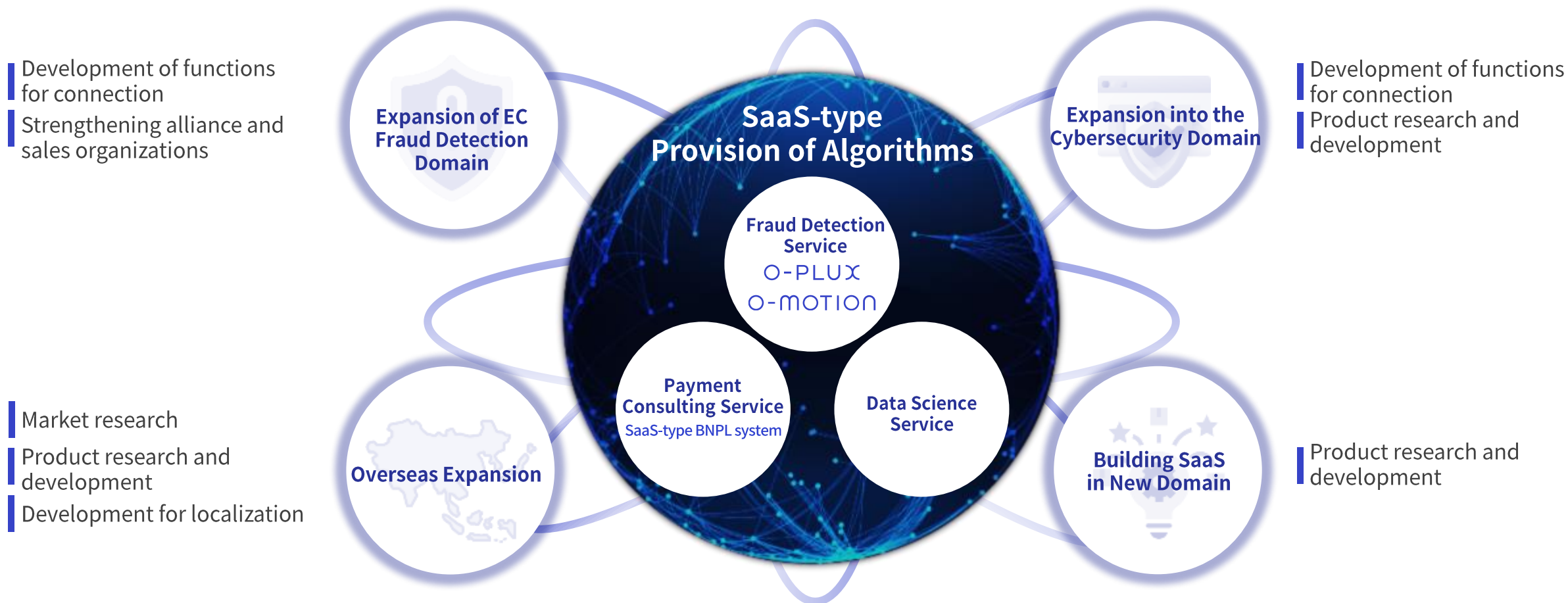
2024: **Approx. 1.8 trillion yen**

2022: **Approx. 1.3 trillion yen**

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

# Forecast Financial Results of FY2023 / Investment for Future Revenue Growth

More aggressive investment and expense spending than in the previous year is planned based on the growth strategy for future revenue growth.

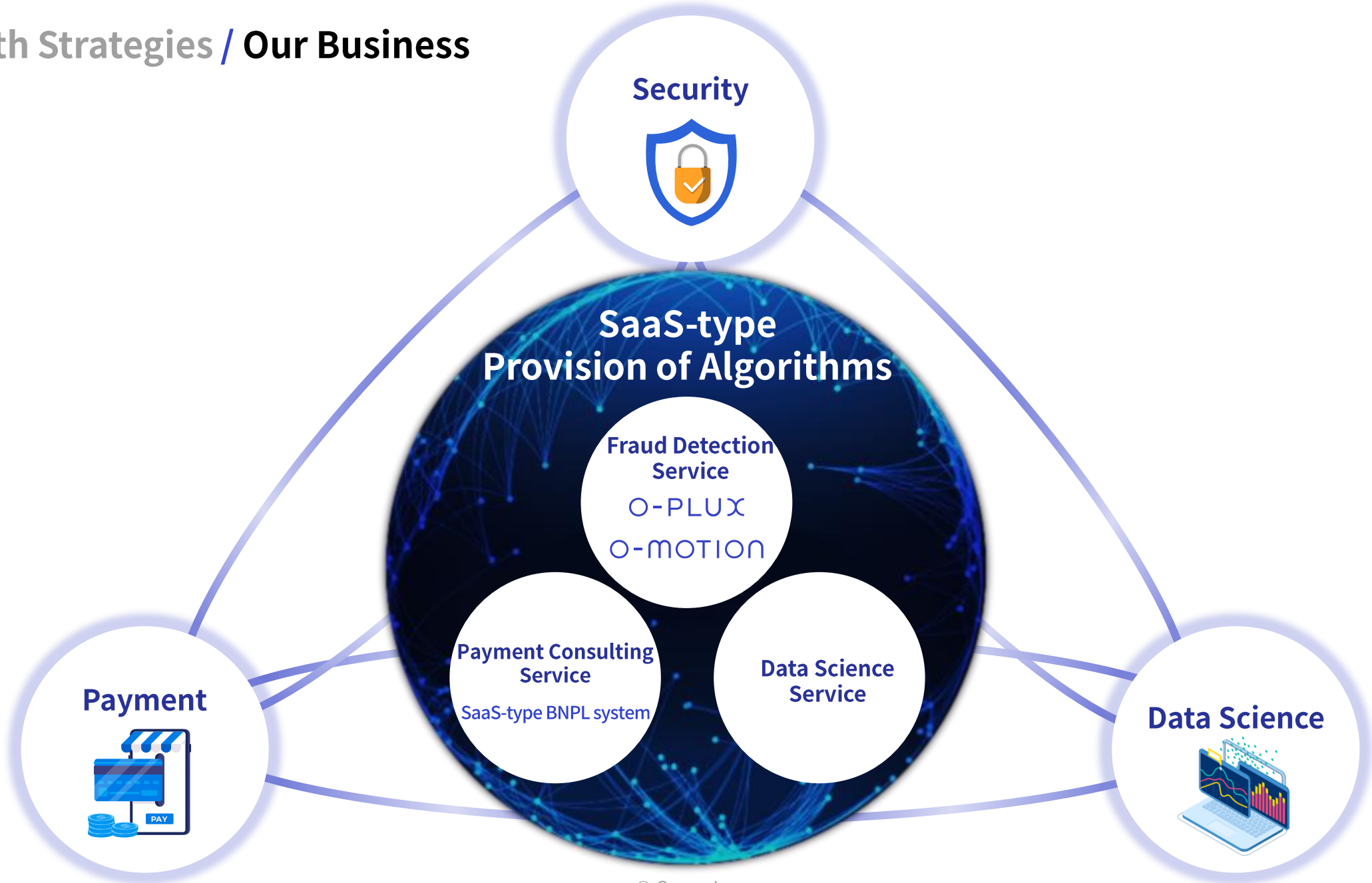




# Growth Strategy







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## Fraud Detection Service



Fraudulent Order Detection Service

**O-PLUX**

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Unauthorized Access Detection Service

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Real-time detection of unauthorized access and login at financial institutions and member sites, etc.

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Patent No. 6534255

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Patent No. 6860156

## Payment Consulting Service

Provide payment systems and consulting services for the BNPL business, mainly for BNPL\*2 operators. Use **O-PLUX** as the screening engine

BNPL Settlement Package

### SaaS-type BNPL system

Release the “SaaS-type BNPL system,” a BNPL settlement package that can be installed without initial investment.

This is provided not only to payment service providers, but also to EC shopping carts and major EC operators, etc.

It is intended to develop new customer segments in the BNPL market.

## Data Science Service

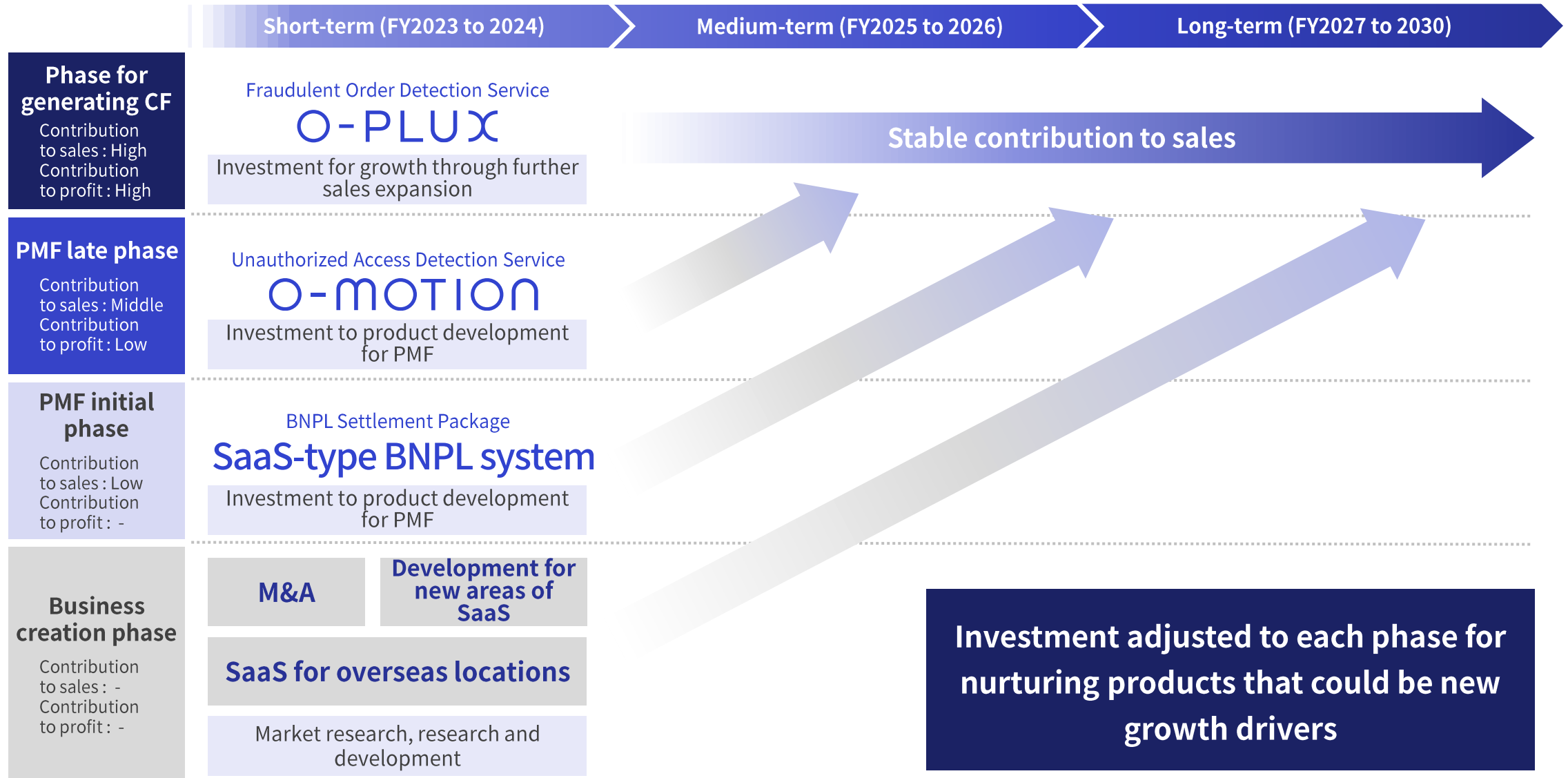
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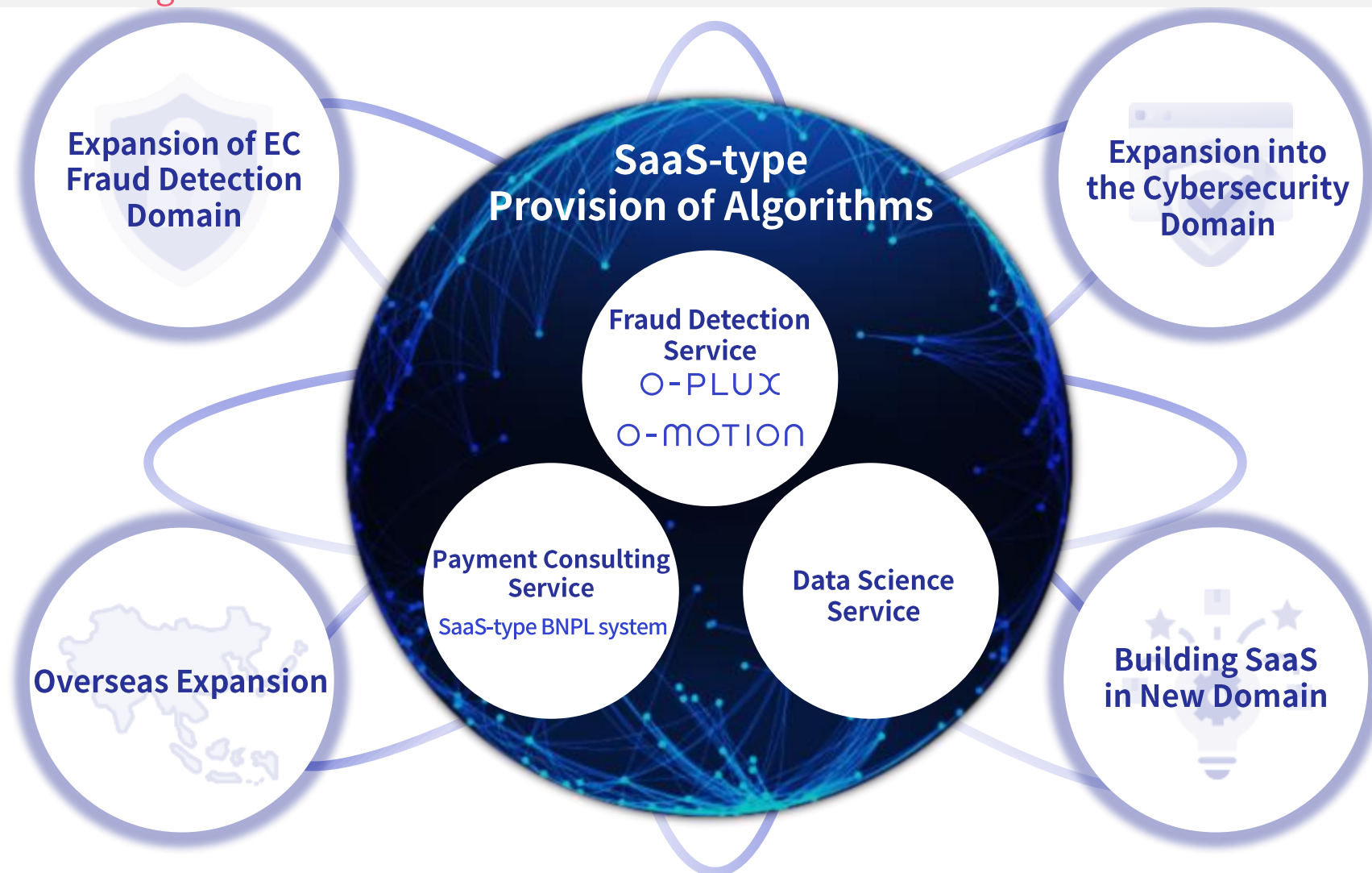
# Growth Strategies / Current Status of Products and Revenue Growth Vision



\*PMF: "Product Market Fit," the state in which a product (service or commodity) is fit into a particular market.

# 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**.



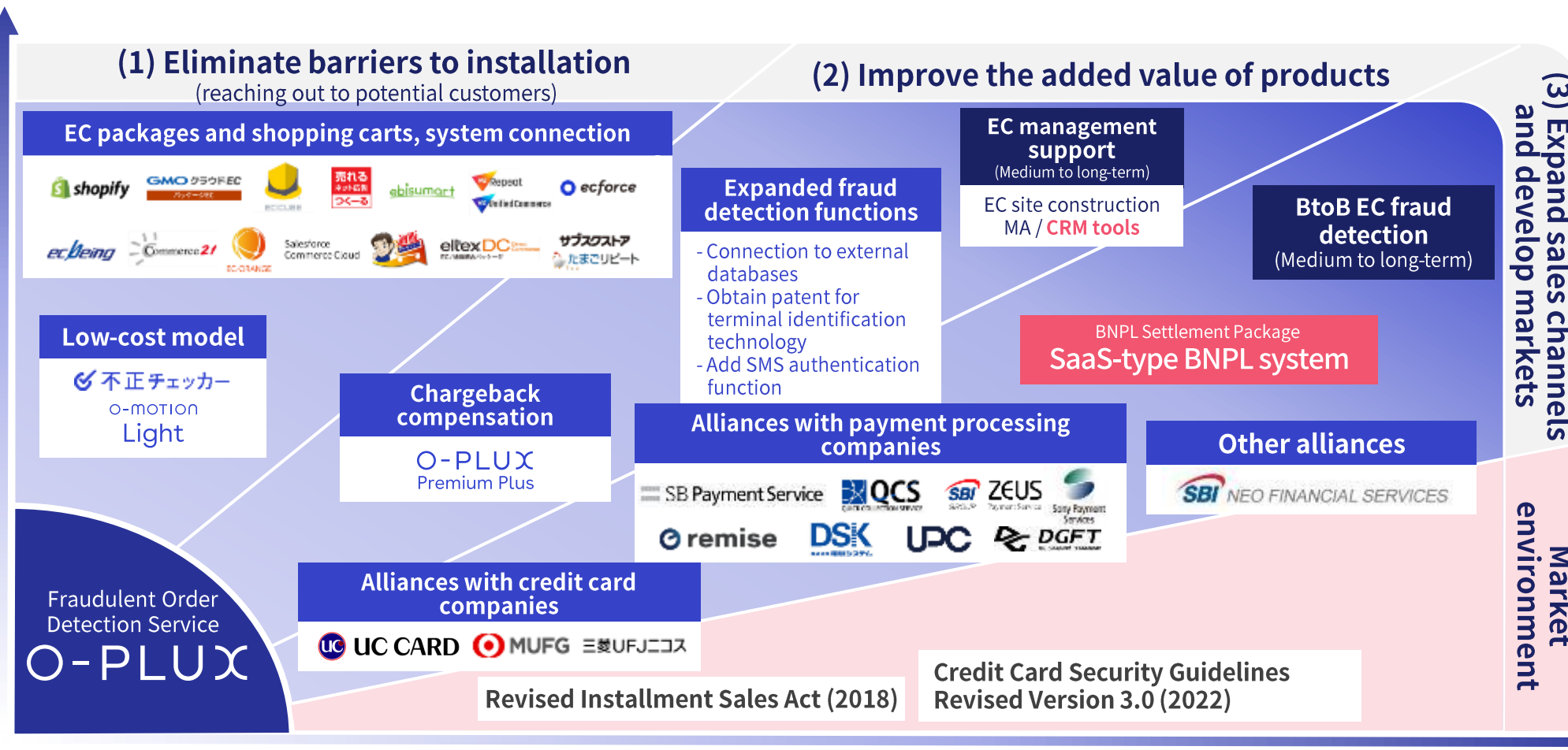
# Growth Strategies / Expansion of EC Fraudulent Detection Domain

## - 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.

Expansion of EC Fraud Detection Domain

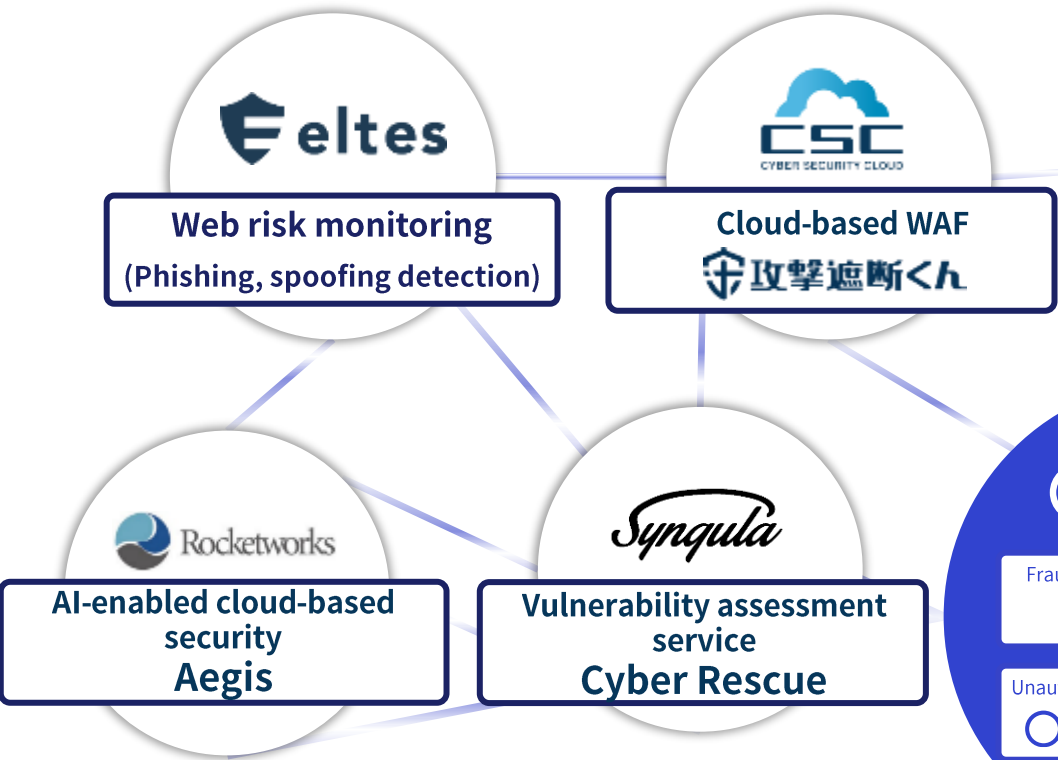


# Growth Strategies / Expansion into Cyber Security Domain

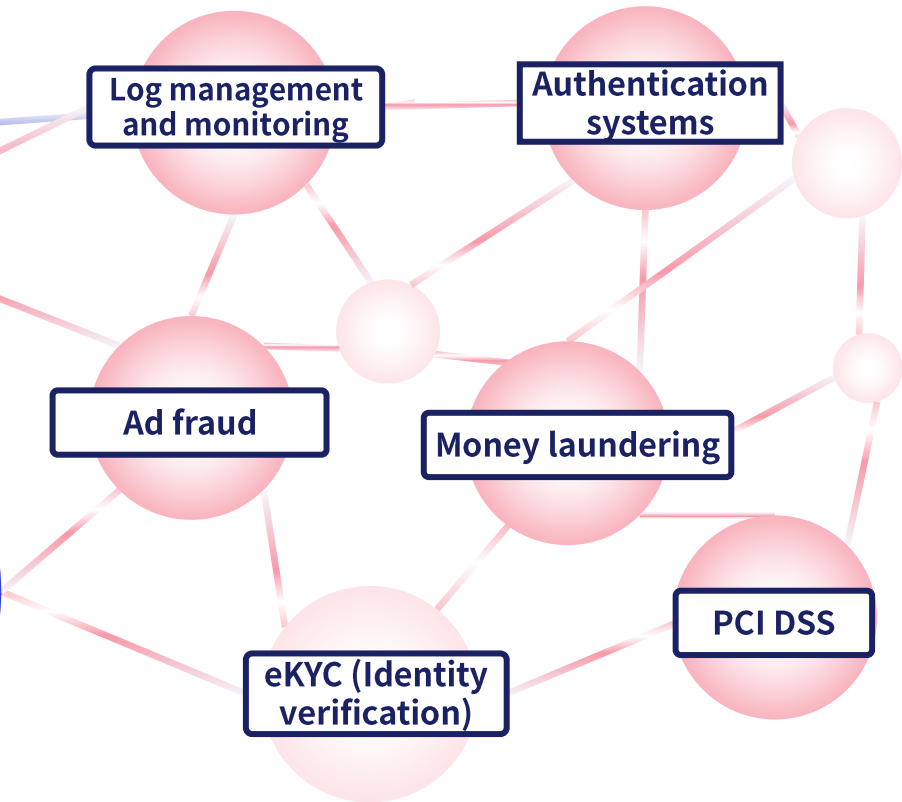


We will expand business into the cyber security domain with an eye on M&A and alliances as well as technological development.

## Existing Alliances



## New Domains





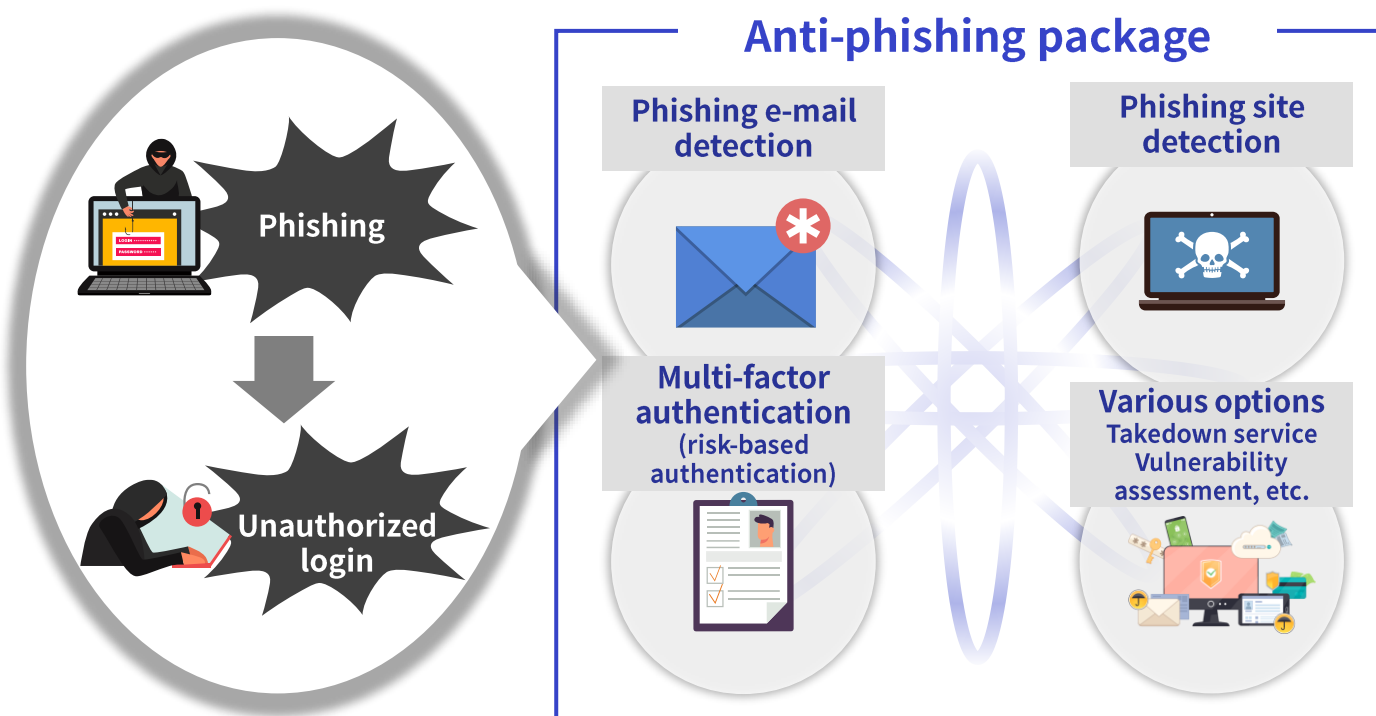
# Growth Strategies / Provision of an Anti-Phishing Package with O-MOTION at Its Core

Expansion into  
the Cybersecurity  
Domain

As a countermeasure against phishing fraud, which has been rapidly increasing in recent years, the Company is preparing to offer an anti-phishing package with the O-MOTION unauthorized access detection service at its core (to be offered in FY2023 2Q).



Source: Monthly Report of the Council of Anti-Phishing Japan

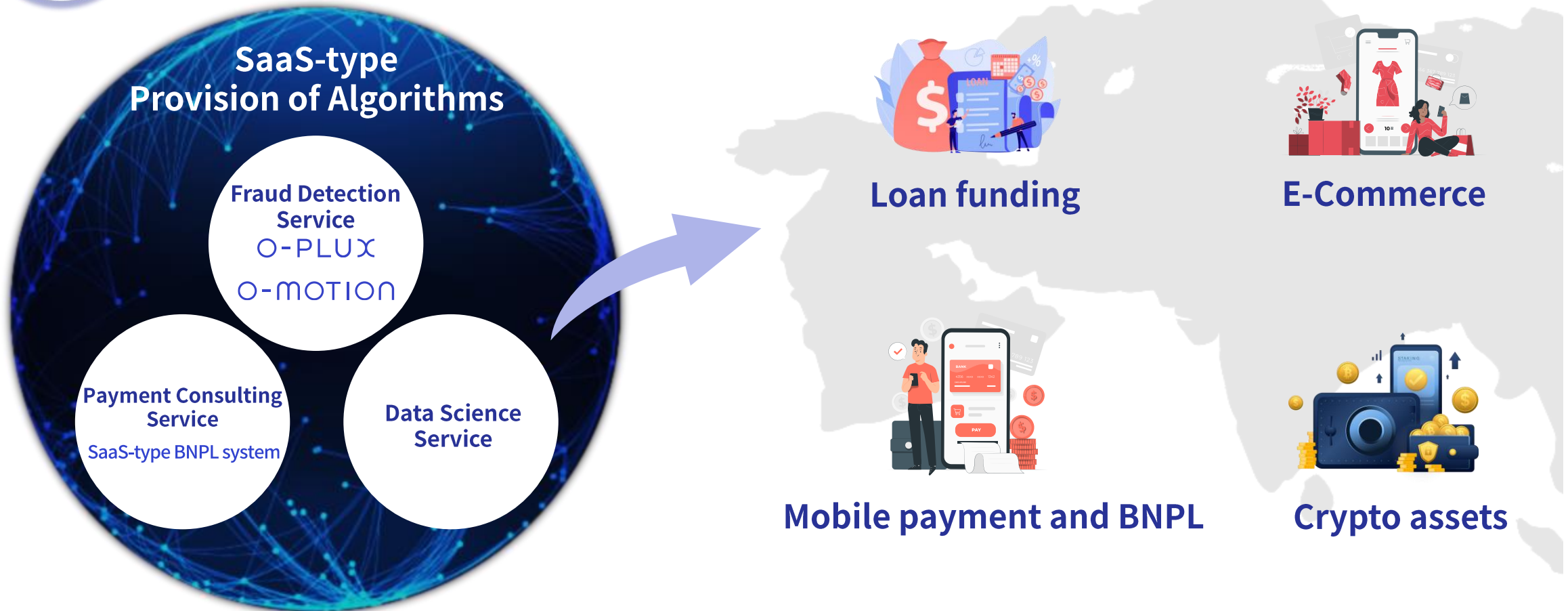


Provide a comprehensive and effective countermeasure service against phishing through **O-MOTION**, enabling the prevention of damage caused by phishing from the border of your systems.

# Growth Strategies / Overseas Expansion



Utilizing the services and know-how that the Company has accumulated, we are preparing to expand into the EC and financial domains in Southeast Asia.

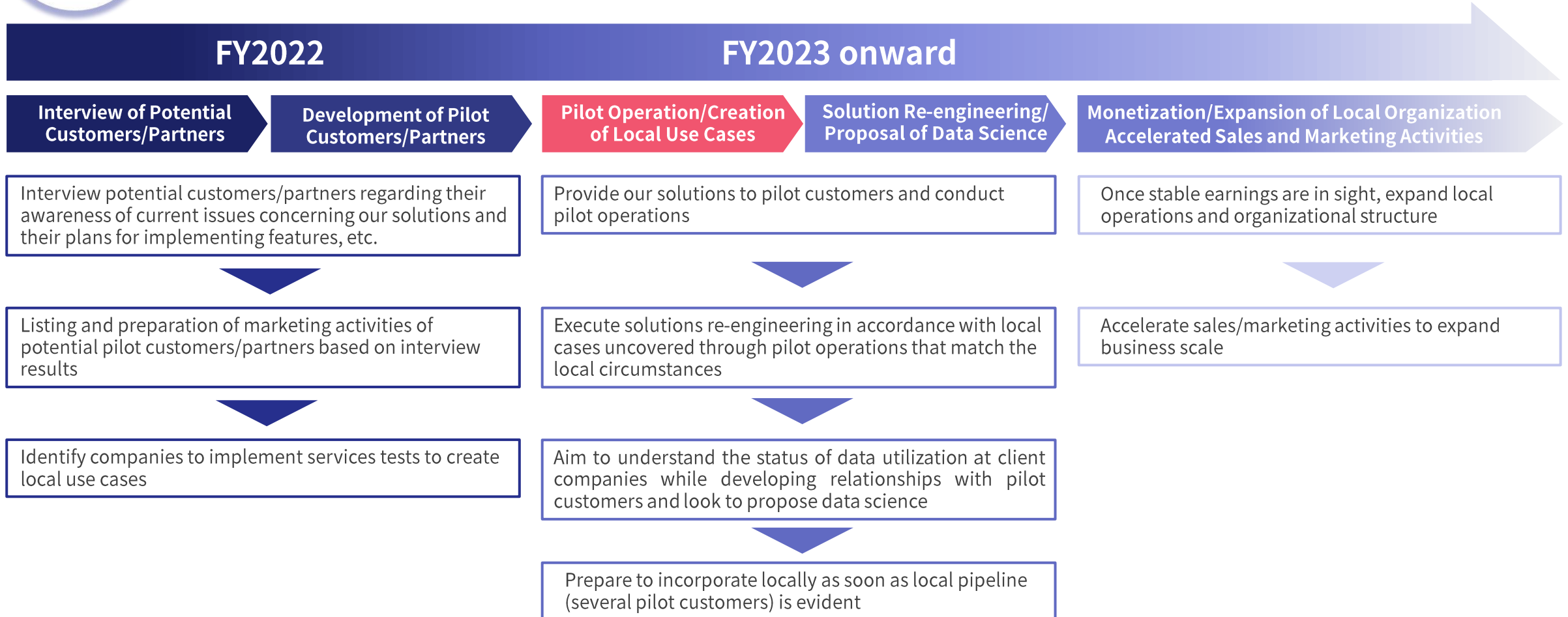




# Growth Strategies / Roadmap for Overseas Expansion



The Company is in the process of identifying and negotiating with companies to implement service tests in order to create local use cases.  
Prepare in parallel CRM tools for e-commerce based on data science.



# Growth Strategies / Create a New BNPL Market, Release a SaaS-type BNPL System



Release a SaaS-type BNPL System based on our extensive BNPL credit experience and settlement consulting know-how.

- By minimizing initial investment and operating costs, the barriers to entry into BNPL will be lowered, and then a new BNPL market will be created by expanding BNPL to non-payment providers that have been unable to enter or adopt BNPL.

BNPL Settlement Package

## Features of SaaS-type BNPL system

	In-house development	Third party settlement/OEM use	BNPL Settlement Package SaaS-type BNPL system
Initial investment	System investment of more than 100 million yen is needed.	Small initial investment due to use of third party settlement.	Available with <b>initial cost</b> starting from <b>2 million yen</b> due to SaaS-type service.
Time to service launch	More than 1 year for system development	Possible to be launched only with system connection	Possible to be launched only with system connection
Profitability	Possible to control profitability under in-house operation.	Low profitability due to operation costs to be paid	<b>Secure profitability over and above fees</b> with lower operation costs.
Utilization of BNPL settlement data	Possible to utilize settlement data due to in-house operation.	Impossible to utilize settlement data	Possible to <b>leverage</b> settlement data <b>for marketing</b>
Meeting specific needs	Possible due to in-house development	Not customizable on request	Customizable on request

## What the SaaS-type BNPL system should be



BNPL expansion into overseas markets with a focus on Southeast Asia.



BNPL expansion not only for payment service provider **but also for EC shopping carts, major EC operators, etc.**

## Market Scale of BNPL settlement in Japan

2024: **Approx. 1.8 trillion yen**

2022: **Approx. 1.3 trillion yen**

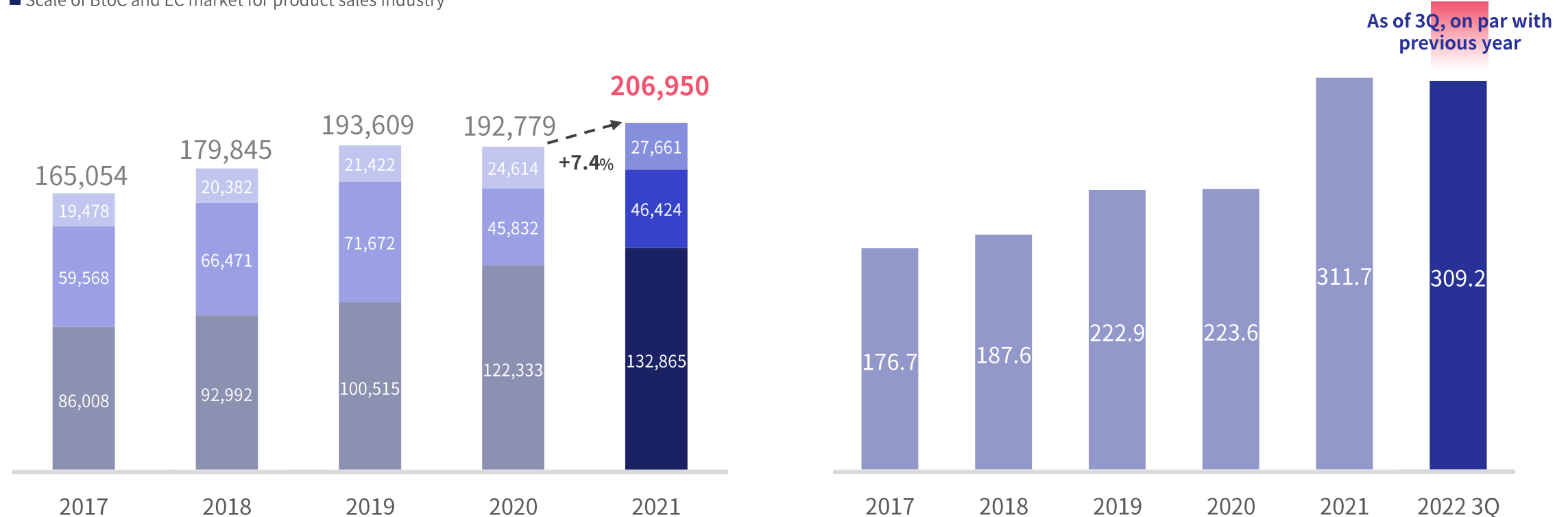
\* Source: Yano Research Institute, "Current Status and Future Forecast of Online Payment Service Providers, 2021 Edition"

- 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

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

((Unit: 100 million yen)

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

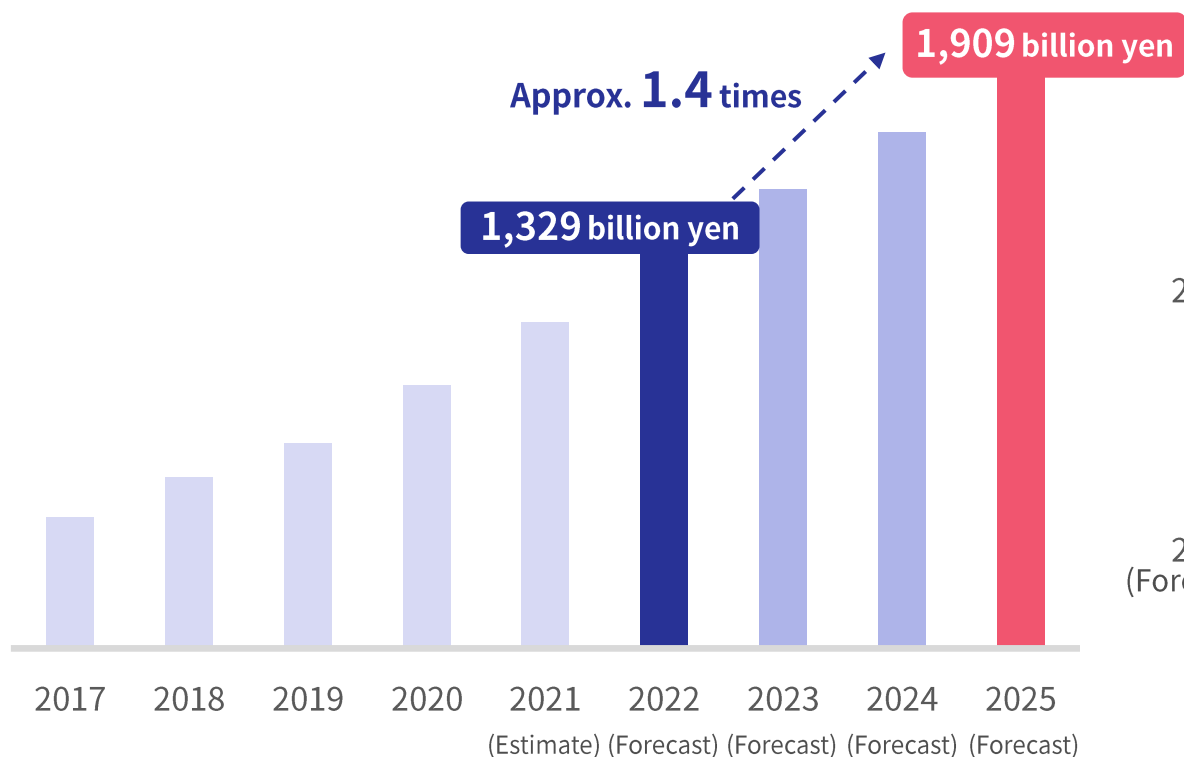


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## Growth Strategies / Market Scale / Expansion of the BNPL Market

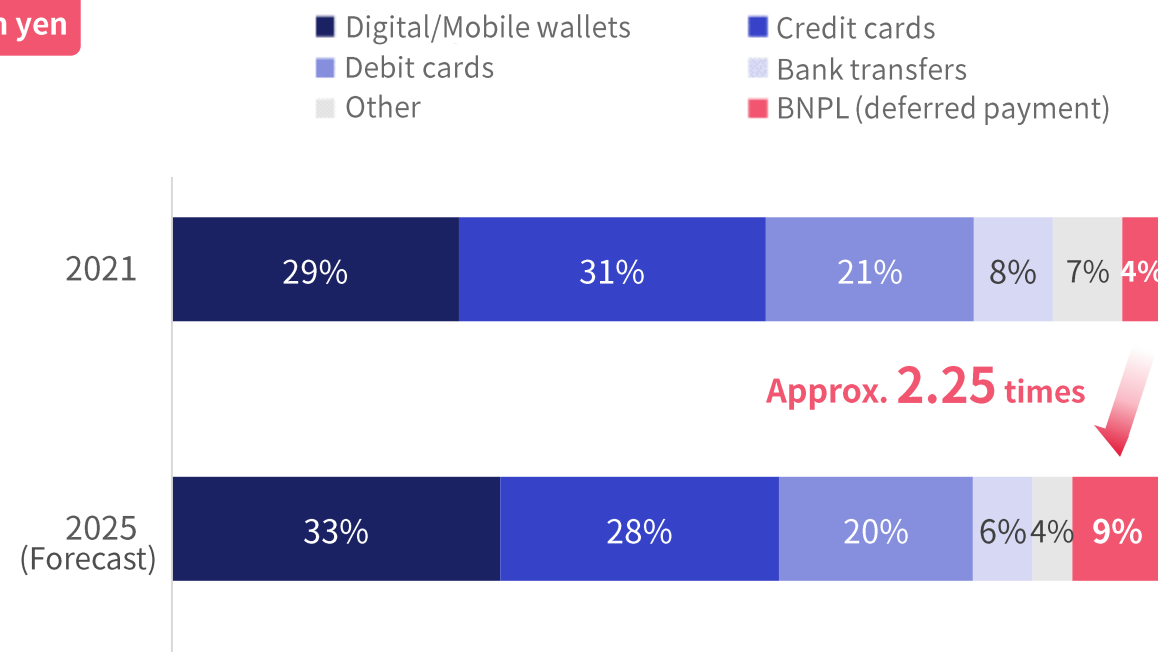
The BNPL market is growing continuously both domestically and internationally, and its use is expected to expand further in the future.

### 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 2022"

# Growth Strategies / Market Scale / Increase in Damage from Unauthorized Access in Japan

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

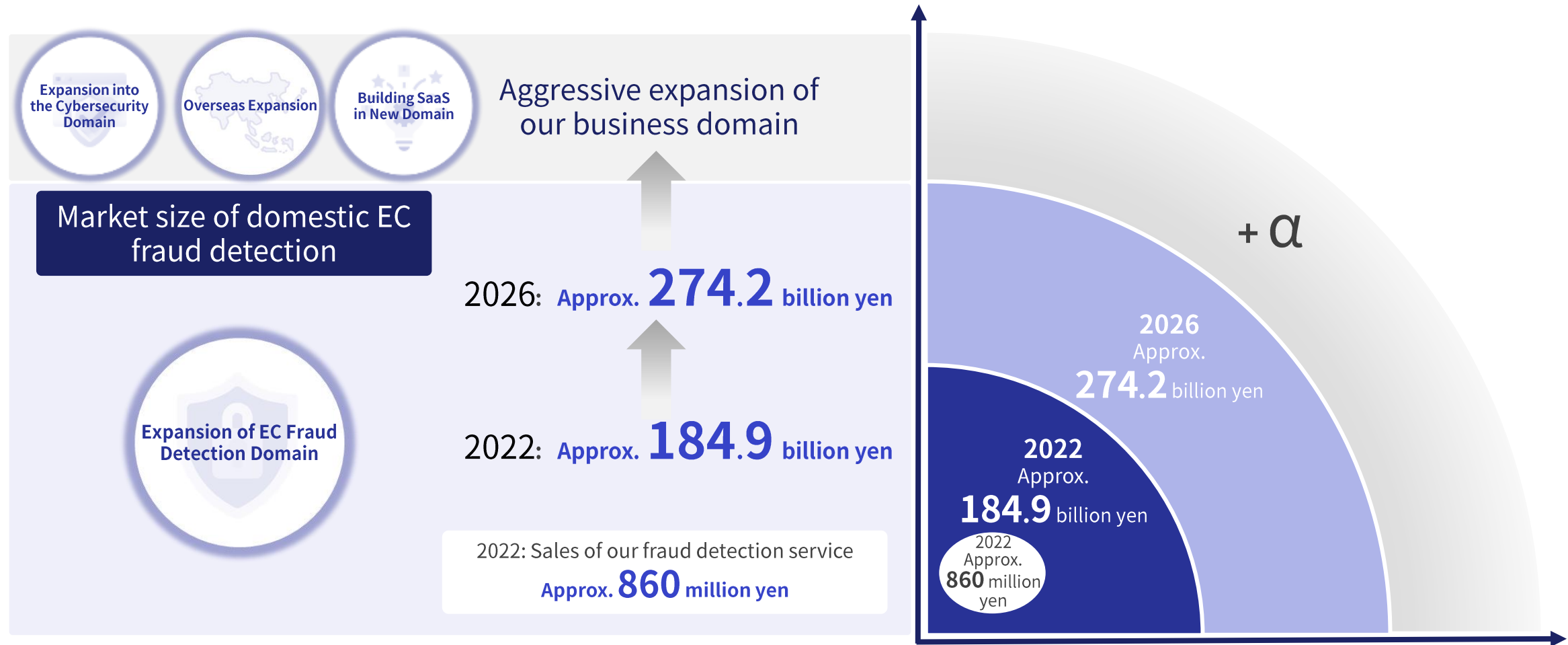
1st place	Unauthorized remittances through Internet banking	45.7%
2nd place	Unauthorized purchases from Internet shopping	23.0%
3rd place	Unauthorized acquisition of information, such as snooping on e-mails	11.5%
4th place	Sending information while pretending to be an acquaintance	4.7%
5th place	Tampering 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
November 2022	Major manufacturer	An <b>unauthorized access</b> occurred to an EC site under in-house operation, resulting in the <b>leakage of personal information of up to 147,545 people</b> .
October 2022	Public organization	The e-mail distribution server of a public organization's website for sending out information had <b>unauthorized access, resulting in 81,084 sluggish e-mails and the leak of 198 personal information of newsletter subscribers</b> .
October 2022	Digital Agency	The G-Biz ID e-mail relay server suffered a <b>cyber attack</b> and sent out <b>about 13,000 suspicious e-mails</b> .
September 2022	Apparel company	A <b>cyber attack</b> on a website run by the company may have resulted in the <b>leakage of 63,565 people's credit card information and personal information</b> .
September 2022	Major retail company	Due to a <b>cyber attack</b> on the servers of a company to which the retail company outsources the system management of its e-commerce site, <b>up to 186,704 e-mail addresses of members of the affected site were leaked</b> .
August 2022	Major travel agency	<b>Virus infection</b> of terminals that manage unmanned check-ins at hotels operated by the agency <b>may have resulted in a leakage of the personal information of 34,425 persons</b> .
July 2022	Manufacturer of industrial mats	<b>Unauthorized access</b> to an internal server operated by the company may have resulted in a leakage of <b>customer information of up to 40,600 customers</b> held by the Company.
July 2022	Gift EC company	The online shop operated by the company became a victim of a <b>cyberattack</b> , which may have resulted in a leakage of <b>credit card information of up to 28,700 customers and registered information of up to 150,236 members of the online shopping website</b> .

# Growth Strategies / 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)



# Appendix



Appendix / Decided on First Company to Introduce the New BNPL Settlement Service

SaaS-type BNPL system (Released February 8, 2023)

CACCIO

The first company to introduce the new BNPL settlement service SaaS-type BNPL system is SBI FinTech Solutions Co., Ltd.



BNPL Settlement Package

SaaS-type BNPL system



**Sales on credit**  
Installation of O-PLUX (fraudulent order detection service) as a standard feature, which has been introduced by many BNPL agents

**Billing and reminder**  
Paperless invoicing to purchasers and automated reminders to those who have not yet paid

**Payment management**  
Real-time and automatic process after payment is made. Reduction of complicated processes including double deposits, cancellations, etc.

**Functions for operation administrators**  
Screens prepared for operation administrators  
Easily confirmable transaction situation of BNPL settlement.

= Functions provided

Until now, EC businesses have faced hurdles in introducing BNPL settlement, such as the cost of several hundred million yen for system development and the accumulation of operational know-how for handling non-payment. On the other hand, if you use BNPL operators that can take back the credit, you do not need such introduction costs and operational know-how, but there are certain fees to pay and issues such as the inability to accurately grasp the situation of the customer due to the lack of payment history tracking.

For this reason, we have released the industry’s first SaaS-type BNPL system, which eliminates introduction costs and operational hurdles, and at the same time, enables maximization of revenue and understanding of customer situations. It is going to be used by SBI FinTech Solutions Co., Ltd. as the first client.

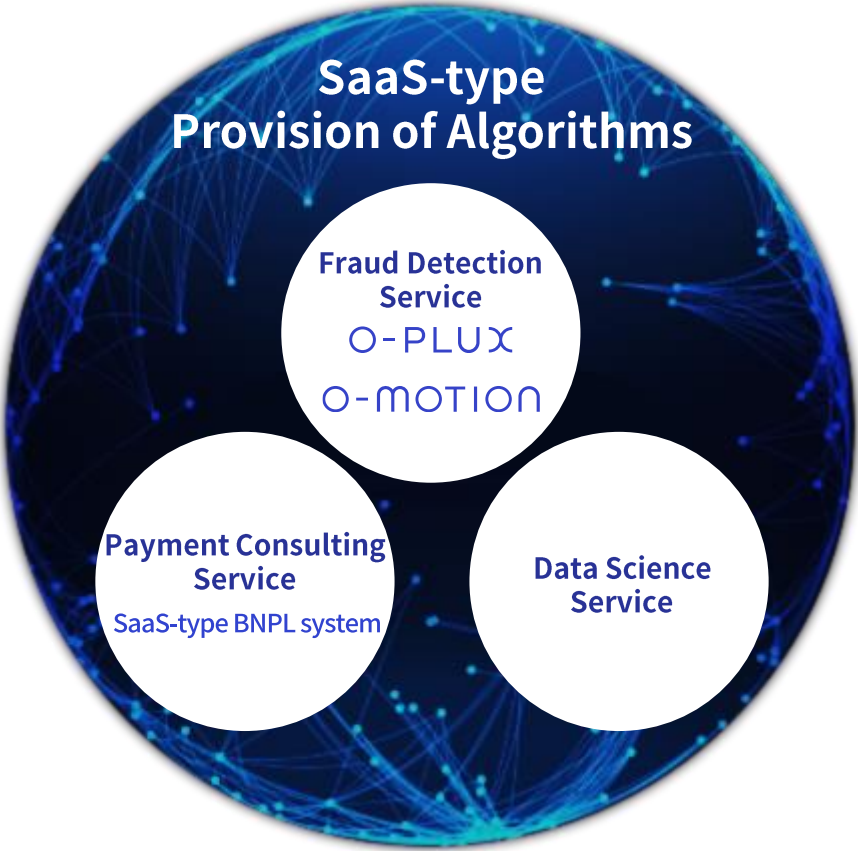


# Appendix / Company Profile

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:	365,518,435 yen *as of the end of January 2023
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.
2022	○ December	Release the <u>SaaS-type BNPL system</u> , a package service that enables BNPL settlement



\* 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**

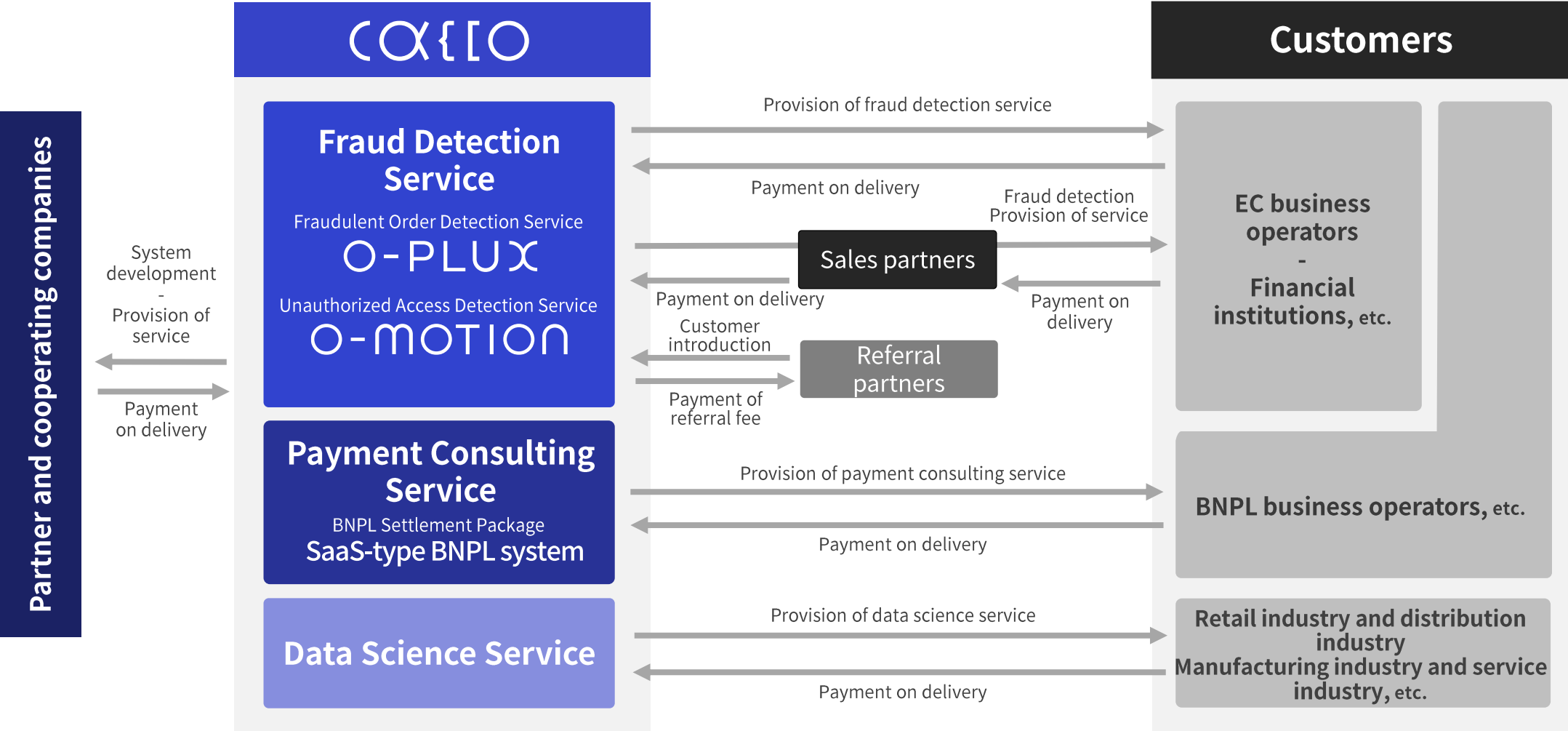
(\*Based on “Survey on the number of EC sites in Japan introducing paid fraud detection services” (as of the end of May 2022) performed by TOKYO SHOKO RESEARCH, LTD.)

3

## **Steady growth in recurring revenue due to increased use of O-PLUX, our core service**

(Recurring revenue accounted for 71.5% of our total sales in FY2022)

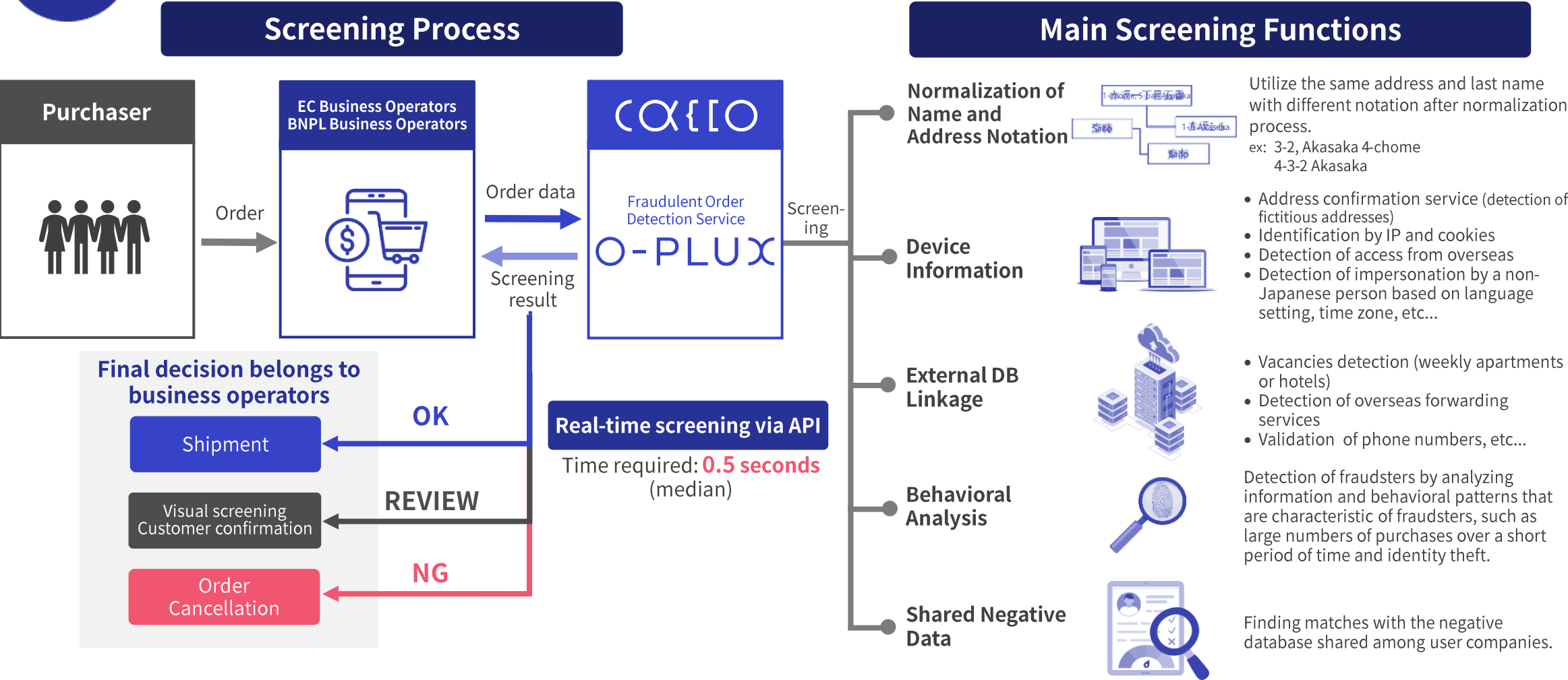
# Appendix / Our Business' Sales Channels



# 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.



## Differentiating Factors in Products

- 1

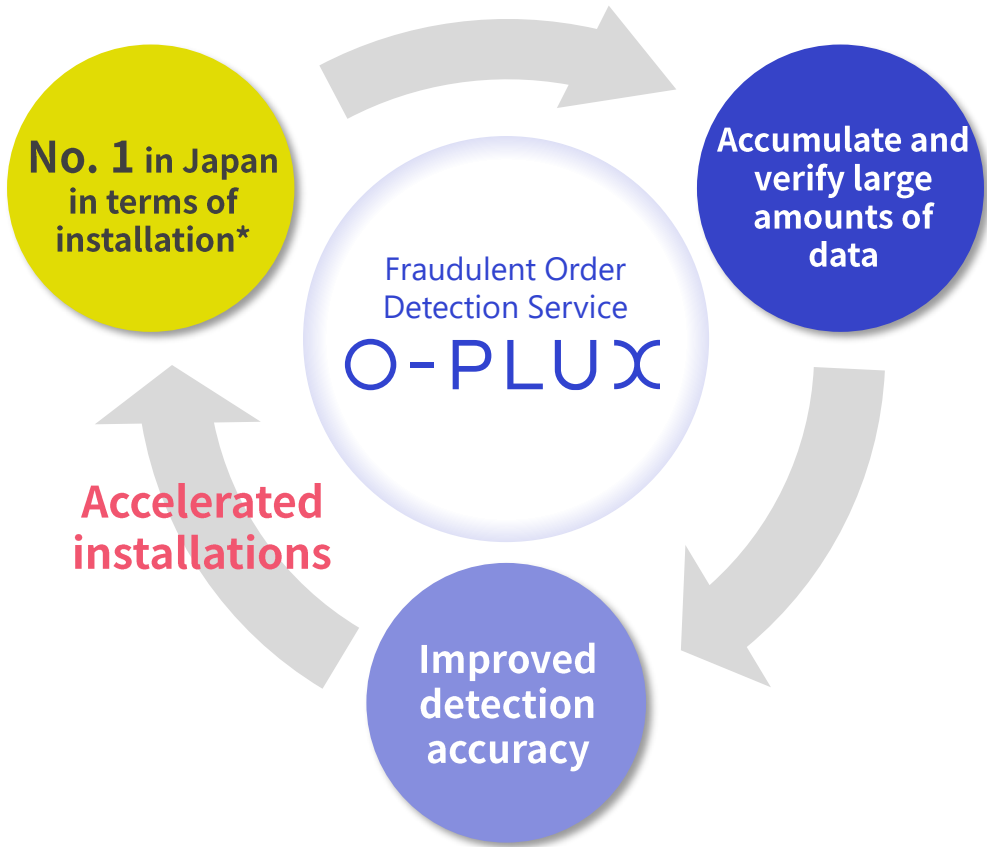
High fraud detection accuracy through possession of a large volume of domestic fraudulent order data

\*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



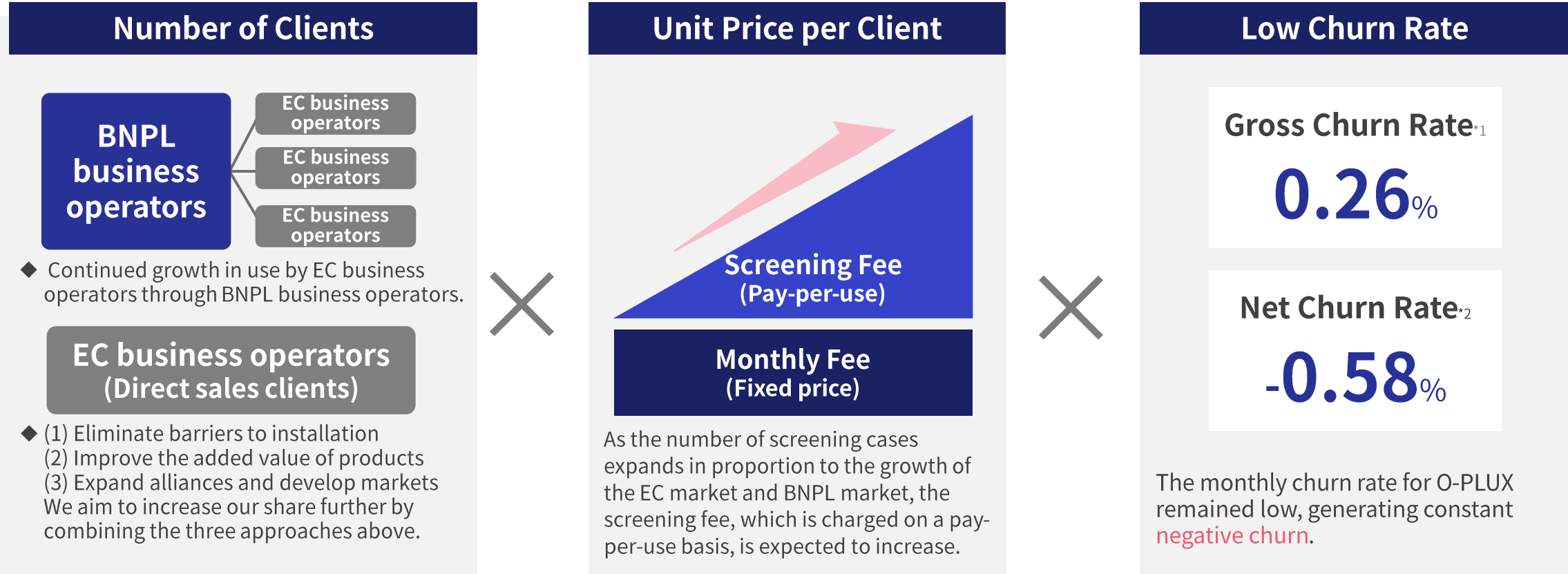
\* TOKYO SHOKO RESEARCH, LTD., "Survey on the number of EC sites in Japan introducing paid fraud detection service," (as of the end of May 2022)

# 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



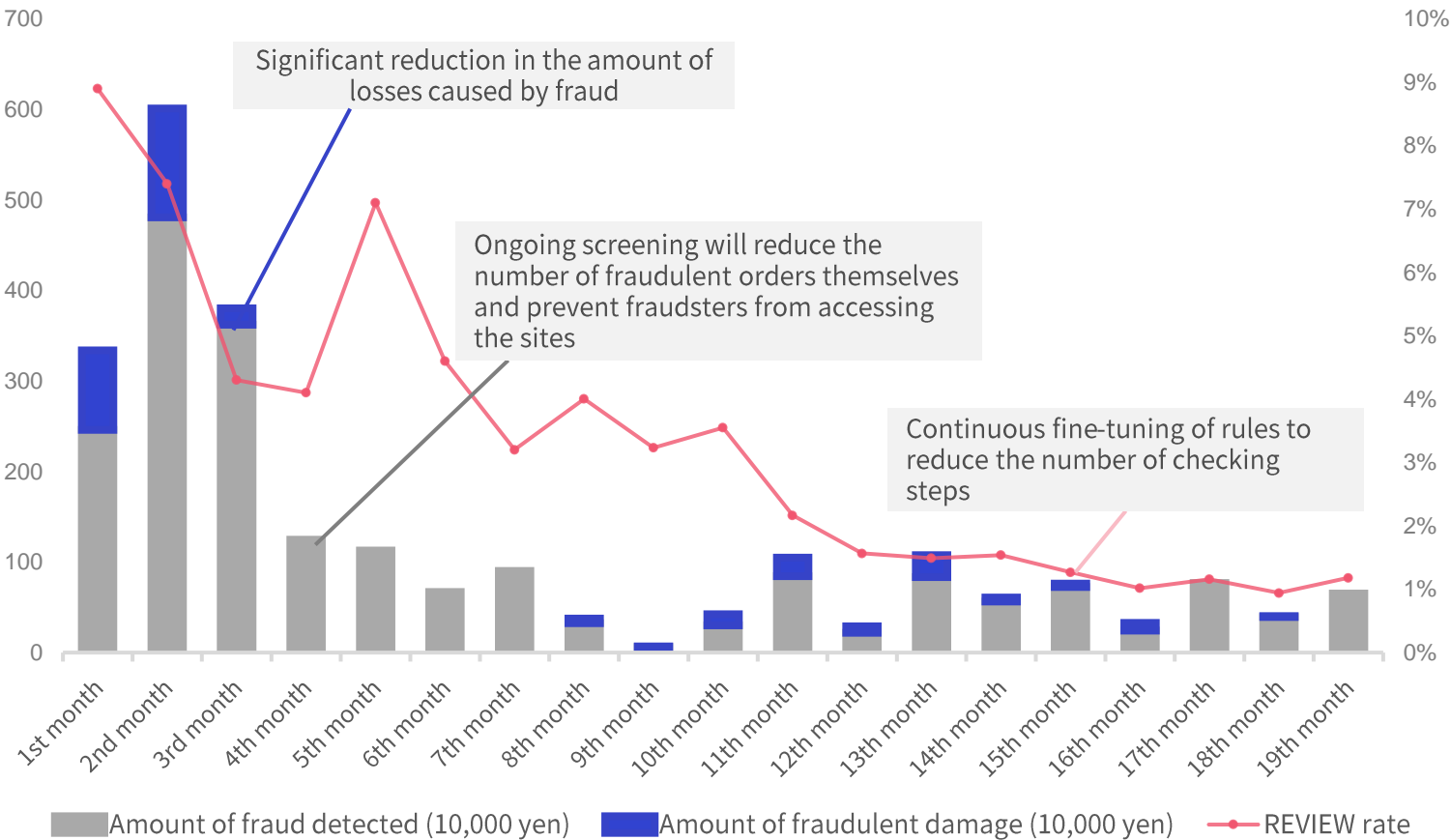
\*1 Gross churn rate = annual average of MRR from the clients who churned the current month / MRR at the beginning of the current month  
\*2 Net churn rate = (annual average of MRR from the clients who churned in the current month – MRR from new contracts for current month) / MRR at the beginning of the current month  
\*3 Churn rates shown in \*1 and \*2 are as of December 31, 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



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

Hobby	Food and health food						PC and tablet	
Cosmetics and hair care			Apparel and sports					Furniture and DIY
Online shopping malls, MVNO, and others						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)

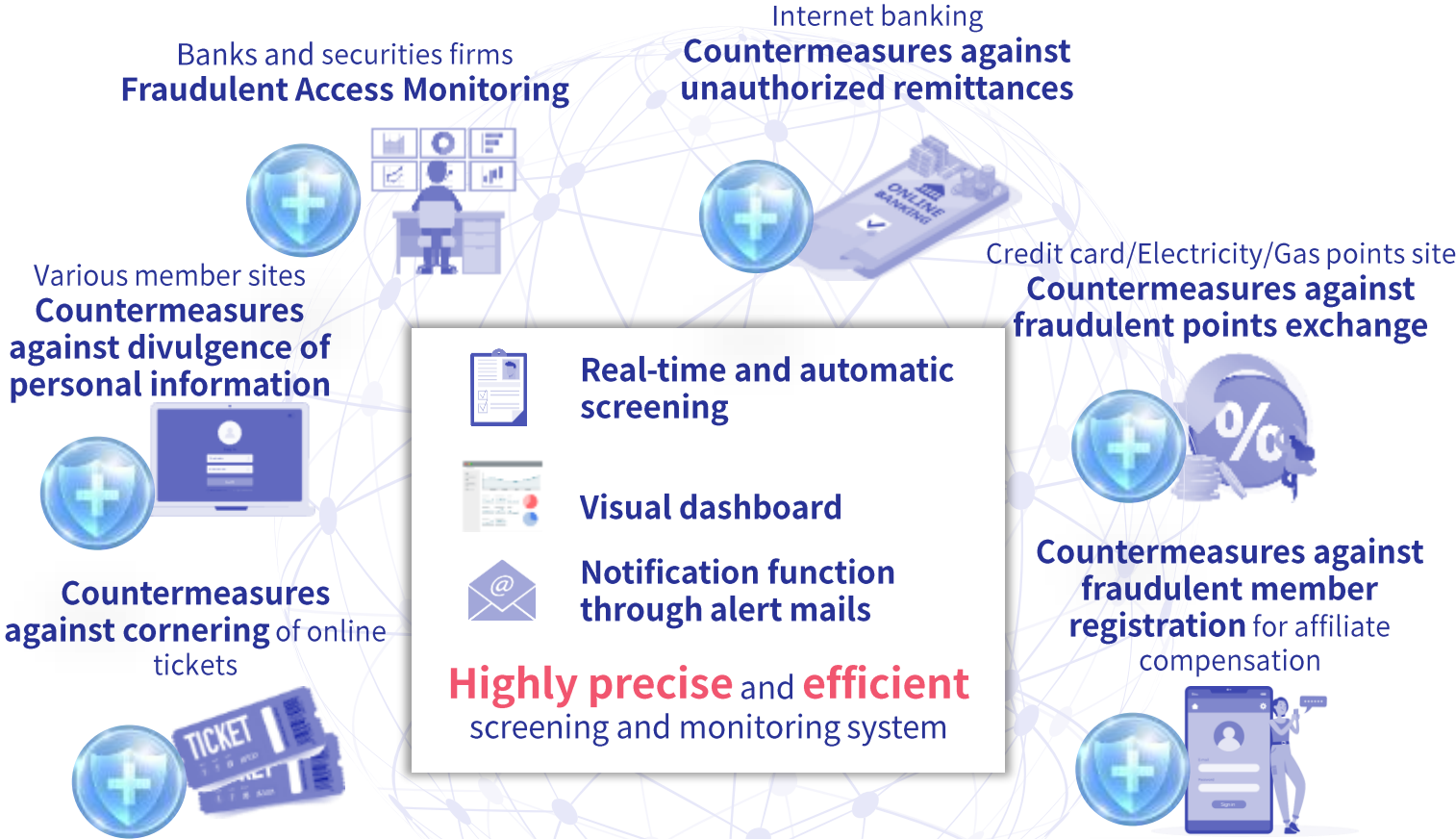
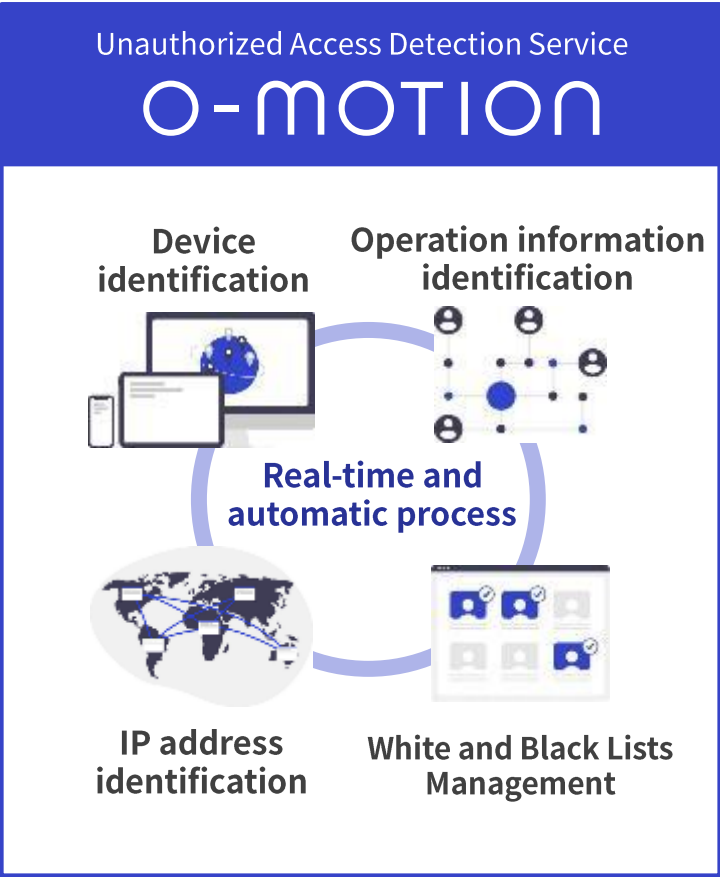
\*2 Only selected companies with permission to be listed are included. As of the end of December, 2022.

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# 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



Offers certain O-PLUX functions at **the lowest price in the industry**.<sup>\*</sup> 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



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



**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

<sup>\*</sup> Based on our research as of December 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



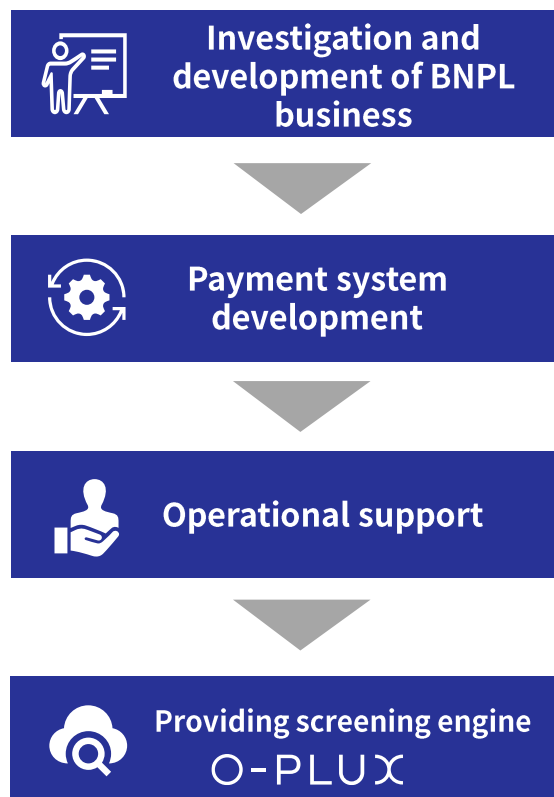
\*1 EC-CUBE is a trademark of EC-CUBE Co., Ltd.

\*2 As of the end of December 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)

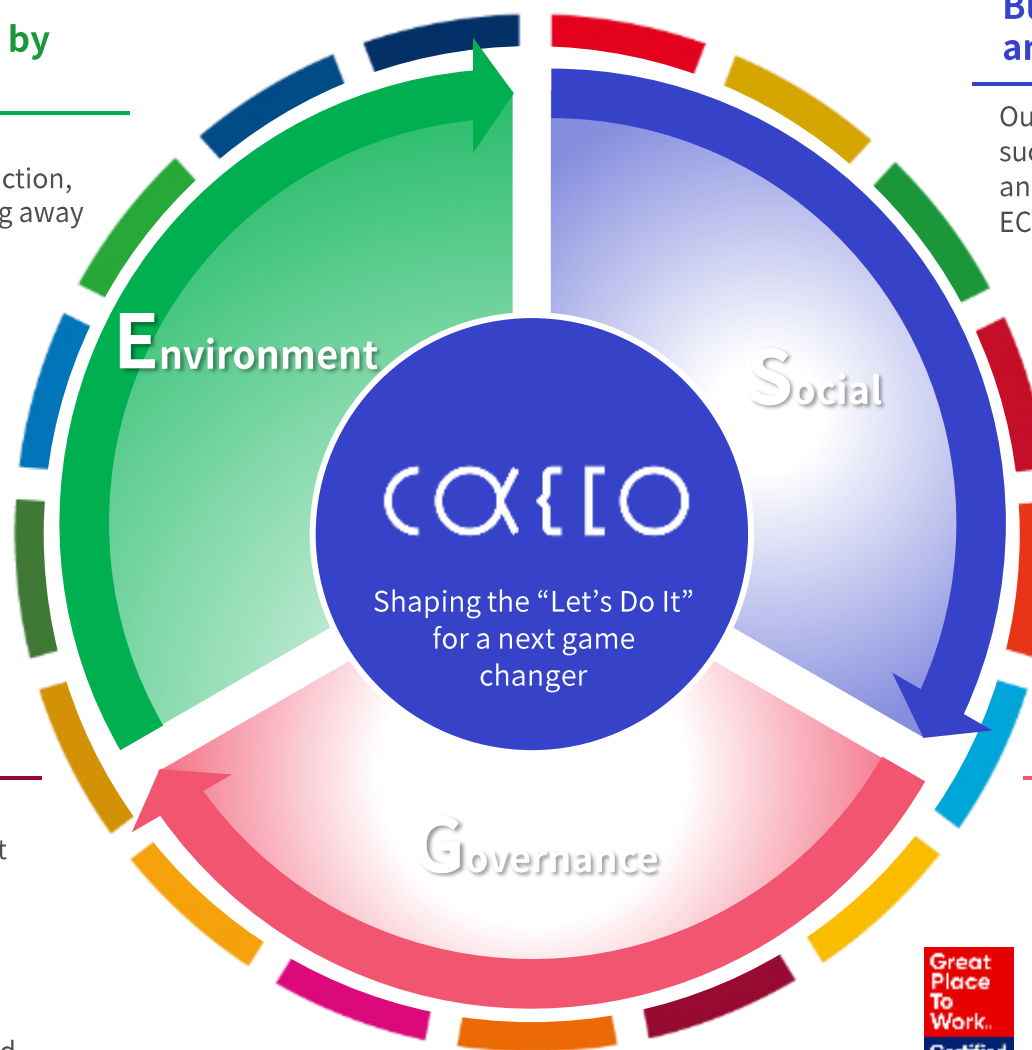
## Support in breaking away from the resource-intensive industrial model by promoting DX

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.



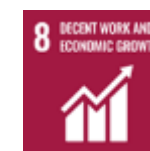
## Strengthen corporate governance and compliance systems

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.



\* Ranked in the 2021 edition of "Best Workplaces in Japan" by the Great Place to Work® Institute Japan.

## Disclaimer and Cautionary Statement Regarding Forward-Looking Statements

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](mailto:ir@cacco.co.jp)

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





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