CAULIS

Fiscal year ending 12, 2024
Second Quarter Financial Results Presentation

August 13, 2024
(TSE Growth Market: 1 5 3 A)

Caulis Inc.

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1. Business Contents

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About us

Anti-money laundering and Cyber security measures business

Provides fraud detection services primarily to financial institutions to combat online financial crimes.

Clients can prevent their own companies from becoming victims of Illicit Funds Transfers while also detecting the return of funds obtained through financial crimes.

MISSION

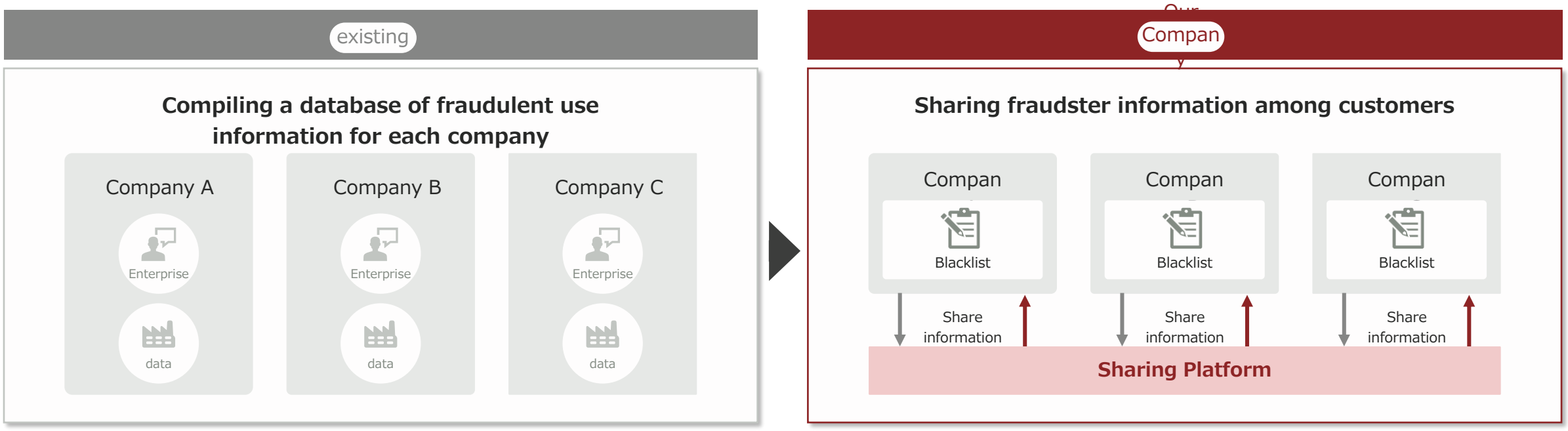
Co-creating information infrastructure to make the world a better place

A database has been created to share information about fraudulent users among customers.

We aim to become an infrastructure company that protects Japan's safety by collaborating with electric power companies, which are our lifeline, and developing new services through the government's startup support measures.

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Providing a platform for sharing information on fraudulent users



Reasons for sharing among customers (third-party provisions)

The National Police Agency has confirmed that Fraud Alert falls under part of the implementation of Article 8 of the Act on Prevention of Transfer of Criminal revenues (APTCP), which stipulates "Reporting Suspicious Transactions, etc." Therefore, as this falls under Article 27, Paragraph 1 of the Personal Information Protection Act ("cases based on laws and regulations"), companies subject to the APTCP can share personal information among customers (provide it to a third-party provision) without the need to opt-in. Companies that are not subject to the APTCP will provide their personal information to us as a third-party provision with their consent or by notifying us.

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2. FY2024 Q2 Results

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Net sales
580 Million Yen
FY2024/12 Q2

ARR (Annual Recurring Revenue) *1
1.19 Billion Yen
FY2024/12 Q2
MRR (Monthly Recurring Revenue) *2 ×12

ARR Growth Rate
39.5%
CAGR FY2021/12 Q2 - FY2024/12 Q2

Operating profit
190 Million Yen
FY2024/12 Q2

Proportion of stock-type revenues*4
95.4%
FY2024/12 Q2

Number of contracted companies
43 companies
FY2024/12 Q2

Net sales Growth Rate
26.6%
FY2024/12 Q2

ARPU (Average Recurring Revenue per User) *3
2.31 Million Yen/month
ARR ÷ 1 2 ÷ Number of contracted companies FY 2 0 2 4 / 1 2 Q 2

Operating Profit Margin
33.6%
FY2024/12 Q2

*1 "ARR" refers to the annual recurring revenue from regular sales each fiscal year.
*2 "MRR" refers to monthly recurring revenue, calculated based on Total amount of fee for the current month based on contracts that result in recurring charges as of the end of the target month.
*3 "ARPU" refers to the average revenue per paying customer (1).
*4 "Recurring revenue" refers to monthly, continuous income from Fraud Alert usage fees and consulting service fees.

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Although the number of contracting companies is increasing, it started small. The future challenge will be to increase ARPU through cross-selling.
Upselling was more successful than planned, offsetting the decrease caused by 2 cancellations.

12 → 6

MRR	88.3 million yen	99.4 million yen	+12.5%
Number of contracted companies	39 companies	43 companies	+4 companies
ARPU	2.2 million yen	2.3 million yen	+ 2.1%
Contract balance	443 million yen	668 million yen	+50.6%

Initiative highlights

Upselling is strong

In particular, the number of accounts and user actions
The increase is largely due to the increase in
Price increases are progressing Total as planned

Acquired 6 new companies and canceled 2 companies

New: 4 banks, 2 securities companies
Cancellation: 2 banks

Existing upsells absorb low-cost new customers

New customers start small, resulting in a decline in ARPU
Increase ARPU for existing customers by upselling at contract renewal time

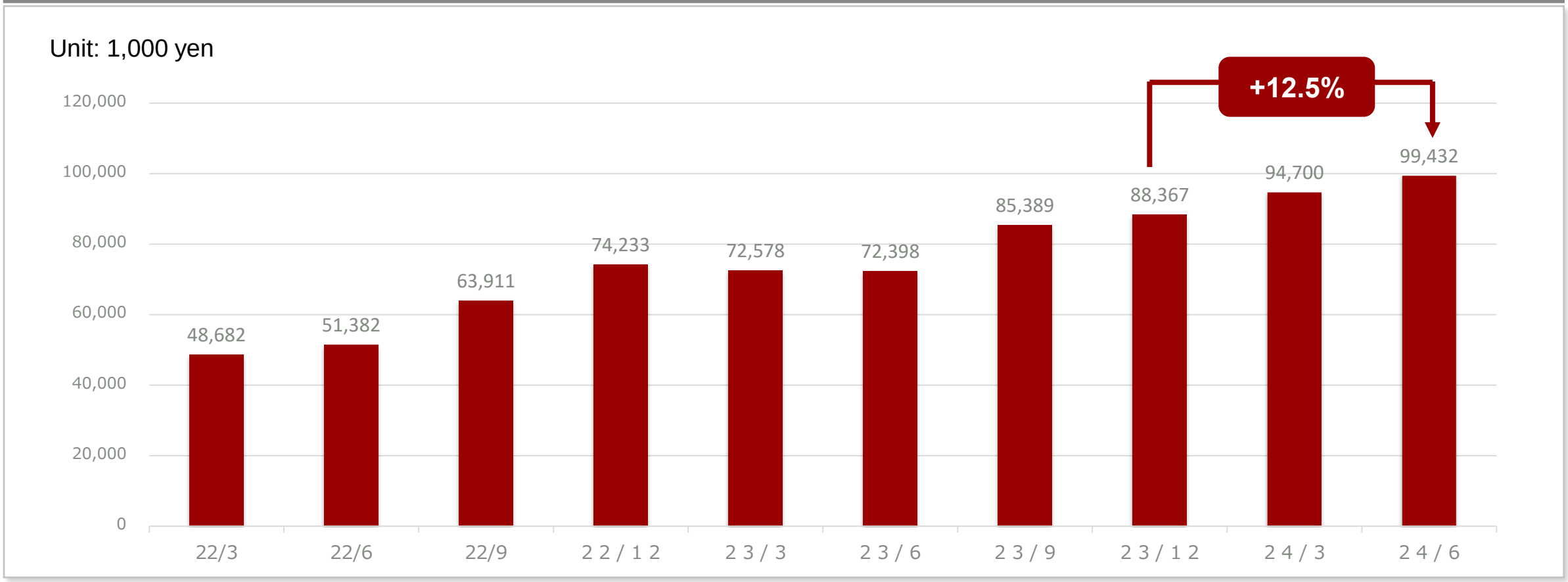
Add contract balance to sales department KPIs

Obtaining contracts and other documents early
Understand total sales figures over the long term

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Upselling to existing customers contributed

MRR

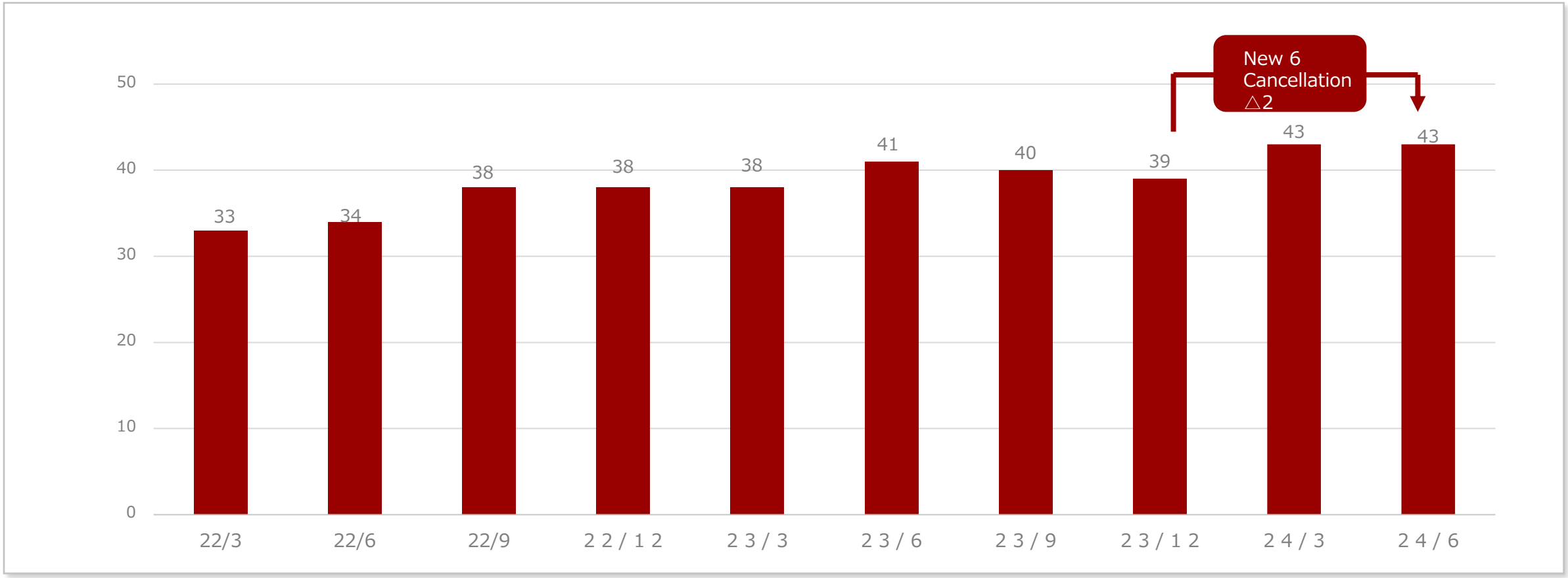


* "MRR (Monthly Recurring Revenue)" refers to 1 month's Ordinary revenue, and is calculated based on the total amount of the monthly fee based on the contract that is a recurring billing at the end of the target month.
* POC is not included in MRR.

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Although 2 new banks were added, online banks and regional banks were cancelled due to expense-effectiveness reasons.

Number of contracted companies

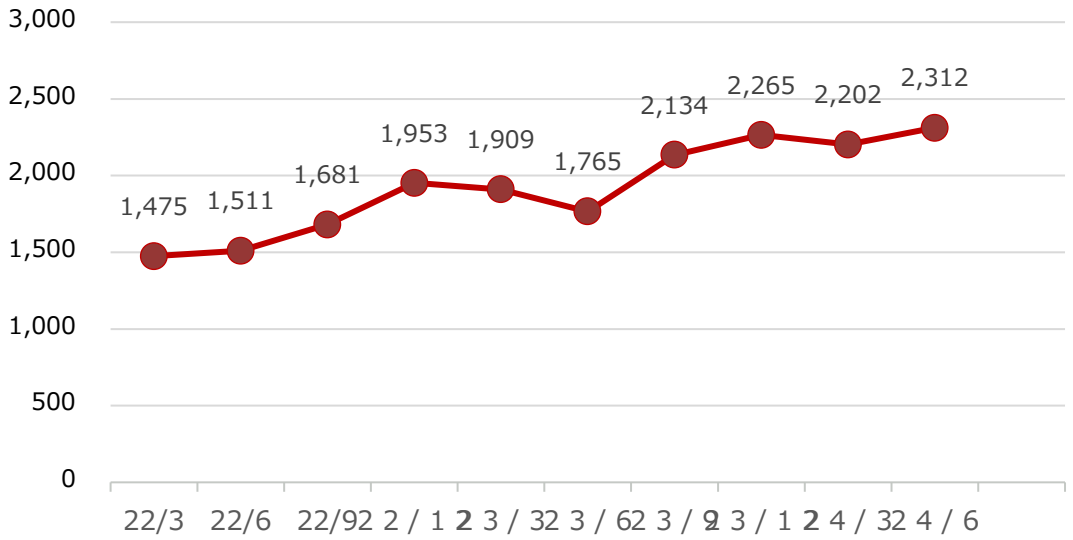


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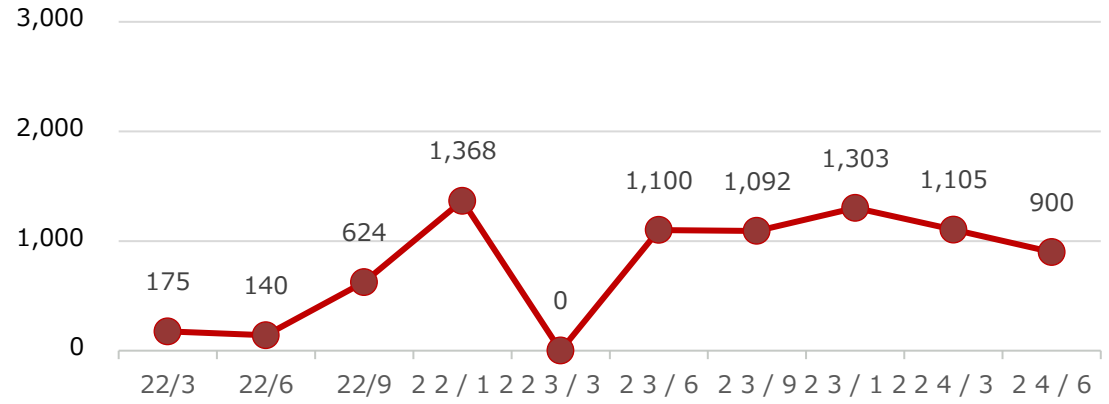
For new customers, ARPU decreased due to a small-scale start. For existing customers, ARPU increased through upselling.

ARPU

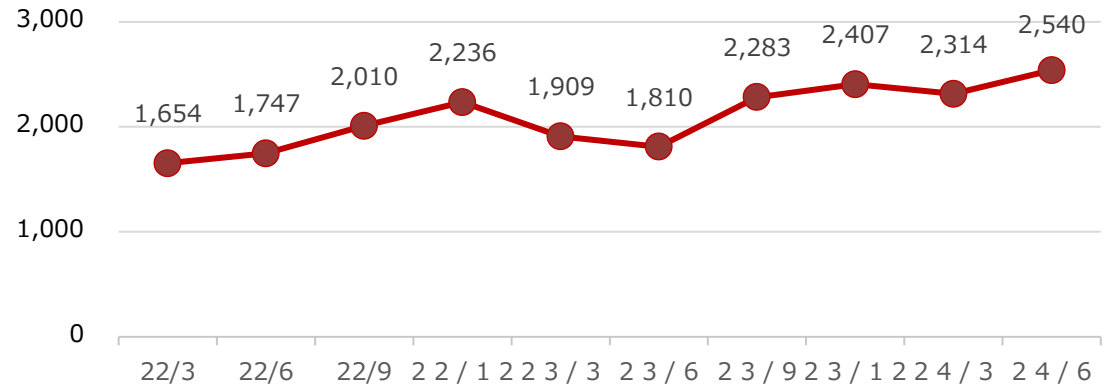
Unit: 1,000 yen



New ARPU



Existing ARPU



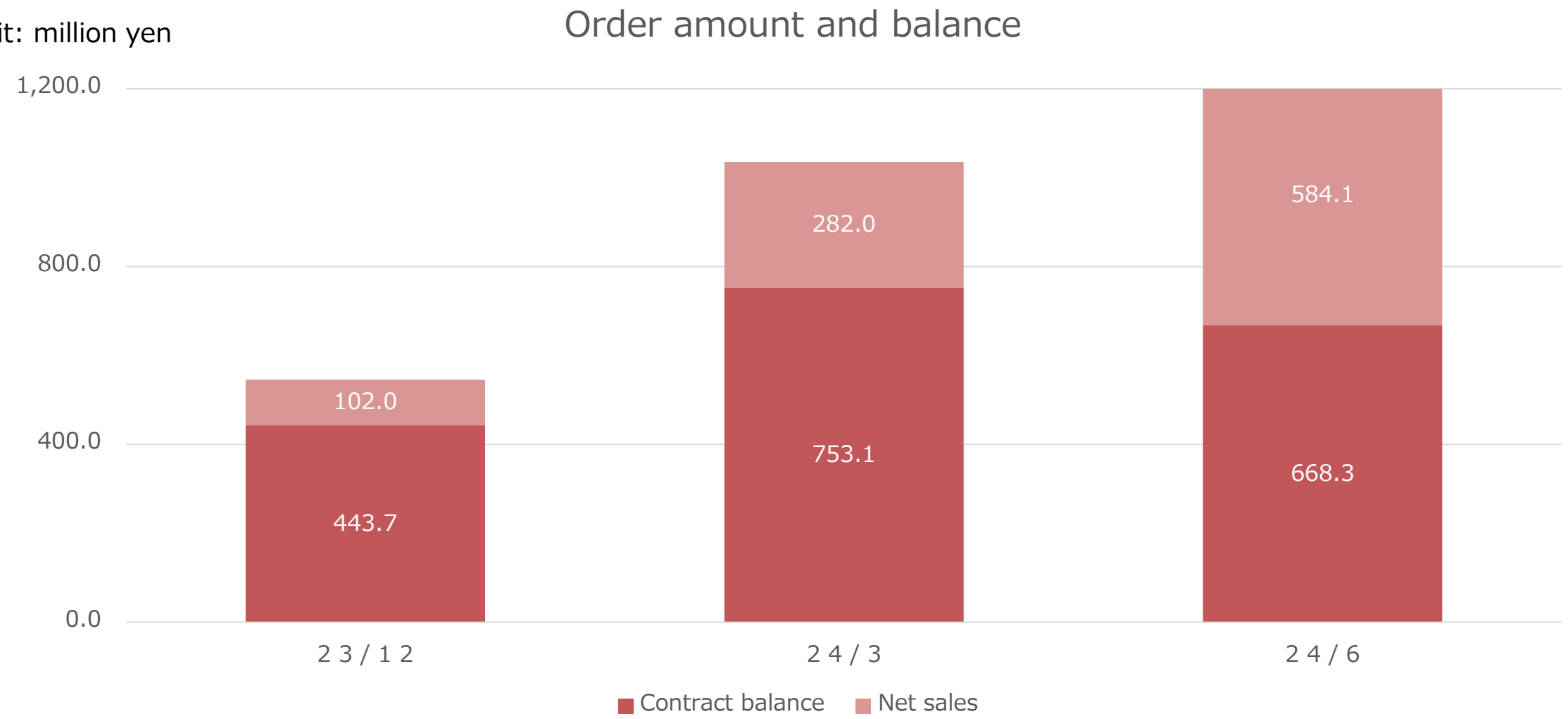
* New companies refer to companies that have signed contracts in the current fiscal year and have not done business with us in the fiscal year prior to the current fiscal year.
※ New entries 2 2 will be transferred 1 2 3 1 2
※ New entries 1 2 2 3 transferred to existing 1 2 4

* "MRR (Monthly Recurring Revenue)" refers to 1 month's Ordinary revenue, and is calculated based on the total amount of the monthly fee based on the contract that is a recurring billing at the end of the target month.
* "ARPU (Annual Recurring Revenue per user)" refers to the average sales amount per paying customer (per company), and is calculated as ARR ÷ 12 ÷ number of contracted companies.

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The contract balance increased as 10 companies revised their contract amounts during the April renewal and signed the contracts in March.

Unit: million yen



* "Contract balance" is the balance carried forward from the previous term plus the contract amount for the current term, minus the amount of Net sales for the current term.

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Achieved approximately 27% sales growth YoY. IPO-related expenses were about 16.3 million yen, and stock issuance costs were about 7.6 million yen. External standard taxation and taxation on retained earnings have commenced.

(Unit: million yen)	4 Q2	YoY (FY2023 Q2)		4 Q1-Q2	YoY (FY2023 Q1-Q2)		Earnings Forecast	
		Achievements	Increase rate		Achievements	Increase rate	FY	Progress rate
Net sales	302	240	25.7%	584	461	26.6%	1,360	43.0%
Gross profit	187	143	30.6%	367	285	28.8%		
Gross profit Margin	62.0%	59.7%	+2.3pt	62.9%	61.8%	+1.1pt		
Selling and administrative expenses	87	83	4.1%	171	158	8.2%		
Operating profit	100	59	67.8%	195	126	54.6%	490	40.0%
Operating Profit Margin	33.2%	248	8.4pt	33.6%	27.5%	+6.0pt		
Ordinary income	99	58	68.1%	170	126	34.7%	463	36.7%
Profit before tax	99	58	68.1%	170	126	34.7%		
Quarterly and interim net income	60	41	68.1%	106	84	25.6%	311	34.2%

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The capital raised through the IPO increased the company's Equity, significantly improving its financial soundness. For infrastructure that is expected to continue to be used for the Long-term, RI* will be used to reduce costs.

(Unit: million yen)	FY2024 Q2	Year-on-Yoy (FY2023 Q2)		End of previous fiscal year (FY2023 Q4)	
		Achievements	Increase rate	Achievements	Increase rate
Current assets	1,623	844	92.4%	1,029	57.8%
Of which, Cash and deposits	1,520	768	97.8%	954	59.2%
Fixed assets	161	76	109.8%	149	7.9%
Total Assets	1,785	921	93.9%	1,178	51.5%
Current liabilities	400	395	1.5%	477	△15.9%
Non-current liabilities	250	250	-	250	-
Equity	1,134	275	311.1%	451	151.2%
Equity Ratio	63.5%	30%	+33.5pt	38.3%	+25.2pt

Topix

・March 28th, 2024 on the Tokyo Stock Exchange Growth (Increase in Cash and deposits, increase in Equity)

・Increased Prepaid expenses for AWS RIs

・Repayment of Short-term loans payables

・Stock options exercised2 240,800 shares

・Total assets Almost current Deposits
The funds raised through the IPO are expected to be used according to the Total Plan.

*"RI" stands for Reserved Instance. A service that allows you to receive significant discounts by reserving long-term use.

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Compared to the Yoy, the exchange rate impact on Cost ofs was the weakening of the yen by 27 yen compared to the previous year.

(Unit: million yen)	FY2024 Q2		Year-on-Yoy (FY2023 Q2)			Q 2 2 0 2 4 Q 1		Yoy (FY2023 Q1-Q2)		
	Achievements	% of Net Sales	Achievements	% of Net Sales	Increase rate	Achievements	Ratio to sales	Achievements	% of Net Sales	Increase rate
(SG&A) Personal expenses	**42**	**14.1%**	3 8	16%	10.2%	**82**	**14.1%**	70	15.3%	17.1%
(SG&A) Recruitment costs	**1**	**0.6%**	7	3%	△73.1%	**2**	**0.5%**	12	2.7%	△77.0%
(SG&A) Commission fee	**8**	**2.9%**	6	2.6%	39.3%	**15**	**2.6%**	13	3.0%	11.0%
(SG&A) Advertising expenses	**0**	**0.1%**	0	0.1%	△ 5.6%	**4**	**0.7%**	2	0.6%	37.22%
(SG&A) Remuneration paid	**9**	**3.2%**	11	4.7%	△15.4%	**19**	**3.4%**	19	4.2%	1.3%
(SG&A) Other	**24**	**8.1%**	20	8 4	20.4%	**47**	**8.1%**	39	8.6%	19.4%
(SG&A) Total	**87**	**28.9%**	83	9%	4.1%	**171**	**29.4%**	1 5 8	34.4%	8.2%
The application of the external standard taxation has resulted in an increase in taxes and public dues. The increase in costs due to the listing is approximately 9 million yen										
(Cost) Labor costs	**41**	**13.8%**	41	17.1%	1%	**83**	**14.3%**	7 8	17.0%	6.6%
(Cost) infrastructure expenses	**43**	**14.4%**	39	1 6 5	9.5%	**82**	**1 4 .0%**	69	15.1%	17.6%
(Cost) Business commission fee	**14**	**4.7%**	9	4.1%	45.4%	**26**	**4.6%**	14	3.2%	83.7%
(Cost) Others	**14**	**5%**	6	2 6	138.4%	**23**	**4.0%**	13	2.9%	78.5%
(Cost) Total	**1 1 4**	**37.8%**	9 6	3%	17.9%	**2 1 6**	**37.0%**	1 7 6	38.2%	22.7%

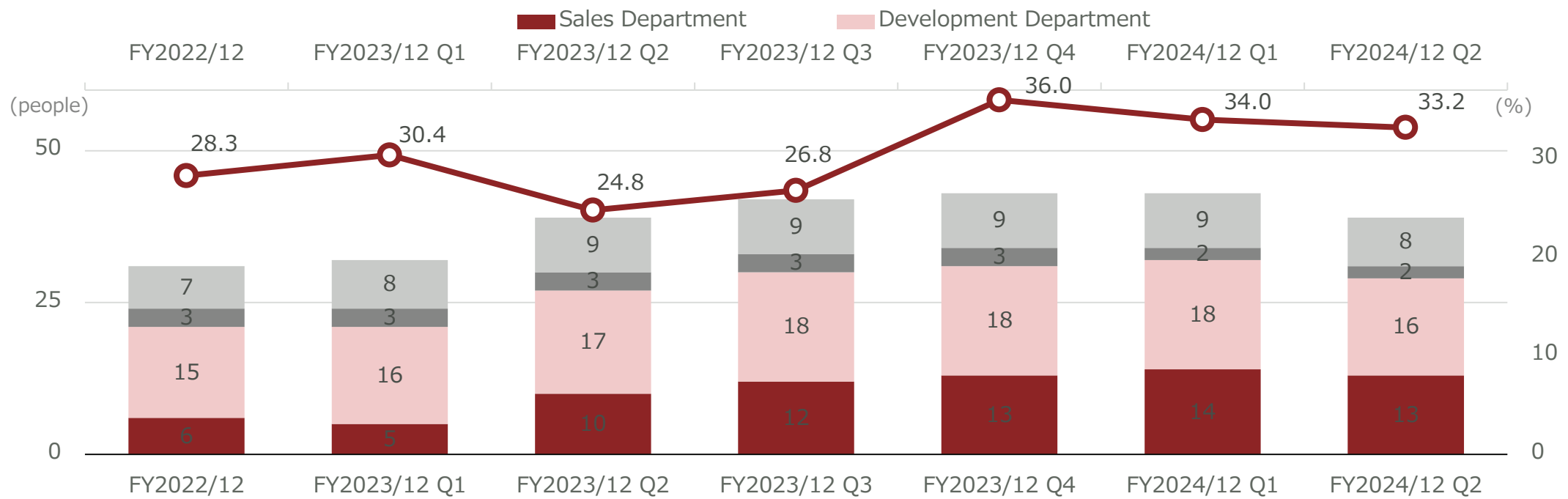
The reduction in infrastructure expenses on a US dollar basis has been a success. Q2: Phishing countermeasure costs decreased, but the exchange rate exceeded 160 yen to the US dollar, accelerating the depreciation of the yen
Implemented development to improve the productivity of Fraud Alert operations and security levels through outsourcing

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Data-Driven Business

Compared to job-specific SaaS, investment in human resources and advertising is limited, resulting in a high marginal profit margin. Following the IPO, there has been some personnel turnover, and partial replacements were made in Q3.

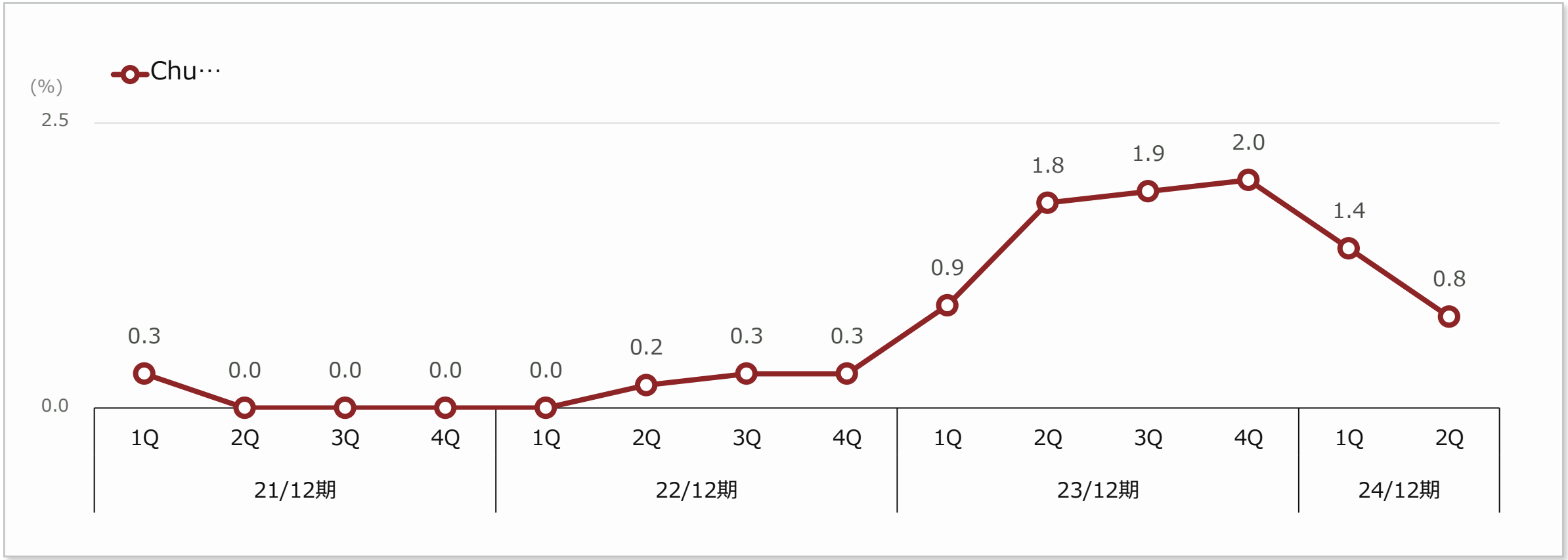
Number of full-time employees and operating profit margin



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Despite its value as a database of fraudulent user information and operational support from customer success, the Churn rate remains low. Calculations were made by changing the target period from 3 months to 12 months.

Gross Revenue Churn Rate*



*Gross revenue Churn rate is the average of the 12-month target period of "subscription amount canceled and downsold during the month ÷ MRR at the end of the previous month"

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3. Review of FY2024 Q2 situation

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Review of Net sales from Q1 to Q2 FY2024

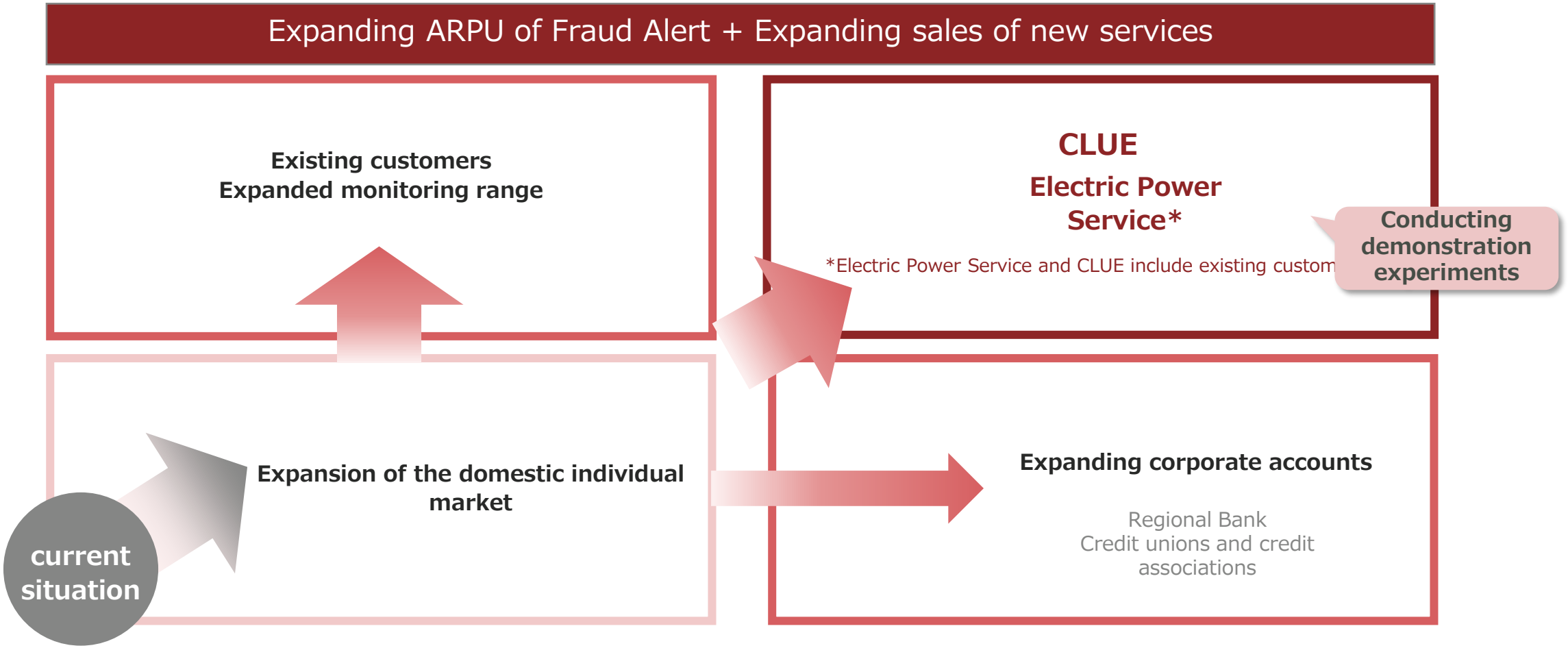
Net sales: 5.84 million yen

Operating 1.95 million yen

item	Topics	assignment
Net sales Growth Rate	26.6% growth	● Achieving 36.0% growth target Expansion to monitoring of remittances
Upsell	● Still strong in Q2. Exceeds total image. April renewal: 10 companies completed	● –
Cross-selling	● Increase in installation area for two companies, 1 company added new features in Q2, but performance fell short of plan	● Need to cross-departmental customer side *Strengthened winding force Legal arrangements for new services
New	● Net increase of 4 companies, acquisition of 6 companies, termination of 2 companies	● Churn Recovery measures
Transient	● None	● –

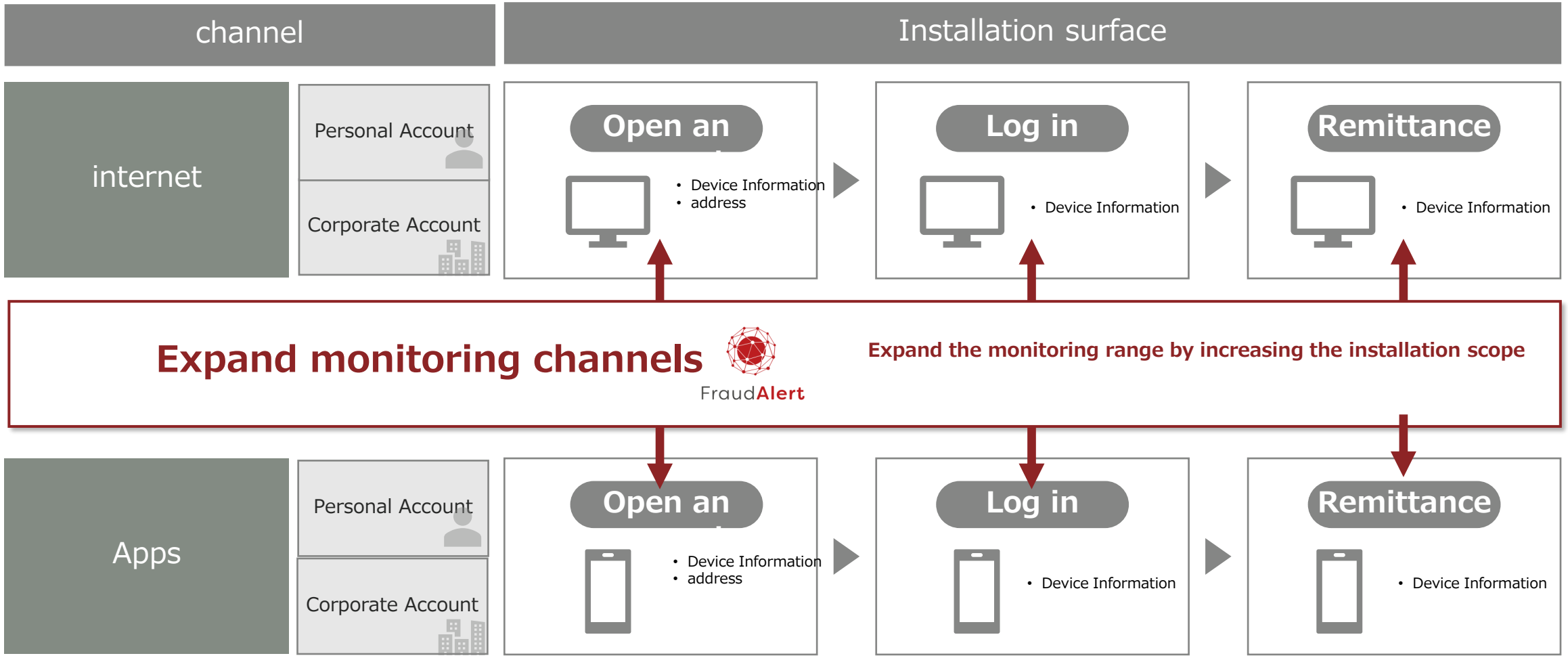
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The growth strategy direction can be broadly categorized into four key areas



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Added "Login" function service to securities companies



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Fraud Alert: Regional Banks

The speed at which regional banks are introducing monitoring has not been as fast as initially expected and has fallen behind.

We believe there are three main reasons

(1) Completing improvement tasks by deadline and improving their effectiveness

It appears that the situation is becoming polarized. Some financial institutions see the completion of compliance with the guidelines, which set the end of April 2024 as the deadline for reporting to the Financial Services Agency, as a milestone. On the other hand, some financial institutions are still considering what measures they need to take to improve effectiveness.

(2) Changes in the methods of fraud crime groups due to rapid developments in science and technology

Criminal methods have rapidly become more sophisticated and diversified, including specialized frauds and romance scams. As a result, the damage appears to be escalating at an accelerating rate. *2 Phishing has shifted its target from financial institutions to credit card companies. *3 Illegal accounts that are misused for specialized fraud and Anti-Money Laundering are a problem. *4

(3) It is influenced by the priorities that financial institutions must fulfill.

The priorities that financial institutions should take tend to be determined based on requests from the Financial Services Agency and the extent of the damage, and it is necessary to predict these and formulate a total plan.

*1 Source: Financial Services Agency, "Efforts and Challenges in Countering Money Laundering, etc." (Published 6 28, 2024)
*2 Source: "Comprehensive Measures to Protect the Public from Fraud" by the Ministerial Council on Crime Prevention (published 6 18, 2024)
*3 Source: Analysis by our company based on the "Phishing Report Status" document from the Anti-Phishing Working Group's "Monthly Report" (1 2023 to 6 2024)
*4 Source: Nihon Keizai Shimbun, "Account monitoring to prevent financial crimes" (8 7, 2024)

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Financial Services Agency requests financial institutions nationwide to strengthen monitoring

According to the Japanese Bankers Association, the number of accounts that were suspended or forcibly closed by financial institutions after fraudulent use was discovered in fiscal FY2023 was 11, exceeding 10 for the first time since the survey began in fiscal 3.

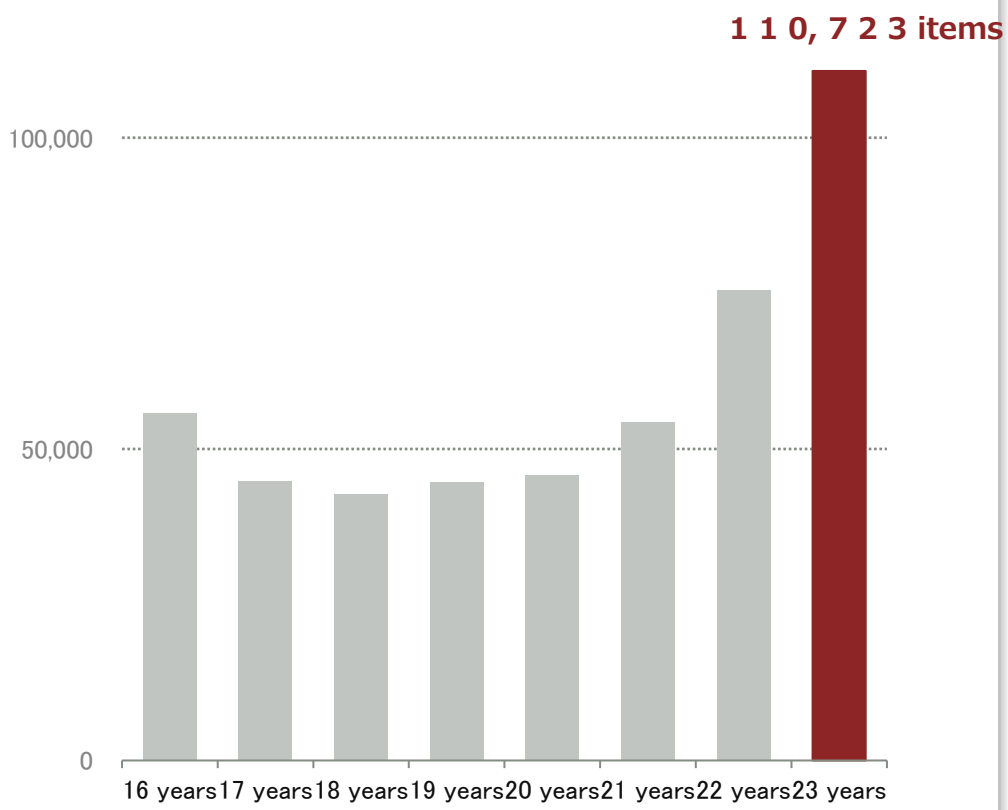
The Financial Services Agency will soon issue a request to financial institutions to (1) establish and strengthen systems for monitoring and detecting transactions suspected to be fraudulent, (2) implement measures to prevent fraudulent use, such as freezing accounts and temporarily suspending transactions, and (3) promptly share information about fraudulent accounts with the police.

The request will be made through association such as the Japan Bankers Association, the National Association of Regional Banks, the Second Association of Regional Banks, the National Credit Cooperative Association, and the National Central Association Credit Union .

Source: Nikkei Shimbun, Account monitoring to prevent financial crimes (8 7, 2024)

Demand for Fraud Alert is expected to increase

Number of cases of account suspension and forced closure due to fraudulent use



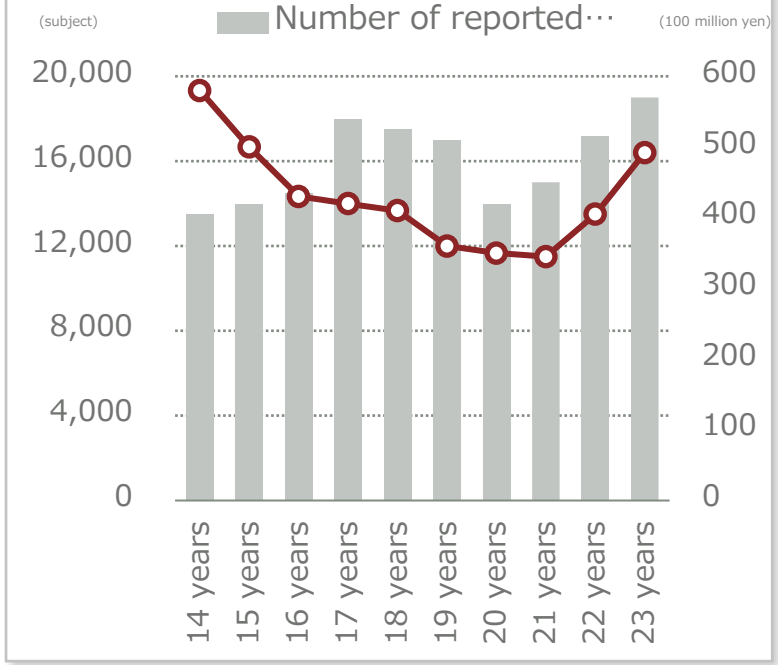
Source: Compiled by our company based on the Japan Bankers Association's "Trends in the number of cases of account suspension, forced closure, etc. due to fraudulent account use" (announced in 6 2023).

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Comprehensive measures to protect citizens from fraud

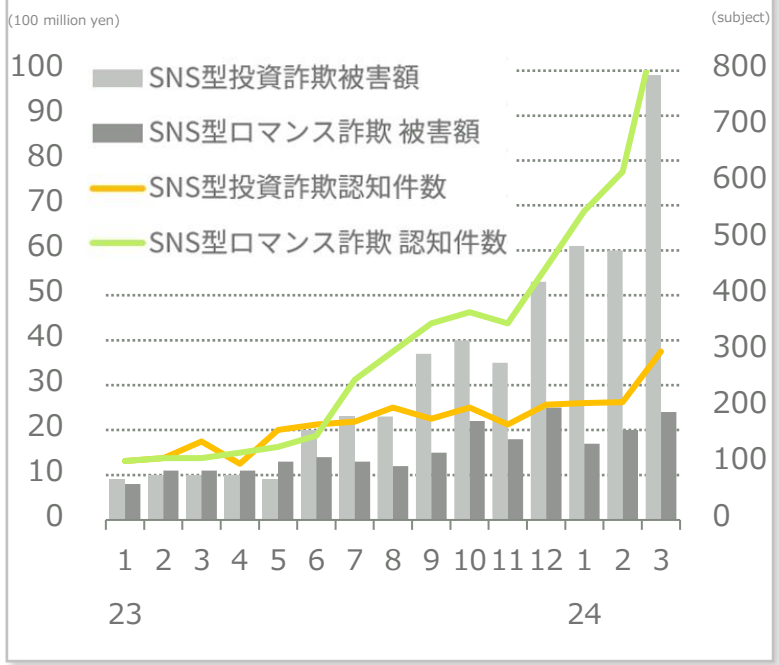
Special fraud

The damage amounted to approximately 45.2 billion yen in 2023.
An increase of approximately 8 billion yen from the previous year



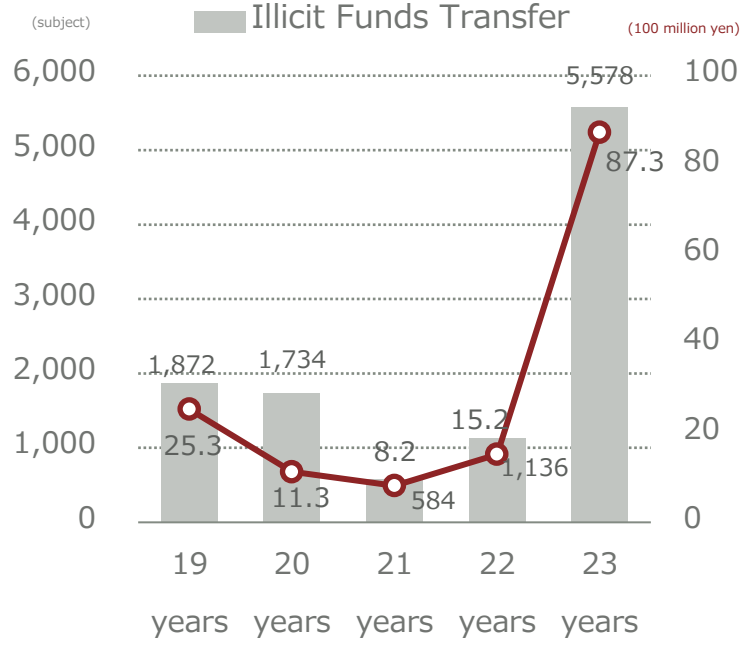
Social media Investment to and romance fraud

✓ Sharp increase from the second half of 2023.
✓ Damage amount to approximately 45.5 billion yen.
✓ The damage amount from January to March was approximately 27.9 billion yen.



Phishing damage

Regarding internet banking
The damage caused by Illicit Funds Transfers will increase sharply
(approximately 8.7 billion yen in 2023)



Formulation of comprehensive measures

✓ In this situation, in order to keep up with the rapid changes and protect the public from the harms of fraud, it is essential that the public and private sectors work together to take even stronger, swift and appropriate measures.
✓ We will progressively eliminate existing plans, compile comprehensive measures targeting specialized fraud, social media-based Investment to and romance fraud, phishing, etc., and promote these measures across the government.

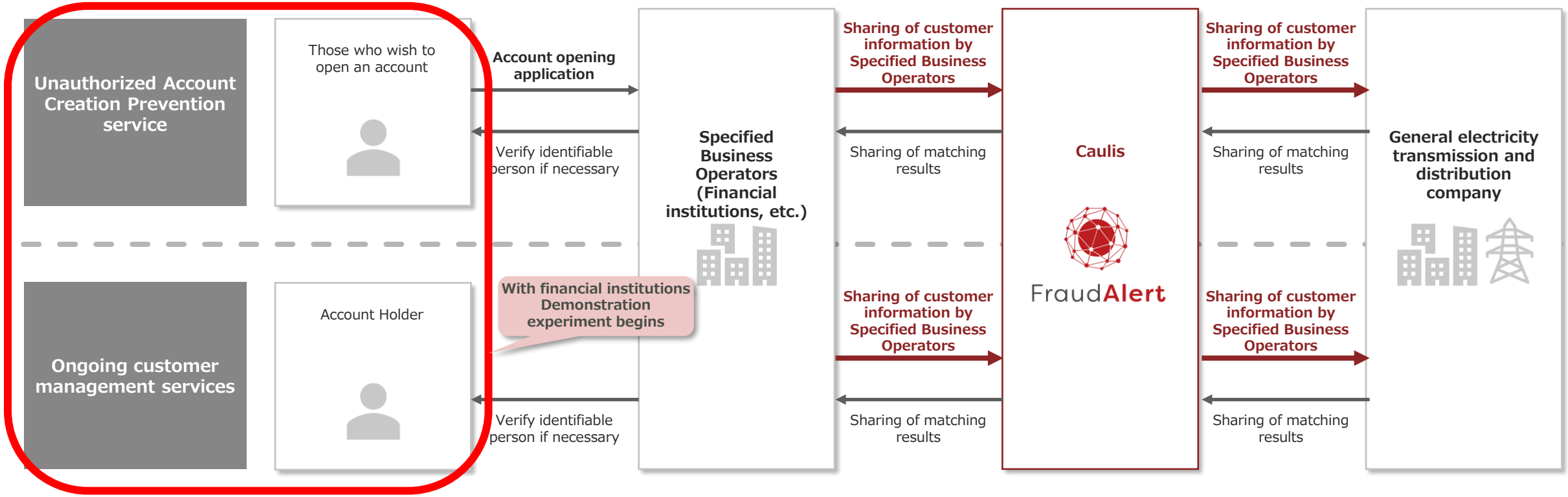
*Source: Created by our company based on the Ministerial Meeting on Crime Prevention "Comprehensive Measures to Protect the Public from Fraud" (published 6 18, 2024).

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Electric Power Services Overview

A service that utilizes information held by electricity supply operators to block the inflow of illicit funds, prevent money laundering, and accurately conduct customer verification during transactions.

A service that prevents fraudulent use of vacant house addresses when opening a new account



A service that verifies whether an individual continues to reside at a given address or has moved out by cross-referencing information held by general electricity transmission and distribution operators with end-user data.

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Electric Power Service "Unauthorized Account Creation Prevention service" and "Continuous customer management service"

3 companies conducted a demonstration experiment and held an explanatory meeting. A four-day session was held with UI Bank on the 'Fraud Detection Service Utilizing Electricity Contract Data,' covering specific practical aspects based on empirical data. A total of 144 participants from 94 financial institutions and related entities attended, confirming high customer demand.

The results of this demonstration experiment have been reported to the Financial Services Agency.

*https://www.uibank.co.jp/cms_source/data/news/files/f11980d46cd0f3302fd1a8722cfbc4552a9de08f.pdf

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There will be 6 presentations in the Q1 and Q2 quarters of 2024.

By sharing our expertise and experience, we will increase awareness of the importance of monitoring, build relationships with regulators, and gain their trust, thereby raising awareness of Caulis.

Learning from FATF
Our future endeavors

Demonstration projects with Seven Bank and UI Bank

Growth from a startup

Demonstration efforts through regulatory sandboxes

1	Financial Services Agency
2	AML Conference Private presentations
3	Digital Agency
5	Tokai Regional Finance Bureau, etc.
6	Law firms, etc.



[Tokai Regional Finance Bureau, etc.] Excerpt from "4 TOKAI Startup Seminar"
https://caulis.jp/news/ 2 0 2 4 /0 5 / 4 thtokai-seminar/

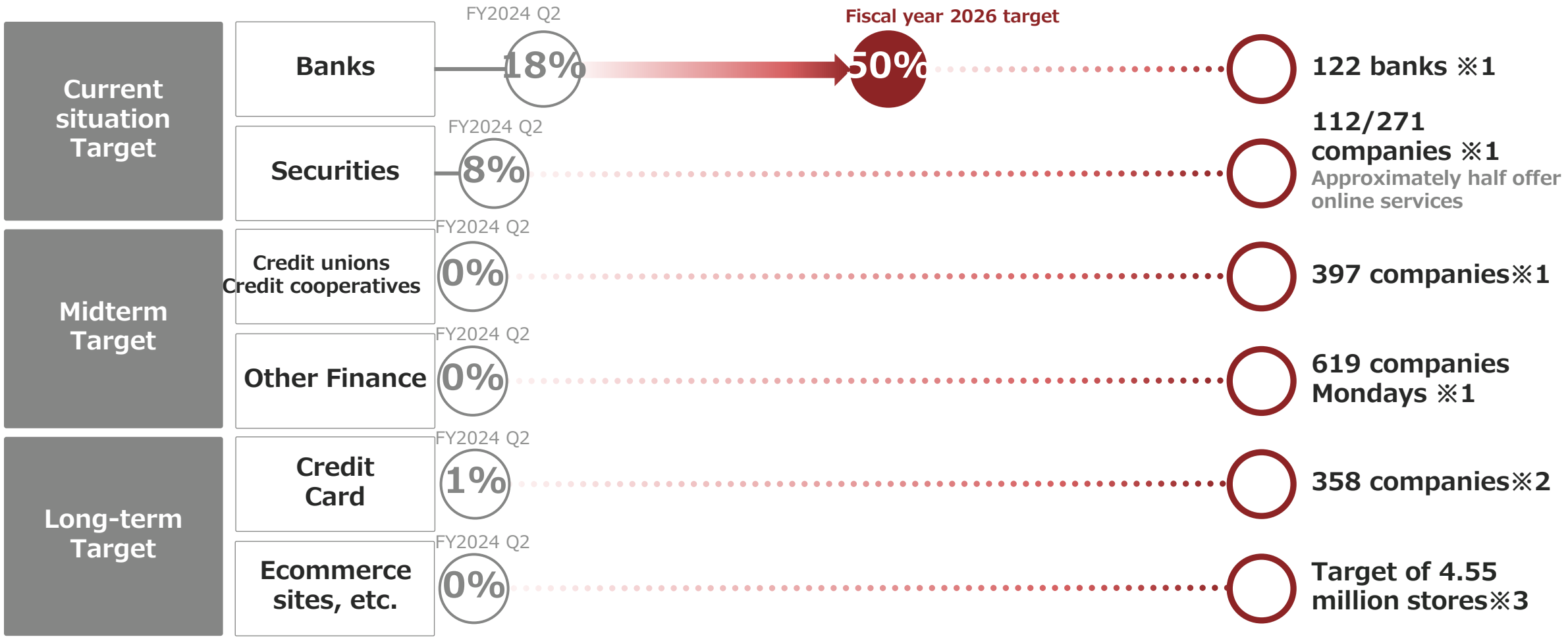
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4. Long-Term Growth Strategy

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Expanding Fraud Alert's ARR by increasing sales to financial institutions.

Large upside even with just the existing client industry of financial institutions, aiming at new markets
It is necessary to establish a monitoring system by 2028, the year of the FATF's 5th review



*1 Cited from the number of financial institutions by Japan Financial News Agency, as of the end of January 2024, "Other Finance" is the sum of Labor Banks, Agricultural Cooperatives, Life Insurance, and Property Insurance, calculated by our company.
https://www.nikkin.co.jp/link/number.html
※2 Cited from Ministry of Economy, Trade and Industry's ("Overview of the Credit Card Industry as of December 2005"), https://www.meti.go.jp/statistics/tyo/tokusabizi/result-2/h17/pdf/h17-t-04.pdf
※3 Cited the article "【2023 Edition】Total Operable Stores on Domestic eCommerce Sites & Online Stores" from empowershop stocks, published on June 2, 2023. https://ecclab.empowershop.co.jp/archives/80408

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Changed direction of strengthening customer base Instigated by learnings from Gray Zone Resolutions

We have been focusing on acquiring local banks and improving market share through Fraud Alert. Still, the development of "money transfer" related services has brought out the potential to appeal our services to those megabanks that our company couldn't touch. If we can acquire new fraud data, a large amount of erroneous data will be provided to our company, increasing the value of Fraud Alert data as a whole.

Interest in Ongoing due diligence services using electricity data

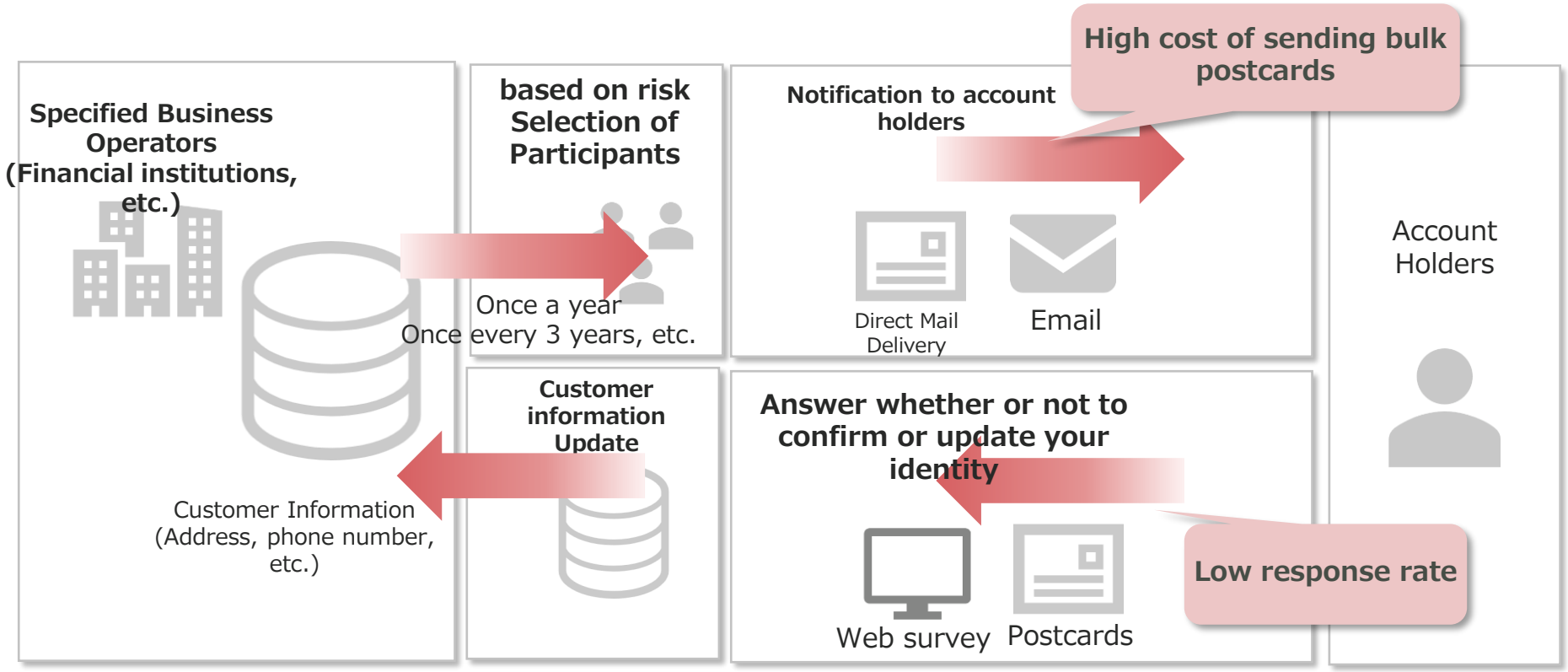
Following feedback on grey areas that have been addressed, promising activities reaped positive response with 24 confirmed appointments from companies, demonstrating confirmed interest from all banks. Presently, one service proof order has been received By demonstrating these practices and fulfilling client needs with specified services, we strive to expediously hasten the phase of accelerating service offerings

Amendment in modus operandi of Financial Crime demands Expansion of offerings

Unusual transactions that lever the account’s cyclical transactions or clusters, along with transactions network analysis, help suspect accounts’ deposit and withdrawal points-of-contact – analyzed & extracted With this new product development, we will continue to enhance our lineup

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OnOngoing due diligence to update customer's information regularly, The setup has been requested to each financial institution under the Financial Services Agency guidelines



To regularly inquire customer information to the account holder, there are hefty fees such as mass production and shipping expenses of DM, Personal expenses for information management.
Continual costs are necessary. Also, there's a lack of know-how to build a Ongoing due diligence flow, making it a high burden for financial institutions.

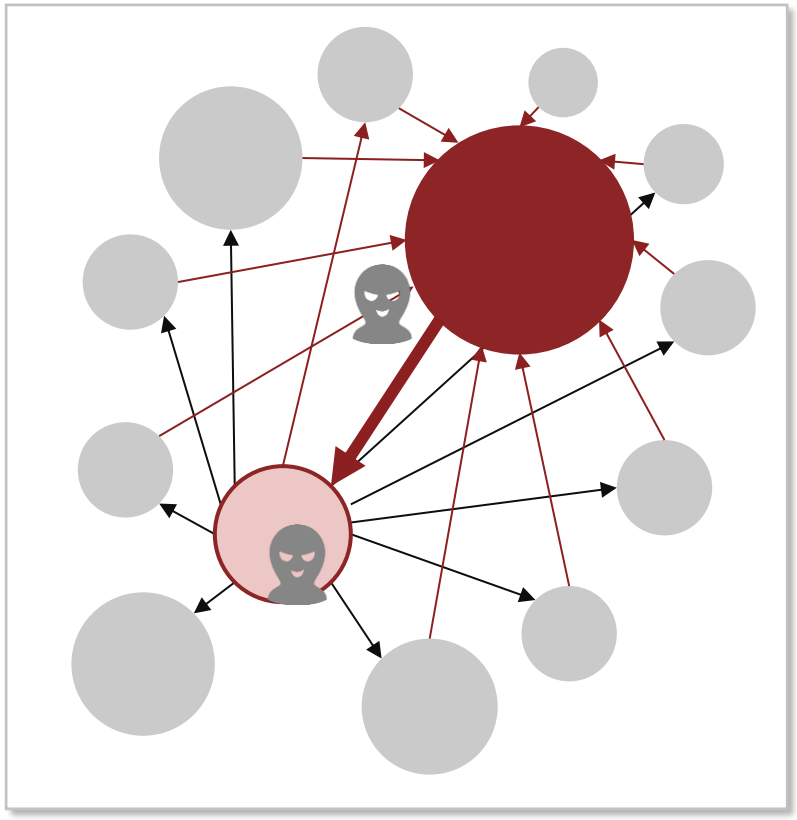
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| Analysis of fraudulent accounts using transaction data

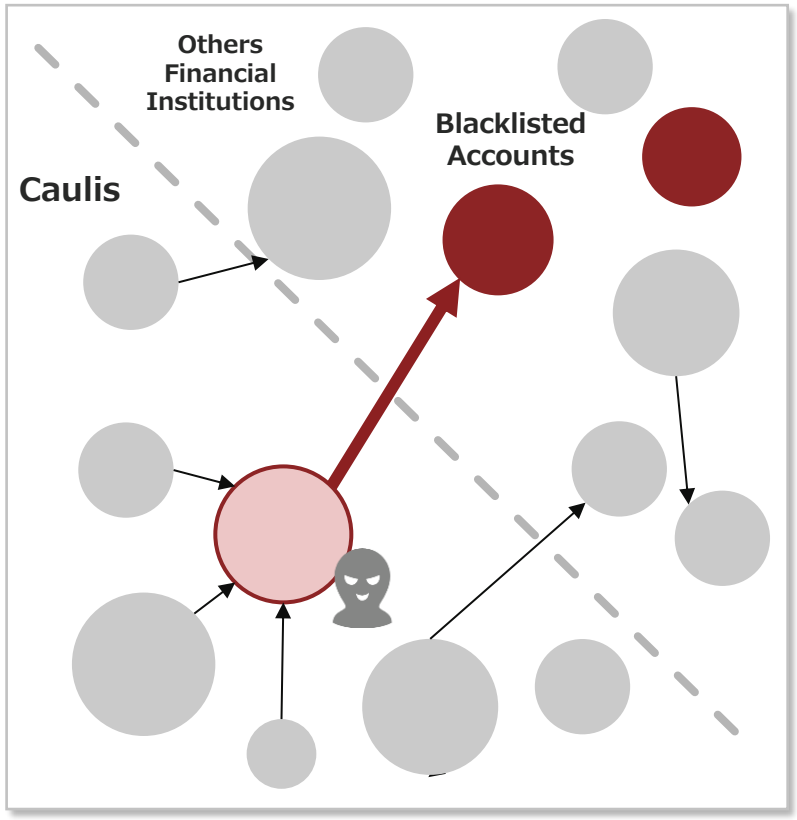
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By utilizing a large amount of money flow data and third-party provisioned blacklist account information, analyze and identify fraudulent transactions and tunnel accounts being used for money laundering.

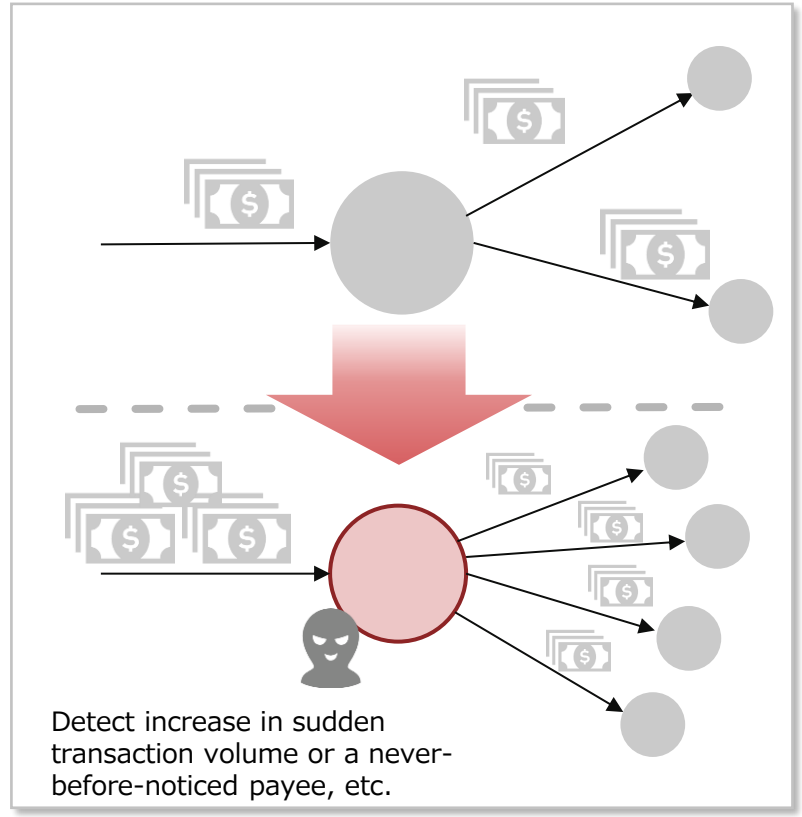
Analysis of transaction data through relationship graph study, **Analyze and extract accounts involved in suspicious transactions, such as round-trip trading account clusters. These accounts serve as hubs for deposits and withdrawals.**



Detecting suspicious company accounts attempting to remit to accounts recognized as blacklisted by other companies. Extracting pseudo accounts that straddle financial institutions.



Detecting suspicious transactions or behaviors unusual from past patterns, highlighting resold accounts from individual account deposit and withdrawal patterns.

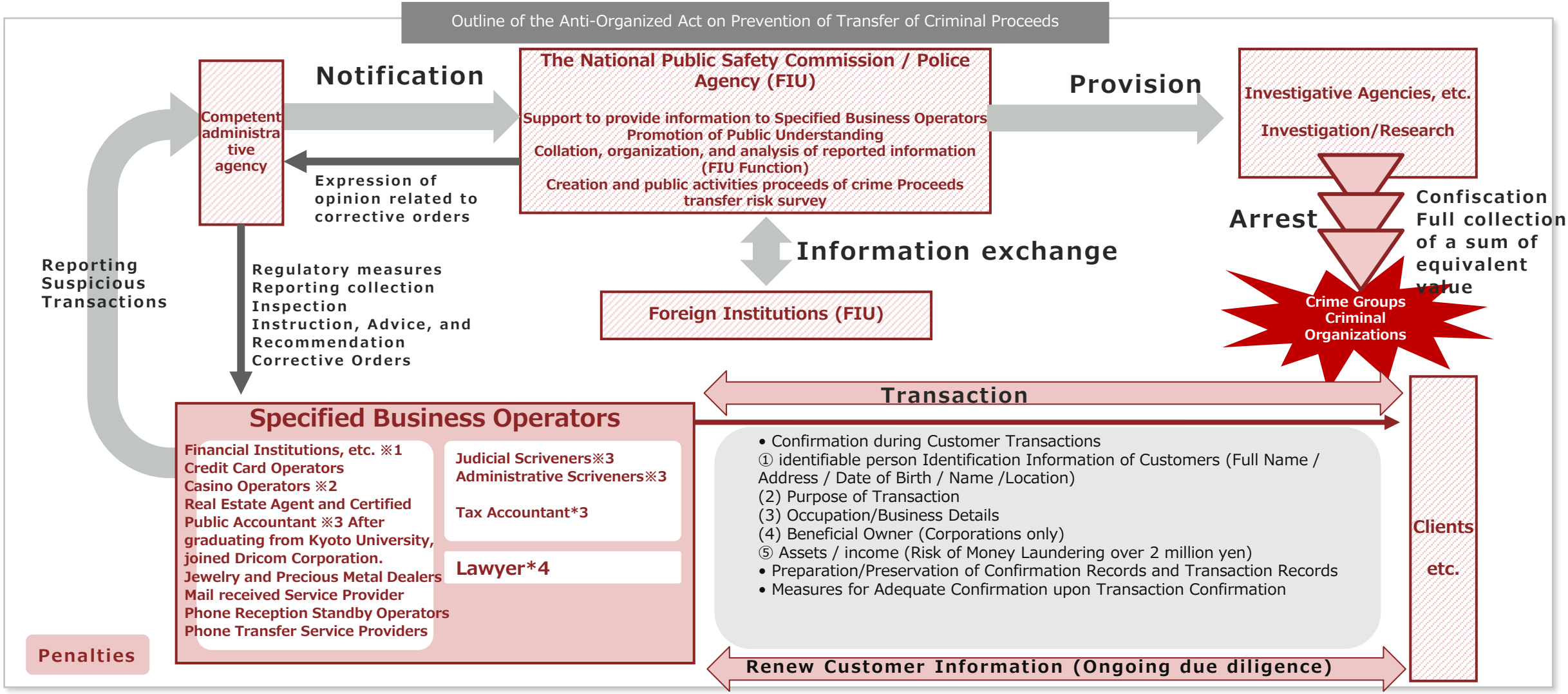


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Strategic Change due to the Introduction of Gray Zone Resolutions System

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Outline of the Anti-Organized Act on Prevention of Transfer of Criminal Proceeds



Note 1: Businesses, including financial institutions, involved in foreign exchange transactions are obliged to notify of information regarding customers and settlement counterparties, other than those mentioned above. What is meant by financial institutions, are banks, lending companies, Wage transferers, and so on. Cryptocurrency exchange operators and electronic payment service providers are obligated to notify other crypto asset exchange operators, etc. about customer and transfer counterparties at the time of crypto asset transfers.
Note 2: Measures for casinos operator to confirm transactions accurately are separately prescribed within the Instigated Complex Tourist Facility Area Development Act.
Note 3: Regarding transaction confirmation by judicial scriveners, administrative scriveners, certified public accountants, and tax accountants, only item ① is confirmed.
*4 Legal measures equivalent to transaction verification, creation and preservation of confirmation records, transaction records, etc., meeting about measures for transaction confirmation will be in accordance with Act on Prevention of Transfer of Criminal Proceeds par with judicial scriveners. Attachment according to the Japan Bar Association rules.
Source: Quoted from the National Police Agency's "Annual Report on Prevention of Transfer proceeds of crime (Reiwa 5 Year)" document, our company production. April 2023

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Efforts to Prevent Money Laundering by a Collaboration of Government Agencies and Private Sectors

Promote "Public Private Partnership" instigated by FATF. Using strengths to solve issues through mutual cooperation

【Problem Identification】
- Balancing Privacy and Security
- Compliance to International Standards
- Identification of issues for realizing an organic system

【Strengths】
- Trust and Credit
- infrastructure Development
- To Financial Institutions
- Instructions to

Financial Services Agency/ National Police Agency, etc. (Government)

Legal preparation, implementing guidelines, etc. have been executed

Public-Private Partnership

Caulis (Private sector)

lecturing at the Financial Services Agency, etc.

Financial Institutions
- Ownership of Misuse Information Holding of
- Fraud Methods Information Collection
- Commercialization
- Speed

【Benefits】
- Prevention of misuse
- Measures against Money Laundering
- Ongoing due diligence

Financial Institutions, etc./ End Users

Protect Japan's assets!

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5. Company Overview

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CAULIS

Basic Information

Company Name	Caulis Inc.
Location	Address: 1-6-1 Otemachi, Chiyoda-ku, Tokyo, Otemachi Building 4F
Establishment	Date of Establishment: December 4, 2015
Representative	CEO - Atsuyoshi Shimazu
Capital stock	Capital: 322.44 million yen (as of March 2024)
Number of employees	Number of Employees: 43 (excluding contract workers and part-time workers, as of March 2024)
Business Description	Development and provision of Fraud Alert, a SaaS-based fraud detection service for corporations
Board of Directors	Director: Hironori Zoda (Certified Public Accountant) Director Nobukazu Matake Director (External) Hiroshi Ito Full-time Audit & Supervisory Board Member (External) Kazuyoshi Sawada Audit & Supervisory Board Member (External) Yoko Komano (Certified Public Accountant, Certified Tax Accountant) Audit & Supervisory Board Member (External) Eiki Takahashi (Lawyer)



CEO

Atsuyoshi Shimazu

After graduating from Kyoto University, joined Stocks Company Dricom. Experienced the company's IPO as a Sales Representative. In 2010, he established the corporate sales department at Rosetta Stone Japan and joined Capy in 2014. As a head of the division, he proposed a solution for unauthorized login to leading companies. Established Caulis Inc. in December 2015.

Received numerous recognitions from financial institutions

YEAR	Awards and Media Publications (Excerpts)
2017	Ministry of Economy, Trade and Industry (METI) Presentation at Next Innovator 2016 Achievement Report Meeting (February)
2018	Winning the Toyota Automobile "TOYOTA NEXT project" (August) Selected as a "J-Startup Company" by Ministry of Economy, Trade and Industry (June) "Mizuho Innovation Award" recognition from Mizuho bank (February)
2019	"Heavy regulatory sandbox system" utilisation and certification for conducting business trials with the electrical company (March)
2020	2018 Time when it won the Best Award at the "MUFG Business Supprt Program Rise Up Festa" (April)
2021	2019 Won the "JFIA 2020 Excellent Award in the Collaboration Category" (March) 2020 Achieved an Encouragement Award in the Patent Agency's name commonly referenced as "IP BASE AWARD" (March) 2021 Taiwan's "TRC2020" award (March)

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Director

Nobukazu Matake

Obtained a master's degree in engineering from Doshisha University Graduate School and then joined Dricom Corporation in 2006. Then commenced his corporate life by joining the stock company Dr.Inc, in 2006, followed by Serego Japan and Cyber Agent America, engaged as the API developer.

Joined GREE Co. Ltd in 2013.

After a stint at Greystocks Company, he currently serves as the Executive Director at the OpenID Foundation Japan performing consulting in the field of ID and security for large companies as a representative and board of directors at YAuth.jp.



Director

Hironori Zoda

At Deloitte Touche Tohmatsu auditing firm, he was in charge of accounting audits and public guidance for companies preparing for listing.

Joined Drecom in 2005. After serving as General Manager of the Business Administration Department, he became a director. One and a half years after joining the company, the company was listed on the Tokyo Stock Exchange Mothers Market.

Contributed to Nobot Co., Ltd. from its inception and led as the director and CFO towards exit. She has been offering support to many start-ups as CFO/individual Investment to.



External Director

Hiroshi Ito

In 1980, entered the Ground Self-Defense Force. He held the top office in commands of technology and incurred handling of information and countless systems till bowing out displacement in 2007.

Chief Researcher of Stocks Symantec Institute, Executive Director of Stocks Rack and Director of National Security Research Institute, Cybersecurity and Informatization Advisory Officer in the Ministry of Economy, Trade, and Industry, and Chief Technology Officer from Fire-Eye Stocks.

Appointed as an External Director of our company since August 2021.



Executive Auditor

Kazuyoshi Sawada

After completing Graduate School at Hokkaido University, she joined International Telegraph and Telephone Stocks at the time.

In 2000, KDDI was launched as a result of a corporate merger. After serving in roles such as department manager and headquarters manager, I took up the position of Director General of the Kyushu Regional Headquarters in 2012.

From 2016 to 2018, I was the full-time auditor at the Stocks WebMoney company. Yoko Komano - Director and Certified Public Accountant at Total



Audit & Supervisory Board Member, Certified Public Accountant

Yoko Komano

After graduating from Tokyo University, she joined NTT Stocks

Following success in the 2006 Certified Public Accountant examination, while serving as an instructor for the Certified Public Accountant's course at TAC Corporation, engaged in duties such as auditing of listed organizations and Initial Public Offering consulting services at an auditing firm.

Registered as a certified public accountant in 2010. In 2015, registered as a tax accountant.

From April 2020, appointed as our auditor.



Corporate Auditor - Attorney

Eiki Takahashi

After graduating from Kyoto University Law School, was registered as a lawyer in 2011 and joined Chuo General Law Firm.

Since 2016, she has held a position in the Financial Services Agency, securing against anti-social forces and implementing measures to uphold AML/CFT, personal information protection, Other cross-business areas.

In 2018, held positions such as supervisor of Cryptocurrency Monitoring team, finance and securities inspection officer at the administration division of inspection bureau (mostly handled AML/CTF). Became a partner in 2020. Certified Fraud Examiner.

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Why is there a need for Anti-Money Laundering (AML) measures now?

With various activities going online, crime has become digitized and fraud is on the rise.

"He digitization of remittance

Smartphones have become widespread among nearly all citizens. With the majority of the population now using smartphones, due to the Covid-19 impact, online fund transfers have become the norm.

"He online processing of payments

In addition to the increase in the e-commerce ratio, payments at real stores are also online, such as 2D code and credit card payments.

Increasing online fraud

There is an increase in fraudulent use due to phishing. Credit card frauds in 2022 totaled to 437 billion yen.

Illicit fund transfers, and bank account reselling for the purpose of money laundering is increasing

(Source: Ministry of Economy, Trade, and Industry' Protect Yourself from Credit Card Fraud and Debt' as of April 2023)

Due to lack of monitoring and financial crime countermeasures, Japan's AML is a priority follow-up target in the 2021 FATF review results

By the '5th review' in 2028*1, the AML market size is predicted to expand with Anti-Money Laundering market around 11-28 trillion yen, while market size for measures against Money Laundering is estimated to be about 2 trillion yen *3.

It is estimated that the money-laundering prevention market is at 2 trillion yen against the 11 - 28 trillion yen fund-cleaning market*2.

FATF

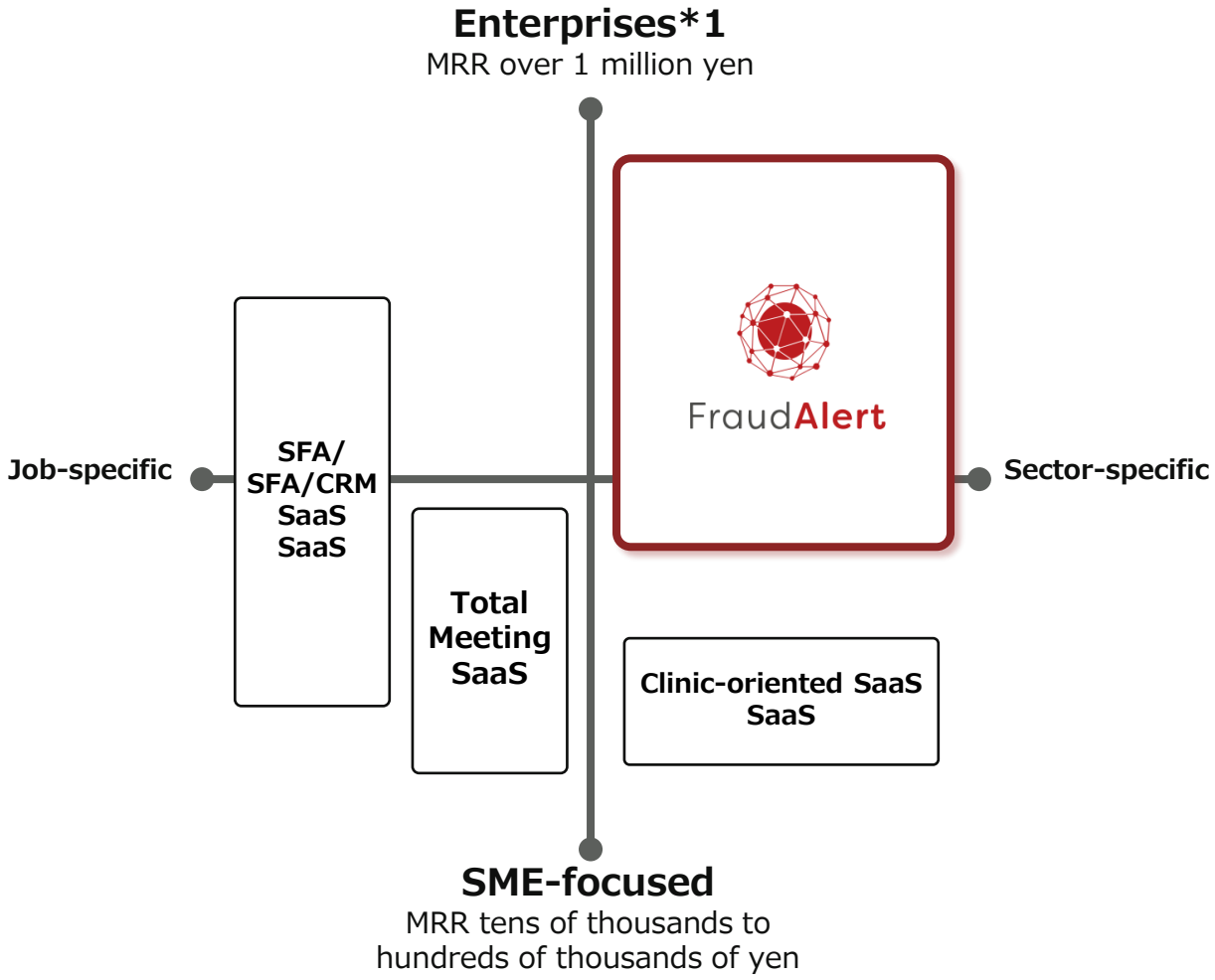
The Financial Action Task Force is an international body based in Paris that sets standards and promotes measures to combat money laundering and financing for terrorism, recommending KYC (Know Your Customer) compliance.
It reviews the efforts of its 39-member countries mutually.
The inadequacies pointed out in Japan's review are: Insufficient transaction monitoring and insufficient update of customer information after account creation.

*1 Source: FATF Global Evaluation Calendar (https://www.fatf-gafi.org/en/calendars/assessments.html) Confirmed on 4th February 2024.*2 'It is estimated that the total amount of Money laundering worldwide is about 2-5% of world GDP (United Nations Office on Drugs and Crime) as recommended.
*2 "Worldwide money laundering totals about 2-5% of total world GDP" according to an estimate by the United Nations Office on Drugs and Crime (UNODC). We estimate 2%~5% of the Japan's FY2022 (April 2022 ~ March 2023) GDP of approximately 566 trillion yen (Source: Cabinet Office, announced on February 15, 2024).
*3 References: LexisNexis "True Cost of Financial Crime Compliance" report (https://risk.lexisnexis.co.jp/insights-resources/research/true-cost-of-financial-crime-compliance-study-apac), confirmed on February 4, 2024, 2022 edition.

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Sector-specific SaaS targeting enterprises and specialized in financial services.



Two characteristics of our SaaS

01 Financial services sector-specific

- Compliance management, system, retail departments utilize it leading to fewer cancellations.
- A business that shares fraud prevention knowledge and an unlawful users database, encouraging network externalities within the industry and customer initiation. Role specific pains and regulatory understanding required creates an extremely high barrier to entry.

02 Enterprise-focused, end-user Fraud Alert *1

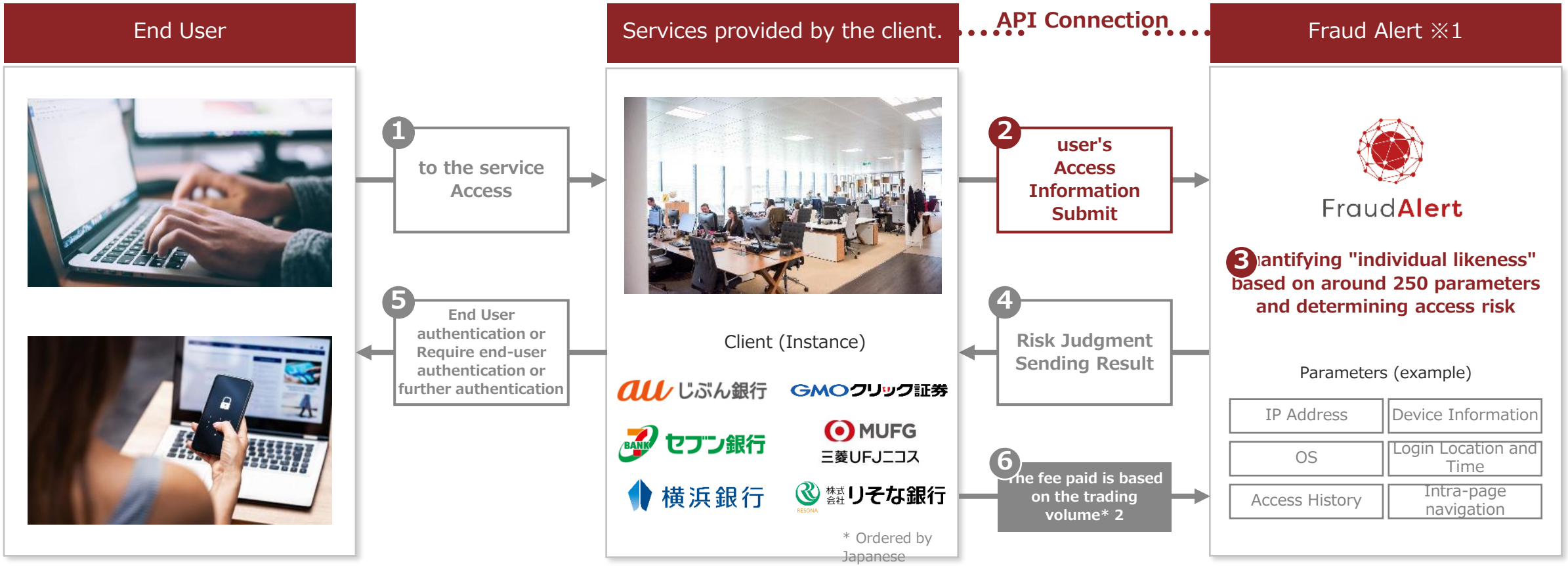
- Stable revenues can be expected, with high unit price and low churn.
- A lean operating model with less need for customer success personnel and advertising costs.
- Extremely likely to monopolize the market, therefore, strong price negotiating power.

Disclaimer1: "Enterprise" refers of the top 10 in terms of funds size among 5 city banks, 16 Other banks (Internet banks) and 62 regional banks out of which referring to the banks and listed corporations with 8 million million yen or more in funds.
Disclaimer2: The content depicted as our competitors' positioning is based on disclosure information of competitors chosen at our discretion.

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Fraud Alert

Through constantly monitoring the Device Information linked to the end user's account, Analyzing fraudulent activities and sharing amongst customers



Explanation: Fraud Alert refers to a service wherein analysis data is obtained by embedding a few rows of JavaScript code in the code of websites for various services like Internet banking, and behaviors like additional authentication and email notifications after login are customized based on the analytical data from the Fraud Alert server.

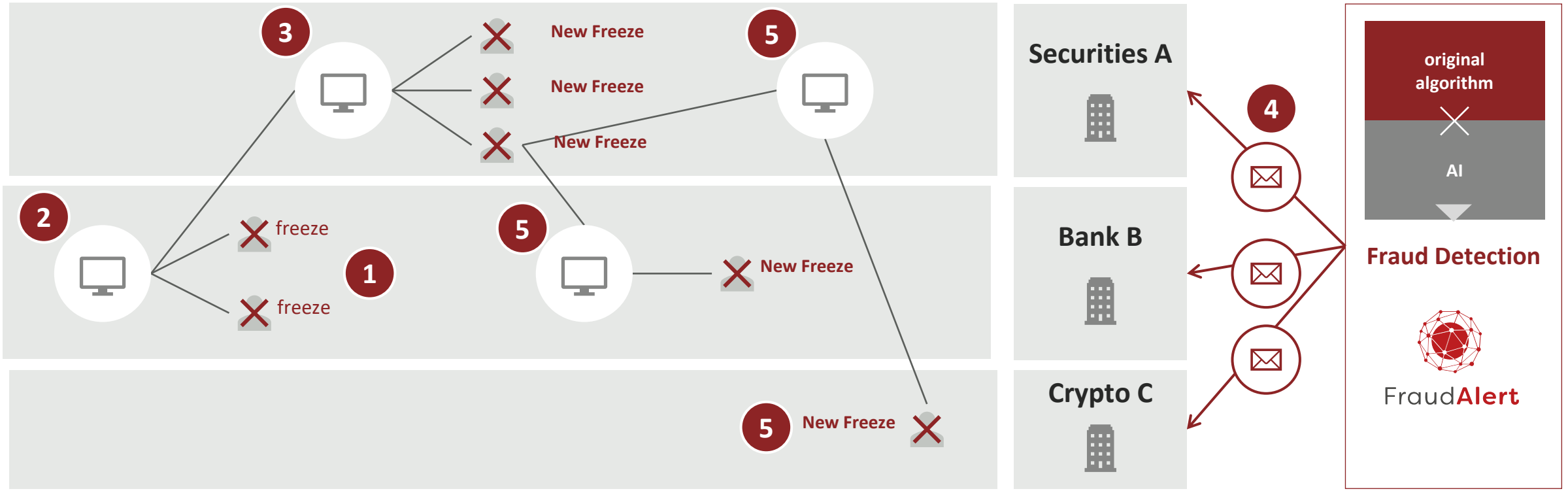
*2 The contract amount is determined based on the number of user impressions (total access counts) and the number of unique users.

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Money laundering accounts can be frozen across each business operator by investigating blacklist terminals*

Succeeded in freezing money laundering accounts that could never be discovered by one company alone



(1) Freezing due to the account used for the crime
(2) Identify the terminal linked to the account
(3) Holding accounts at other banks on the same terminal as (2)
(4) The Company will notify each bank by e-mail of the terminal information linked to the freeze in (1)
(5) When investigating the accounts linked to the terminal information notified by e-mail at each bank, it was found that the accounts used for crimes were used, and the new accounts were frozen at once.

* A blacklisted terminal is a device that has been recognized as an account used for crime and has been frozen.

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Major revenues are composed of Fraud Alert usage fees and consulting sales

Fraud Alert usage fee sales*1

Net sales = **Contracted companies*3** × **ARPU**

ARPU =
- **Account numbers**
- ×
- **User action count**
  *Count of log-ins, account openings, number of remittances, etc.
- ×
- **Monitoring Scope**
  1. Browser & smartphone application control
  2. Account opening/login remittance Fraud Alert, usage fee income*1

Consulting sales revenue*2

Net sales = **Number of Contract Companies*3** × **Average price: ~500,000 yen Co Partners**

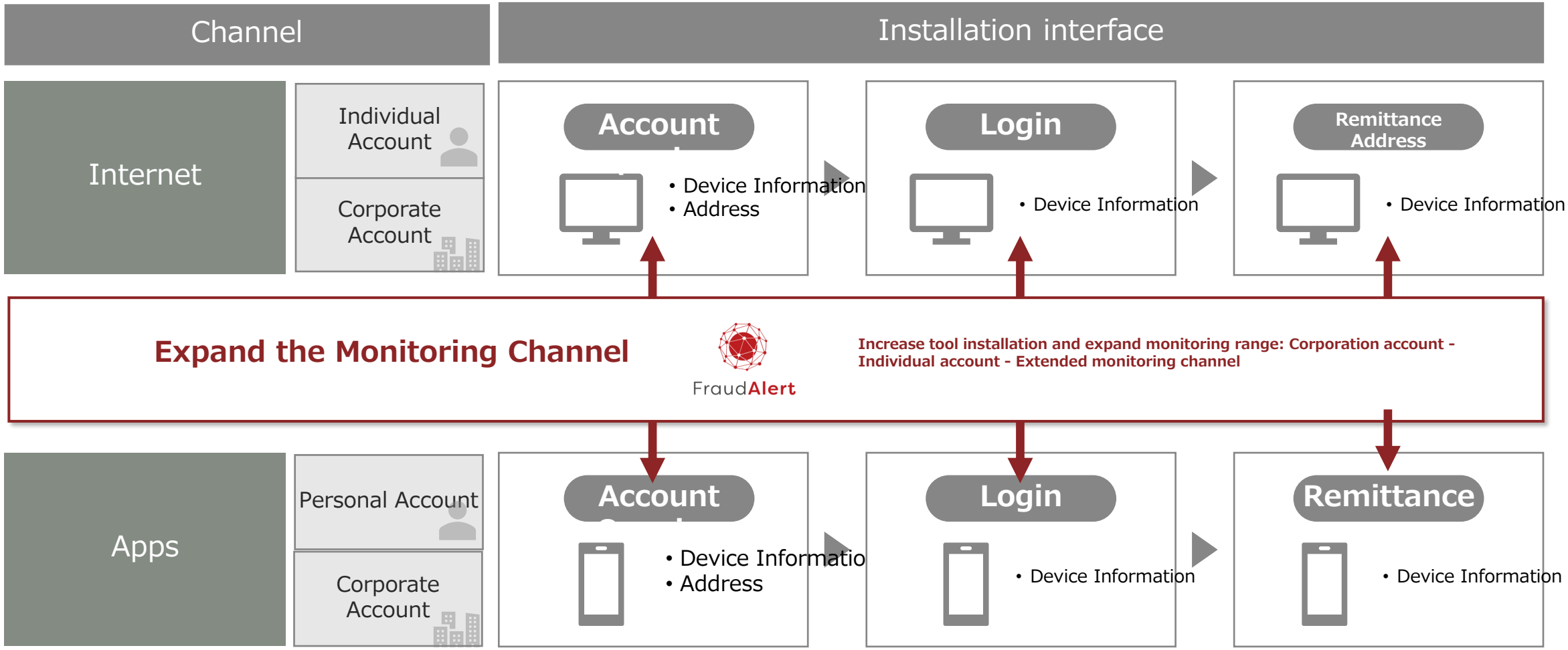
*1 Fraud Alert fee: This form of revenue refers to the monthly fixed sum paid by customers to use Fraud Alert, based on their contract. This fee does not include provisional fees such as the cost of initial setting or utilization as a prove of concept. Churn rate is 0.21% (as of FY22/12).
*2 Consulting revenue is composed of the flat rate fees paid by customers based on contracts for consulting services, which include standard support to fully utilize Fraud Alert, case studies from other companies, rule improvements, etc.
*3 The number of contract companies, counts the number of companies that have contracts with Fraud Alert, excluding those on trial.

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Touch Points

Fraud Alert's ARPU Expansion Potential

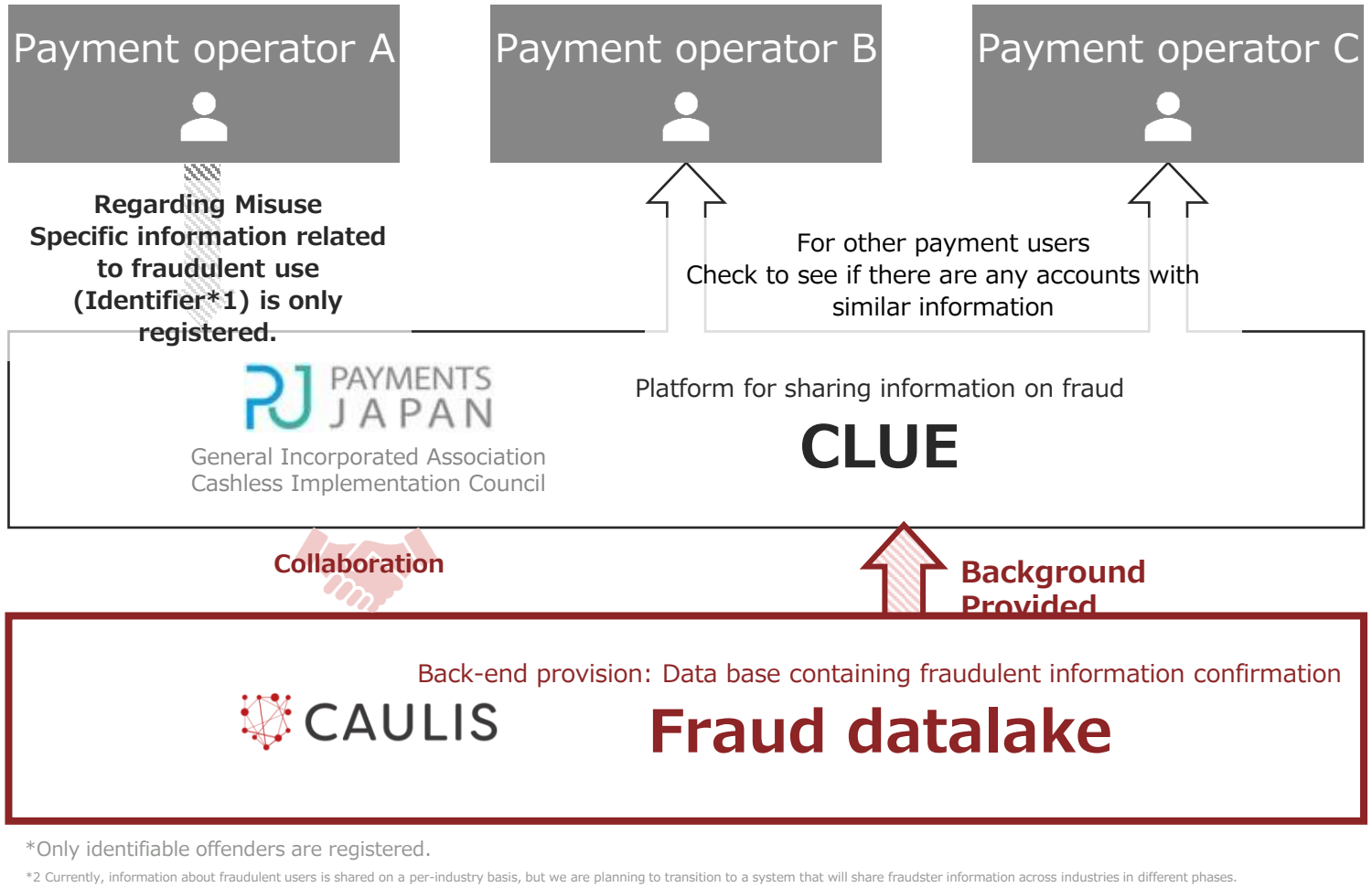
It is possible to install and expand our services at various contact points (up to 12 interfaces) within client channels, such as financial institutions, from account opening to login and fund transfer.



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Strengthening regulations towards non-finance industries and expanding marketshare

Building a platform for sharing the personal information of fraudulent users with the Cashless Promotion Council. Expanding the market by sharing fraud information with non-financial institutions.



Main Mondays Region partnering companies*2

1st Phase
Two-Dimensional Code Payment Operator

2nd Phase
Credit card/ EC

3rd Phase
Financial Institutions

*Only identifiable offenders are registered.

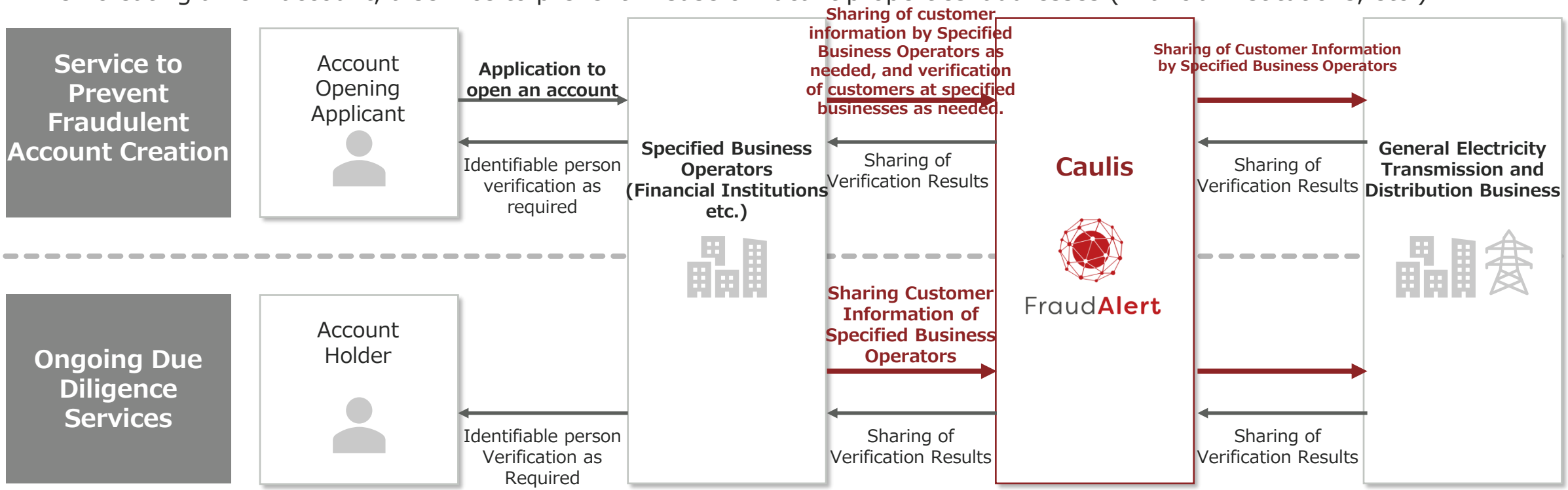
*2 Currently, information about fraudulent users is shared on a per-industry basis, but we are planning to transition to a system that will share fraudster information across industries in different phases.

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Outline of Electric Power Service

A service that leverages information held by electricity supply operators to block the inflow of illicit funds, prevent money laundering, and ensure accurate transaction verification.

When creating a new account, a service to prevent misuse of vacant properties' addresses (financial institutions, etc.)



A service that refers to data from the electric utility operators along with end-user information, to determine the constant residency or changed address status.

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6. Competitive Advantage

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1 **Early Entry into AML Market gives an advantage as a pioneer**
Successful Customer Acquisition from leading companies that have begun to utilize Cloud and API Utilizations

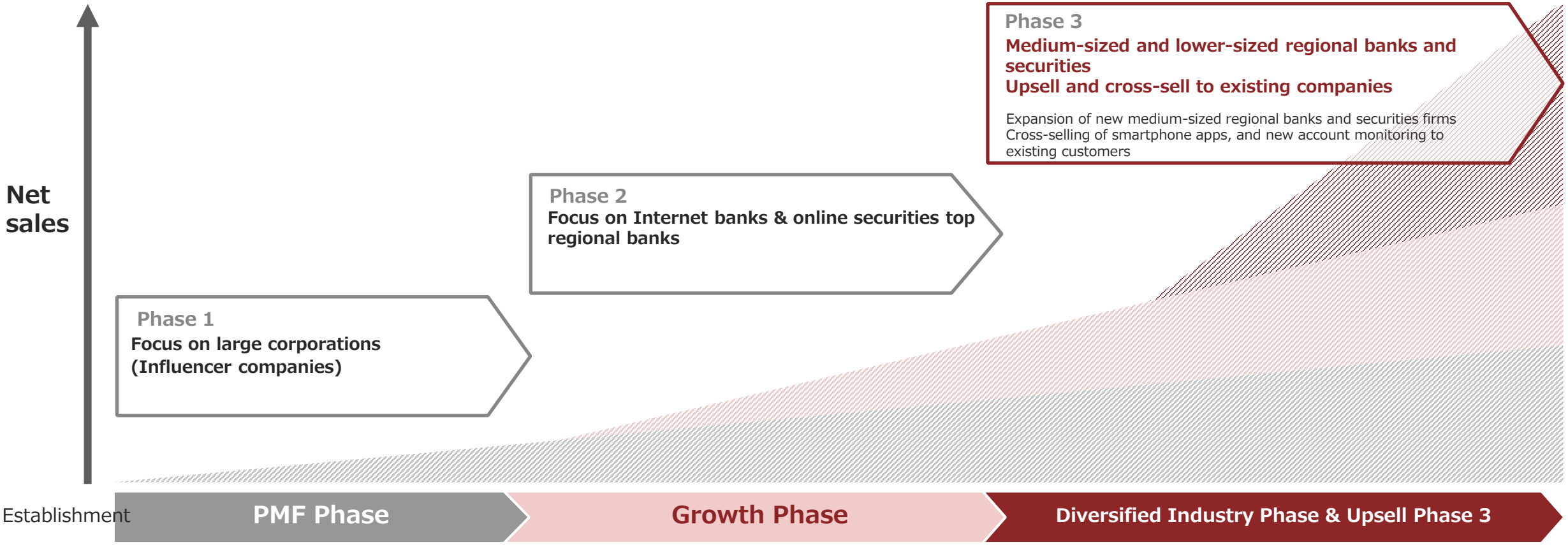
2 **Data-Driven Business**
Expansion of business using our own data through third-party provision, but not outsourcing, to utilize AI

3 **Service development based on government collaboration**
New service development through sandbox Fraud Prevention, and fraud provision information

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Market Share Expansion by obtaining customers from leading financial institutions such as mega banks



2015-2018
Start of cloud use in financial institutions

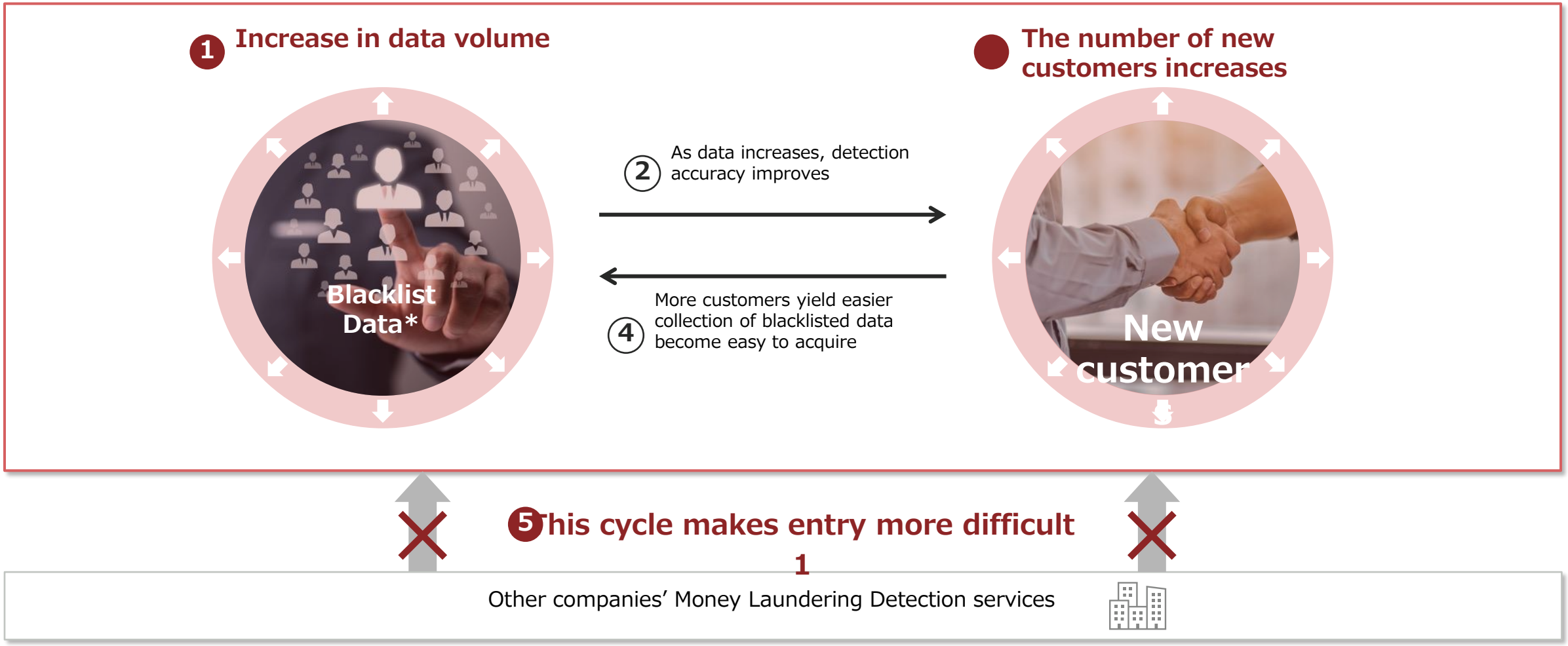
2019-2021
Looking ahead to financial institutions' compliance with the FATF
AML Compliance Expansion Period

2022-
Becoming an industry standard due to Customer Acquisitions
Establishment of a cycle where existing customers support sales activities

*This is a schematic diagram created by our company

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Increase in data volume → Improvement in detection precision → Acquiring new customers accelerates, the network externality functions 32
In contrast to on-premises and outsourced businesses, power in data utilization is vested with Caulis



*The general term for fraudulent users registered in Fraud Alert database

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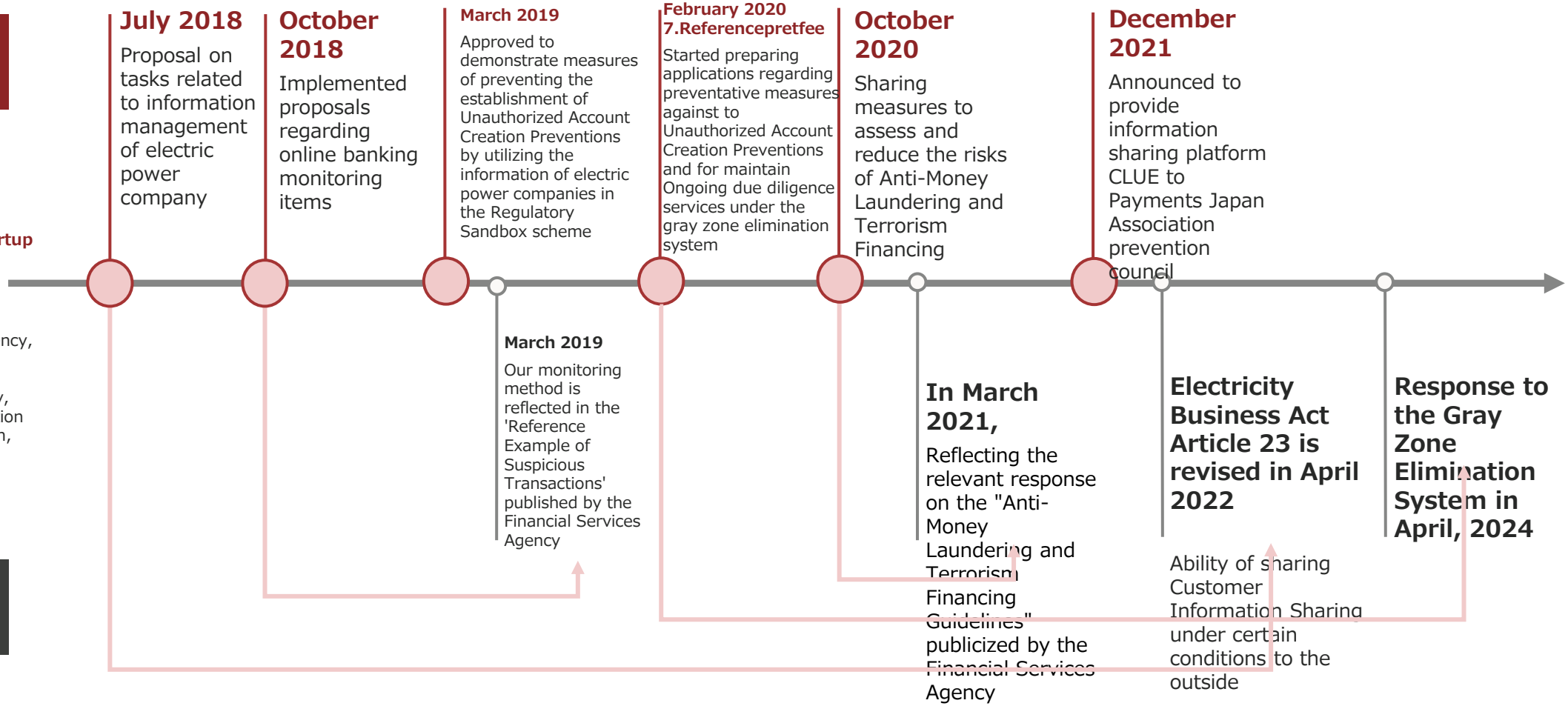
Utilize government measures and promote the development of anti-money laundering services

Our company's efforts

Nominated for J Startup in June 2018

Started building relationships with Financial Services Agency, Ministry of Economy, Trade and Industry, National Police Agency, and personal information Protection Commission, etc.

Amendment of laws and regulations etc.



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Competitive Advantage

②Increased ARR of Fraud Alert due to selling to financial institutions

The implementation period is shortened due to increased regulations and the network externality effects from the introduction by major financial institutions, reflecting the countermeasures against money laundering and terror financing on the guidelines published by the Financial Services Agency.

Two factors underpin the shortened duration

01 Increasing social demand requiring prompt response

Increased Online Financial Crime

Not just in Japan, globally
Increase in online crimes

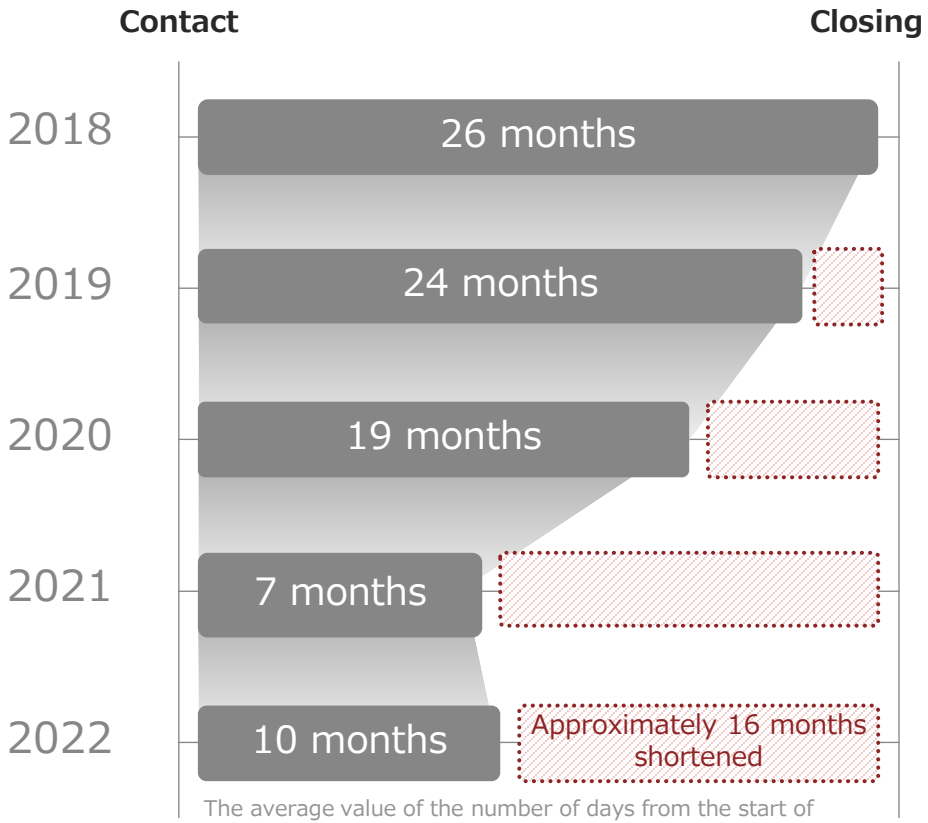
FATF Statement

Risks of money laundering/ Terrorism Financing
Announce high risk countries, drawing attention

02 Network Externality effect due to installation by financial giant



Managed to shorten the Phase of Introduction to approximately 16 months in 5 years



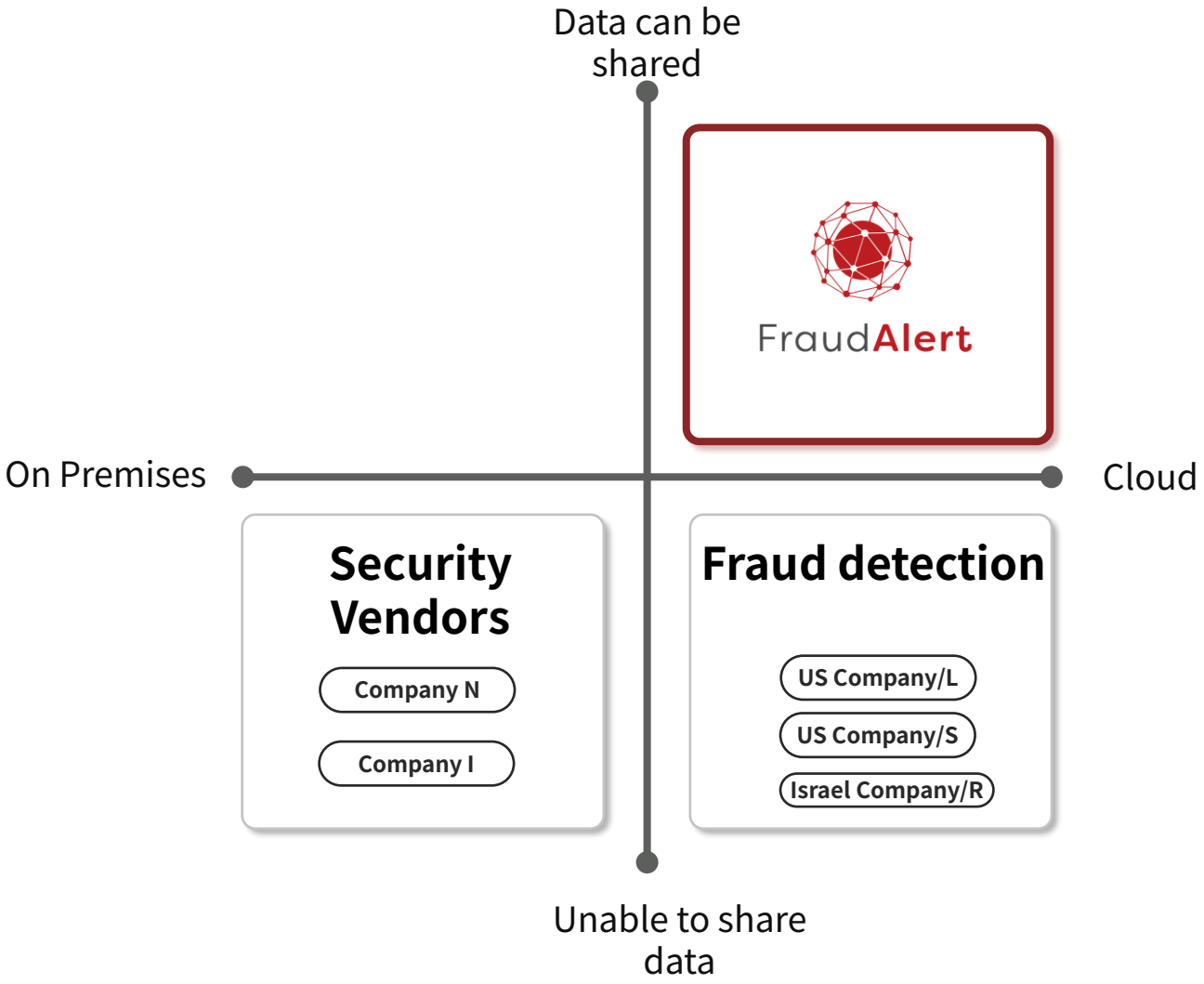
The average value of the number of days from the start of negotiations to the contract date counted ÷ 365 × 12

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7. Reference Materials

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The competitive environment is broadly classified into on-premises and cloud based



Three differentiating factors

01 vs On-Premises Players

- Installation expense is expensive
- Takes schedule to set up
- Implemented for sale with no support
- No information sharing with other companies

02 vs Overseas Cloud Players

- The introduction expense is high
- It takes time to schedule the implementation
- There is no implementation support for outright sale
- Non-compliance with Japanese guidelines (Financial Services Agency / Japan Securities Industry)

03 vs New Players

- Development of new services through relations with the government
- Protection of business ideas through intellectual property
- Acquisition of the financial industry shares and the data volume become the barrier

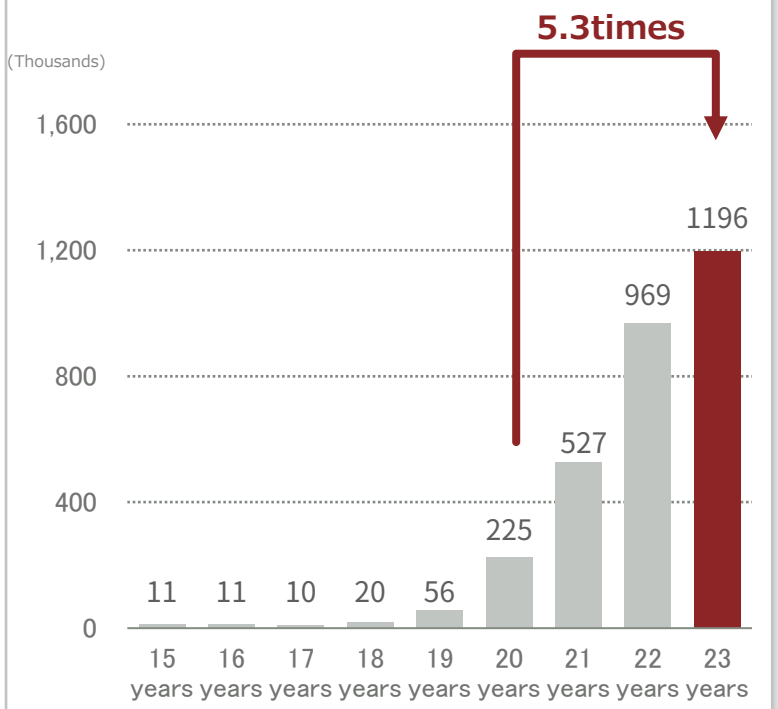
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Increase in cashless and online transactions leads to sharp increase in fraud

Phishing scams are becoming more sophisticated, and the damage caused by fraudulent credit card use has increased to 43.7 billion yen. The amount of damage caused by fraudulent transfers to financial institutions in 2023 was approximately 8.01 billion yen.The number of incidents in 2023 would be approximately 5.3 times that of 2022.

Number of phishing reports

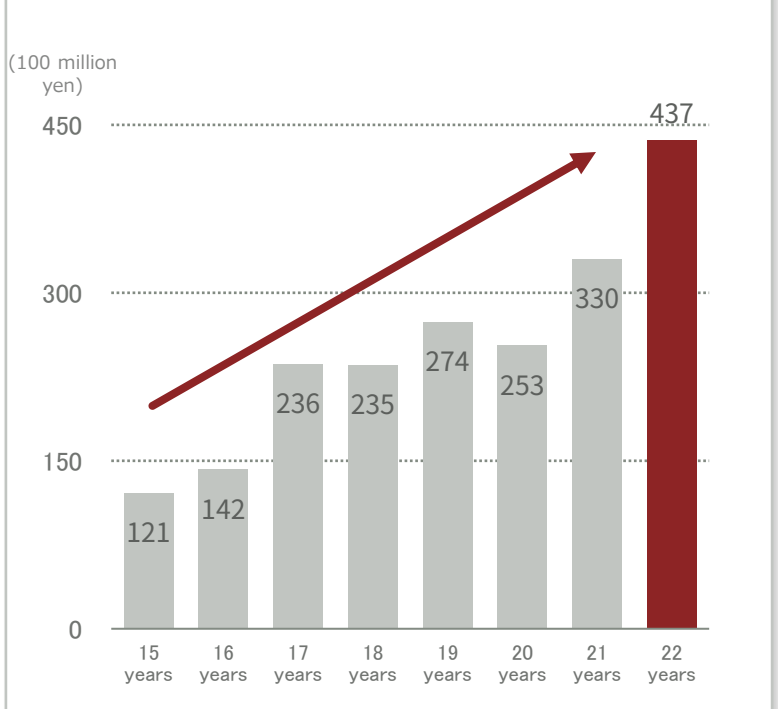
Reports have increased 5.3 times in 3 years



Source: Anti-Phishing Council "Monthly Report"
Created by our company from materials, as of the end of 12 2023, published in 1 2024.

Damages from fraudulent credit card use

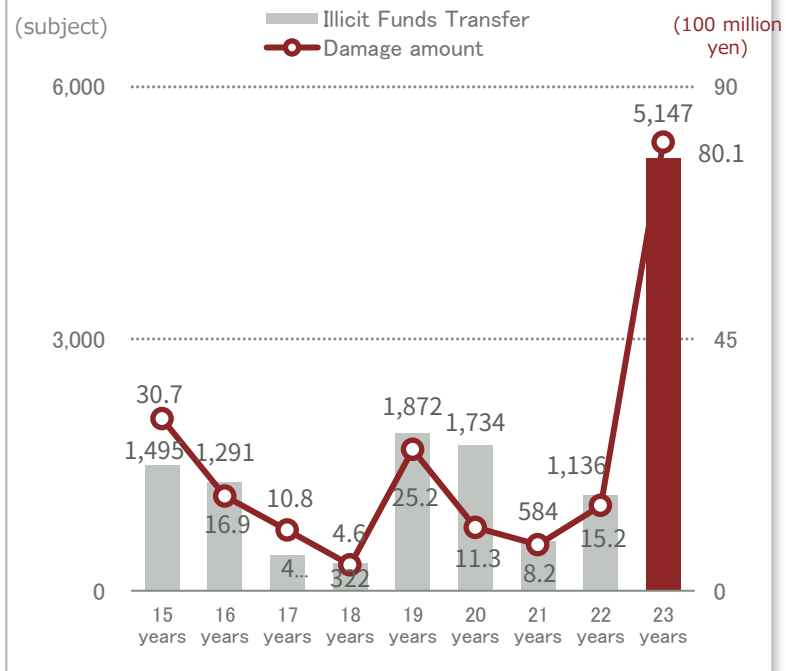
The amount of damage caused by fraudulent use is on the rise



Source: Japan Credit Association, "Credit card issuance fraud damage"
Prepared by our company based on the "Actual Situation Survey" materials, as of the end of 12 2022, published in 9 2023.

Losses from Illicit Funds Transfers to financial institutions

The damage from the fraud amounted to approximately 8.01 billion yen.
The number of fraudulent remittance cases is about 4.5 times higher than in 2022.

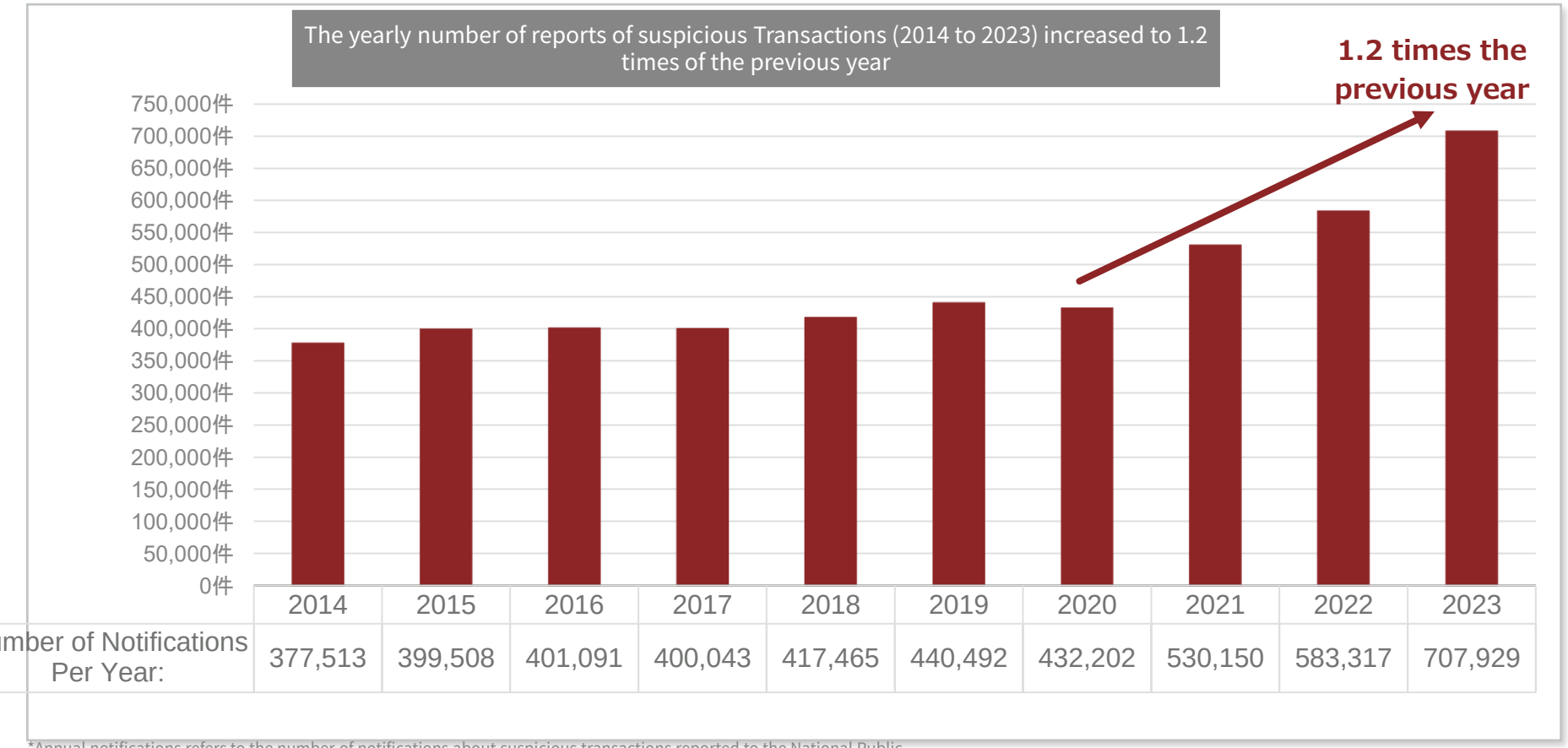


Source: Prepared by our company based on the materials published by the National Police Agency and the Financial Services Agency, "Caution: Rapid Increase in Illicit Funds Transfer Transfers Suspected to Be Caused by Phishing," as of the end of 12 2023, published on 1 24, 2024.

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The number of suspicious transactions reported exceeded 700,000 in 2023, surging sharply
Cases of money laundering are increasing



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of Notifications Per Year:	377,513	399,508	401,091	400,043	417,465	440,492	432,202	530,150	583,317	707,929

*Annual notifications refers to the number of notifications about suspicious transactions reported to the National Public Safety Commission/Police Agency by the competent administrative agency of the Specified Business Operator.
Source: Quoted from the National Police Agency "Annual Report on Prevention proceeds of crime Transfer from Crimes (Y5)", created by our company. April 2023

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		FY2023/12 Q1	FY2023/12 Q2	FY2023/12 Q3	FY2023/12 Q4	FY2024/12 Q1	FY2024/12 Q2
Net sales	(million yen)	**221**	**240**	**248**	**284**	**282**	**302**
Year-Increase Rate(YoY)	(%)	40.9%	49.7%	23.2%	13.9%	27.6%	25.7%
Gross profit	(million yen)	**141**	**143**	**144**	**183**	**180**	**187**
Year-Increase Rate(YoY)	(%)	38.0%	40.2%	7.4%	17.9%	27.0%	30.6%
Net sales gross profit ratio	(%)	64.2%	59.7%	58.2%	64.3%	63.9%	62.0%
Operating profit	(million yen)	**67**	**59**	**66**	**102**	**95**	**100**
Year-Increase Rate(YoY)	(%)	80.7%	62.4%	15.1%	19.0%	42.7%	67.8%
Net sales operating profit margin	(%)	30.4%	24.8%	26.8%	36.0%	34.0%	33.2%
Ordinary income	(million yen)	**67**	**58**	**65**	**101**	**71**	**99**
Year-Increase Rate(YoY)	(%)	65.0%	63.7%	15.1%	18.5%	5.5%	68.1%
Net sales Ordinary income rate	(%)	30.5%	24.5%	26.5%	35.7%	25.2%	32.8%
net income	(million yen)	**42**	**41**	**42**	**132**	**45**	**60**
Year-Increase Rate(YoY)	(%)	4.5%	16.9%	△25.2%	14.5%	6.3%	45.1%
Net sales Net profit margin	(%)	19.3%	17.5%	17.2%	46.7%	16.1%	20.2%
Number of Employees	(people)	**32**	**39**	**42**	**43**	**43**	**39**

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8. Frequently Asked Questions

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Categories	Question	Answer
Sales	➢ Are there any sales to cover the initial expenses?	➢ If there are any initial expenses, the amount is prorated over the contract period and recorded as sales.
business Model	➢ Could you please tell us about your revenue structure?	➢ This is a recurring revenue type. Acquiring new customers and cross-selling to them will increase your sales. There will be no loss of revenue unless you cancel.
business Model	➢ Please tell me about the billing method.	➢ At the time of signing or renewal, we calculate or review (number of accounts) x (number of user actions) and multiply this by the unit price to calculate the 1 contract amount. This amount is prorated over the contract period to arrive at total sales. Although it is a pay-as-you-go system, the amount does not change from month to month, but rather changes when the contract is renewed.
business Model	➢ Is there seasonality?	➢ There is no seasonal variation. However, many of our clients, the financial institutions, have their fiscal year ending in 3, and contract renewals are concentrated in 4 due to budgetary reasons, so price revisions tend to be concentrated in this month.
Recruitment	➢ Although there are few employees, what are your plans for future Total ?	➢ Because our SaaS is industry-specific, our business model does not expand sales in line with an increase in personnel, and we have no plans to rapidly increase our workforce. In order to make our sales staff more effective, we will train them in IT and Anti-Money Laundering knowledge and develop them as human resources. Together with the development department, we plan to increase our staff by 5 to 8 people per year.

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IR Policy (Quiet Period)

In order to prevent the leaking of financial information (including quarterly financial information) and ensure fairness in information disclosure, the Company has designated the period from the day after the end of the fiscal year (quarterly financial results) until the announcement date of each financial result as a quiet period. During this period, we will refrain from answering questions or making comments regarding our financial results and business outlook. However, if there are any prospects for significant changes to our Earnings Forecast during this period, we will make an appropriate announcement.

How to access the homepage

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