



Summary of Financial Results (Japanese GAAP) for the Third Quarter of Fiscal Year Ending December 31, 2023 (Non-consolidated)

November 14, 2023

Name of the listed company: Cacco Inc. Stock exchange listings: Tokyo Stock Exchange
 Code number: 4166 URL <https://cacco.co.jp>
 Representative: (Title) Representative Director, President and CEO (Name) Hiroyuki Iwai
 Person in charge of inquiries: (Title) Executive Officer in charge of business administration (Name) Yuta Nakazawa
 TEL 03(6447)4534
 Scheduled date of filing of Quarterly Securities Report: November 14, 2023
 Scheduled date of commencing dividend payments: –
 Preparation of supplementary explanatory materials for quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts less than one million yen have been omitted)

1. Results for the Third Quarter (3Q) of FY2023 (January 1, 2023 to September 30, 2023)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2023 3Q	753	-5.5	-8	–	-18	–	-24	–
FY2022 3Q	796	16.2	134	-9.4	123	-14.5	80	-18.0

	Net income per share	Diluted net income per share
	Yen	Yen
FY2023 3Q	-9.44	–
FY2022 3Q	30.72	29.27

(2) Financial Position

	Total assets	Net assets	Capital ratio
	Millions of yen	Millions of yen	%
FY2023 3Q	1,583	1,368	86.4
FY2022	1,534	1,373	89.5

(Reference) Equity capital: FY2023 3Q 1,368 million yen FY2022 1,373 million yen

2. Dividends

	Annual dividend				
	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	–	0.00	–	0.00	0.00
FY2023	–	0.00	–		
FY2023 (Forecast)			–	0.00	0.00

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

3. Financial Forecasts for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	933	-13.3	-187	-205.9	-190	-223.4	-190	-289.8	-72.33

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

* Notes

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

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

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

(3) Number of shares issued (common stock)

(i) Number of issued shares at the end of the period (including treasury shares)	FY2023 3Q	2,655,970 shares	FY2022	2,632,682 shares
(ii) Number of treasury shares at the end of the period	FY2023 3Q	– shares	FY2022	– shares
(iii) Average number of shares during the period	FY2023 3Q	2,645,769 shares	FY2022 3Q	2,629,925 shares

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

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

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

The forward-looking statements, including business forecasts, etc., contained in this document are based on the information currently available to us and on certain assumptions deemed reasonable, and are not intended as a guarantee by the Company that they will be achieved. Actual results may differ significantly from these forecasts due to various factors. Please refer to "1. Qualitative Information on Financial Results for the Third Quarter of FY2023 (3) Summary of Financial Forecasts and Other Forward-Looking Information" on page 3 of the attached documents for matters concerning financial forecasts.

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

The supplementary explanatory materials "Financial Results for the Third Quarter of Fiscal Year Ending December 31, 2023" will be disclosed on TDnet on the same day and then posted on the Company's website. In addition, we are scheduled to hold a briefing session for institutional investors and analysts on Tuesday, November 14, 2023. Video of this briefing session and the materials for the financial results briefing to be distributed on that day will be promptly posted on our website after the briefing.

○ Contents of attached documents

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1. Qualitative Information on Financial Results for the Third Quarter of FY2023

(1) Summary of Operating Results

During the cumulative period through the third quarter of the current fiscal year (January 1, 2023 to September 30, 2023), the Japanese economy continued to recover, albeit at a moderate pace, as the employment and income environment improved and partly owing to the effect of various government policies. However, with ongoing global monetary tightening and other factors, the outlook remains uncertain, as a downturn in overseas economies is a risk that will put downward pressure on Japan's economy.

According to the "FY2022 Report on Improvement of Digital Transaction Environment (Market Research on Electronic Commerce)" published by the Ministry of Economy, Trade and Industry, the size of the business-to consumer EC (BtoC-EC) market as a whole in 2022 was 22.7 trillion yen (up 9.91% year on year), continuing to grow at a high growth rate. The BtoC-EC market continues to grow steadily, as shown by the increase of 0.35 percentage points to 9.13% of the EC ratio (the ratio of the size of the EC market to the size of the entire commerce market).

On the other hand, there has been a sharp increase in damage caused in recent years by the theft and unauthorized use of credit card numbers and other information. In response to this trend, the Revised Installment Sales Act mandates that necessary measures be taken to prevent the fraudulent use of credit card numbers and the like. In addition, the "Credit Card Security Guidelines Version 4.0 (Credit Card Transaction Security Council)," which serve as practical guidelines for such responses, require member businesses to introduce measures such as "attribute and behavior analysis (fraud detection system)" in accordance with the risk situation as a countermeasure against fraudulent use of credit cards in non-face-to-face transactions. As such, social demands for anti-fraud measures have been increasing more than ever.

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

As for our fraud detection services, we expanded the functions of O-PLUX, our fraudulent order detection service, including the improvement of its fraud detection accuracy by utilizing the IP geolocation technology. In addition, we strived to improve the added value of our products as we started collaborating with a major provider of fraud detection systems for credit cards to strengthen countermeasures against credit card frauds. As a result, the amount of O-PLUX's recurring revenue (the sum of the monthly fee, which is a fixed fee, and the screening fee, which is a pay-per-use fee based on the number of screenings; including Fraud Checker) for the cumulative period through the third quarter of the current fiscal year was 541,909 thousand yen (down 4.0% year on year). Furthermore, with regard to our Unauthorized Access Detection Services, we strived to secure orders for Impenetrable Defense Pack for Phishing, a one-stop anti-phishing package that detects phishing e-mails and websites used to fraudulently obtain information and prevents spoofing logins attempted with such fraudulently obtained personal information.

In our Payment Consulting Services, we worked to secure orders for SaaS-type BNPL systems, and in the Data Science Services, we worked to secure orders for data analysis projects.

As a result of the above, net sales for the cumulative period through the third quarter of the current fiscal year were 753,049 thousand yen (down 5.5% year on year), operating loss was 8,287 thousand yen (compared with operating income of 134,932 thousand yen for the same quarter last year), ordinary loss was 18,686 thousand yen (compared with ordinary income of 123,916 thousand yen for the same quarter last year), and net loss was 24,977 thousand yen (compared with net income of 80,796 thousand yen for the same quarter last year).

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

(2) Summary of Financial Position

(Assets)

Current assets at the end of the third quarter of the current fiscal year were 1,139,564 thousand yen, an increase of 45,088 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 38,758 thousand yen in cash and deposits. Non-current assets were 443,766 thousand yen, an increase of 3,882 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 38,314 thousand yen in investments and other assets.

As a result, total assets amounted to 1,583,331 thousand yen, an increase of 48,970 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the third quarter of the current fiscal year were 128,968 thousand yen, a decrease of 32,165 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 23,181 thousand yen in income taxes payable. Non-current liabilities were 85,893 thousand yen, an increase of 85,893 thousand yen from the end of the previous fiscal year. This was due to an increase of 84,517 thousand yen in long-term borrowings.

As a result, total liabilities amounted to 214,861 thousand yen, an increase of 53,727 thousand yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the third quarter of the current fiscal year were 1,368,470 thousand yen, a decrease of 4,757 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 24,977 thousand yen in retained earnings as a result of the recording of quarterly net income.

As a result, the capital ratio was 86.4% (89.5% at the end of the previous fiscal year).

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

There are no revisions to the full-year financial forecasts for the FY2023 announced on February 13, 2023 in the Summary of Financial Results for Fiscal Year Ended December 31, 2022.

2. Quarterly Financial Statements and Significant Notes Thereto

(1) Quarterly Balance Sheet

(Unit: thousand yen)

	FY2022 (As of December 31, 2022)	FY2023 3Q (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	962,072	1,000,830
Accounts receivable – trade	117,182	96,421
Work in process	–	100
Income taxes refund receivable	–	13,152
Other	15,221	29,059
Total current assets	1,094,476	1,139,564
Non-current assets		
Property, plant and equipment	11,306	12,586
Intangible assets		
Software	349,519	319,638
Software in progress	5,625	–
Other	924	717
Total intangible assets	356,068	320,355
Investments and other assets		
Other	92,510	130,327
Allowance for doubtful accounts	-20,000	-19,503
Total investments and other assets	72,510	110,824
Total non-current assets	439,884	443,766
Total assets	1,534,360	1,583,331
Liabilities		
Current liabilities		
Accounts payable – trade	24,764	16,941
Short-term borrowings	–	4,500
Current portion of long-term borrowings	1,797	15,483
Income taxes payable	23,314	132
Provision for bonuses	9,468	11,101
Other	101,789	80,810
Total current liabilities	161,133	128,968
Non-current liabilities		
Deferred tax liabilities	–	1,376
Long-term borrowings	–	84,517
Total non-current liabilities	–	85,893
Total liabilities	161,133	214,861
Net assets		
Shareholders' equity		
Share capital	365,518	374,827
Capital surplus	541,729	551,038
Retained earnings	465,188	440,210
Total shareholders' equity	1,372,436	1,366,076
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	791	2,393
Total valuation and translation adjustments	791	2,393
Total net assets	1,373,227	1,368,470
Total liabilities and net assets	1,534,360	1,583,331

(2) Quarterly Statement of Income
(The third quarter of FY2023)

(Unit: thousand yen)

	The third quarter of FY2022 (From January 1, 2022 to September 30, 2022)	The third quarter of FY2023 (From January 1, 2023 to September 30, 2023)
Net sales	796,561	753,049
Cost of sales	258,113	263,304
Gross profit	538,447	489,745
Selling, general and administrative expenses	403,515	498,032
Operating income or loss (-)	134,932	-8,287
Non-operating income		
Interest and dividend income	143	177
Consulting fee income	2,400	-
Reversal of allowance for doubtful accounts	-	496
Other	7	200
Total non-operating income	2,550	874
Non-operating expenses		
Interest expenses	45	103
Expenses to deal with system failures	3,348	10,073
Provision of allowance for doubtful accounts	10,000	-
Other	172	1,096
Total non-operating expenses	13,565	11,273
Ordinary income or loss (-)	123,916	-18,686
Income or loss (-) before income taxes	123,916	-18,686
Income taxes – current	20,590	362
Income taxes – deferred	22,530	5,928
Total income taxes	43,120	6,291
Net income or loss (-)	80,796	-24,977

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

Not applicable

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

Not applicable

(Change in accounting policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance on Accounting Standard for Fair Value Measurement") is applied from the beginning of the first quarter of the current fiscal year, and the new accounting policy prescribed by the Guidance is applied prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This has no impact on the quarterly financial statements.

(Segment information, etc.)

[Segment information]

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

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

For the third quarter of FY2023 (From January 1, 2023 to September 30, 2023)

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

(Significant subsequent events)

Not applicable