Cacco Inc. | Stock Code: 4166
February 14, 2022

Financial Results for the Fiscal Year Ended December 31, 2021

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.

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Cacco Evolutionary Purpose

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

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

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



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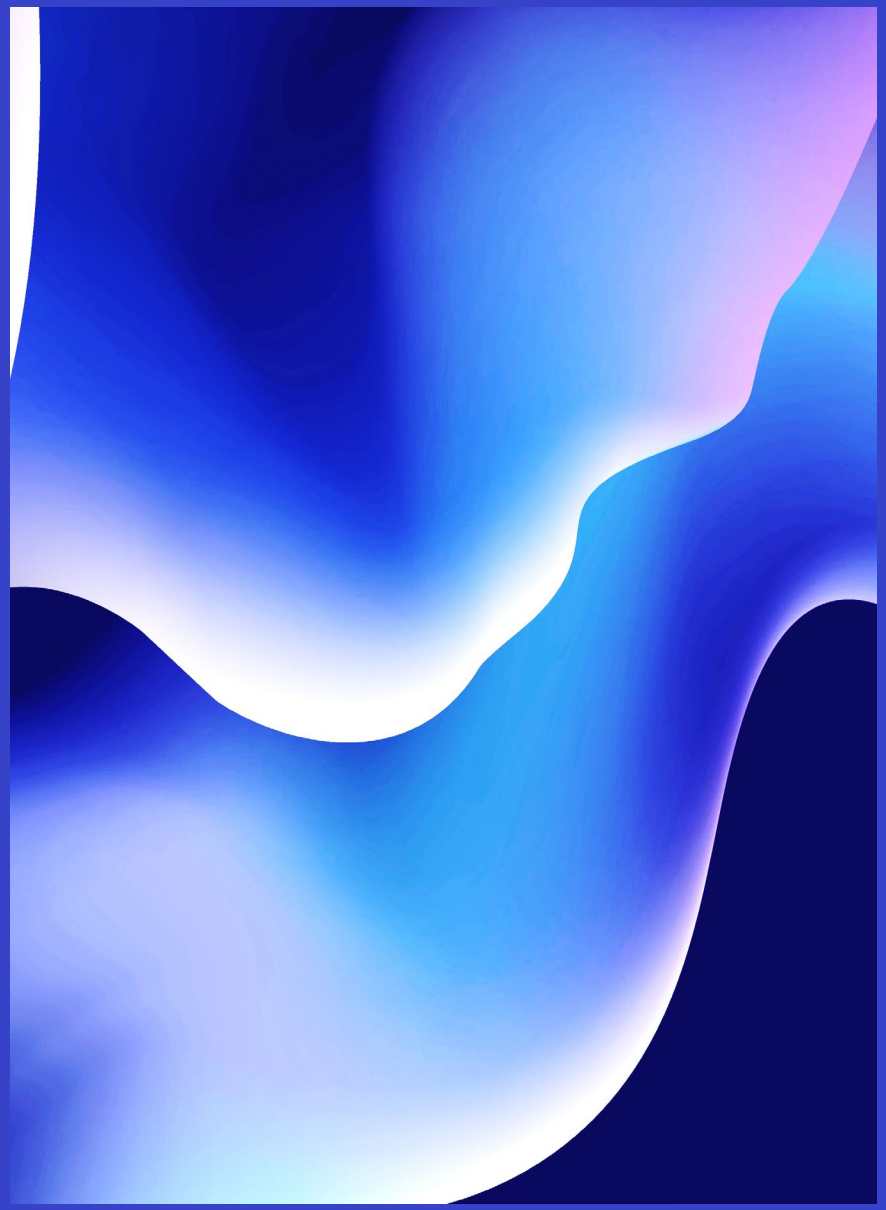

Financial Results for FY2021

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Financial Results for FY2021 / Highlight

Net sales

951 million yen

Up 14.4% YoY

O-PLUX recurring revenue

690 million yen

Up 16.0% YoY

O-PLUX monthly termination rate (annual average)

0.24%

Down 0.03 pt YoY

Ordinary income

170 million yen

Up 47.9% YoY

Recurring revenue ratio

72.5%

Up 1.0 pt YoY

O-PLUX screening volume

62.48 million cases

Up 10.5% YoY

* O-PLUX recurring revenue = monthly fee, which is a fixed charge + screening fee, which is a pay-as-you-go fee based on the number of screenings (not including spot revenue such as initial installation fee)
* Recurring revenue ratio = O-PLUX recurring revenue / net sales (total of all services)
* O-PLUX churn rate (annual average) = annual average of O-PLUX monthly churn rate (= annual average of current month's churned recurring revenue / recurring revenue at the beginning of the current month)

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Financial Results for FY2021 / Summary of Business Progress

Improve the added value of products

New technology development

Obtained a patent for the terminal identification technology in O-MOTION, the unauthorized access detection service.

Release of new functions and service

■ Expansion of the functions of O-PLUX, the fraudulent order detection service
- Expansion of external database (DB) connection (Unauthorized IP address DB, Restaurant phone number DB)
- Automate identity verification by adding SMS authentication function

■ Released O-PLUX Premium Plus, fraudulent order detection service with chargeback compensation

O-PLUX Premium Plus

Release of low-cost model

Two low-cost models have been released to eliminate barriers to adoption and reach a wider range of providers.

不正チェッカー　O-MOTION Light

Expansion of alliances

API connection with EC packages and shopping carts

O-PLUX, a fraudulent order detection service, starts to connect with GMO Cloud EC (provided by GMO System Consulting Inc.) and Repeat PLUS w2Commerce (provided by w2solution Co., Ltd.) via API.

GMOクラウドEC パッケージEC　リピートPLUS　w2 Commerce V5

Alliances with credit card companies

Developed O-PLUX, a fraudulent order detection service for participating merchants through an alliance with UC CARD Co., Ltd. and Mitsubishi UFJ NICOS Co., Ltd.

UC CARD　MUFG　三菱UFJニコス

Alliances with payment processing companies

O-PLUX and O-MOTION, both industry-specific, have been added to the fraud detection service lineup for DG Financial Technology, Inc.

DGFT DG Financial Technology

Expansion of business domains

Business expansion into the cyber security domain

Expanded business into the cyber security domain through an alliance with Cyber Security Cloud Inc. and Eltes Co., Ltd.

CSC CYBER SECURITY CLOUD　eltes

Entered the marketing services domain

Formed a capital and business alliance with Recovery Co., Ltd., the Japanese general agency for Uberall, a solution for MEO and local search optimization, and entered the SaaS business into the marketing domain.

uberall

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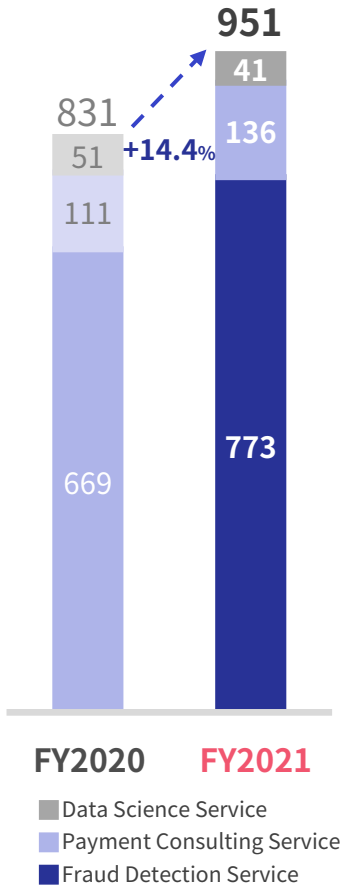
Financial Results for FY2021 / Highlight of Business Results

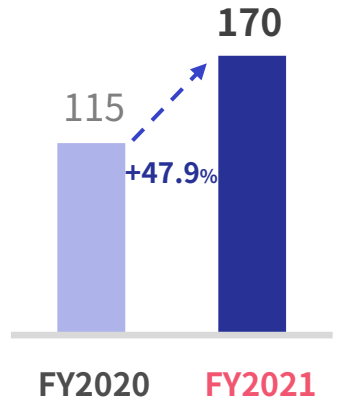
(Unit: million yen)

	FY2020 Full Year	FY2021 Full Year	YoY change	FY2021 Forecast	Achievement rate
Net sales	**831**	**951**	**+14.4%**	**909**	104.6%
(Net sales of fraud detection services)	669	773	+15.6%	755	102.4%
Operating income	**138**	**178**	**+29.5%**	**154**	115.9%
(Operating income margin)	16.6%	18.8%	+2.2 pt	17.0%	-
Ordinary income	**115**	**170**	**+47.9%**	**149**	114.4%
(Ordinary income margin)	13.9%	18.0%	+4.1 pt	16.4%	-
Net income	**130**	**120**	**-7.5%**	**102**	117.6%
EPS (yen)	55.37 yen	45.90 yen	-17.1%	39.05 yen	117.5%

Net Sales



Ordinary Income



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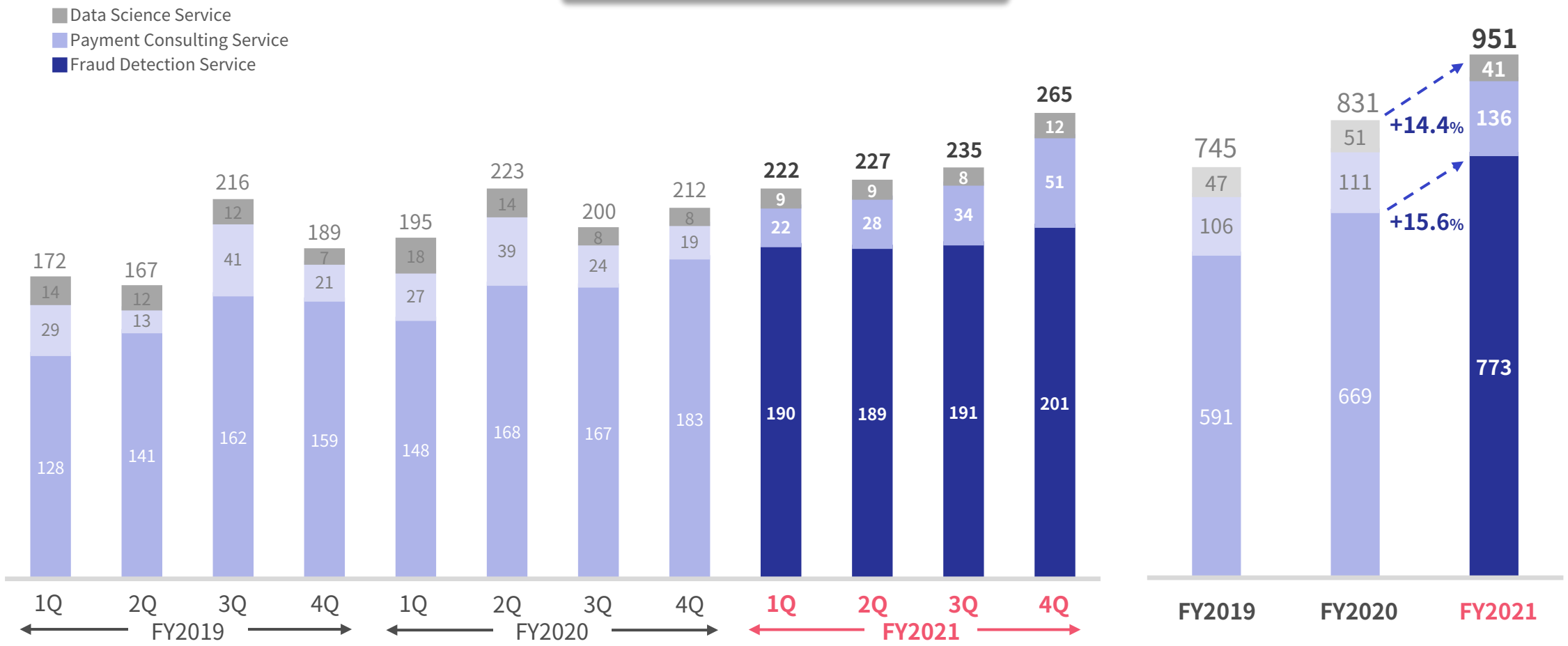
Financial Results for FY2021 / Net Sales Trends

Sales of the core of our business fraud detection service increased by 15.6% YoY, and total net sales expanded by 14.4% YoY.

Business expansion is accelerating, with total net sales for FY2021 growing at 14.4%, 2.9 pt above the previous year's growth rate of 11.5%.

Net Sales Trends

(Unit: million yen)



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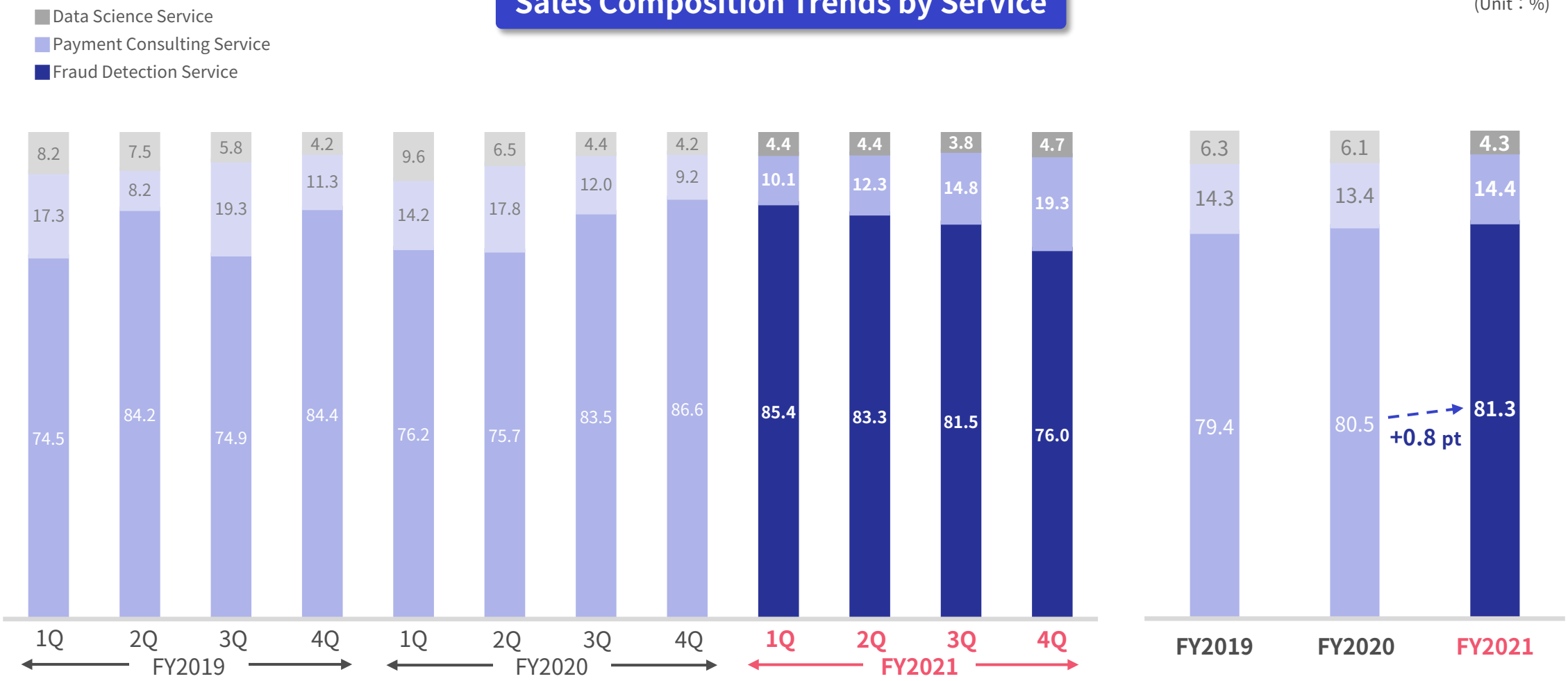
Financial Results for FY2021 / Sales Composition Trends by Service

The sales composition of the core fraud detection service expanded to 81.3% (+0.8 pt YoY).

- Quarterly trends in the fraud detection service have been on a downward trend due to the expansion of earnings from the payment consulting service, but sales themselves have continued to grow steadily.

Sales Composition Trends by Service

(Unit：%)



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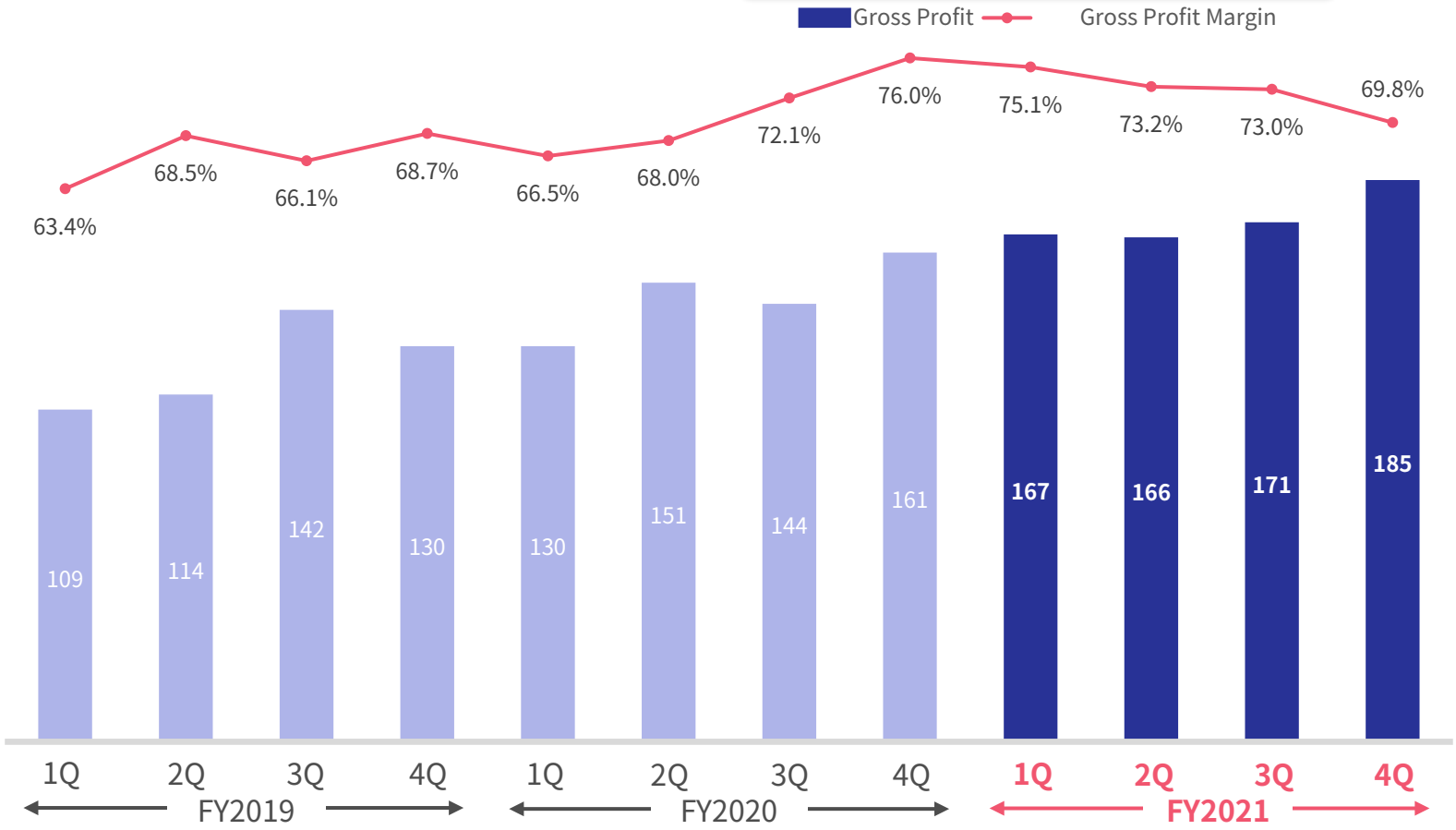
Financial Results for FY2021 / Gross Profit Trends

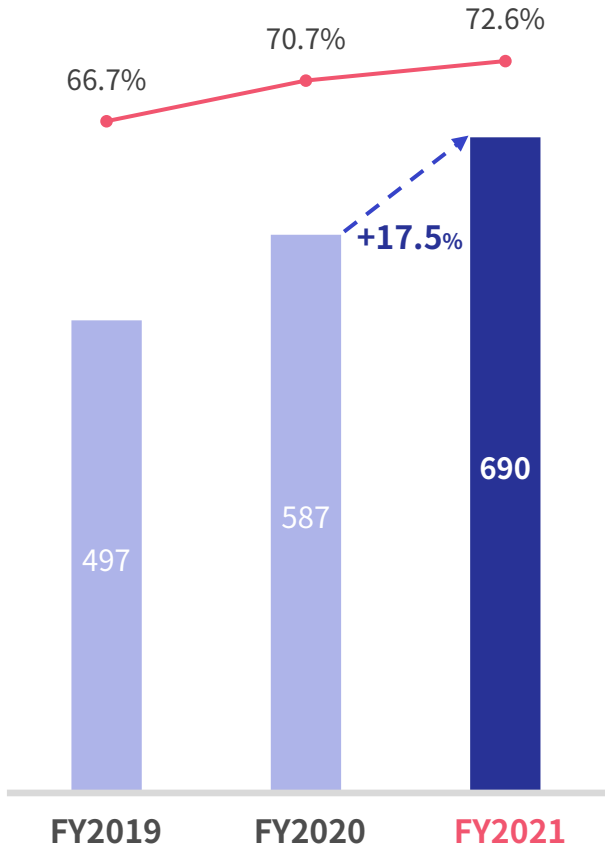
Gross profit expanded by 17.5% YoY and the gross profit margin improved to 72.6% (+1.9 pt YoY).

- Although the profit margin declined in the fourth quarter of FY2021 due to the recording of depreciation expenses related to the renewal of O-PLUX architecture, the profit amount itself continued to grow steadily.
- In the medium to long term, investment effects such as reduced server costs are expected to outweigh the increase in depreciation expenses.

Gross Profit Trends



(Unit: million yen)



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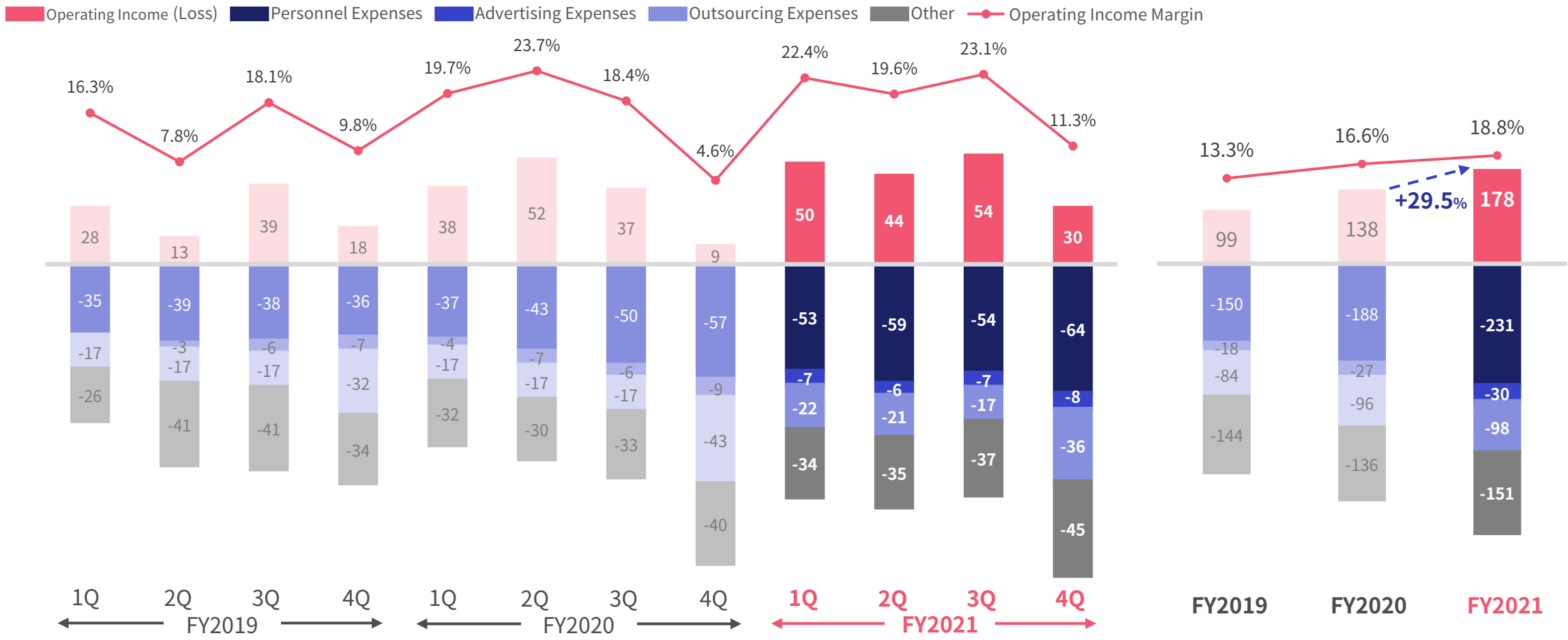
Financial Results for FY2021 / Trends in Operating Income and Selling, General and Administrative Expenses

Operating income expanded by 29.5% YoY, and the operating income margin improved to 18.8% (+2.2 pt YoY).

- In the fourth quarter of FY2021, we made investments for the next term, including the development of API connections and functions for the fraud detection service (outsourcing expenses), and implementation of various market surveys (others).

Trends in Operating Income/Selling, General and Administrative Expenses

(Unit: million yen)



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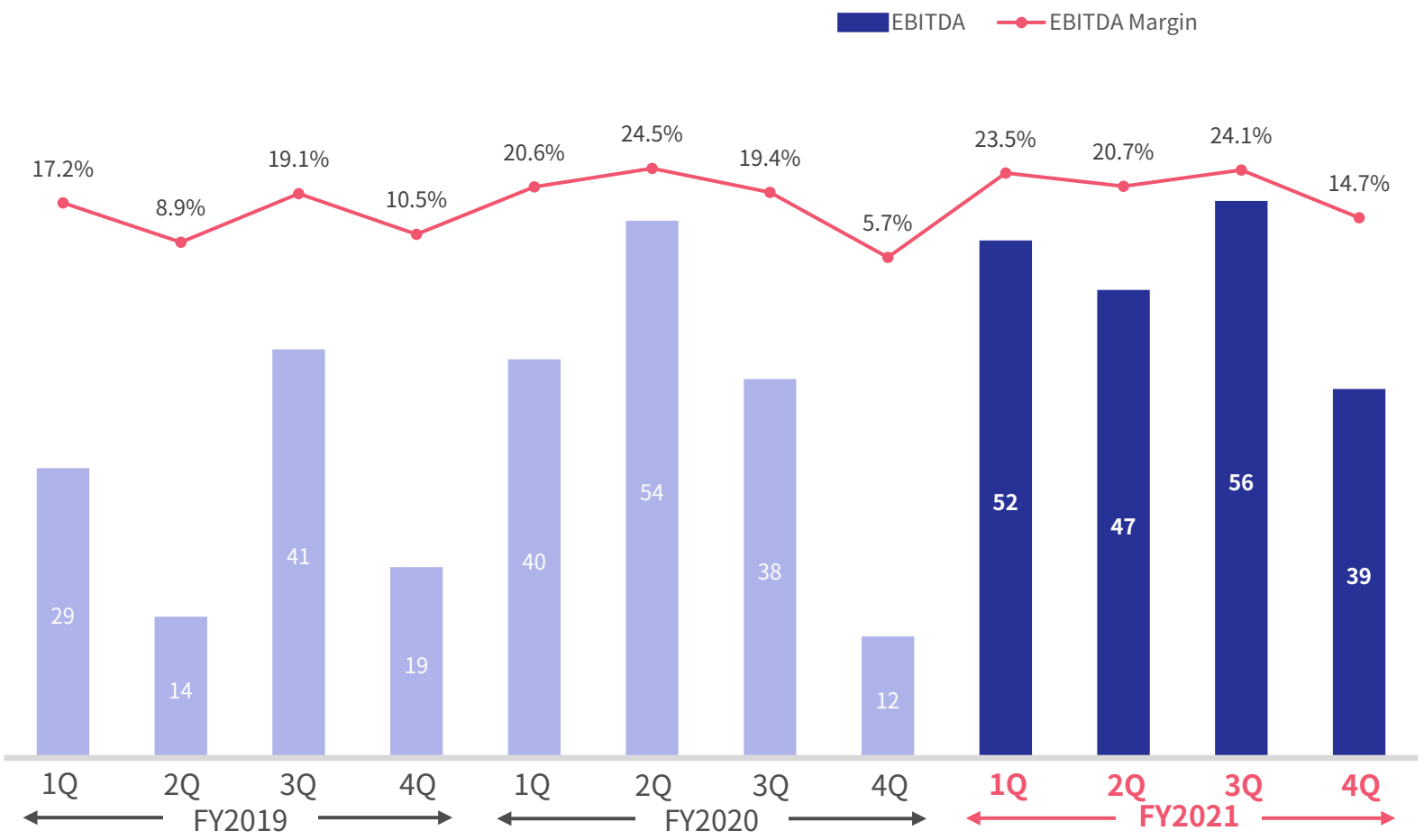
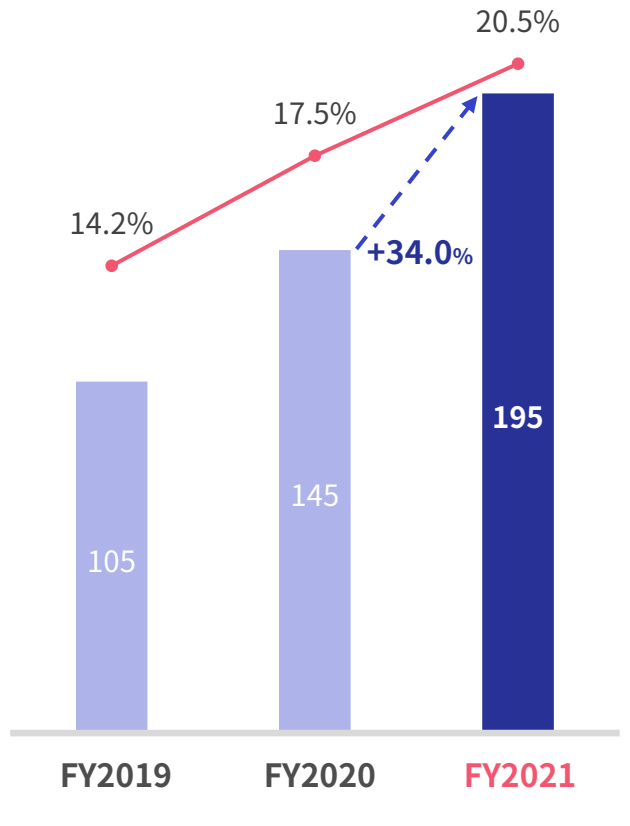
Financial Results for FY2021 / EBITDA Trends

EBITDA increased steadily together with profit growth, and EBITDA margin improved to 20.5% (+3.0 pt YoY).

EBITDA Trends

(Unit: million yen)





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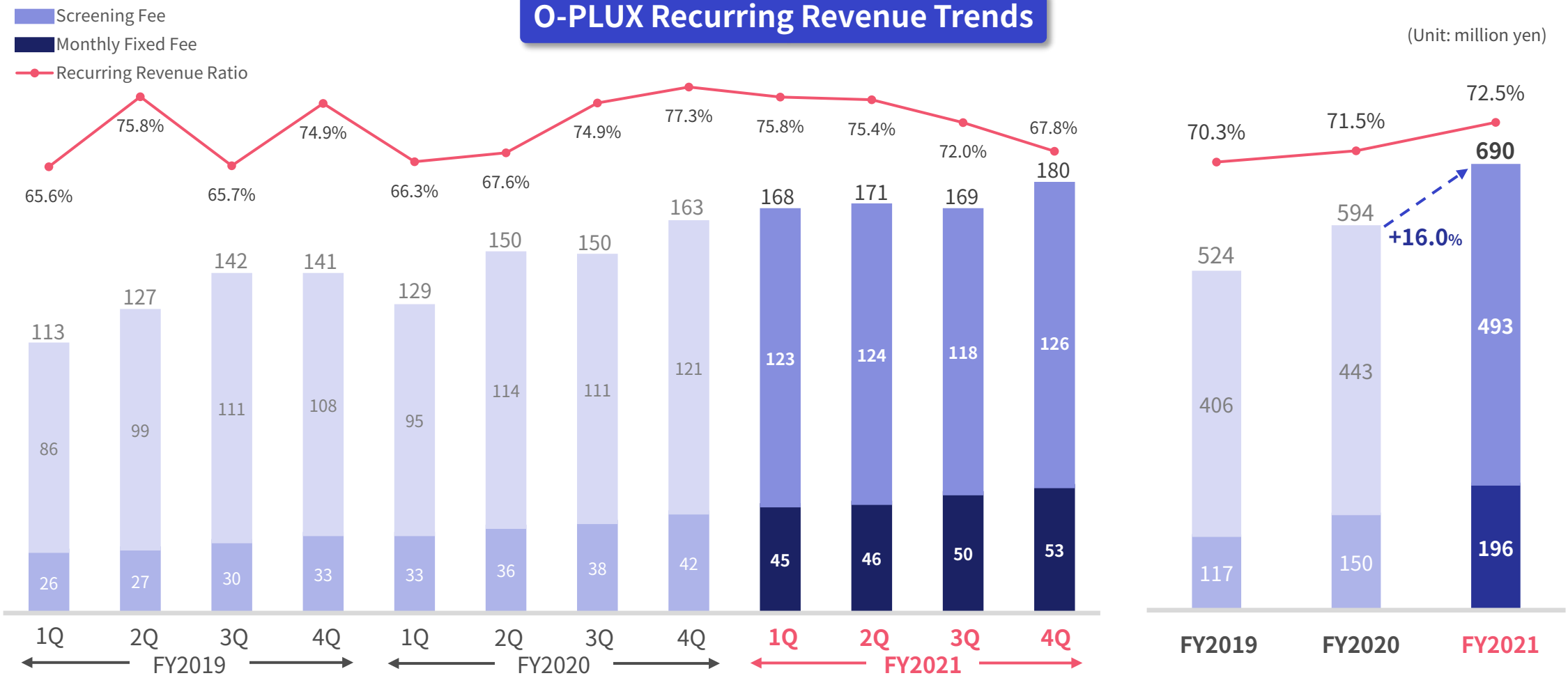
Financial Results for FY2021 / Trends in O-PLUX Recurring Revenue

Annual recurring revenue of O-PLUX grew by 16.0% YoY, and the recurring revenue ratio improved to 72.5% (+1.0 pt YoY).

- Although the quarterly trend of the recurring revenue ratio is on a downward trend due to the expansion of revenue from the settlement consulting service, the amount of recurring revenue itself continues to grow steadily.

O-PLUX Recurring Revenue Trends

(Unit: million yen)



* Recurring revenue = monthly fee, which is a fixed charge + screening fee, which is a pay-as-you-go fee based on the number of screenings (not including spot revenue such as initial installation fee)
* Recurring revenue ratio = Recurring revenue/Net sales (total of all services)
* Spot revenue = Revenue other than recurring revenue

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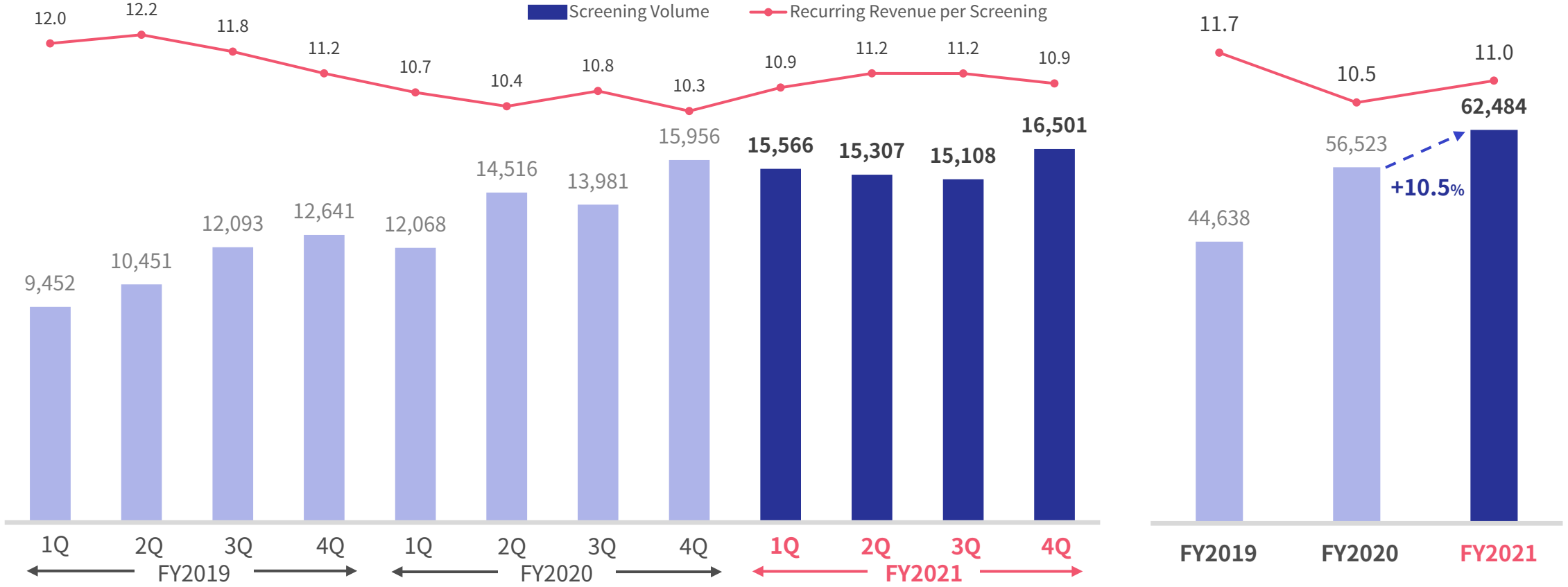
Financial Results for FY2021 / Screening Volume Trends of O-PLUX

The screening volume of O-PLUX increased 10.5% YoY.

- Although there were ups and downs in the quarterly screening volume depending on the status of the spread of COVID-19, the screening volume exceeded that of the same period of the previous year in all quarters and continued to expand steadily.

O-PLUX Screening Volume Recurring Revenue per Screening

(Unit for amount: yen)
(Unit for cases: one thousand cases)



* Recurring revenue = monthly fee, which is a fixed charge + screening fee, which is a pay-as-you-go fee based on the number of screenings (not including spot revenue such as initial installation fee)
* Spot revenue = Revenue other than recurring revenue

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Financial Results for FY2021 / Balance Sheet

(Unit: million yen)

	FY2020 (Actual)	FY2021 (Actual)	Change	Main Drivers
Current assets	**1,402**	**944**	-32.7%	Decrease in cash and deposits
(Cash and deposits)	**1,293**	**800**	-38.1%	
Non-current assets	**420**	**472**	+12.6%	Increase in software, decrease in software in progress
Total assets	**1,822**	**1,417**	-22.2%	
Current liabilities	**383**	**142**	-62.9%	Decrease in loans and bonds payable, decrease in accounts payable - other
Non-current liabilities	**291**	**1**	-99.4%	Decrease in loans and bonds payable
Net assets	**1,148**	**1,273**	+10.9%	Recording of net income
Capital ratio	**62.8%**	**89.6%**	+26.8 pt	

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Growth Strategy

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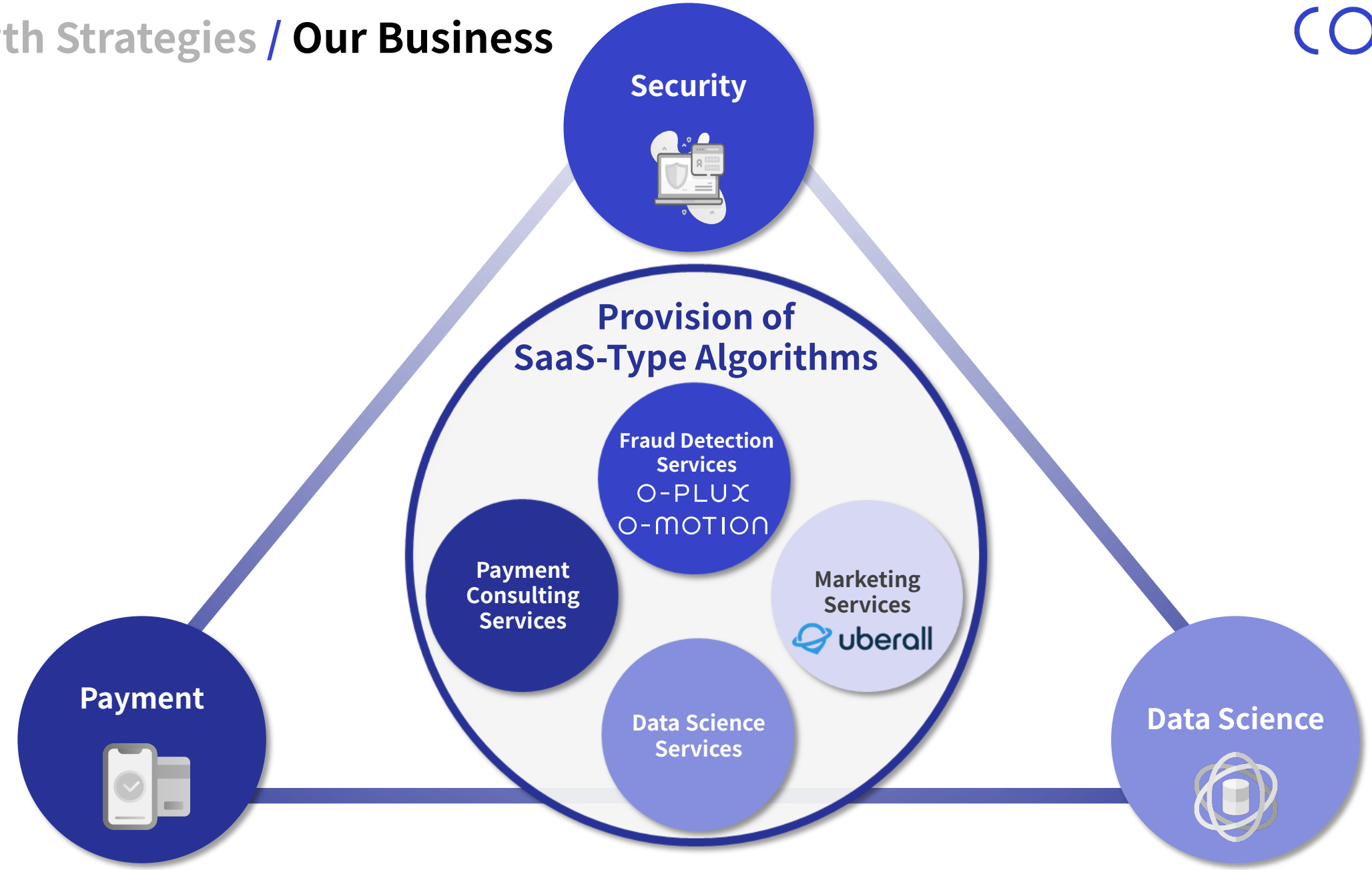

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Growth Strategies / Our Main Service

Utilizing 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.

Payment Consulting Service

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

SaaS-type BNPL system

By providing a SaaS-type settlement system that requires no initial investment, the company aims to further develop the BNPL market. (To be released in the second half of 2022)

Marketing Service

uberall

f store
nouth

information to support MEO measures such as increasing the number of store visits by improving local search rankings.

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

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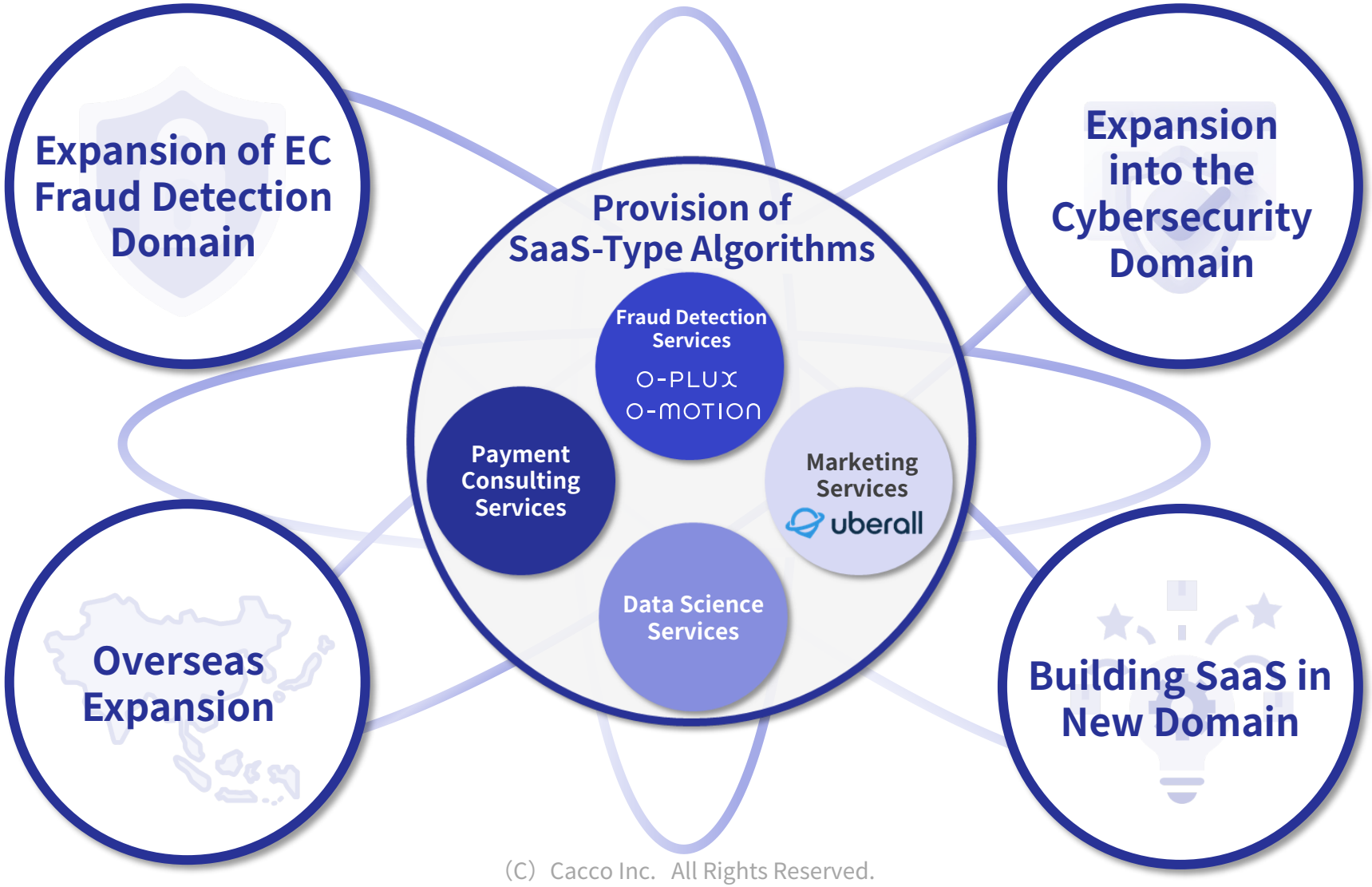
Growth Strategies / Four Strategies for Business Expansion

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



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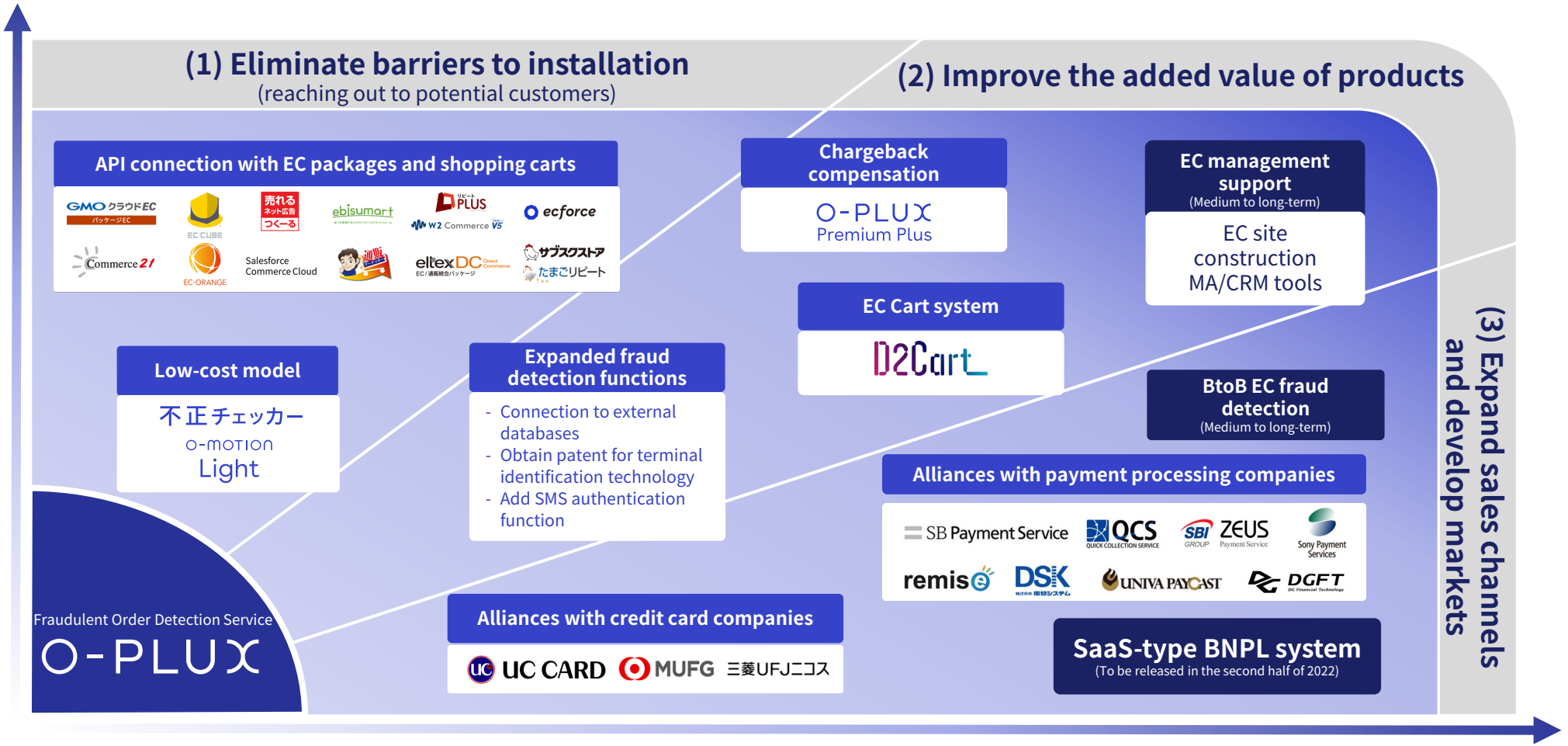
Growth Strategies / Expansion of EC Order Detection Domain

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

Expansion of EC Fraud Detection Domain

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.



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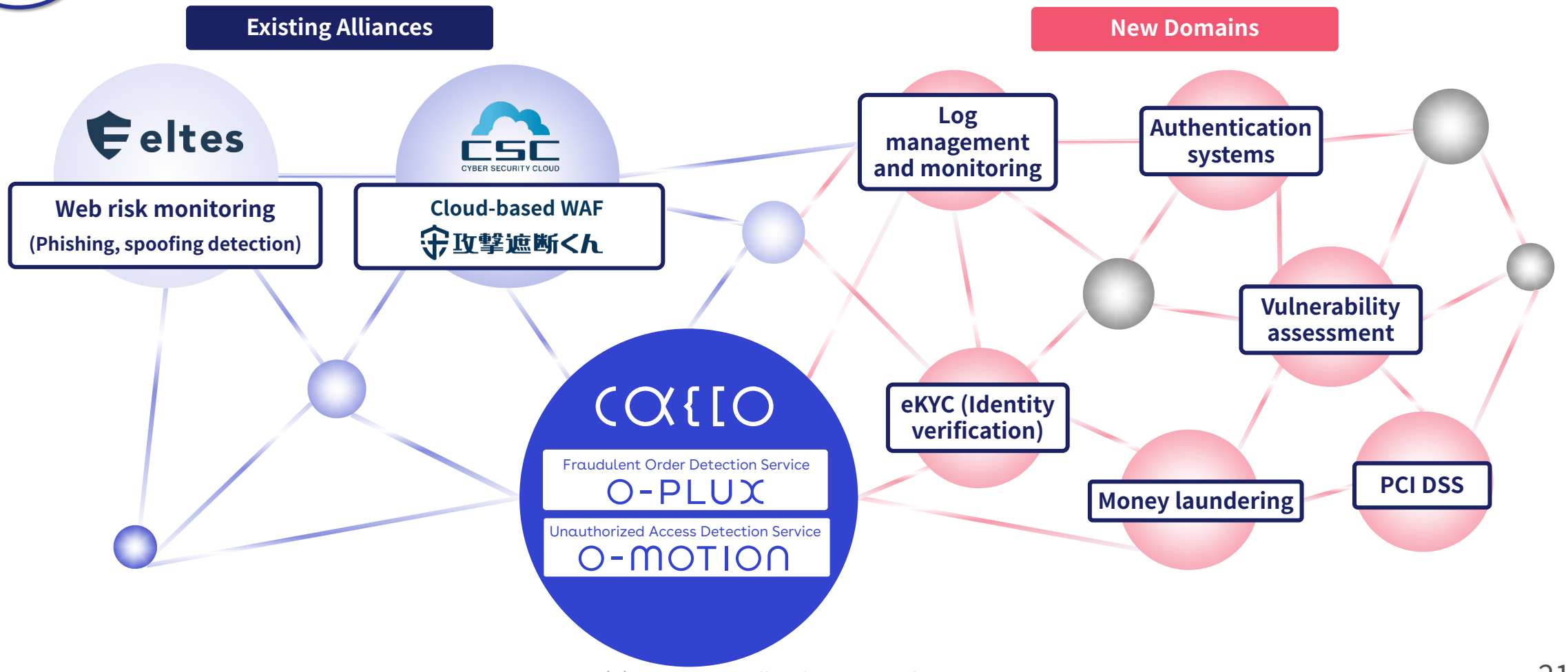
Growth Strategies / Expansion into Cyber Security Domain

Expansion into the Cybersecurity Domain

The Company partnered with Cyber Security Cloud, Inc. and Eltes Co., Ltd. in FY2021.
We will expand business into the cyber security domain with an eye on M&A and alliances as well as technological development.



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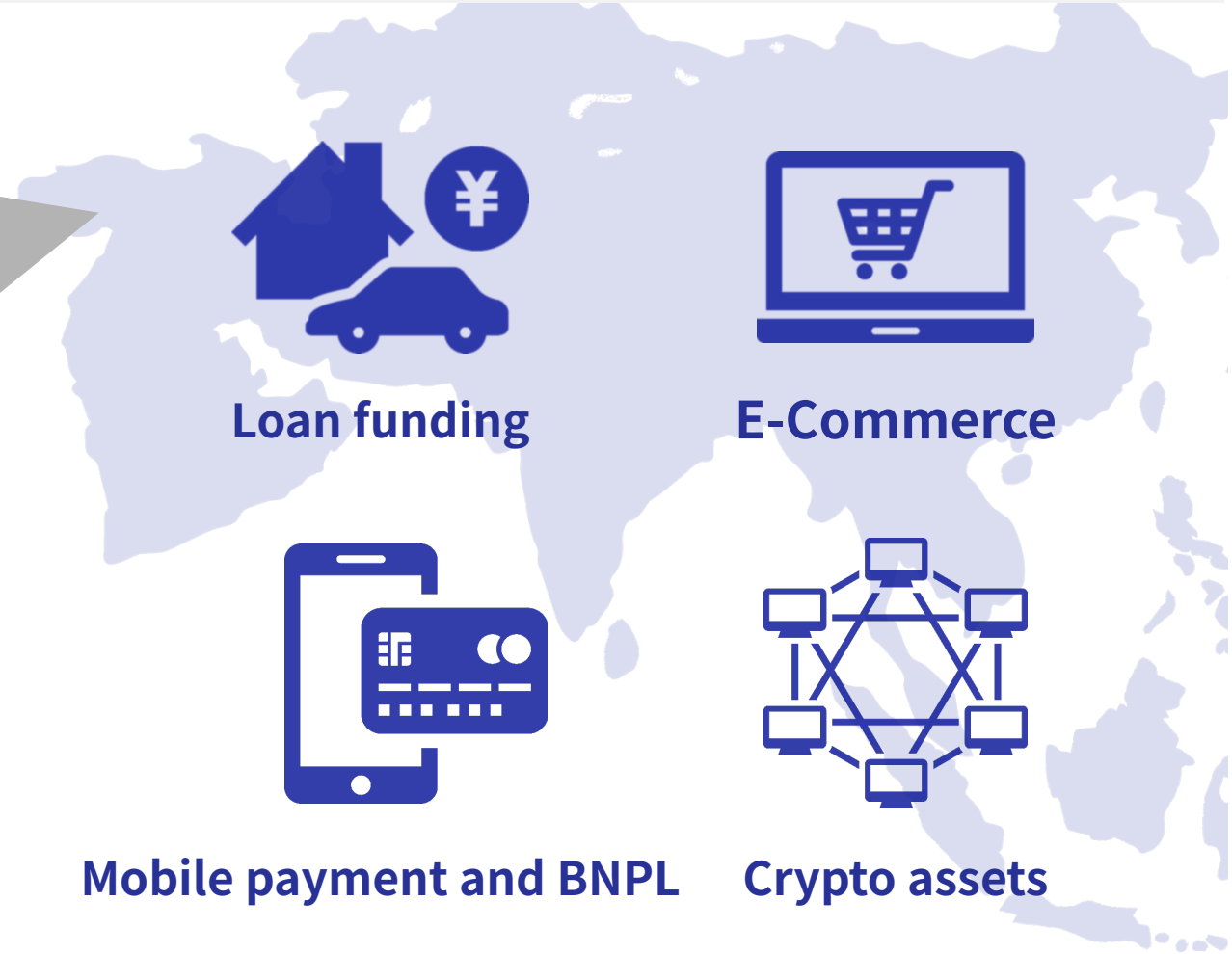
Growth Strategies / Overseas Expansion

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.

Provision of SaaS-type Algorithms

- Fraud Detection Services
  - O-PLUX
  - O-MOTION
- Payment Consulting Services
- Marketing Services
  - uberall
- Data Science Services



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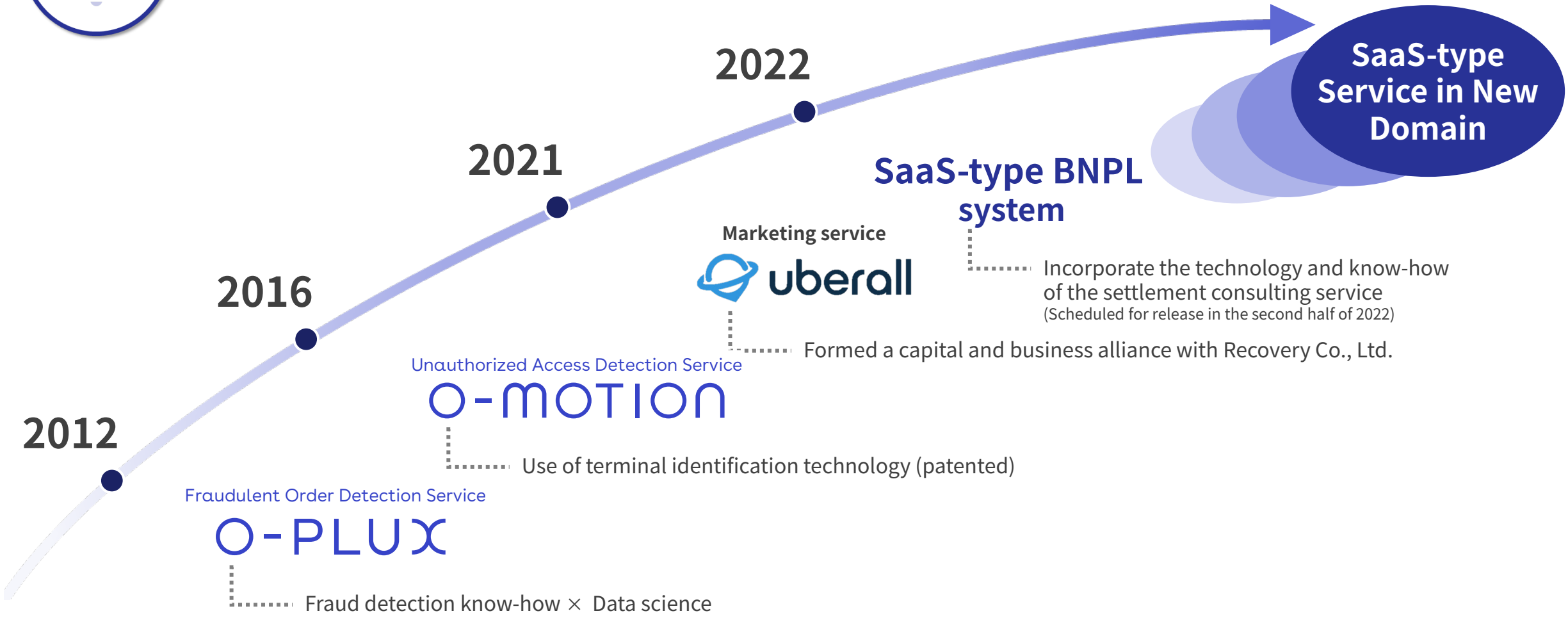
Growth Strategies / Building a SaaS-type Service in New Domain

Building SaaS in New Domain

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.



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Growth Strategies / Growth Image for the Next 10 Years

Changes in Society and Realization of Management Vision

Cacco Evolutionary Purpose

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

Innovative challenges are possible because of the high level of risk control

Realization of management vision

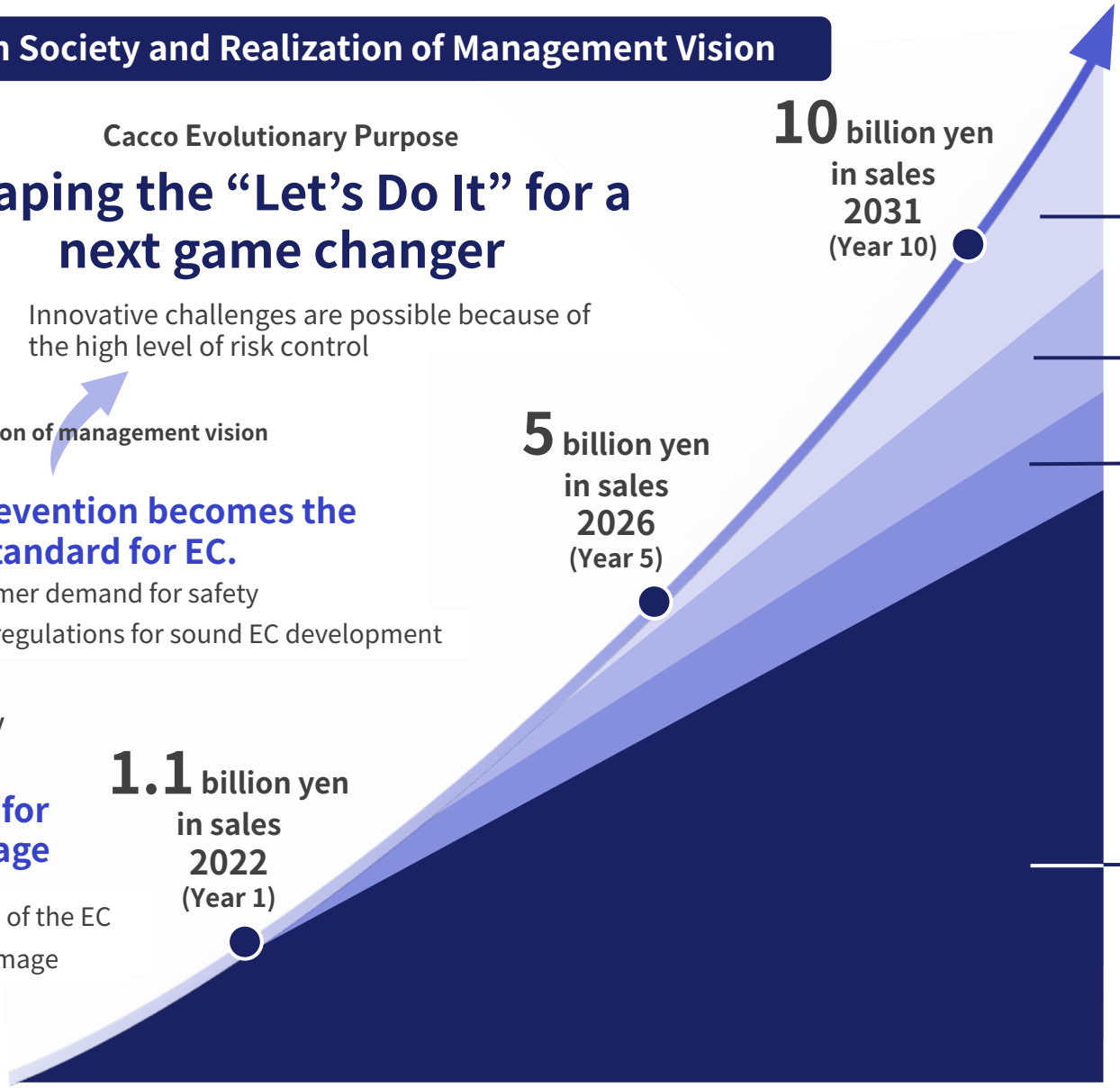
Fraud prevention becomes the standard for EC.

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

Changes in society

Measures only for apparent damage

- Sustained growth of the EC
- Surge in fraud damage



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

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Growth Strategies / Market Size

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.

Expansion into the Cybersecurity Domain

Building SaaS in New Domain

Overseas Expansion

Aggressive expansion of our business domain

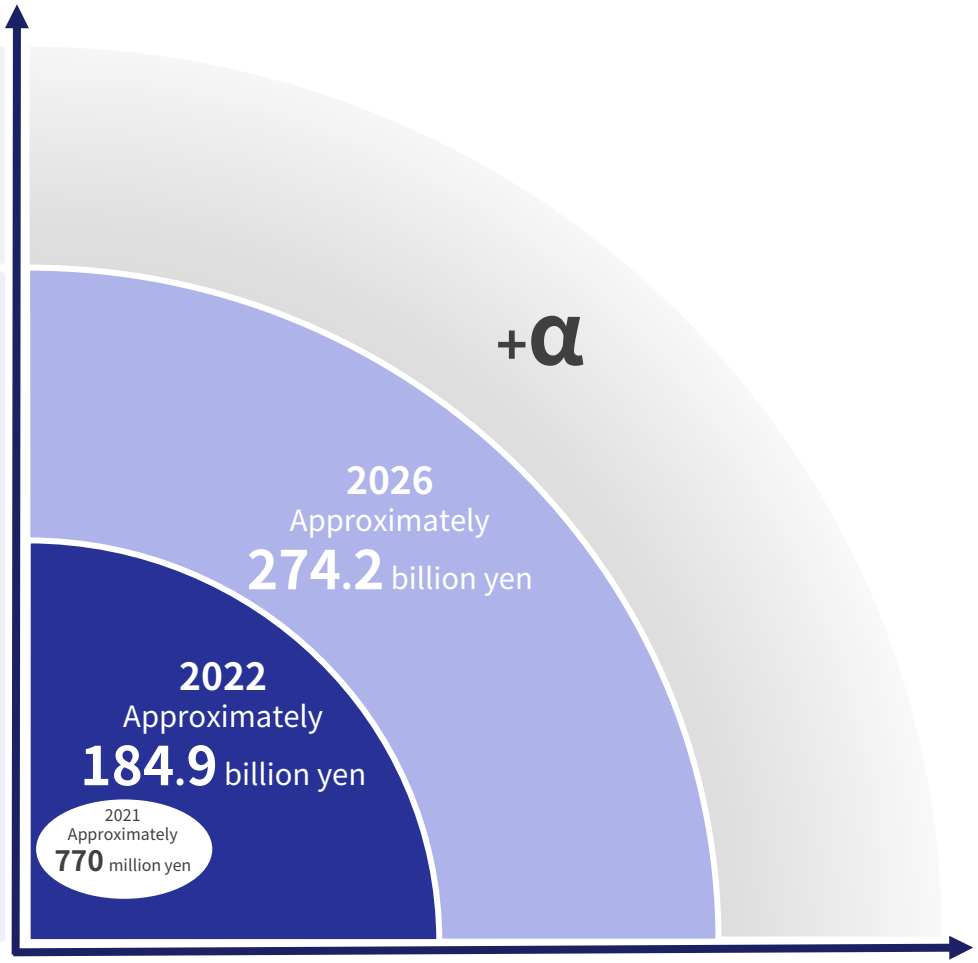
Market size of domestic EC fraud detection

2026 (Year 5) Approximately **274.2** billion yen

2022 (Year 1) Approximately **184.9** billion yen

Expansion of EC Fraud Detection Domain

2021 Sales of our fraud detection service
Approximately **770** million yen



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

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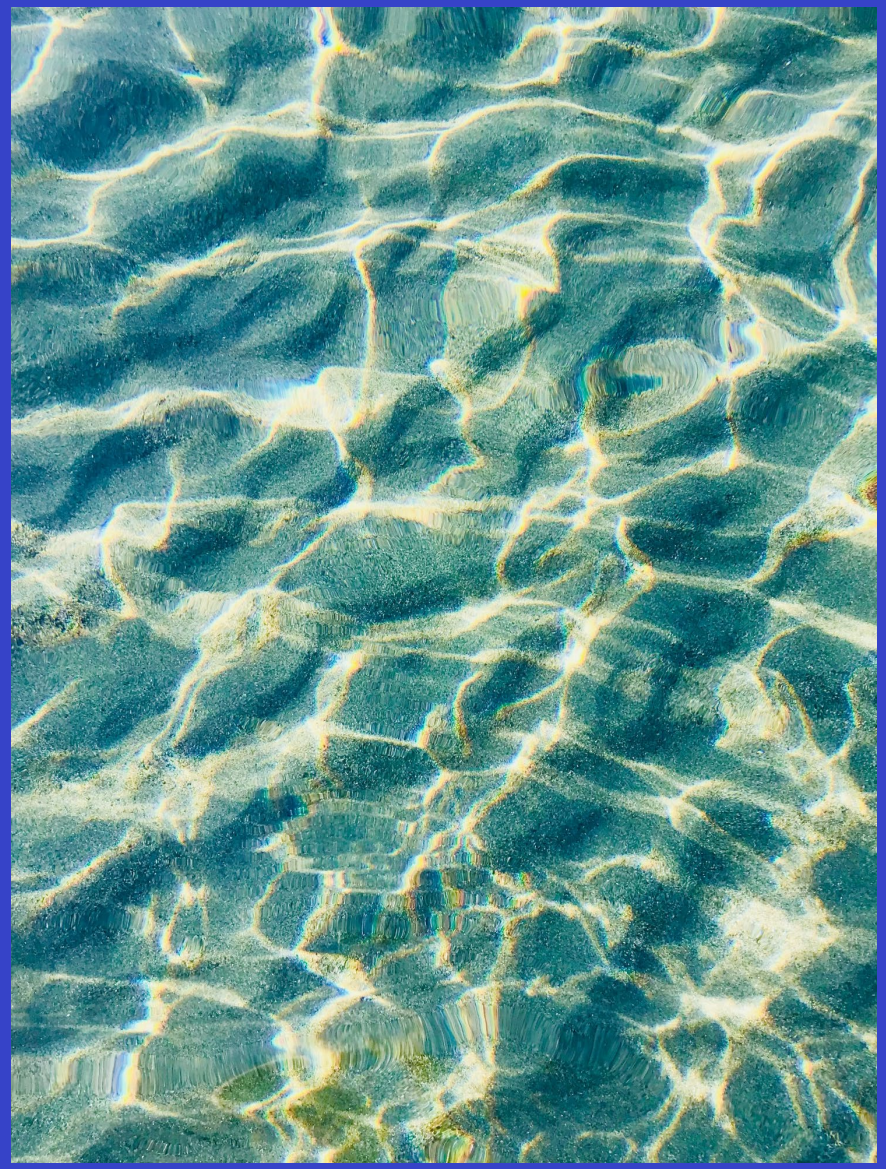

Forecast Financial Results of the Fiscal Year Ending December 31, 2022

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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 up 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 up 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.

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Appendix

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Appendix / Company Profile

Company name:	Cacco Inc.
Representative:	Hiroyuki Iwai, Representative Director, President and CEO
Business description:	Provision of SaaS-type Algorithms (Fraud detection services, marketing services, payment consulting services, and data science services)
Capital:	364,548,235 yen *as of January 31, 2022
Listed on:	Tokyo Stock Exchange, Mothers Market (Stock Code: 4166)
Founded on:	January 28, 2011
Address/TEL:	1-5-31, Motoakasaka, Minato-ku, Tokyo, JAPAN TEL: 03-6447-4534
Patents:	Patent #6534255, #6534256, and #6860156
Certifications:	ISMS (Information Security Management System) ISO/IEC 27001:2013 JIS Q 27001:2014 Registration number: IA120255 Privacy Mark® #10824248 (04)
Affiliates accounted for by the equity method	Recovery Co., Ltd. (a Japanese general agent of Uberall, a local search marketing solution)

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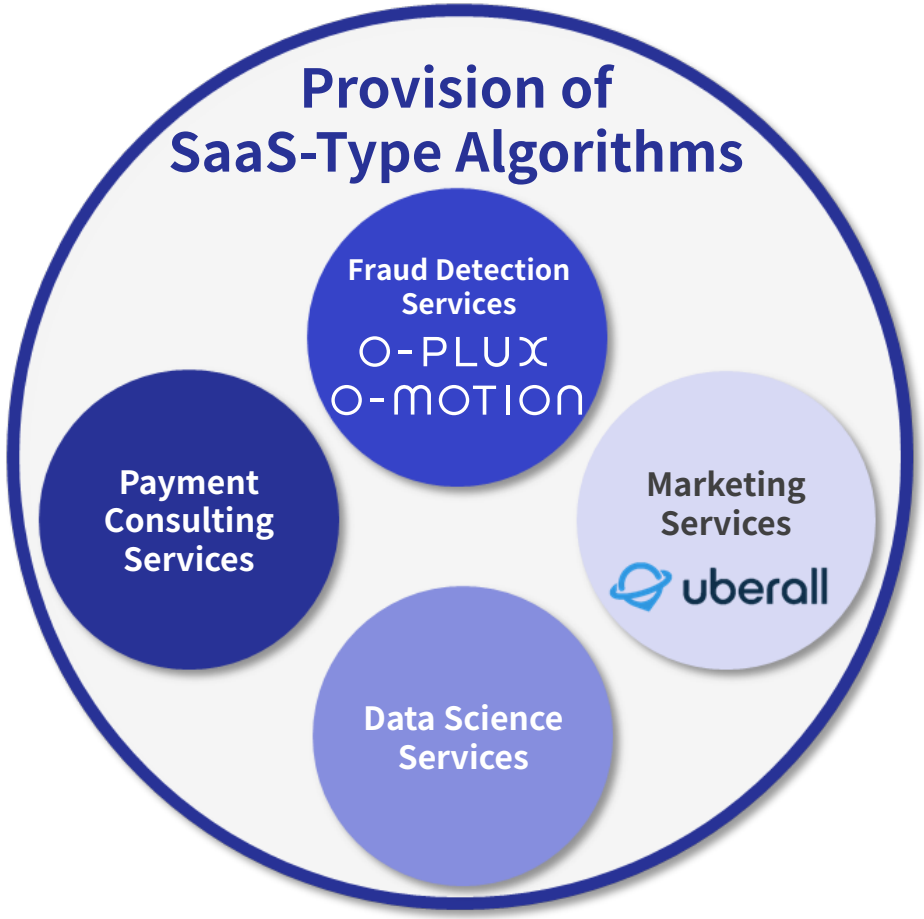
Appendix / Company History

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 Tokyo Stock Exchange Mothers Market**
2021	August	**Entry into marketing service** (Capital and business alliance with Recovery Co., Ltd.)



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

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1

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

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

2

Top selling services in the EC and payment domains in Japan

(Based on “Survey on the number of EC sites in Japan introducing paid fraud detection services” (as of the end of May 2021) performed by TOKYO SHOKO RESEARCH, LTD.)

3

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

(**Recurring revenue accounts for 72.5%** of total Company sales in FY2021.)

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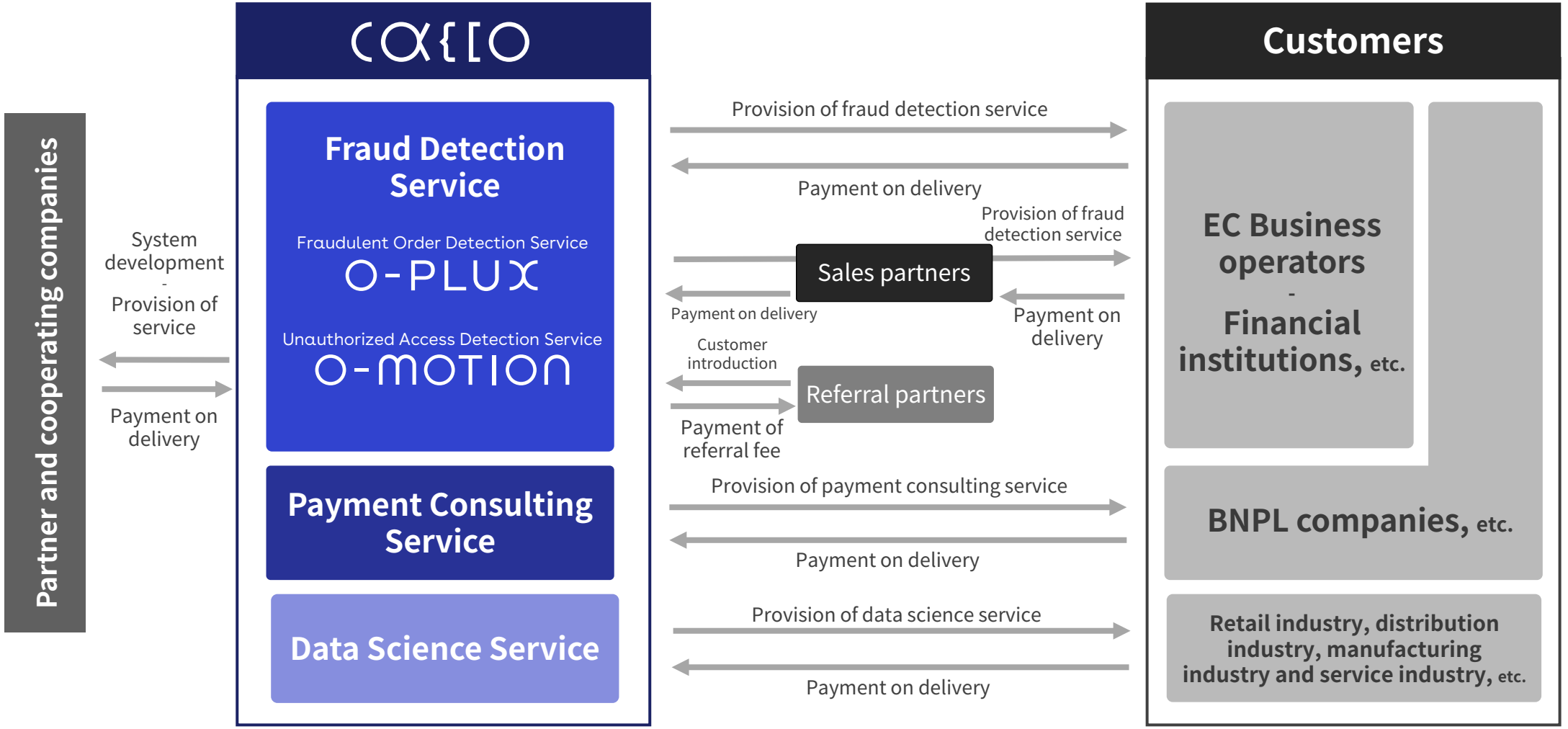
Appendix / Our Business' Sales Channels



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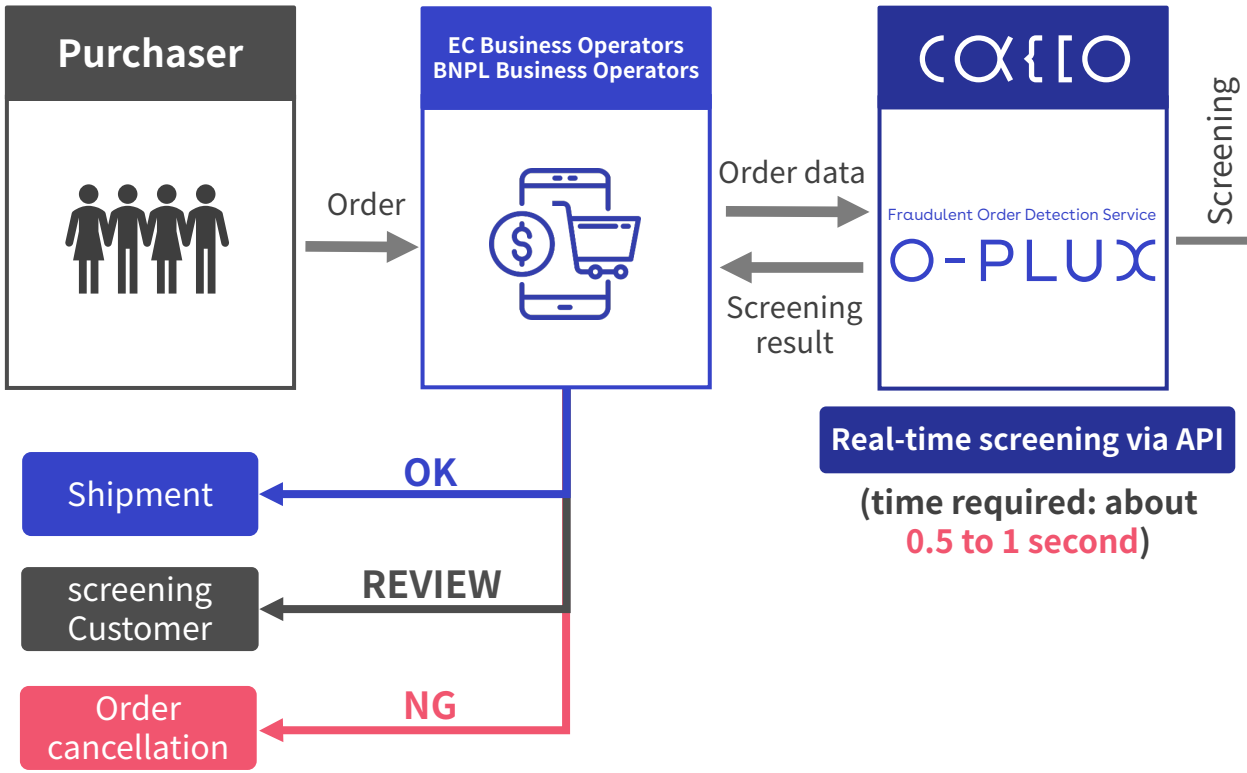
Appendix / Outline of O-PLUX Fraudulent Order Detection Service

Fraudulent Order Detection Service O-PLUX

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

Name Search



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



- 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...

External DB Linkage



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

Behavioral Analysis



Detection of fraudsters by analyzing information and behavioral patterns that are characteristic of fraudsters, such as large numbers of purchases over a short period of time and identity theft.

Shared Negative Data



Finding matches with the negative database shared among user companies.

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Appendix / O-PLUX Fraudulent Order Detection Service | Differentiating Factors

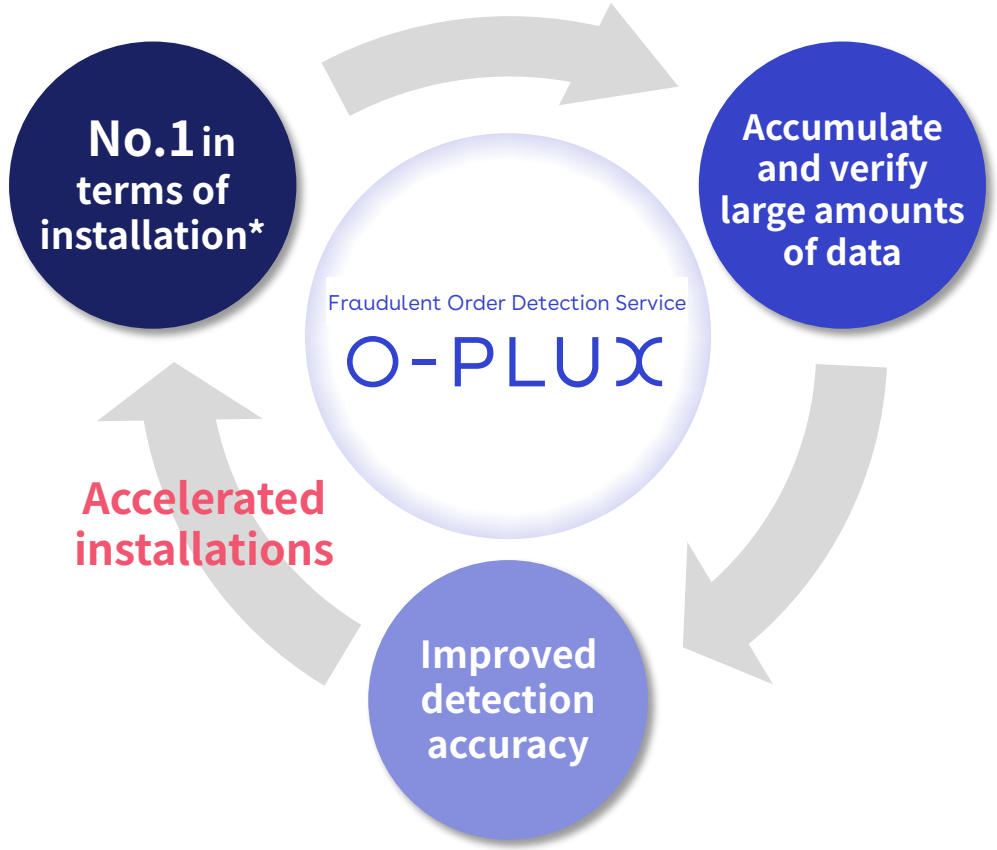
Differentiating Factors in Products

1 **High fraud detection accuracy due to the large amount of domestic fraud order data held** * No. 1 in Japan in terms of the 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 2021)

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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

Number of Clients

BNPL business operators

- EC business operators
- EC business operators
- EC business operators

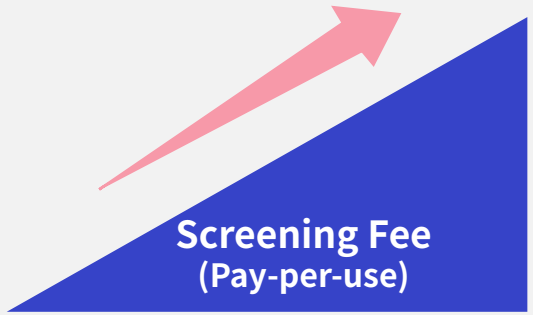
⇒ Continued growth in use by EC business operators through BNPL business operators.

EC business operators (Direct sales clients)

⇒ ① Eliminate barriers to installation
② Improve the added value of products
③ Further increase market share by expanding sales channels and developing markets

×

Unit Price per Client



Monthly Fee (Fixed price)

As the number of screening cases expands in proportion to the growth of the EC market and BNPL market, the screening fee, which is charged on a pay-per-use basis, is expected to increase.

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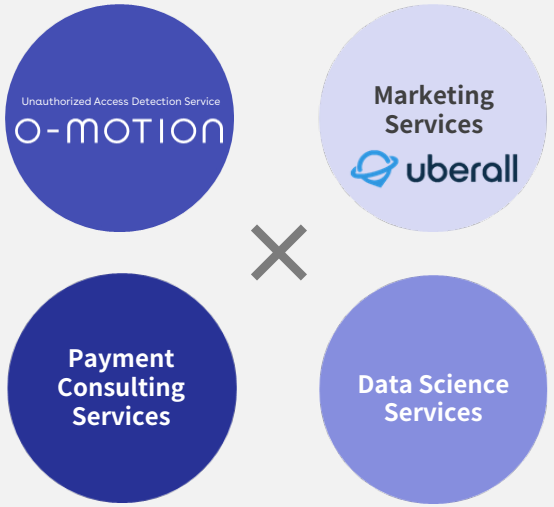
Cross Selling



We will further expand earnings by cross-selling each service.

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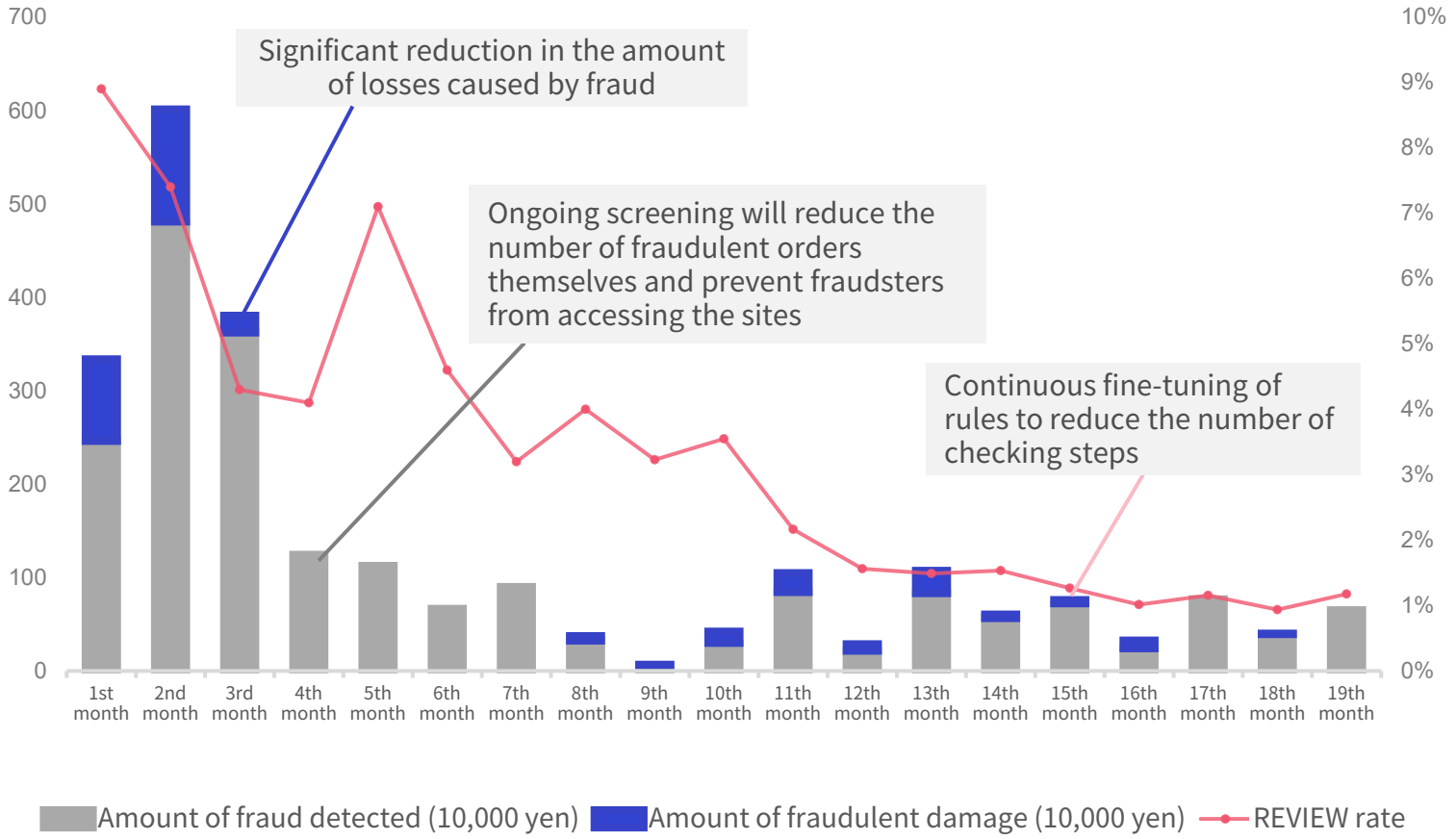
Appendix / O-PLUX Fraudulent Order Detection Service | Installation Example

Fraudulent Order Detection Service O-PLUX

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

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Appendix / O-PLUX Fraudulent Order Detection Service | 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.

No.1 Actual Introduction in 2021

Hobby

animate / あみあみ / Toys"R"Us / Babies"R"Us / KOTOBUKIYA

Food and health food

Oisix ra daichi / SUNSTAR / Sparty / NICORIO / Belle Neige Direct ベルネージュダイレクト / 株式会社AIJ

PC and tablet

Dospara COMPUTER SHOP ドスパラ / ZOA / NEC Direct / mouse

Cosmetics and hair care

THE proactiv COMPANY / 株式会社ユーピーエス / FINE AID

Apparel

STEFANY GINZA TOKYO / LACOSTE / CHUMS / Northmall

Hosting

SAKURA internet

DIY

DIY FACTORY

Travel

さくらトラベル Sakura Travel

Video and audio equipment

フジヤカメラ

Online shopping malls, MVNO, and others

DMM.com / petgo / LIBMO / DTI dream.jp / ポンパレモール / SOURCENEXT / ユーキャン U-CAN

*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 2021)
*2 Only selected companies with permission to be listed are included. As of January 31, 2022.

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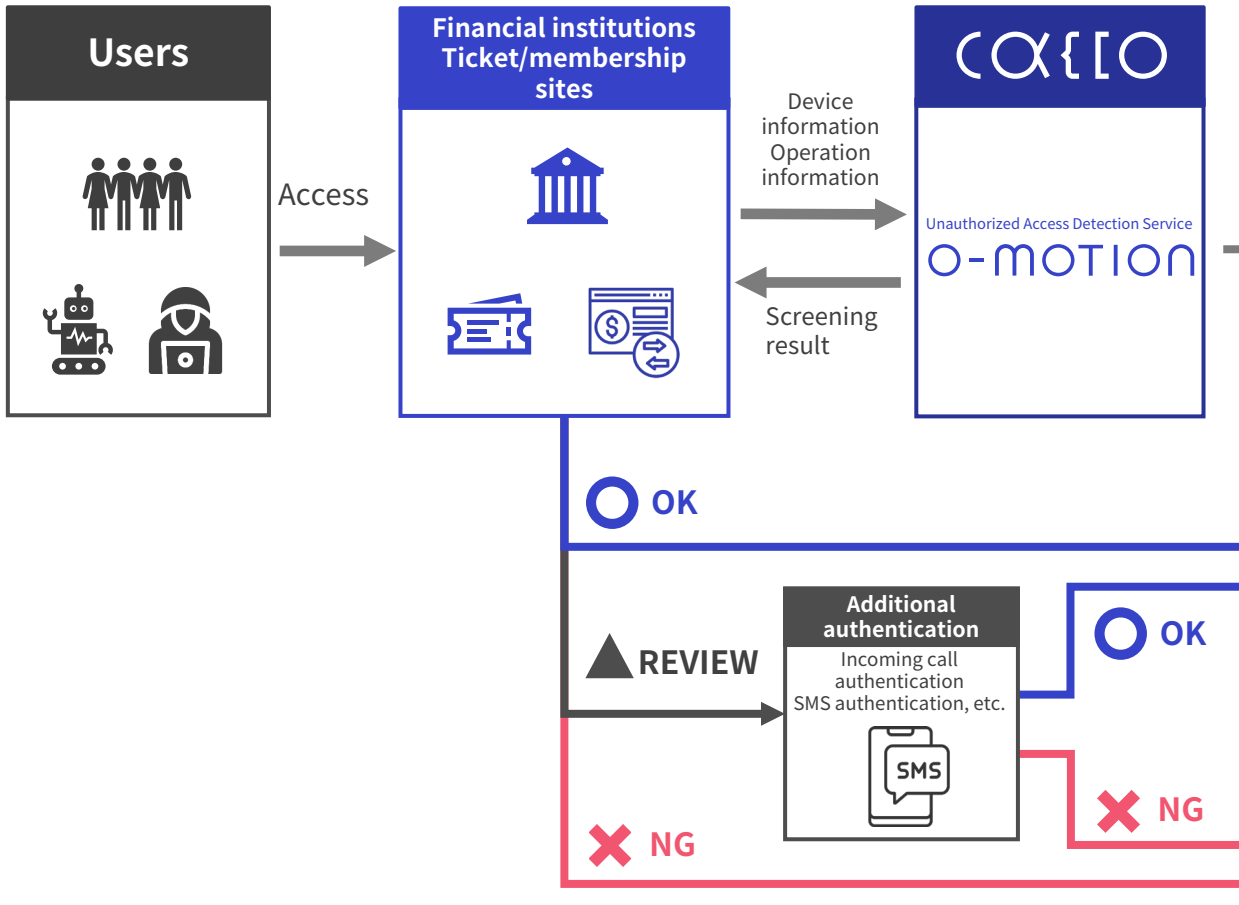
Appendix / O-MOTION Fraudulent Access Detection Service

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.

Screening Process



Main Screening Functions

Terminal Identification Technology

The system detects fraud that cannot be detected by conventional detection methods that use User Agent, cookies, and so on.

Operation Information

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

White and Black Lists Management

White and black lists can be easily managed.

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

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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 January 31, 2022

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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

GMO クラウドEC パッケージEC
EC-CUBE *1
売れるネット広告つくーる
ebisumart
リピートPLUS
W2 Commerce V5
ecforce
Commerce 21
EC-ORANGE
Salesforce Commerce Cloud
通販マーケッター
eltex DC Direct Commerce EC/通販統合パッケージ
サブスクストア
たまごリピート

Credit card companies

UC CARD
MUFG 三菱UFJニコス

Payment Service Providers (PSPs)

SB Payment Service
QCS QUICK COLLECTION SERVICE
SBI GROUP ZEUS Payment Service
Sony Payment Services
remise
DSK 株式会社 電算システム
UNIVA PAYCAST
DGFT DG Financial Technology

Security service vendors

CSC CYBER SECURITY CLOUD
eltes

*1 EC-CUBE is a trademark of EC-CUBE Co., Ltd.
*2 As of February 10, 2022

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Appendix / Marketing Service

Formed a capital and business alliance with Recovery Co., Ltd., the Japanese general agency for Uberall, a solution for MEO and local search optimization. Entered the SaaS business in the marketing domain.

All the Management Required for MEO is Done by Uberall — More than 1.35 million stores worldwide are using the service —

A cloud system that allows you to manage not only your Google Business profile, but also all of your store information, including your Facebook, Instagram, and more than 125 other social media, as well as your company website

Used in 1.35 million stores
Used by restaurants and retailers around the world!

Connected to **over 125 social networking sites and** platforms such as **MAP**!

As we are **a recommended Google partner**, you can take advantage of all the latest functions!



Centralized management of all store information
Thanks to the ability to centrally manage store information for all media, operations are significantly streamlined.

Excellent citation effects
Store information will be synchronized with many SNS media, which is expected to improve display rankings.

Easy to track and reply to comments
You can keep track of all the comments and respond to them efficiently.

Manage and maintain your own website as well
Centralized management of the company's website. Automatic generation of structured data is effective for getting high rankings.

We will always be right there for you.
We back up your own operations by providing the world's standard MEO method.

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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.



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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***

No.1 Actual Introduction in 2021

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 2021 (TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service”)

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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

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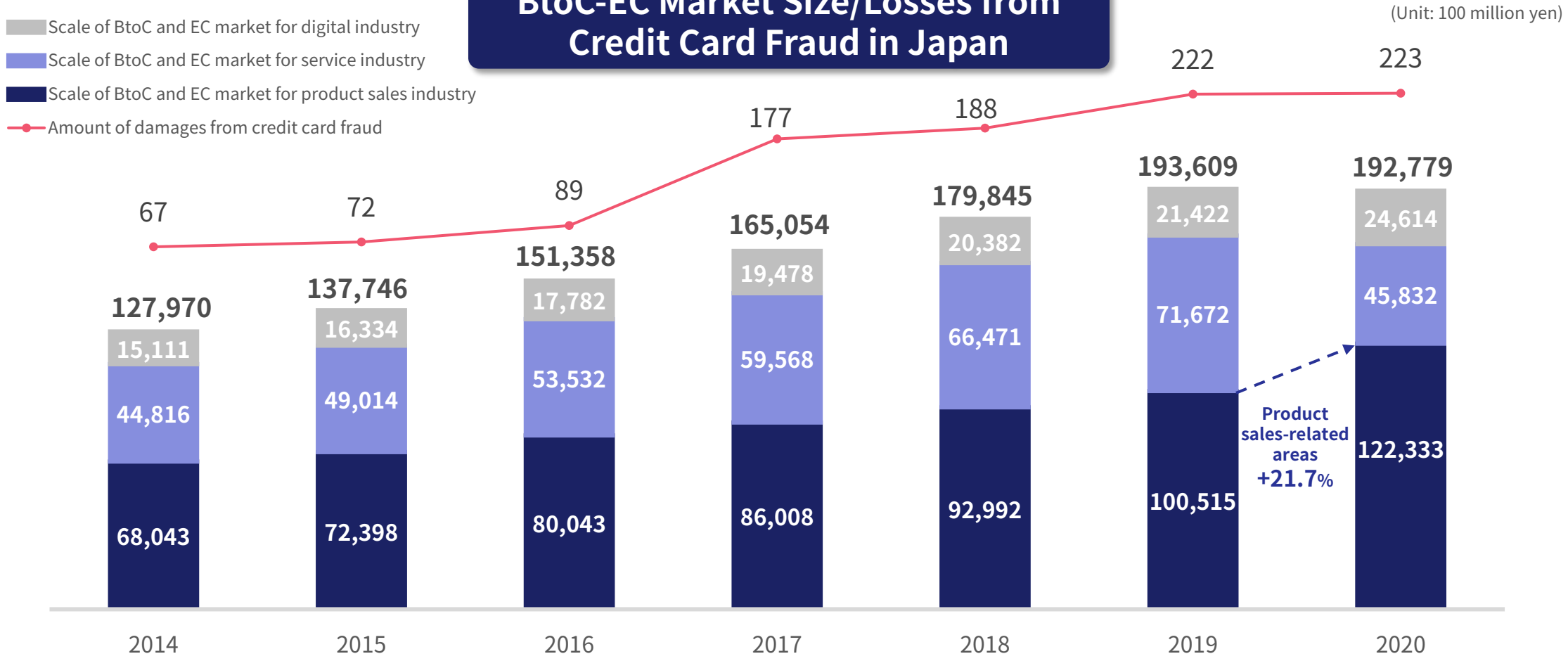
Appendix / Growth of the Japanese EC Market and the Expansion of Fraud Damage

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 the update of credit card security guidelines, is increasing.

BtoC-EC Market Size/Losses from Credit Card Fraud in Japan



Source: Ministry of Economy, Trade and Industry, Commerce and Information Policy Bureau, Information Economy Division, "FY2020 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," June 2021

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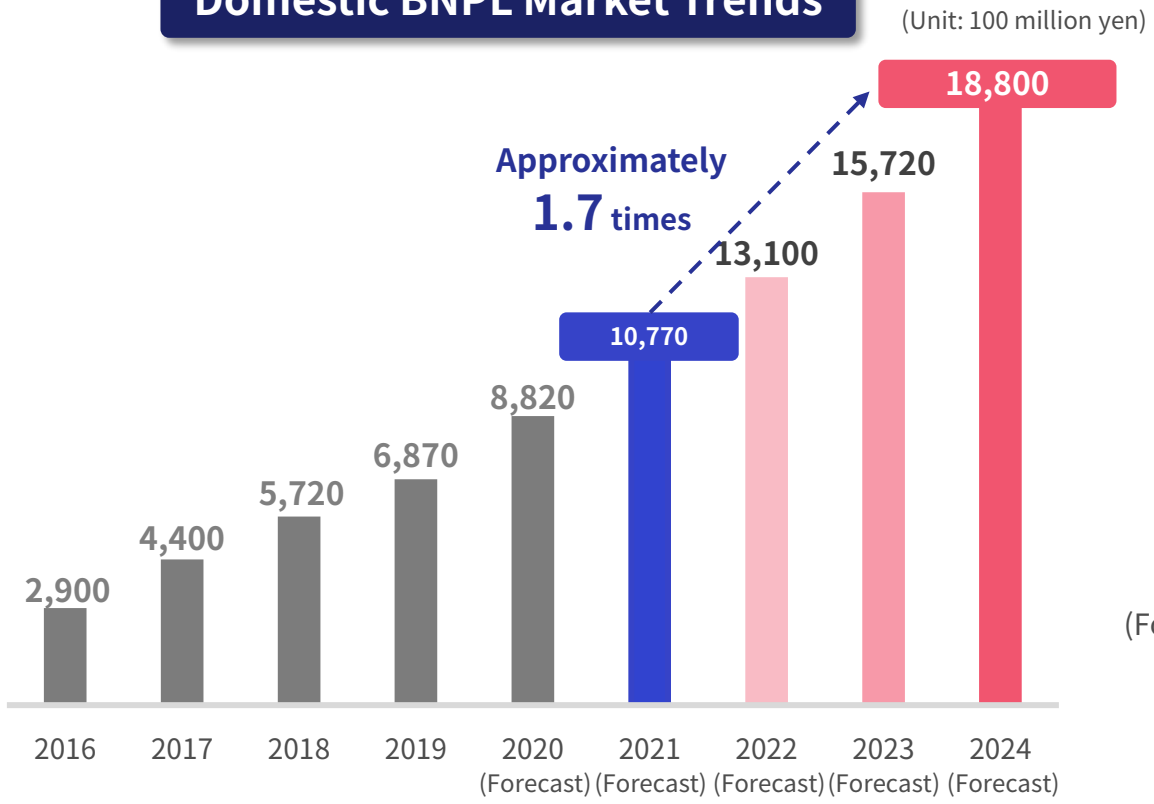
Appendix / Expansion of the BNPL Market

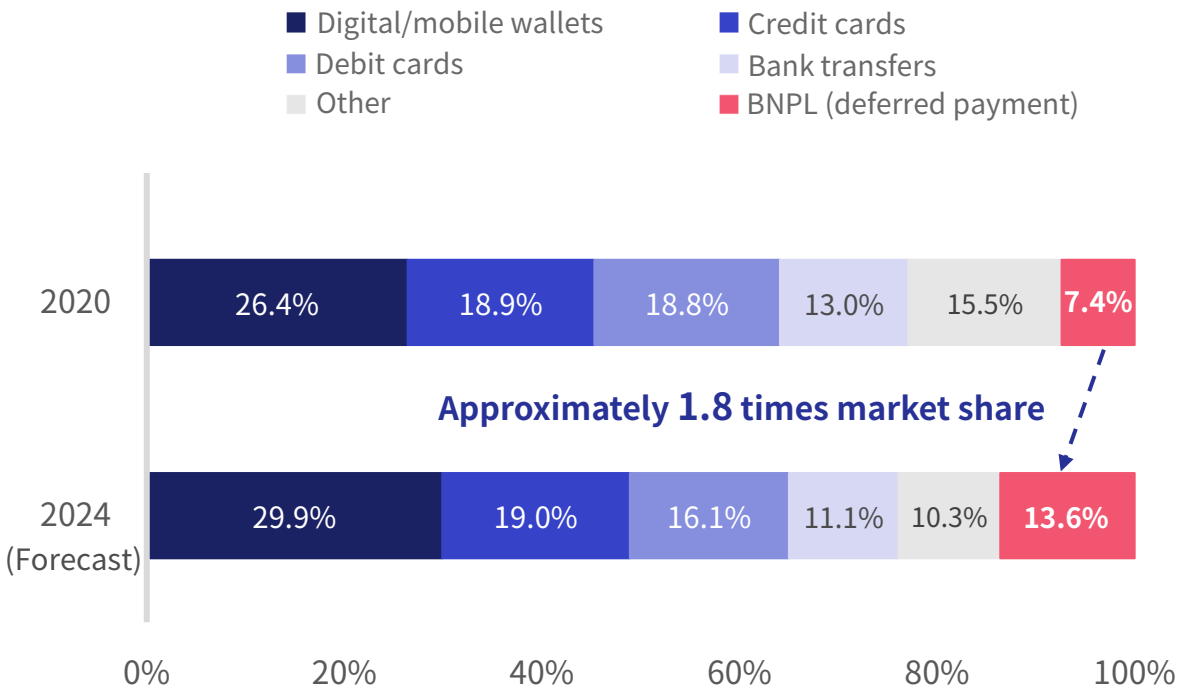
The BNPL market is growing continuously both domestically and internationally, and its use is expected to expand further in the future.

Domestic BNPL Market Trends



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

Forecast of BNPL Utilization in North America



Source: Worldpay, "Global Payment Report 2021"

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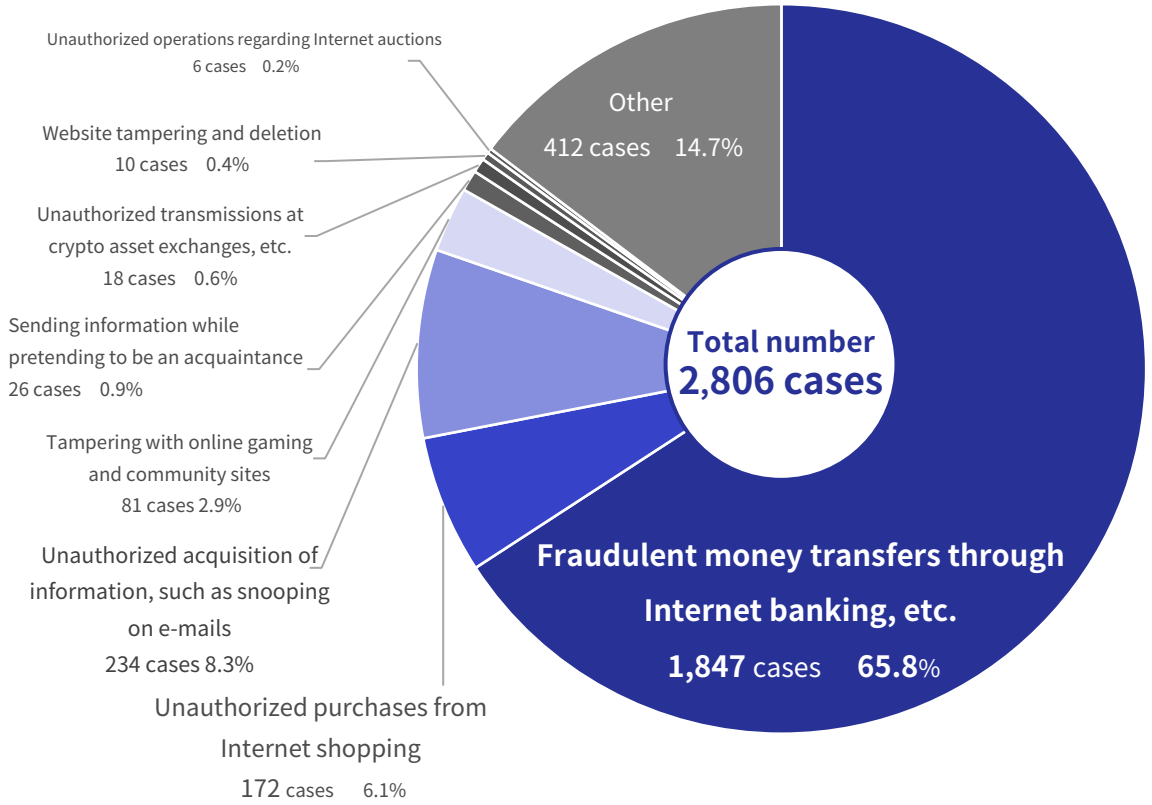
Appendix / Increase of Damage Due to Unauthorized Access in Japan

More than 70% of frauds committed after unauthorized access are in financial services and EC.
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.

Actions Taken after Unauthorized Access (2020)



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

Time of occurrence	Business affected	Description
December 2021	Social welfare organization	As a result of a cyber attack, 41,970 e-mail addresses of users who purchased books from the organization or registered as members were leaked.
December 2021	Drug development company	A cyber attack may have resulted in the leakage of approximately 96,000 items, including employment applicant and shareholder information, 125,000 items of employee and personnel information, as well as clinical trial-related documents and sales data.
October 2021	Crypto asset trading Service company	A phishing scam attacked the accounts of 6,000 users using the exchange, resulting in unauthorized withdrawals.
August 2021	Major EC information site	13,756 pieces of information regarding service contractors and readers registered with the information site were leaked.
July 2021	Drugstore EC site	More than 25,000 items related to credit card information may have been leaked due to unauthorized access.
July 2021	Major logistics company	More than eight million items of personal information may have been leaked due to unauthorized access.
June 2021	Major newspaper company	More than 143,000 items of personal information may have been leaked due to unauthorized access to a campaign site.
June 2021	Major communications equipment company member site	405,576 items of information were leaked due to unauthorized access.
March 2021	Major apparel company EC site	More than 300,000 items of personal information may have been leaked due to unauthorized access.

Source: National Police Agency, Ministry of Internal Affairs and Communications, and Ministry of Economy, Trade and Industry, 2021 "Status of Research and Development of Technologies for Unauthorized Access and Access Control Functions"

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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.

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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/

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Shaping the “Let’s Do It”

for a next game changer