Cacco Inc. | Stock Code: 4166

Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2024

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August 14, 2024

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Contents

1 Business Information

2 Financial Results for FY2024 2Q

3 Forecast Financial Results of FY2024

4 Growth Strategy

5 Appendix

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Cacco Evolutionary Purpose

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

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

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

Almost a decade later, as we predicted, fraudulent activity is occurring in all kinds Internet transactions, and the methods are becoming more complex, evolving and expanding. Since the release of O-PLUX in 2012, we have continued to develop it so that it can adequately respond to evolving threats, and as a result, it is currently the No. 1* installed security solution in Japan.

As a company that creates new value through security, payment, and data science technologies, Cacco will continue to strive to realize the Cacco Evolutionary Purpose and sustainably increase its corporate value.



* TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service,” (as of the end of March 2024)

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Business Information

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The fraud detection service, Cacco's main service, can consistently provide multi-faceted and multi-layered countermeasures in e-commerce, from the member registration stage before payment to the confirmation of customer and order information after payment.

Before Payment			During Payment		After Payment
Member Registration	Login	Credential Information Entry	Credit Card Information Entry	Purchase/ Payment	Confirmation of Customer and Order Information
Fake account creation	**Spoofing logins**	**Phishing**	**Credit master attacks**	**Fraudulent use of credit cards, malicious resale, unpaid deferred payment**	
Unauthorized Access Detection Service O-MOTION		*Anti-Phishing Service* Impenetrable Defense PACK *for Phishing*		Fraudulent Order Detection Service O-PLUX 不正チェッカー	

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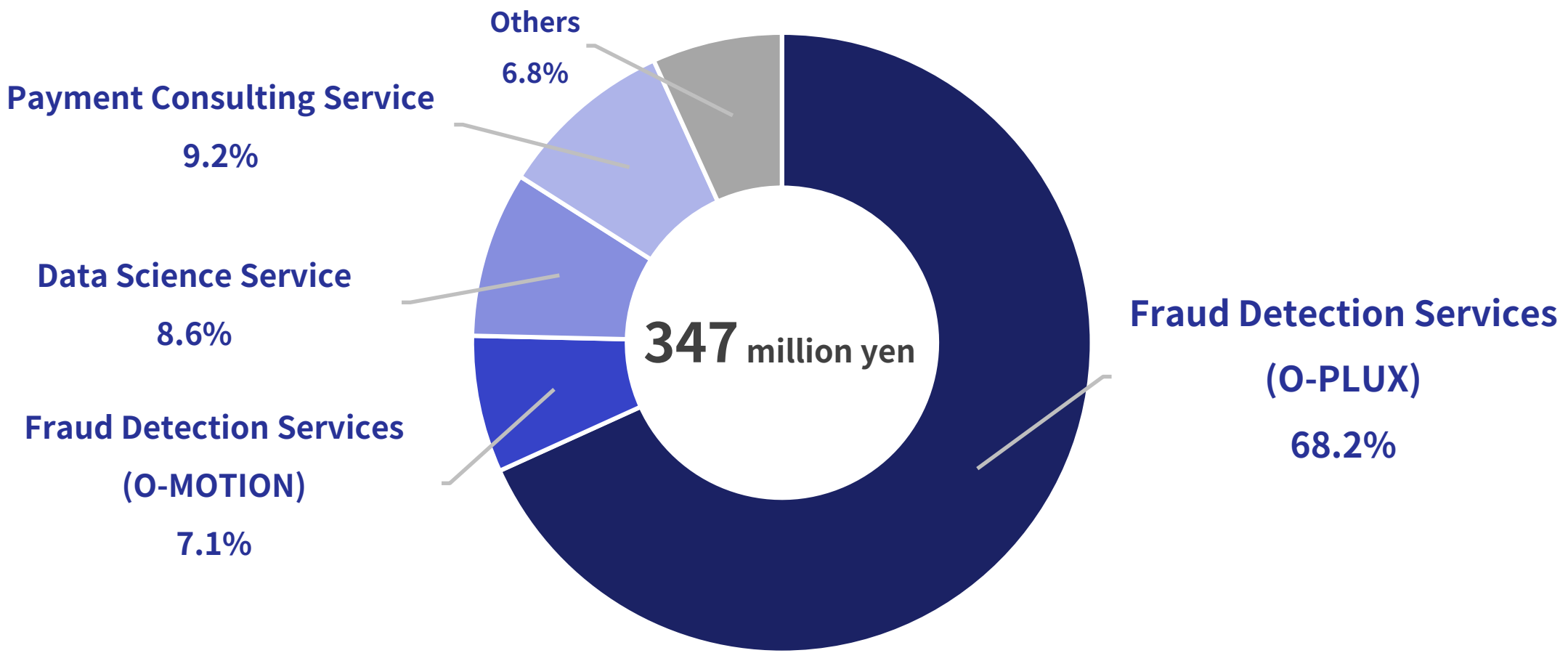
Our current growth driver is O-PLUX, our fraudulent order detection service. It accounts for 70% of our sales.



* Others: other sales including sales of SaaS-type BNPL systems.

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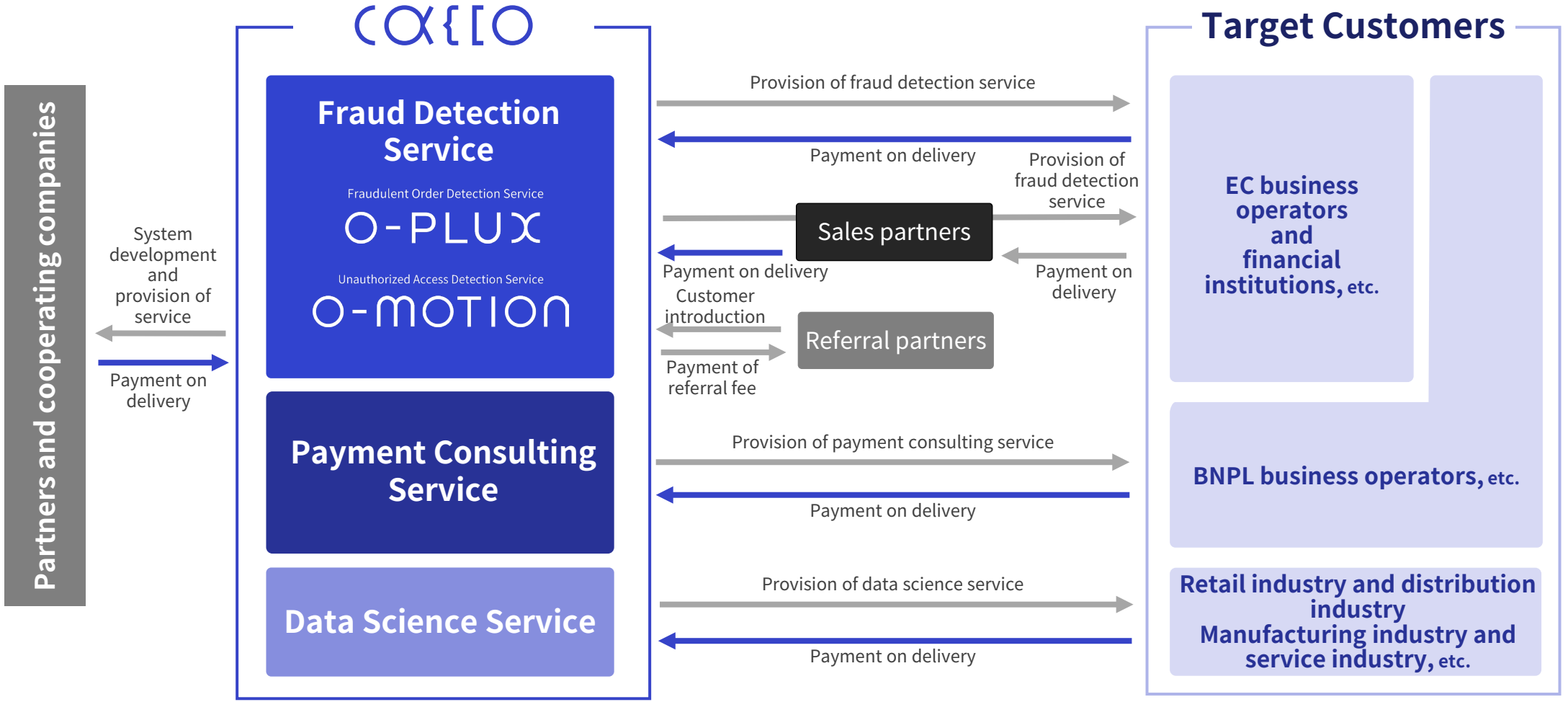
Partners and cooperating companies
System development and provision of service
Payment on delivery
Fraud Detection Service
Fraudulent Order Detection Service
O-PLUX
Unauthorized Access Detection Service
O-MOTION
Payment Consulting Service
Data Science Service
Provision of fraud detection service
Payment on delivery
Provision of fraud detection service
Sales partners
Payment on delivery
Payment on delivery
Customer introduction
Referral partners
Payment of referral fee
Provision of payment consulting service
Payment on delivery
Provision of data science service
Payment on delivery
Target Customers
EC business operators and financial institutions, etc.
BNPL business operators, etc.
Retail industry and distribution industry
Manufacturing industry and service industry, etc.

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Kitamura Co., Ltd. <Credit card fraud and resale prevention / Combined with 3D Secure>

**Fraudulent order methods have become more sophisticated,
and even 3D Secure combined with visual detection takes too much time and effort.
The introduction of O-PLUX with high fraud-detection accuracy enabled the company to eliminate the problem of visual checks.**

Problems before Installation

Even with the introduction of 3D Secure, fraudulent use of credit cards still occurred.
Although visual checks were implemented as a countermeasure, the effectiveness was limited due to the increasing sophistication of fraudulent tactics.

Benefits of Installation

- O-PLUX achieved a localized screening process that complemented 3D Secure.
- No fraudulent credit card use has been found in transactions with an OK rating.
- The company resolved the problem of visual checks, reducing the labor-hours equivalent to two dedicated staff members.



Case Study Interview (Full Text) with Kitamura Co., Ltd.
https://frauddetection.cacco.co.jp/o-plux/case_studies/kitamura/

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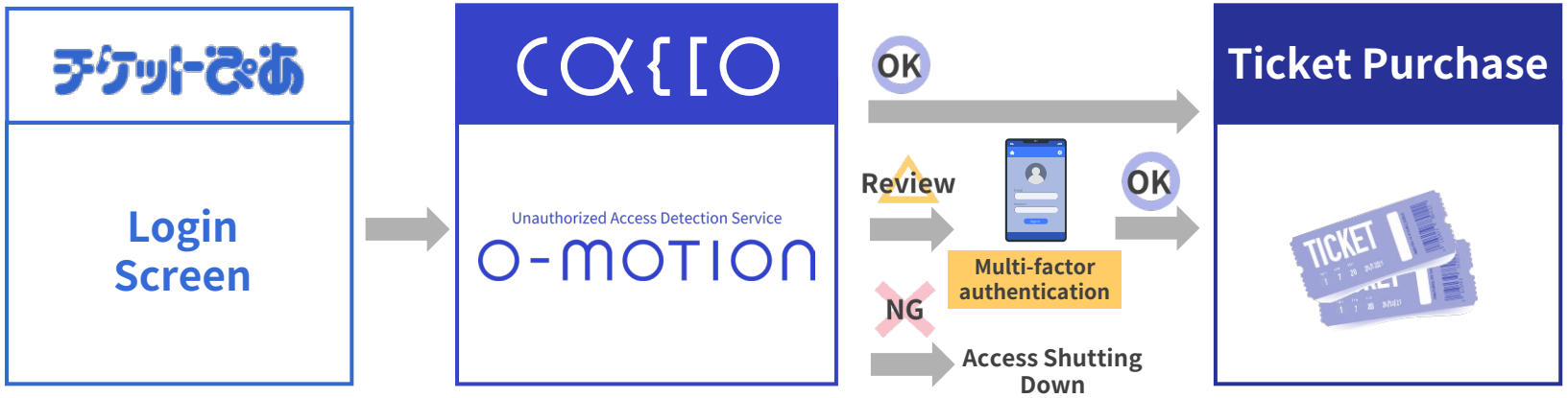
PIA Corporation <Countermeasures against unauthorized logins / Risk-based authentication>

Problems

- The company wanted to take countermeasures against spoofing logins during short periods of concentrated access.
- Since the company has a wide age range of users, it did not want to compromise convenience.

Benefits of Installation

- Implementing O-MOTION has enabled the company to detect mechanical access, resulting in zero spoofing logins.
- Risk-based authentication has allowed the company to take measures without compromising convenience by implementing multi-factor authentication for suspicious users only.



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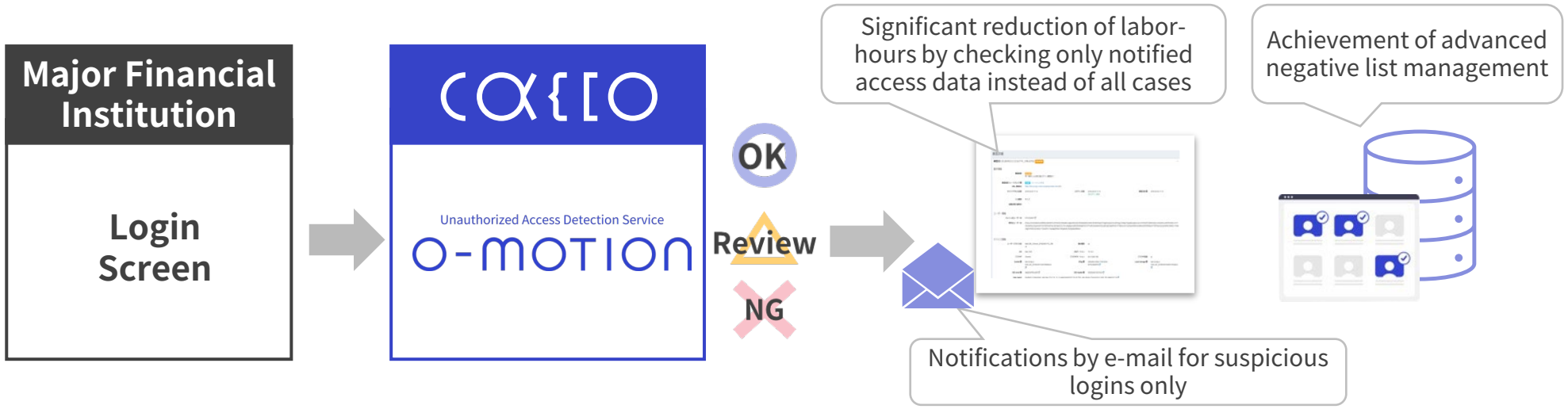
A major financial institution <Unauthorized login monitoring>

Problems

- Logins were recorded but not made visible, causing large quantities of labor-hours to be incurred for login monitoring.
- The company needed to manage not just IP addresses but also a highly accurate negative list.

Benefits of Installation

- O-MOTION implementation has made access data visible for each user, significantly reducing the labor-hours required for login monitoring.
- O-MOTION's device identification technology has achieved negative list management that includes not only IP addresses but also device identification information.



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Financial Results for FY2024 2Q

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Financial Results for FY2024 2Q / Highlights in Results Figures

Net sales
(FY24 2Q cumulative)

347 million yen

YoY -32.3%
Plan progress 48.7%

Operating income
(FY24 2Q cumulative)

-148 million yen

YoY - %
Plan progress - %

Ordinary income
(FY24 2Q cumulative)

-148 million yen

YoY - %
Plan progress - %

* YoY changes and plan progress ratios of operating income and ordinary income are described as "-" in accordance with the description standards for earnings releases established by Tokyo Stock Exchange, Inc.

O-PLUX recurring revenue*
(FY24 2Q cumulative)

221 million yen

YoY -40.6%

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

Ratio of O-PLUX recurring revenue in net sales
(FY24 2Q cumulative)

63.8%

YoY -8.8 pt

O-PLUX churn rate
(FY24 2Q cumulative)

0.43%

YoY +0.37 pt

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FY24 2Q cumulative net sales were 347 million yen (down 32.3% YoY), operating income was -148 million yen, and ordinary income was -148 million yen.

(Unit: million yen)

	FY2021 2Q Actual	FY2022 2Q Actual	FY2023 2Q Actual	**FY2024 2Q Actual**	**YoY change**	**FY2024 Forecast**	**Plan progress**
Net sales	450	516	513	**347**	-32.3%	713	48.7%
(Net sales of fraud detection services)	380	421	423	**261**	-38.2%	570	45.9%
Operating income	94	87	17	**-148**	-	-304	-
(Operating income margin)	21.0%	16.9%	3.5%	**-42.6%**	-46.1 pt	-42.7%	-
Ordinary income	90	88	17	**-148**	-	-307	-
(Ordinary income margin)	20.0%	17.2%	3.4%	**-42.7%**	-46.1 pt	-43.0%	-
Net income	61	60	10	**-148**	-	-307	-

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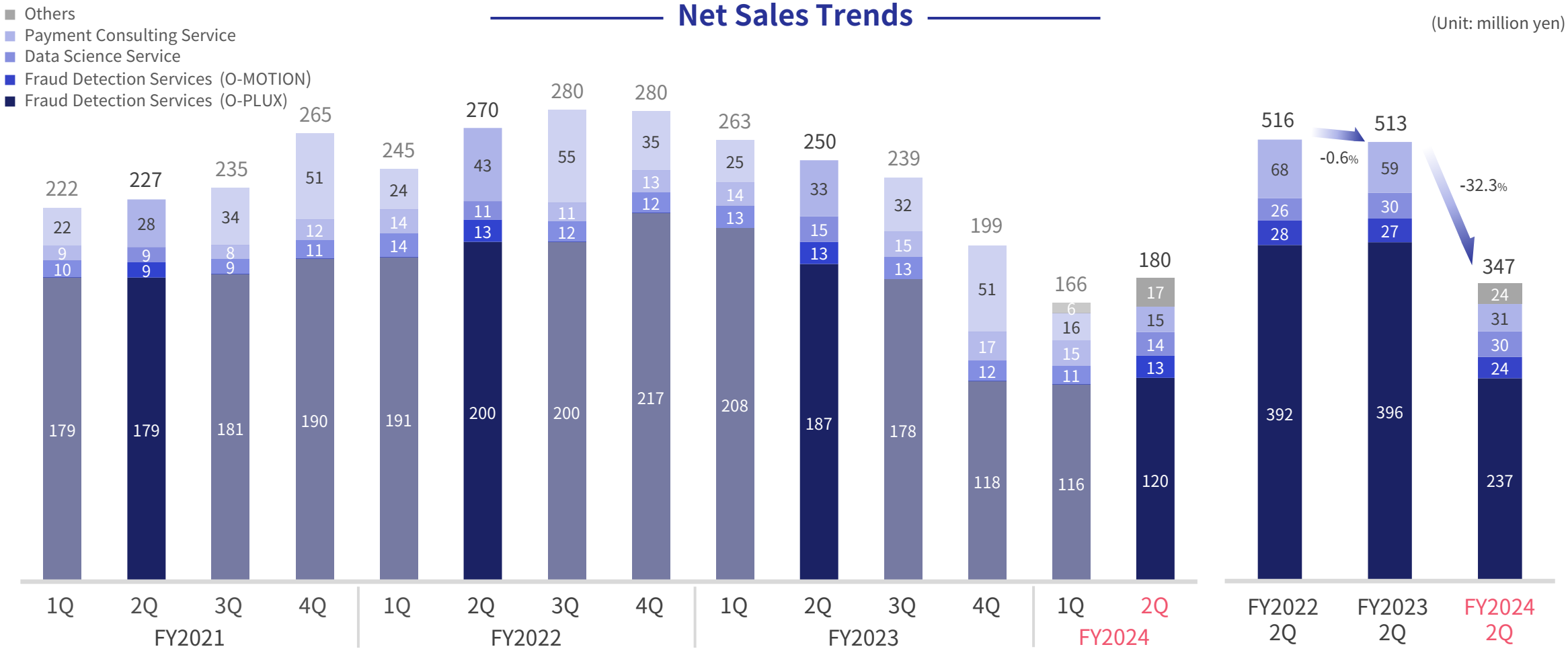
In O-PLUX, our fraudulent order detection service, despite a rise in the number of new customers that are EC business operators, the impact of a fall in sales due to the termination of transactions with two of our major business partners in the previous fiscal year remained. As a result, FY24 2Q cumulative net sales were 347 million yen (down 32.3% YoY), and progress is 48.7% according to the plan.

Net Sales Trends

(Unit: million yen)



* Others: other sales including sales of SaaS-type BNPL systems.

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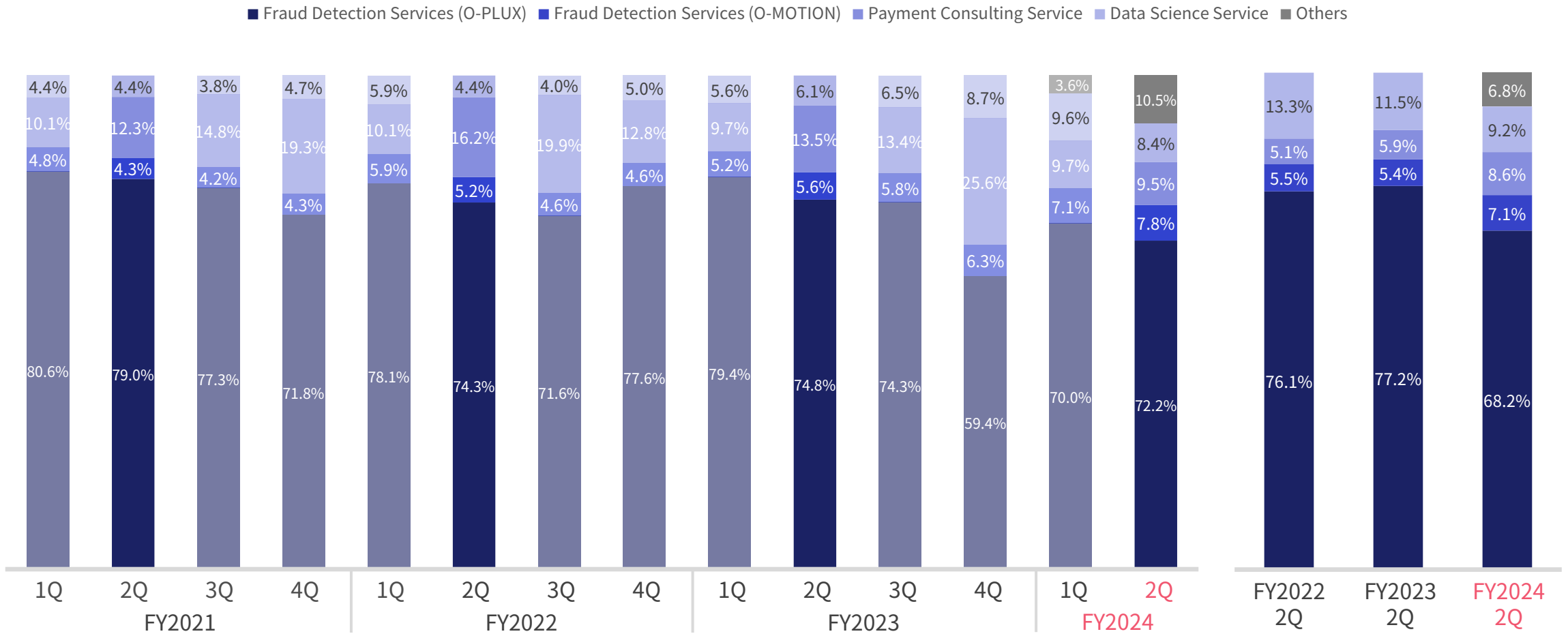
The sales composition of O-PLUX, our core fraud detection service, reached 68.2% (down 9.0 pt YoY).

— Sales Composition Trends by Service —



* Others: other sales including sales of SaaS-type BNPL systems.

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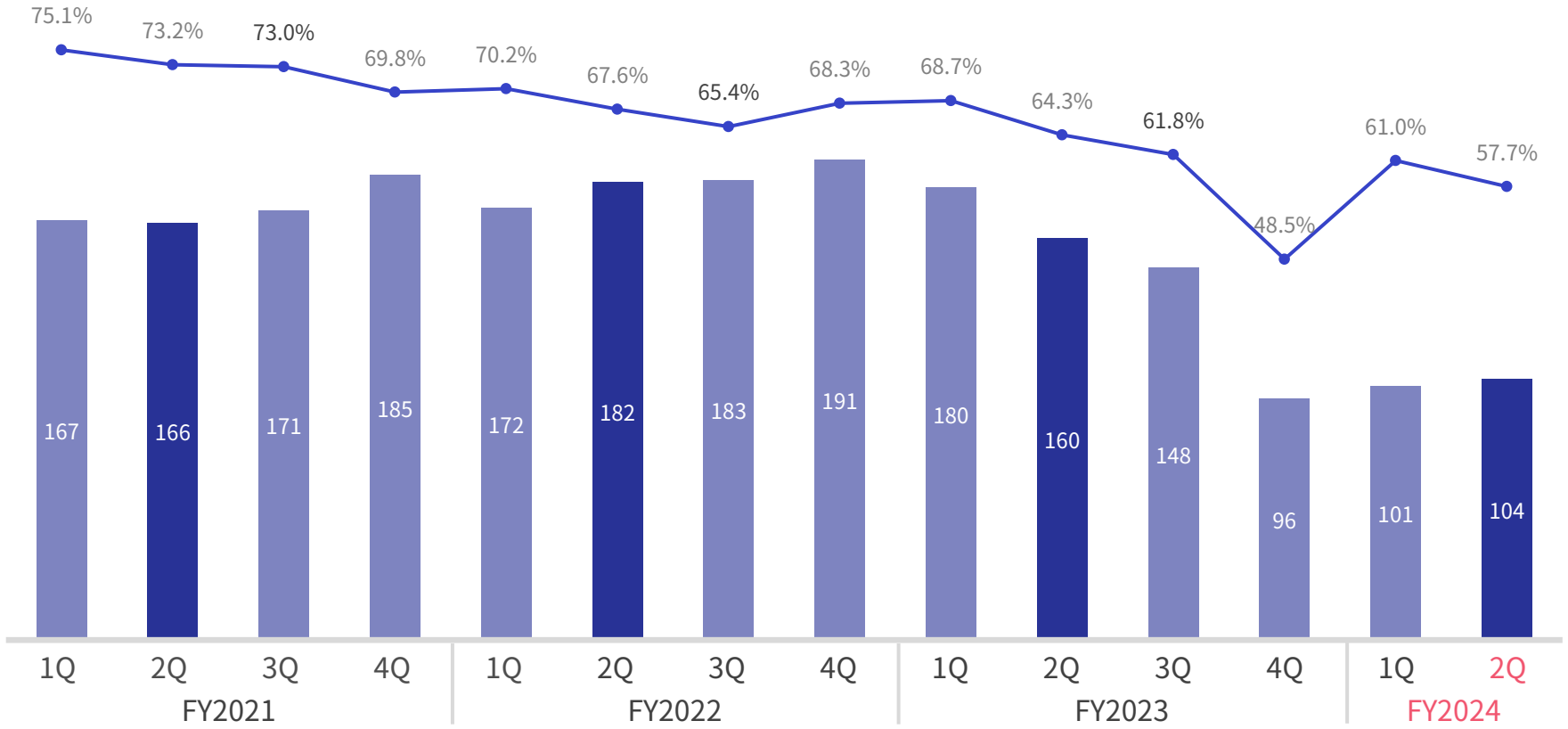
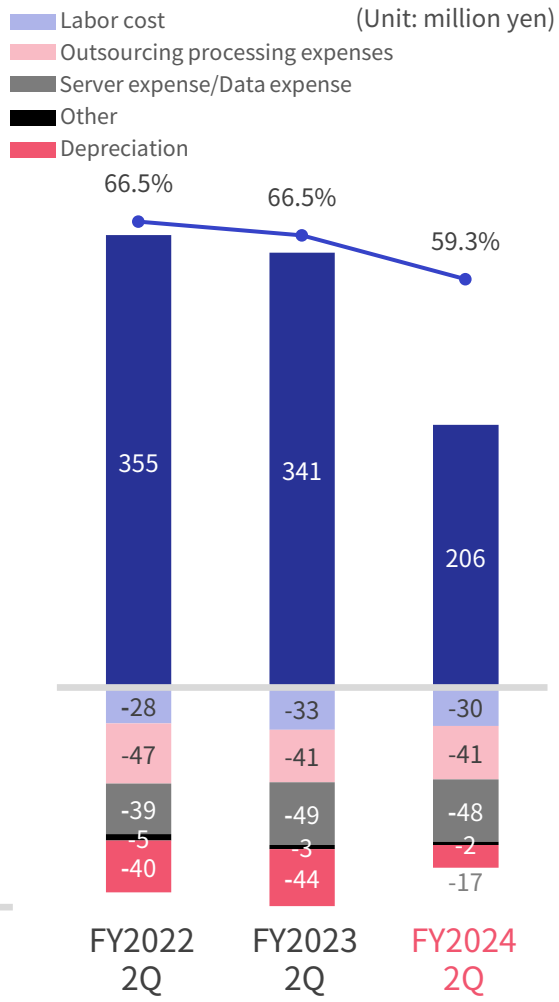
FY24 2Q cumulative gross profit was 206 million yen (down 39.6% YoY) and gross profit margin was 59.3% (down 7.2 pt YoY).

Gross Profit Trends





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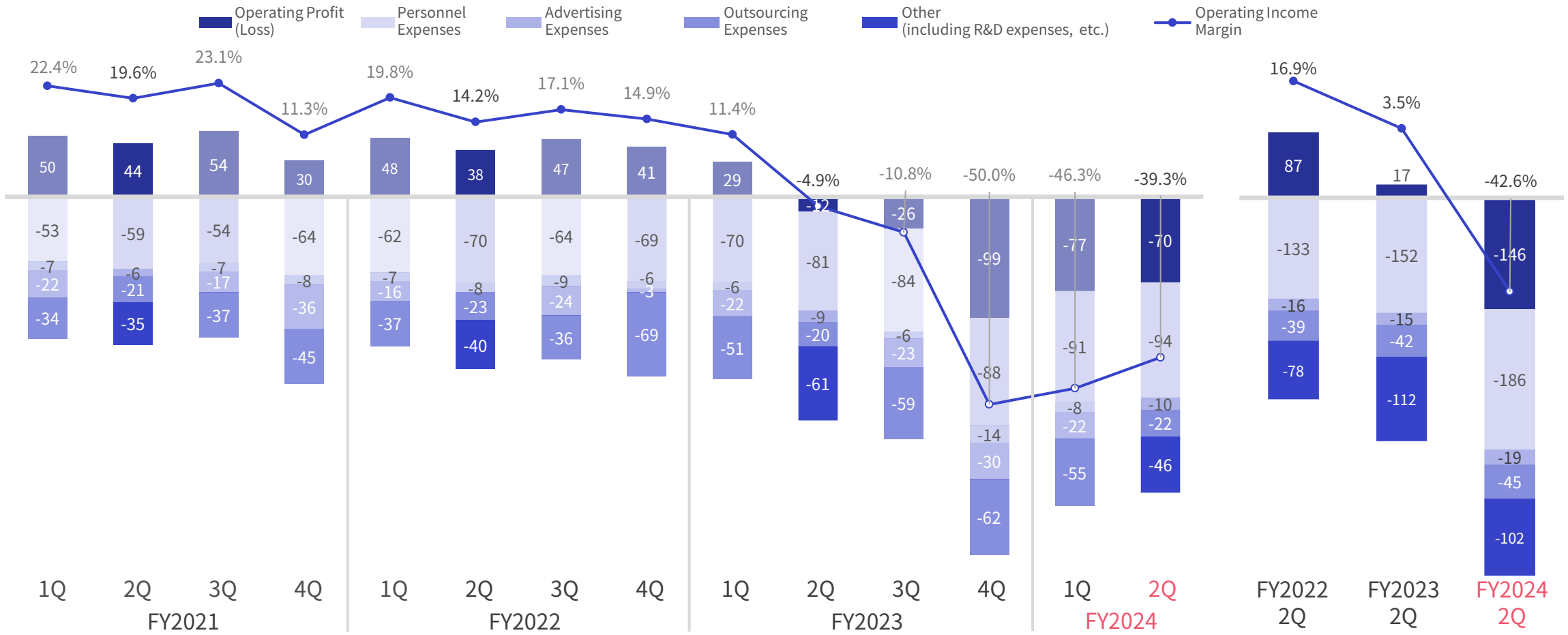
FY24 2Q cumulative operating income was -148 million yen and operating income margin was -42.6% (down 46.1 pt YoY). Personnel expenses increased due to workforce expansion aimed at earning future revenues.

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

(Unit: million yen)



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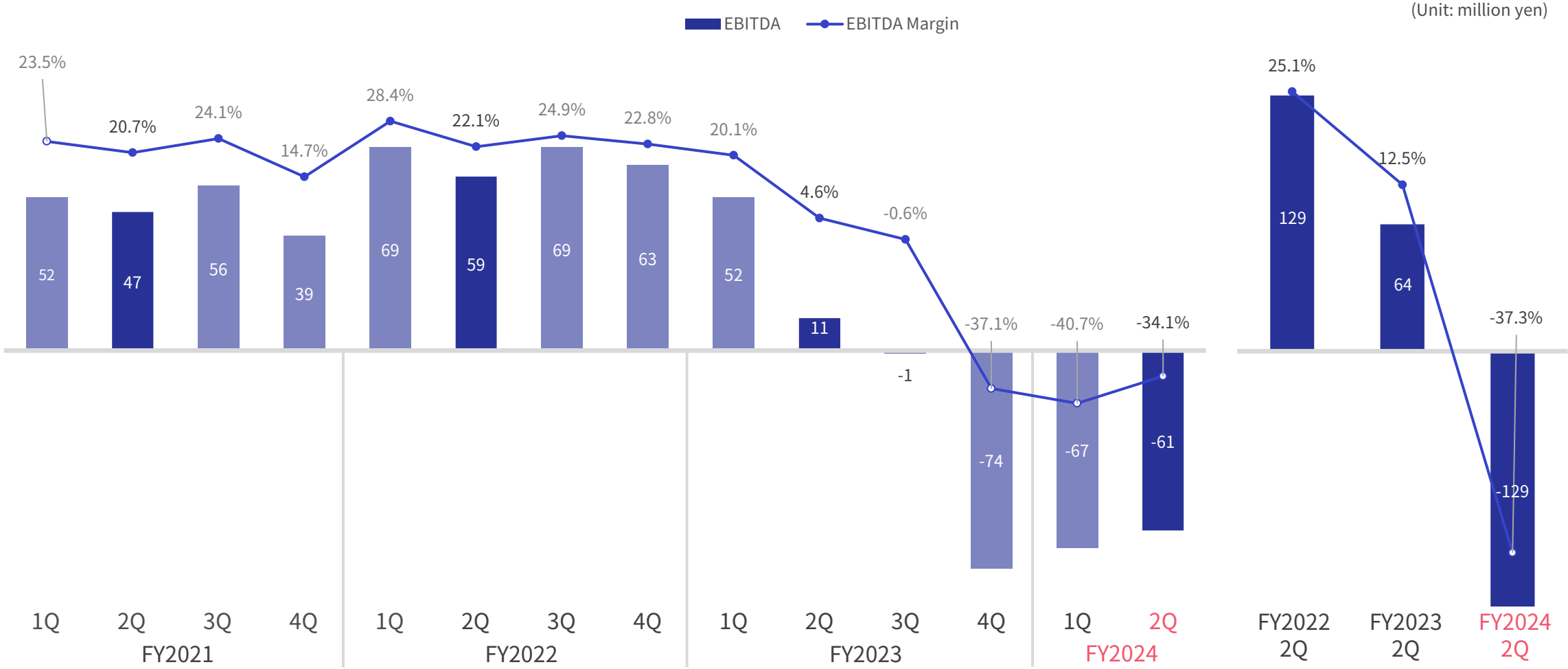
FY24 2Q cumulative EBITDA was -129 million yen (down 301.2% YoY), and EBITDA margin was -37.3% (down 49.8 pt YoY).

EBITDA Trends

(Unit: million yen)



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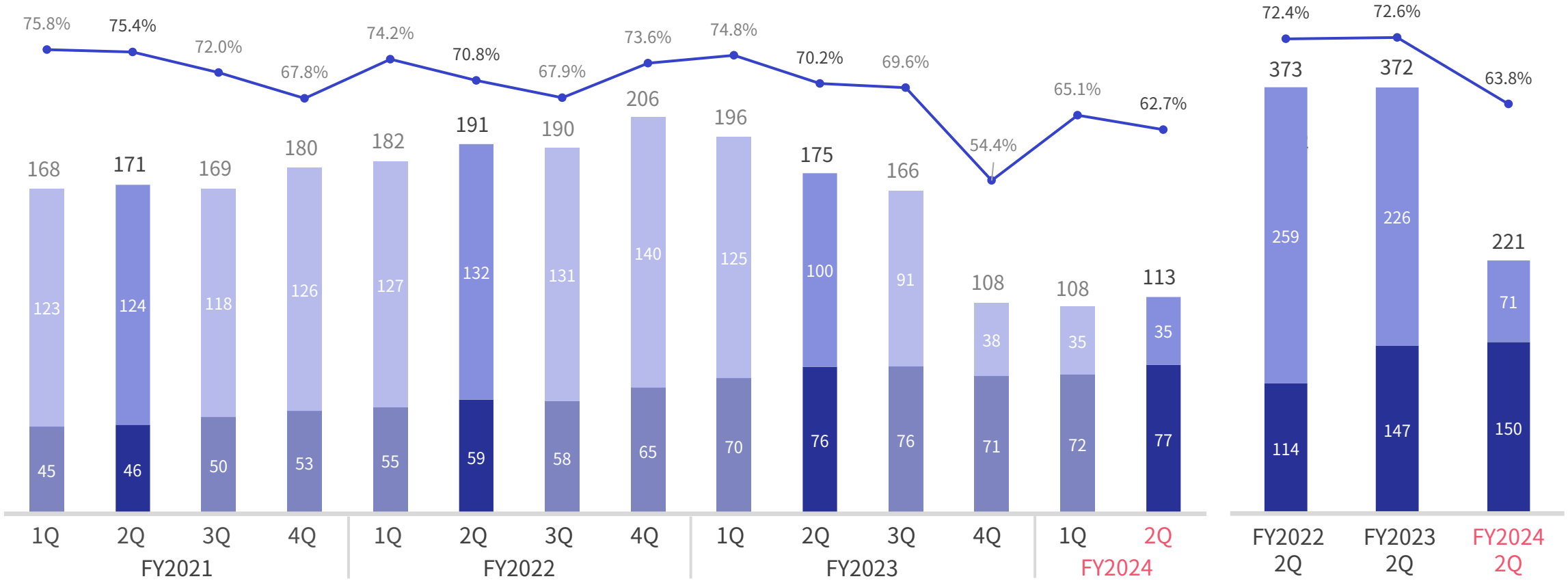
FY24 2Q cumulative recurring revenue of O-PLUX, our fraudulent order detection service, was 221 million yen (down 40.6% YoY) and the recurring revenue ratio was 63.8% (down 8.8 pt YoY).
- The amount of monthly fixed fees reached the record high due to the progress in new customer acquisition of EC business operators.

— Trends in O-PLUX Recurring Revenue —

(Unit: million yen)



* Recurring revenue = Monthly fee charged as a fixed amount + Screening fee charged on a pay-per-use basis based on the number of examinations (including不正チェッカー), excluding sales of SaaS-type BNPL systems
* Recurring revenue ratio = Recurring revenue/Net sales (total of all services)

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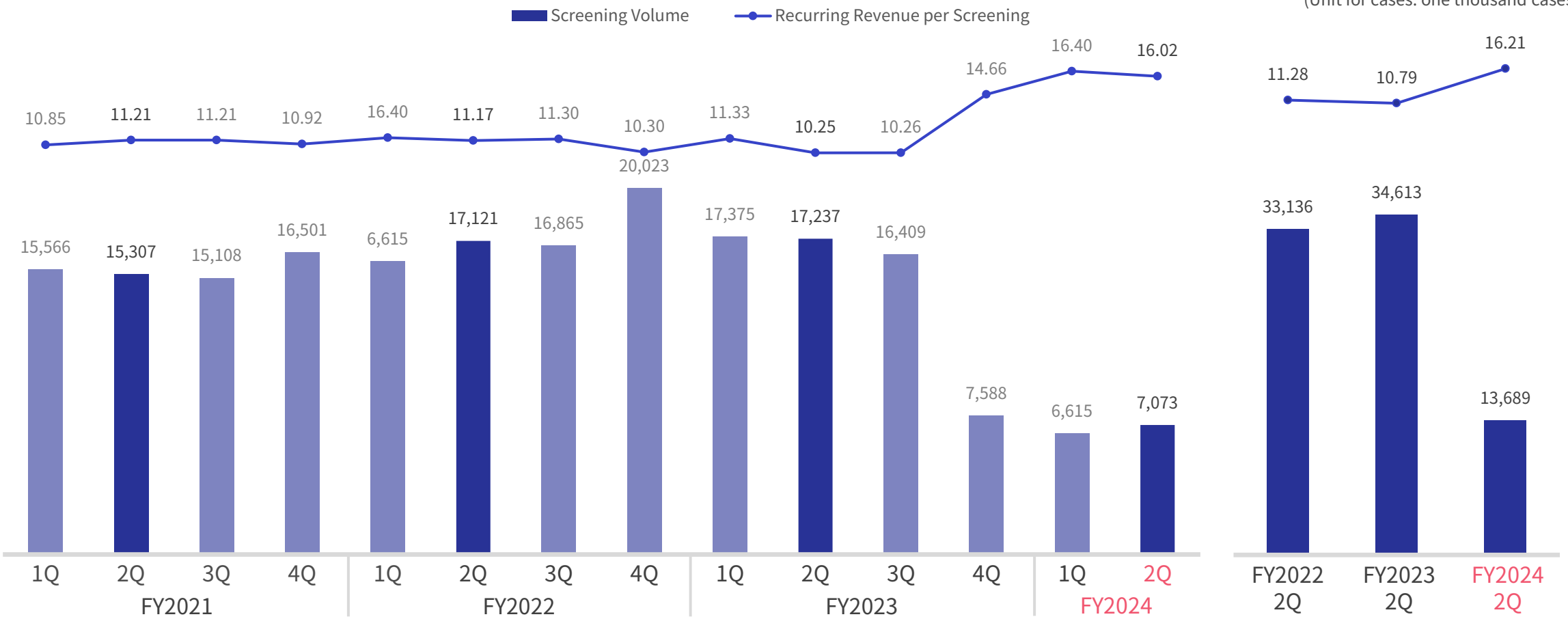
FY24 2Q cumulative screening volume of O-PLUX, our fraudulent order detection service, was 13,689 thousand (down 60.5% YoY).

- Recurring revenue per screening increased due to the impact of the termination of transactions with two of our major business partners, in which screening fees charged on a pay-per-use basis accounted for a large portion (= low recurring revenue per screening).

O-PLUX Screening Volume / Recurring Revenue per Screening

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



* Recurring revenue = Monthly fee charged as a fixed amount + Screening fee charged on a pay-per-use basis based on the number of examinations (including不正チェッカー), excluding the screening volume of SaaS-type BNPL systems

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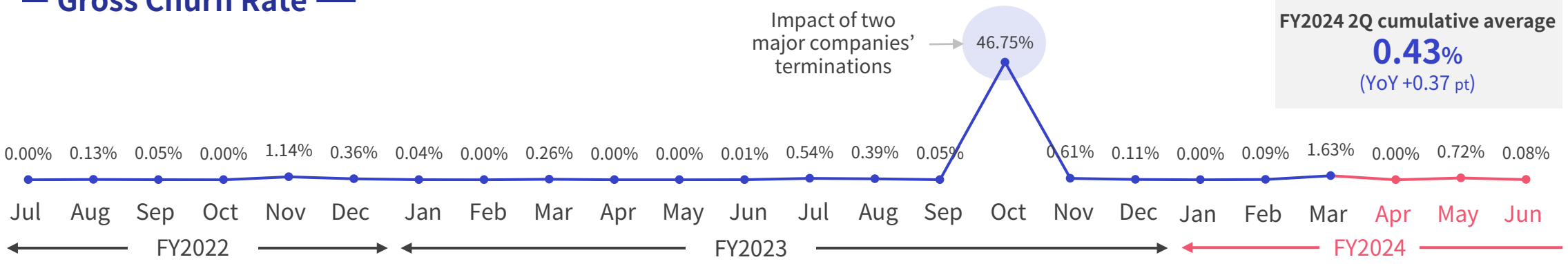
The average churn rate for O-PLUX in FY24 2Q cumulative remained low at 0.43% (up 0.37 pt YoY).

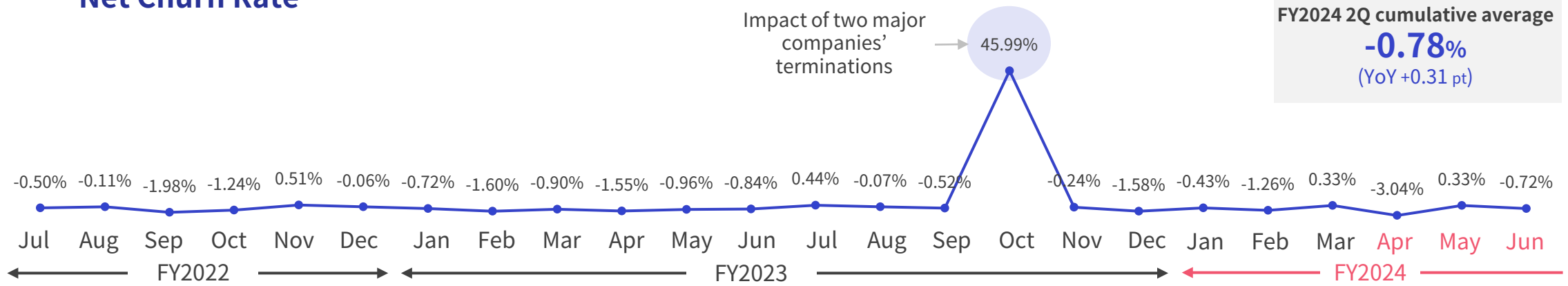
— Gross Churn Rate —



FY2024 2Q cumulative average
0.43%
(YoY +0.37 pt)

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

— Net Churn Rate —



FY2024 2Q cumulative average
-0.78%
(YoY +0.31 pt)

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

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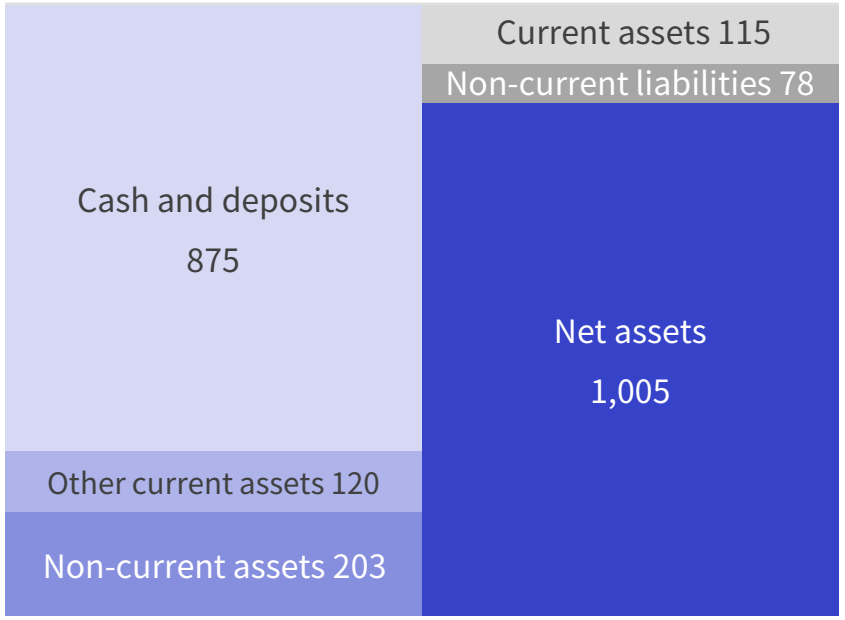
Regarding assets, current assets decreased due to a decline in cash and deposits, and non-current assets fell due to a decrease in software. For liabilities and net assets, current liabilities decreased due to a drop in accounts payable – trade, and non-current liabilities declines due to a fall in long-term borrowings. The capital ratio remained at a healthy level of 84.1%.

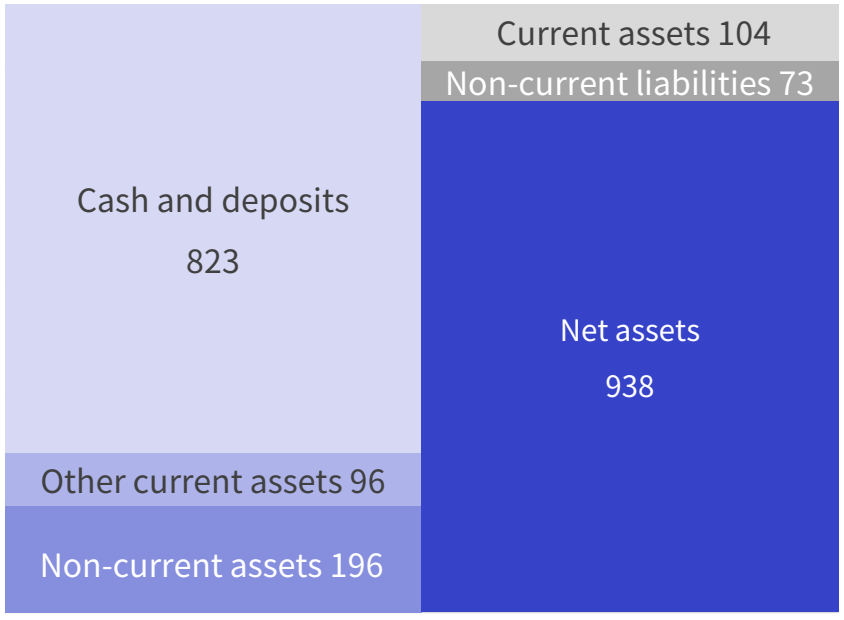
(Unit: million yen)

FY2024 As of 1Q



Capital ratio
83.8%

FY2024 As of 2Q



Capital ratio
84.1%
(+0.3 pt)

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Forecast Financial Results of FY2024

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(Unit: million yen)

	FY2023 Actual	FY2024 Forecast	YoY Change
Net sales	952	**713**	-25.1%
(Net sales of fraud detection services)	747	**570**	-23.7%
Operating income	-108	**-304**	-
(Operating income margin)	-11.3%	**-42.7%**	-
Ordinary income	-117	**-307**	-
(Ordinary income margin)	-12.4%	**-43.0%**	-
Net income	-320	**-307**	-
EPS (yen)	-121.13	**-115.29**	-

Net sales -25.1% YoY

We anticipate that sales of O-PLUX, our fraud detection service, will decrease by 316 million yen due to the impact of the termination of transactions with two of our major business partners in the fiscal year ended December 2023. As a result of this impact, we expect net sales for the fiscal year ending December 2024 to be 713 million yen (down 25.1% YoY).

Operating income -304 million yen

Although depreciation of software, etc. will decrease by 60 million yen year on year as a result of recording extraordinary losses (impairment losses) in the fiscal year ended December 2023, we expect operating income to be -304 million yen due to higher personnel costs associated with sales, marketing, and R&D, as well as other factors.

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Growth Strategy

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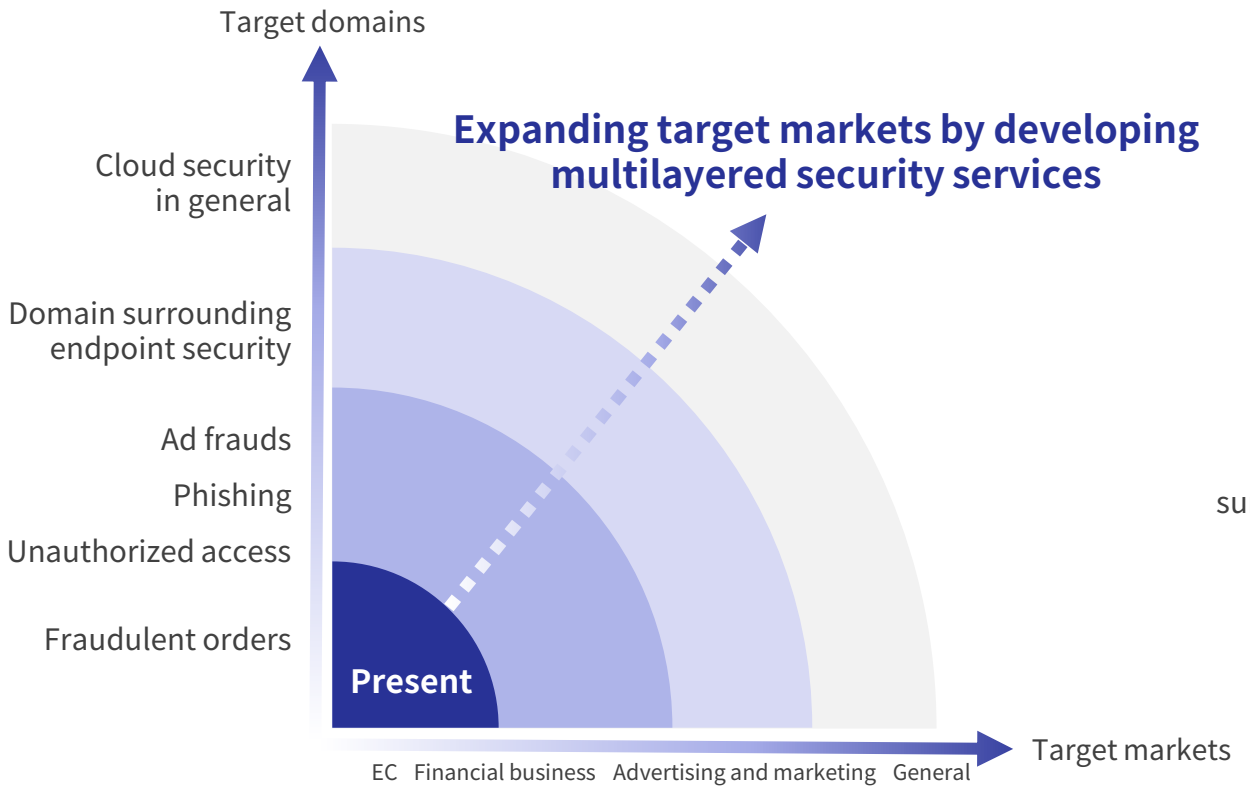
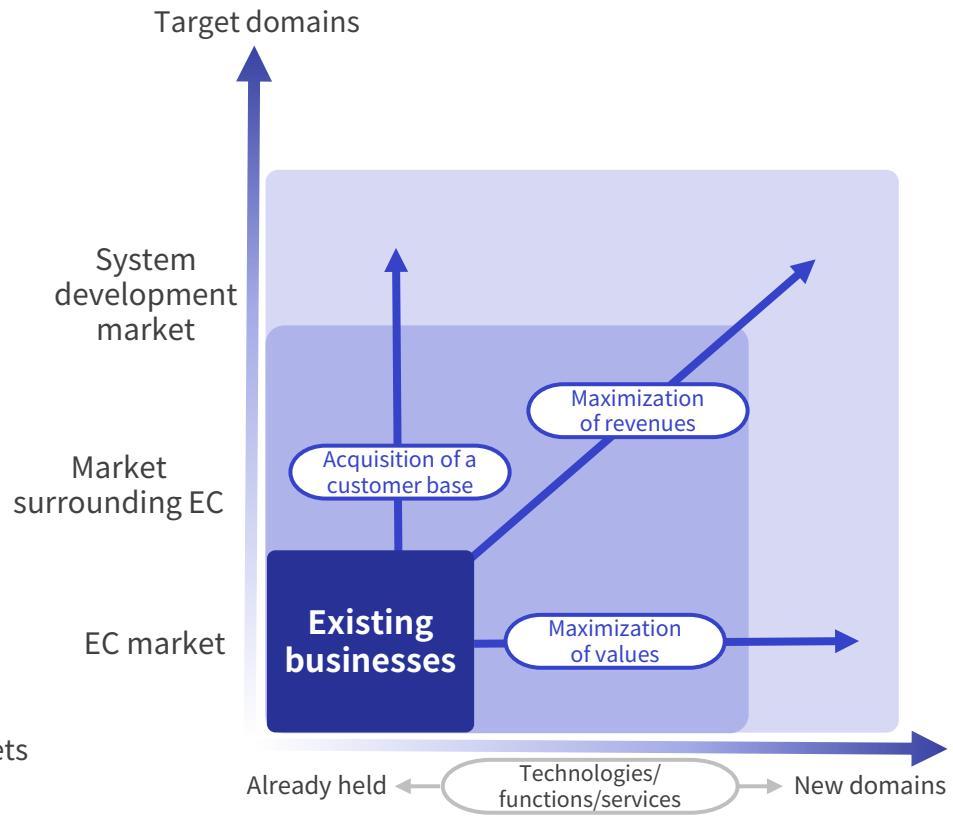
In addition to the fraudulent order detection service, which is currently our core service, Cacco aims to build its unique business domains by venturing into new security domains to expand target markets and extending its business domains through business alliances and M&As.

Developing new security domains



Developing business domains through business alliances and M&As



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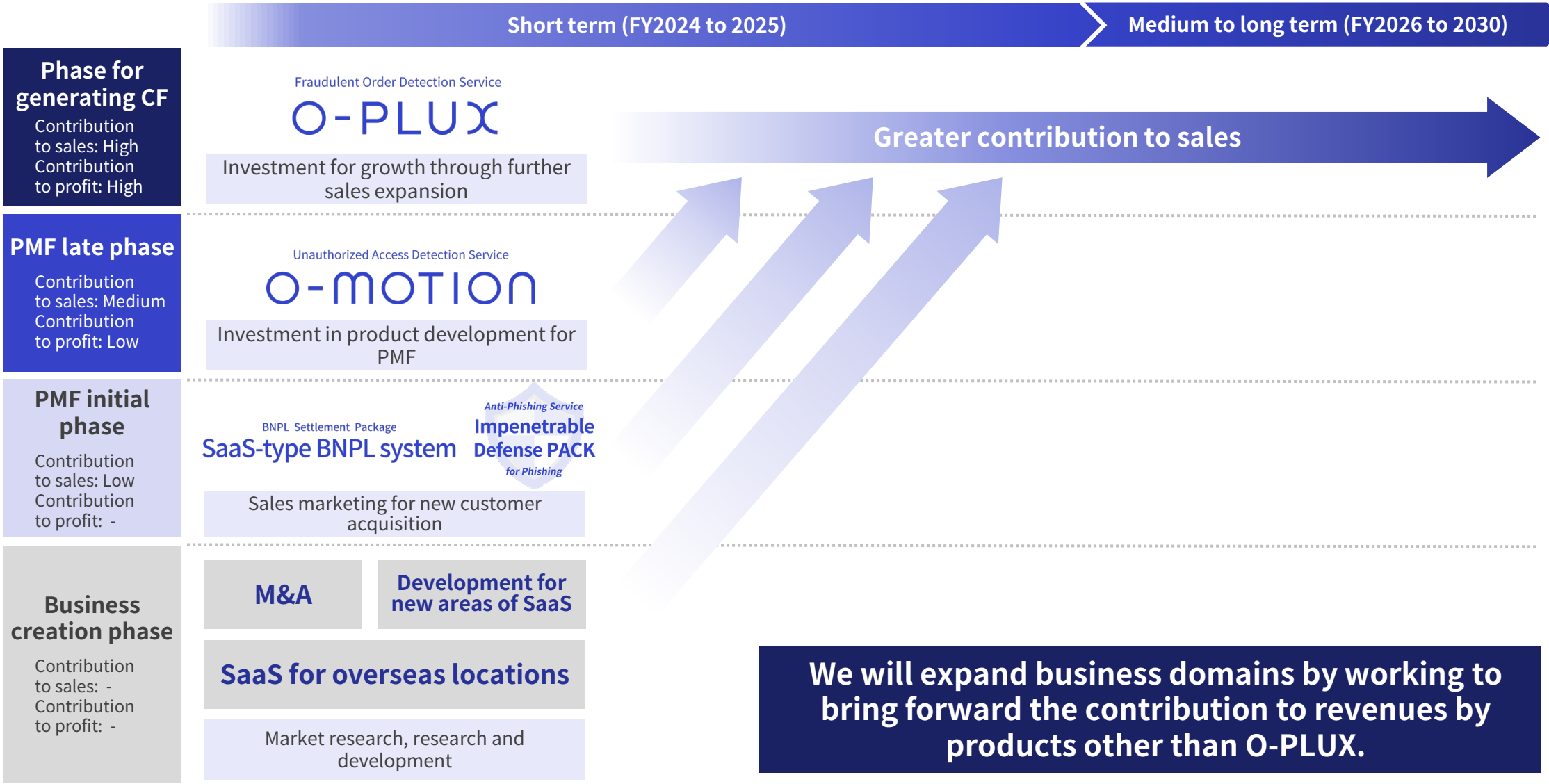

* PMF: “Product Market Fit,” the state in which a product (service or commodity) is fit into a particular market.

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

Expansion of Fraud Detection Domain

- Transformation of our profit structure, which has relied on major customers
- Acquisition of new customers by implementing the strategy to expand the EC fraud detection domain
- Growing market need due to a rapid increase in fraud damage

Expansion into the Cybersecurity Domain

- Marketing & sales/CS (Customer Success) organizational enhancement
- Demand expansion for services due to increasing damage arising from unauthorized access

Overseas Expansion

- Provision of fraud detection and data science services in Southeast Asia
- Human resource training support in the data science domain provided to university students in Vietnam

Building New Business Domains

- Building new business domains and increasing revenue points through M&As
- Building new business domains and increasing revenue points through business alliances

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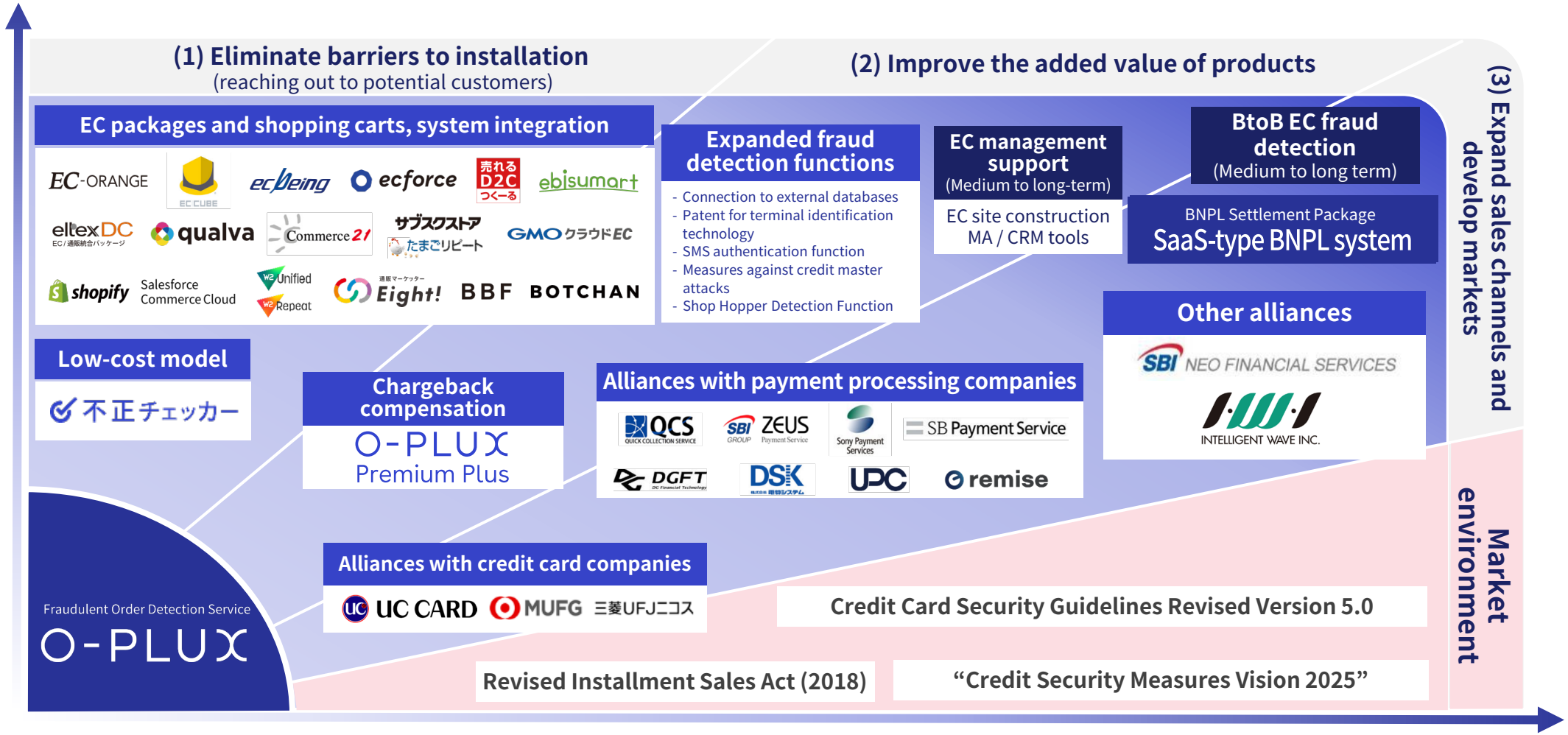
Expansion of Fraud Detection Domain

Demand for fraud detection services is expected to grow due to social problems of fraud damage and stricter regulations. Consequently, we will pursue further growth of the fraudulent order detection service O-PLUX through three strategies.



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Transformation of Profit Structure through Steady Implementation of Strategies
— Fraud Detection Service —

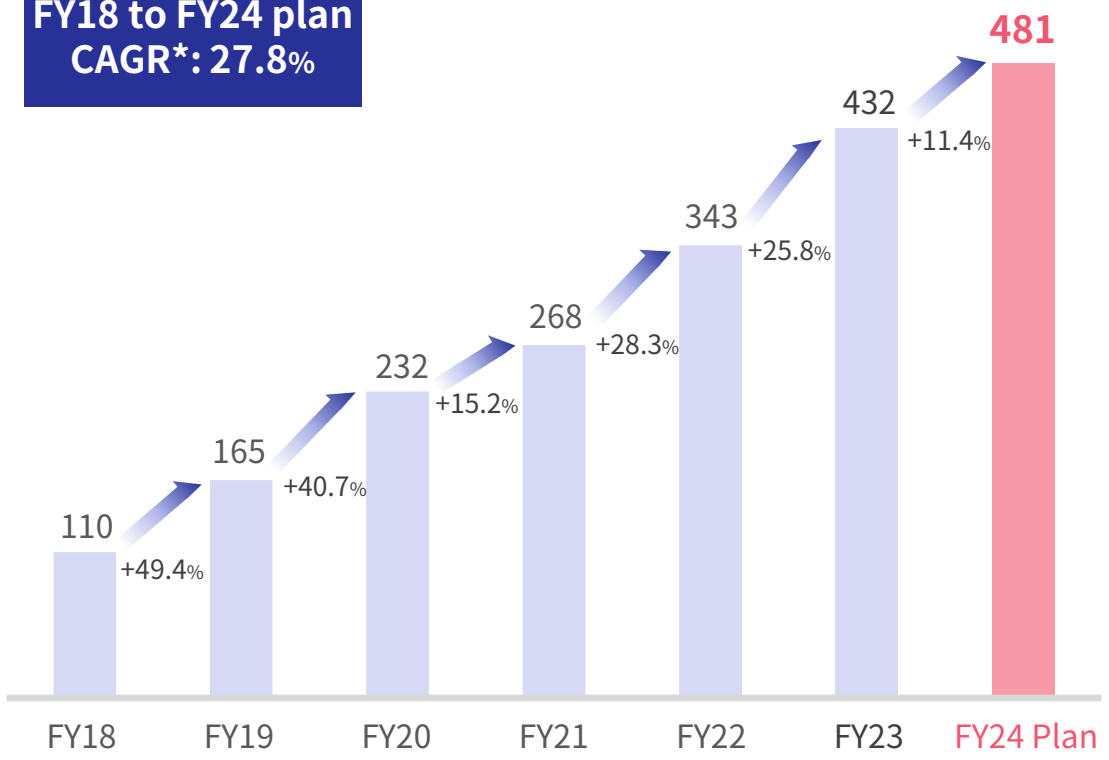
Expansion of Fraud Detection Domain

We aim to transform our profit structure, which has relied on major business partners for O-PLUX, our fraudulent order detection service, by implementing the expansion strategy in the EC fraud detection domain, which is one of our growth strategies.

Changes in sales to EC business operators (direct sales) in the O-PLUX fraud detection service

(Unit: million yen)

FY18 to FY24 plan CAGR*: 27.8%

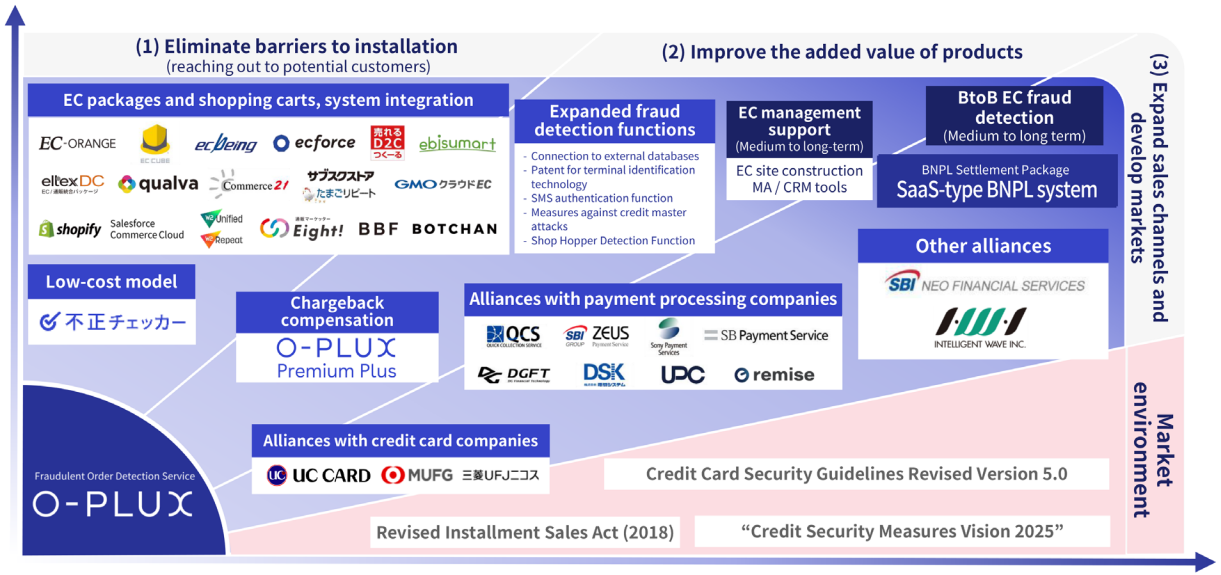


Expansion strategy in the EC fraud detection domain

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

2 **Improve the added value of products**

3 **Expand sales channels and develop markets**



* CAGR stands for “Compound Annual Growth Rate” and is obtained by calculating the geometric mean (indicating an annual rate) of the growth rate over multiple years.

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Strengthening of Marketing & Sales/CS Organization and Increasing Demand for Countermeasures against Unauthorized Access

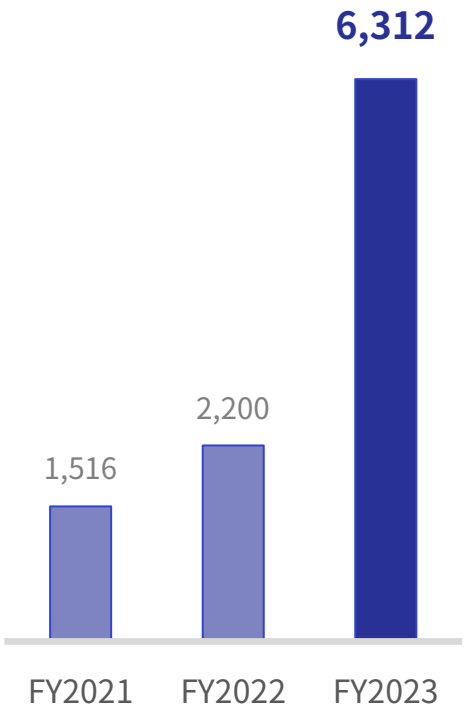
Expansion of Fraud Detection Domain

Expansion into the Cybersecurity Domain

We will strengthen our marketing & sales and customer success organizations to establish a process that covers everything from lead acquisition to order receipt and operational support. Combining the process with the market trend of increasing demand for countermeasures against unauthorized access will lead to achieving an early contribution to revenue.

Number of recognized acts after unauthorized access in Japan

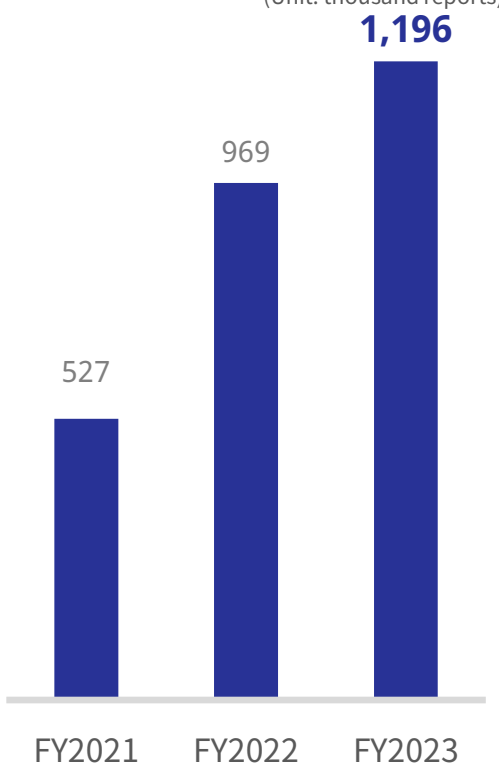
(Unit: number of acts)



Source: National Police Agency, Ministry of Internal Affairs and Communications, and Ministry of Economy, Trade and Industry, 2023
"Status of Research and Development of Technologies for Unauthorized Access and Access Control Functions (FY2023)"

Number of phishing reports

(Unit: thousand reports)



* Source: Council of Anti-Phishing Japan, "Number of Phishing Reports"

Strengthening of marketing & sales and CS organizations

Marketing & Sales

Increase in leads and orders

Customer Success

Strengthening and improving operational support

Increasing demand for our services

Unauthorized Access Detection Service
O-MOTION

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

Anti-Phishing Service
Impenetrable Defense PACK
for Phishing

Detection of phishing e-mails and domains and countermeasures against spoofing logins using stolen personal information

Early contribution to revenue

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Overseas Expansion

We have decided to fully introduce our services to Indonesian companies, and preparations are underway to enter production. At the same time, service trials for other foreign companies are also gradually increasing.
Development of system integration with overseas EC platforms is in progress.
We have begun providing educational support to prospective data science students in a new project with the Suganuma Group in Vietnam.

	Status of progress	Services expected to be provided
Indonesia	• Companies selected for service implementation, with preparations underway to go live • Increasing number of companies undergoing service trials	Fraudulent Order Detection Service O-PLUX Unauthorized Access Detection Service O-MOTION
Singapore	• Increasing number of companies undergoing service trials	Fraudulent Order Detection Service O-PLUX Unauthorized Access Detection Service O-MOTION
Vietnam	• Beginning of providing educational support to prospective data scientist students in the human resource support project with the Suganuma Group	**Data Science Service**
Other countries	• Development of system integration with overseas EC platforms in progress (platform names undisclosed)	Fraudulent Order Detection Service O-PLUX

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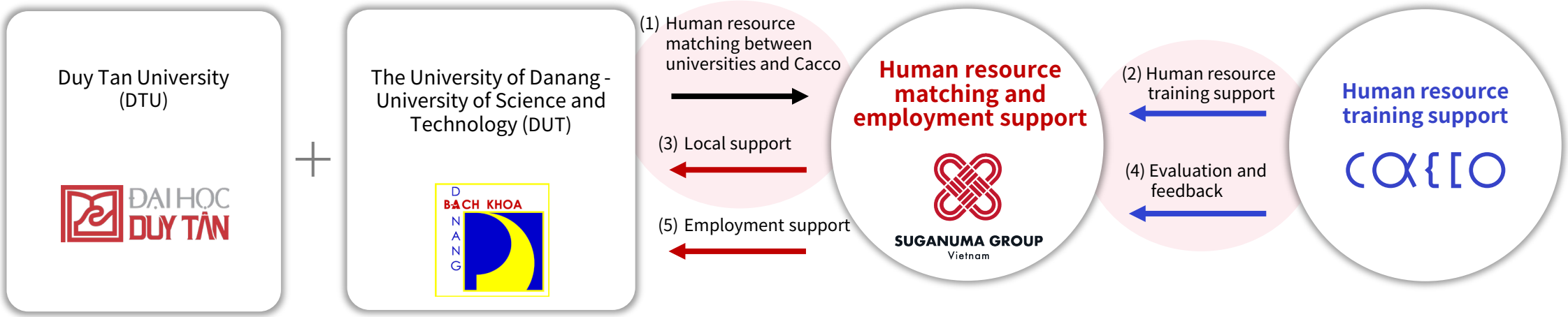
— Human Resource Support Project with the Suganuma Group Inc. —

Overseas Expansion

Building New Business Domains

Cacco is currently promoting a human resource support project in the data science domain in collaboration with the Suganuma Group Inc., which supports human resource training and corporate overseas expansion, etc., as well as two universities in Vietnam (Duy Tan University and the University of Danang - University of Science and Technology). Recently, Cacco began to provide educational support to local university data science students who match the company's human resource needs.



■ **Duy Tan University (DTU)**
Established in 1994 in Da Nang City in central Vietnam and transformed into a private university in 2015, it is the first and largest private university in Vietnam and practices diversified and interdisciplinary education. It has received the American-based ABET accreditation in the fields of information technology and electrical and electronic engineering. It is Vietnam's first university to receive UNWTO's TedQual accreditation in the field of tourism. In the Times Higher Education (THE) ranking, it was ranked among the world's top 500 universities in 2023 and Asia's top 100 universities in 2022. In addition, it was ranked among the world's top 300 in Quacquarelli Symonds (QS) World University Rankings in 2023.

■ **The University of Danang – University of Science and Technology (DUT)**
Established in 1975 as Danang Institute of Higher Education and approved as Danang Polytechnic University in 1976, it was incorporated into the member system of the University of Danang in 1994 and became the University of Danang – University of Science and Technology (DUT) as one of its member universities. Under the umbrella of the national University of Danang system, which is located at Vietnam's third largest city Da Nang, it is the largest university in central Vietnam and one of the best engineering universities in Vietnam. It is referred to as one of the top three engineering universities together with Hanoi University of Science and Technology and Ho Chi Minh City University of Technology.

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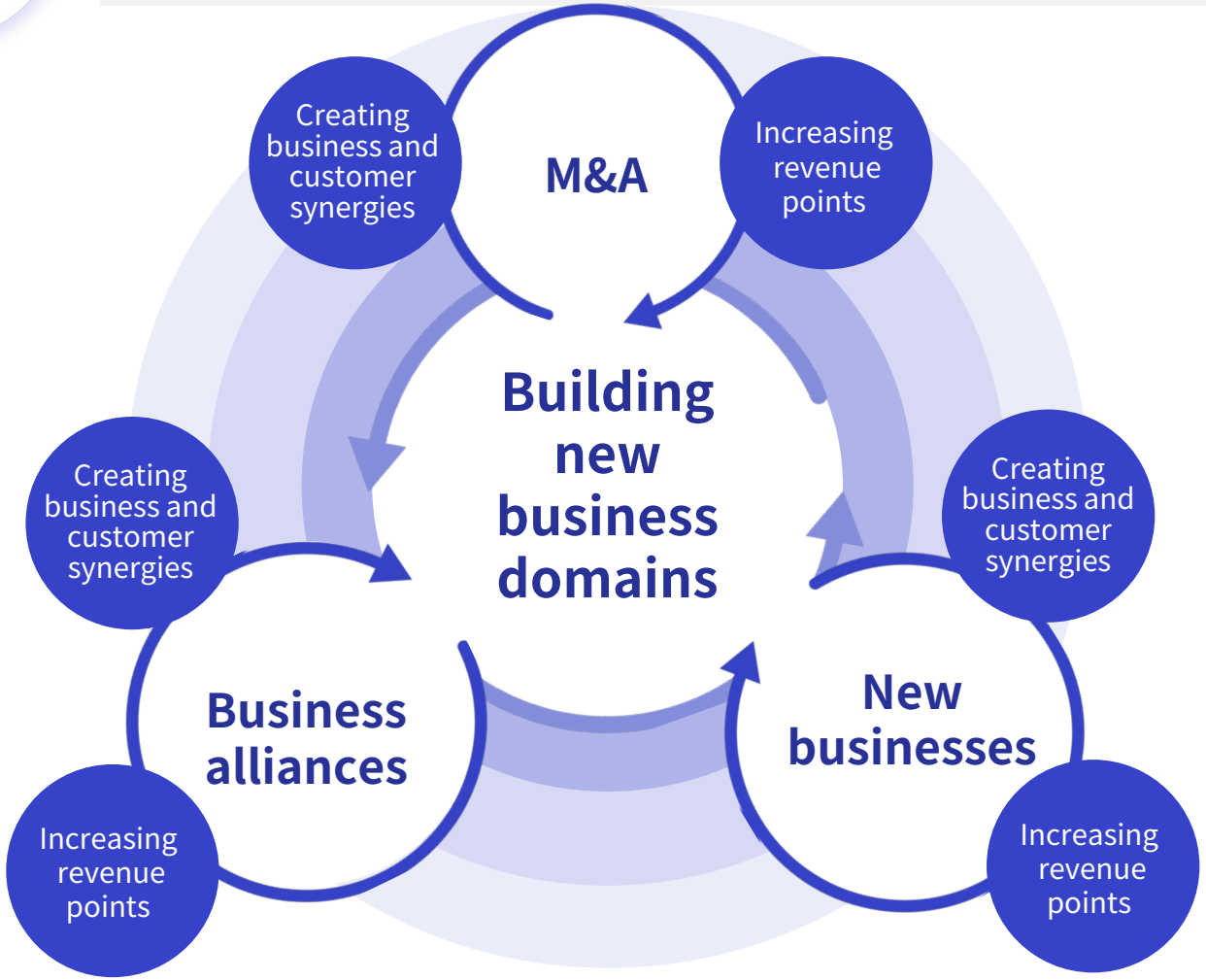
Building New Business Domains

We do not limit ourselves to existing business domains, but proactively utilize business alliances and M&A to acquire new business domains and markets, aiming for phase-based growth.



We will proactively utilize business alliances and M&A to build new business domains, aiming to generate synergies among businesses and customers, promote phase-based growth through increasing new profit points, and increase company-wide profits.
In addition, we will utilize profits so obtained to make investments to further acquire new business domains and drive our cycle of building new business domains.

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Appendix

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Company Profile

Company name	Cacco Inc.
Representative	Hiroyuki Iwai, Representative Director, President and CEO
Business description	Provision of SaaS-type Algorithms (Fraud detection services, payment consulting services, and data science services)
Capital	384,165,735 yen
Listed on	Tokyo Stock Exchange, Growth Market (Stock Code 4166)
Founded on	January 28, 2011
Address/TEL	1-5-31, Motoakasaka, Minato-ku, Tokyo, JAPAN TEL: 03-6447-4534
Patents	Patent #6534255, #6534256, and #6860156
Certifications	ISMS (Information Security Management System) ISO/IEC 27001:2013　JIS Q 27001:2014　Registration number: IA120255 Privacy Mark® #10824248 (05)

History

2011	January	Establishment of business (Fraud prevention consulting)
	November	Start of payment consulting service (Payment system development and consulting for BNPL* 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	Listing on the TSE Growth Market
2021	October	Entry into a capital and business alliance with Eltes Co., Ltd.
2022	December	Release of the SaaS-type BNPL system, a BNPL settlement package
2023	February	Entry into a capital and business alliance with Value Creation Inc.
	June	Release of Impenetrable Defense Pack for Phishing, an anti-phishing package

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

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We help to create a secure Internet infrastructure from entrance to exit by providing our core fraud detection services, payment consulting services, and data science service.

Helping to create a secure Internet infrastructure

Anti-Phishing Service
Impenetrable Defense PACK for Phishing

One-stop anti-phishing solution that detects phishing e-mails and phishing domains and prevents spoofing logins.

Login detection



EC, financial institutions, and member sites

Unauthorized Access Detection Service
O-MOTION

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

Fraudulent Order Detection Service
O-PLUX

Detects fraudulent orders such as EC payments in arrears and resale in real time. No. 1* in Japan by number of installations.

Detection of fraudulent orders and payments



Received order management systems and payment systems

BNPL Settlement Package
SaaS-type BNPL system

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

Analysis of fraud trends and purchase demands



Purchase data and fraud data

Data Science Service

Analyzes data using AI, statistics, and mathematical optimization techniques and provides analysis services for various sectors, including optimized production planning and demand forecasting for retailers.

* TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service,” (as of the end of March 2024)

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Security

Fraud Detection Service

Recurring revenue type

Fraudulent Order Detection Service

O-PLUX

Detect fraudulent orders such as payments in arrears in EC payments and resale in real time. No. 1[*1] in Japan in terms of number of installations.

Unauthorized Access Detection Service

O-MOTION

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

Anti-Phishing Service
Impenetrable Defense PACK
for Phishing

One-stop anti-phishing solution that detects phishing e-mails and phishing domains used to fraudulently obtain information, preventing spoofing logins using such fraudulently obtained personal information.

Payment

Payment Consulting Service

Non-recurring revenue type

Provide payment systems and offer consulting services for the BNPL[*2] business to payment service providers and to business operators, considering the possible introduction of BNPL settlement.
Use **O-PLUX** as the screening engine.

BNPL Packaged Service

Recurring revenue type

BNPL Settlement Package

SaaS-type BNPL system

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

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

Data Science

Data Science Service

Non-recurring revenue type

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

Provide services for various sectors, including optimized production planning for manufacturers, demand forecasting for retailers, and preparation of optimized shift rosters for call centers.

Recurring revenue type

*1 TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service,” (as of the end of March 2024)
*2 BNPL: Abbreviation for Buy Now Pay Later, post-payment settlement

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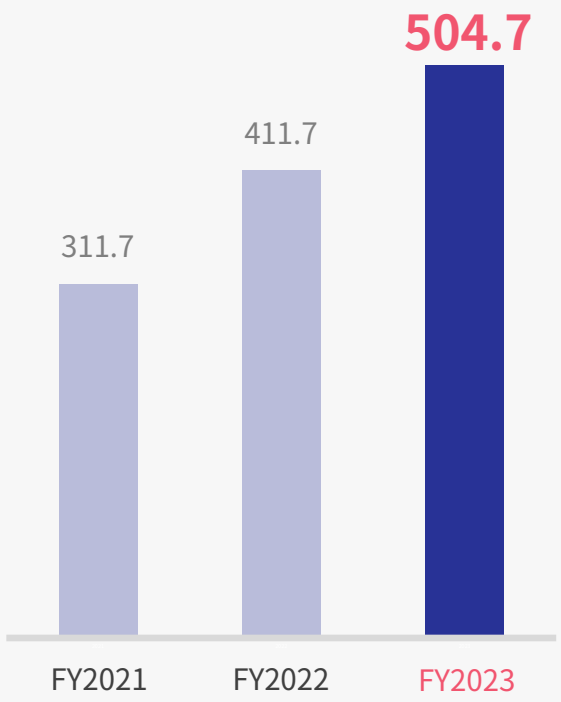
Growing Market Needs for Our Main Services (1)

— Fraud detection service —

Crimes of fraudulently obtaining and misusing credit card information are rapidly increasing, and the damage from unauthorized use of credit cards (number theft) reached the record high of 50.4 billion yen* in 2023. The needs of EC business operators to take countermeasures against fraud are rapidly expanding.

Amount of Damage from Credit Card Fraud in Japan (Number Theft)

(Unit: 100 million yen)

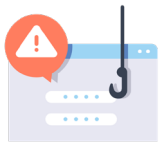


Unauthorized access

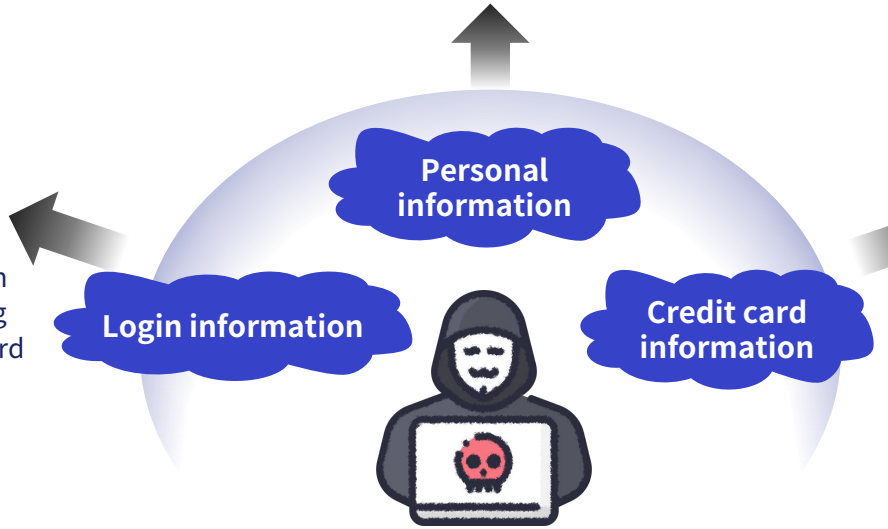


Unauthorized remittances through online banks made by unauthorized access

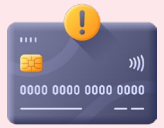
Phishing



Attempts to fraudulently obtain personal information, including login information and credit card information, by phishing



Unauthorized use of credit cards



Fraudulent Internet shopping orders placed with fraudulently obtained credit card information

* Japan Consumer Credit Association, "Status of Damage from Unauthorized Use of Credit Cards," March 2024

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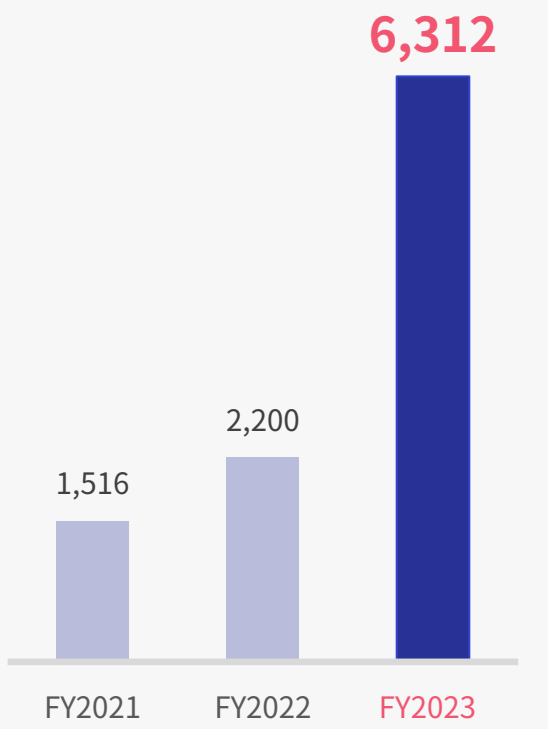
Growing Market Needs for Our Main Services (2)

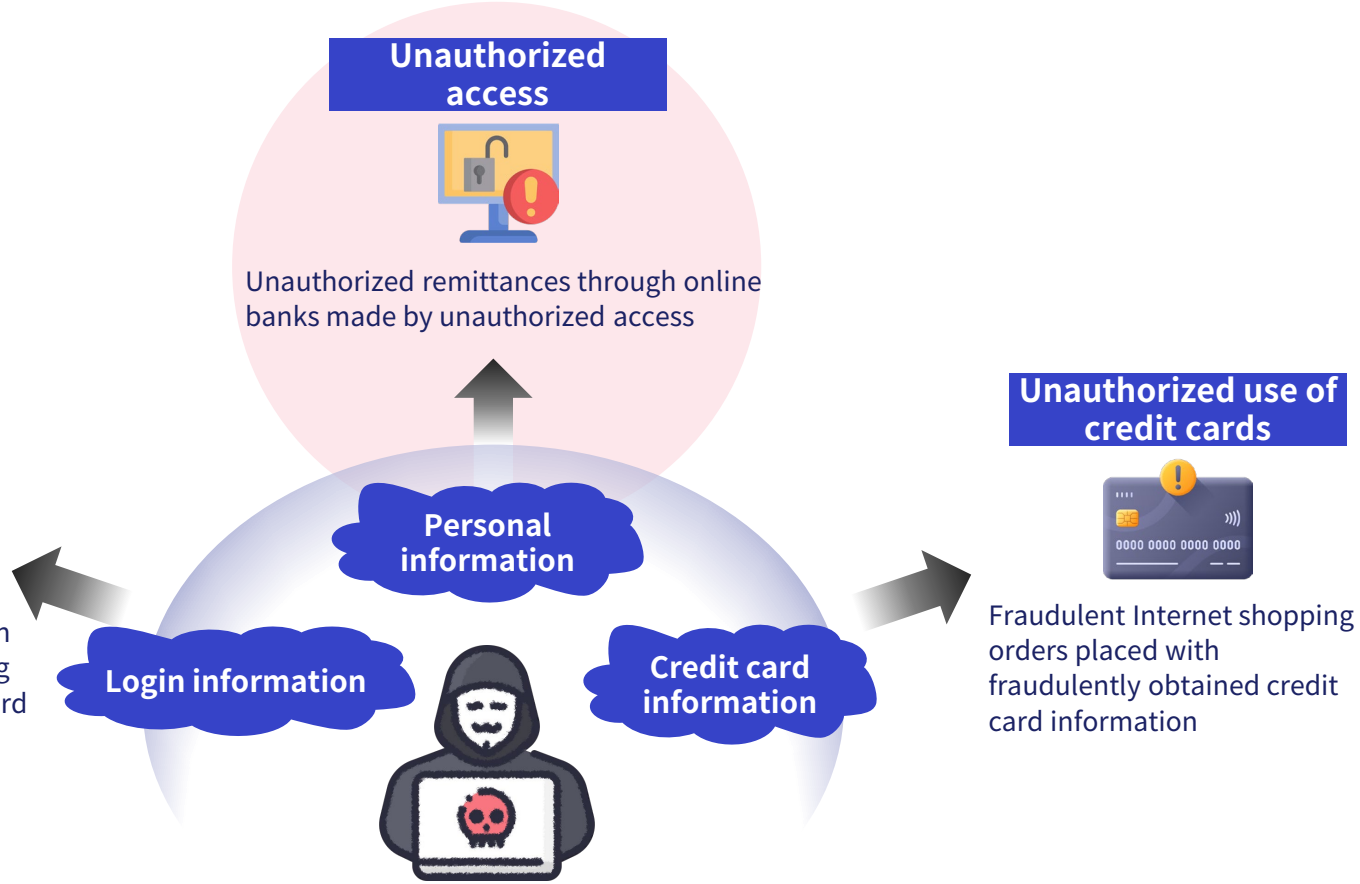
— Fraud detection service —

The number of recognized acts after unauthorized access in Japan surged to approximately three times* those in the previous year (2023), and the number of criminal acts using personal information illegally obtained through unauthorized access reached a record high. This indicates a rapidly growing need for countermeasures against unauthorized access throughout society.

Number of recognized acts after unauthorized access in Japan

(Unit: number of acts)





Source: National Police Agency, Ministry of Internal Affairs and Communications, and Ministry of Economy, Trade and Industry, 2023
"Status of Research and Development of Technologies for Unauthorized Access and Access Control Functions (FY2023)"

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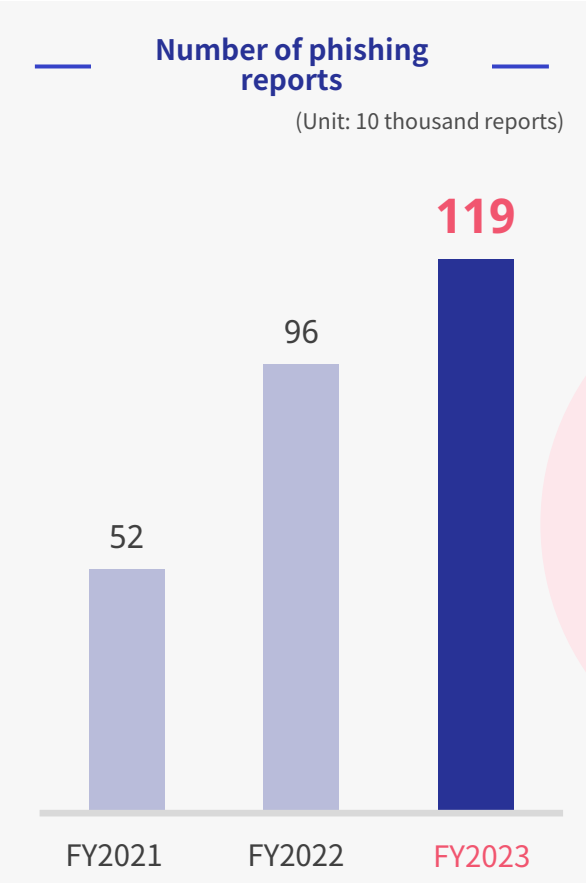
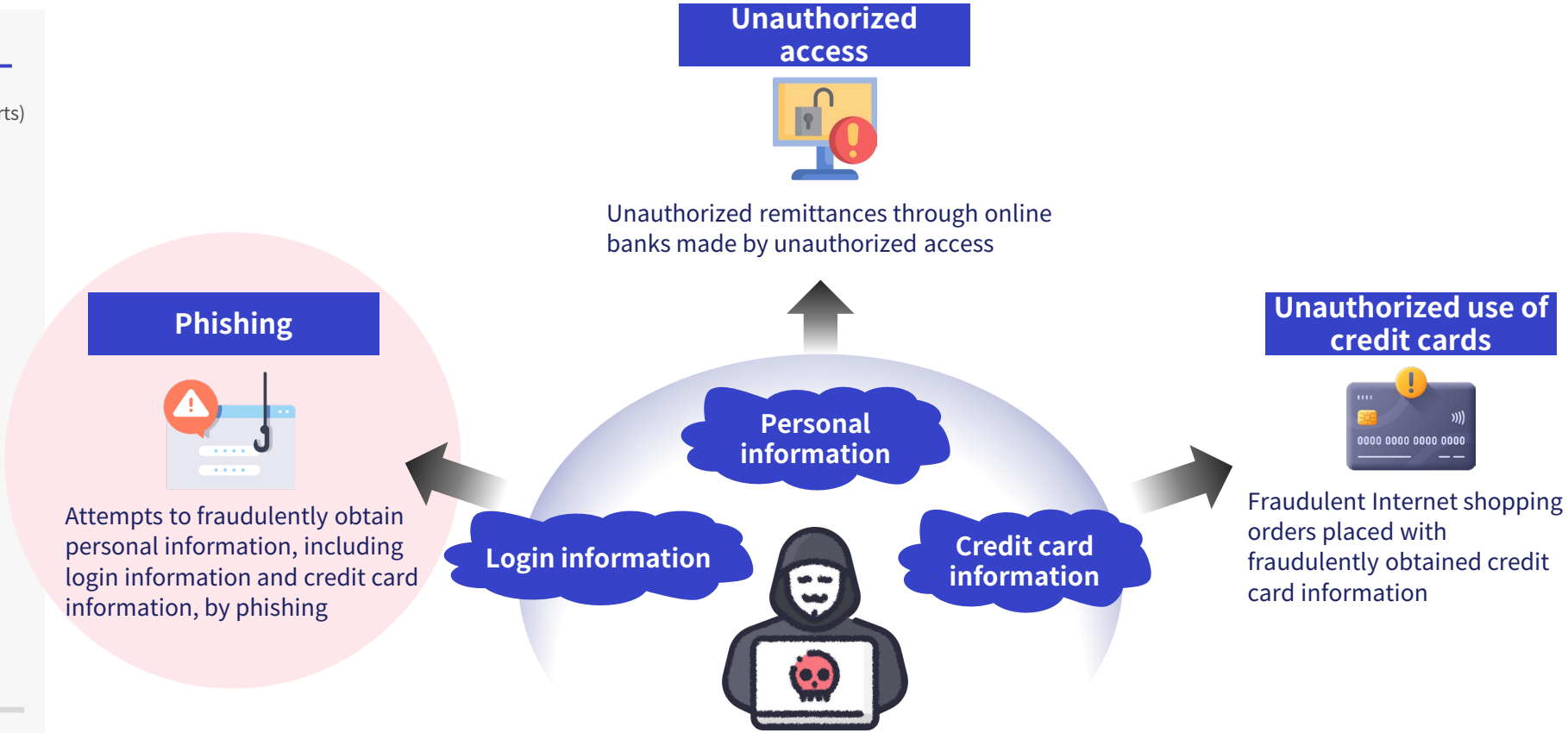
Growing Market Needs for Our Main Services (3)

— Fraud detection service —

The number of phishing reports also increased from 960,000 in 2022 to 1,190,000 in 2023 (YoY +23.5%). The number of fraud crimes involving the misuse of information obtained fraudulently through phishing is skyrocketing, so the need for countermeasures is rising accordingly.





* Source: Council of Anti-Phishing Japan, “Number of Phishing Reports”

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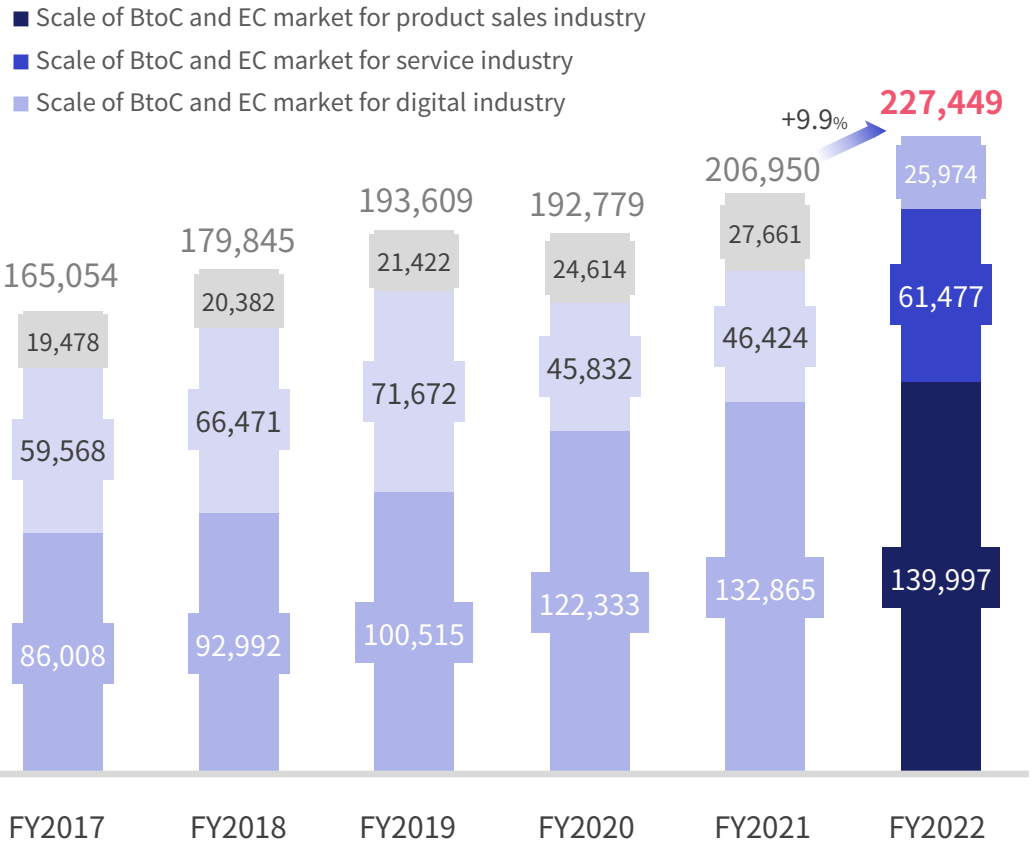
Credit card fraud (number theft) is increasing proportionally with the growth of the EC market.

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

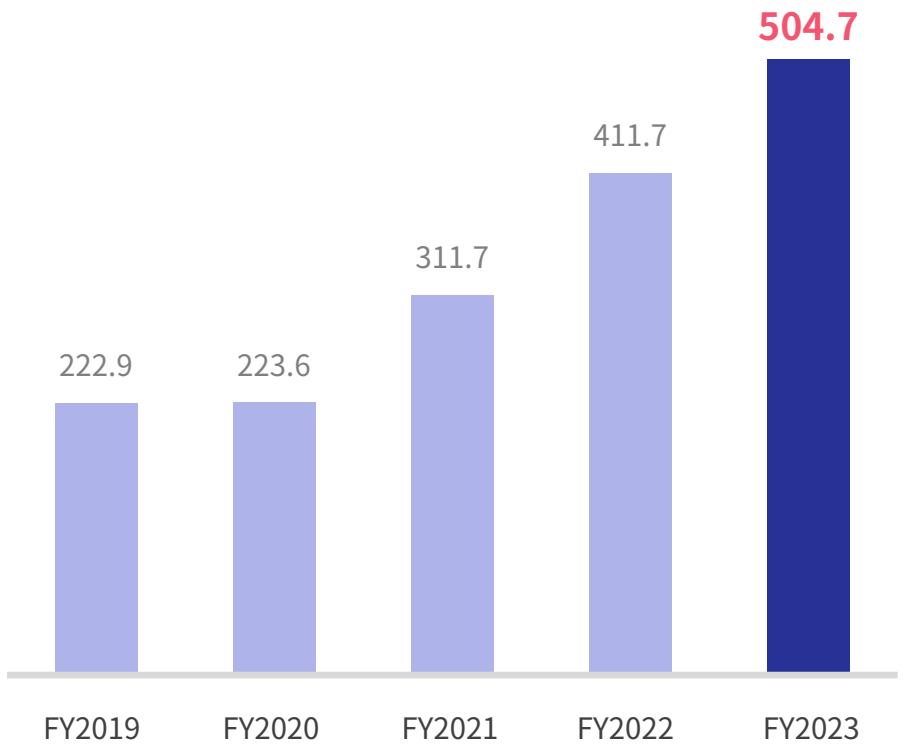
Scale of BtoC and EC Market in Japan

(Unit: 100 million yen)



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

(Unit: 100 million yen)



Source: Ministry of Economy, Trade and Industry, Commerce and Information Policy Bureau, Information Economy Division, “FY2022 Report on Commissioned Industrial and Economic Research (Market Research on Electronic Commerce).”
Japan Consumer Credit Association, “Status of Damage from Unauthorized Use of Credit Cards,” March 2024

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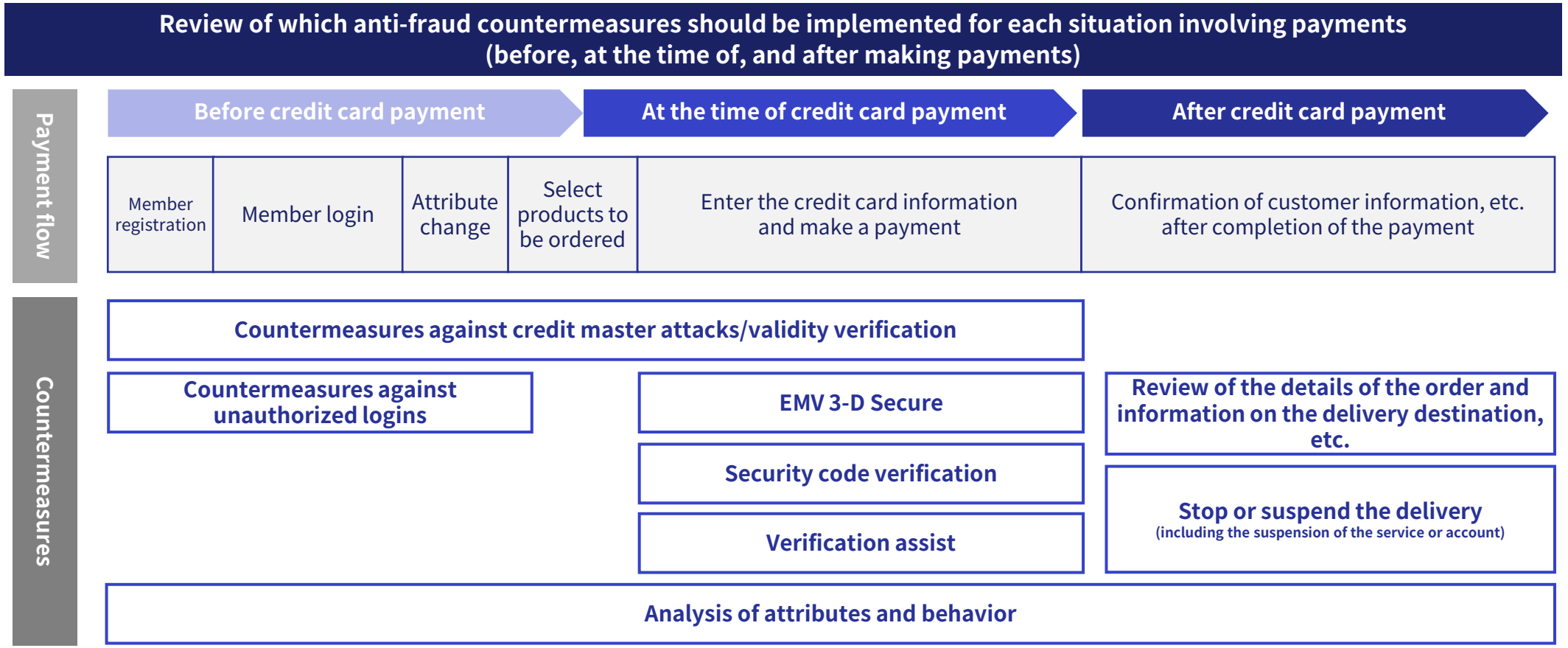
The Credit Card Security Guidelines Version 5.0[*1] not only recommends the introduction of EMV 3-D Secure[*2] by EC merchants but also presents the "Linear Approach" (see the diagram below), which provides an overall picture of fraud prevention measures that all operators involved in credit card settlement should aim for in the future. Under these circumstances, the need for anti-fraud countermeasures are expected to keep growing.



*1 Issued by the Credit Card Transaction Security Countermeasures Council.
*2 Identity authentication services recommended by international credit card brands to ensure that credit card payments on the Internet are made more securely. Those services are collectively referred to as “EMV 3-D Secure,” although each brand uses a different name for those services.

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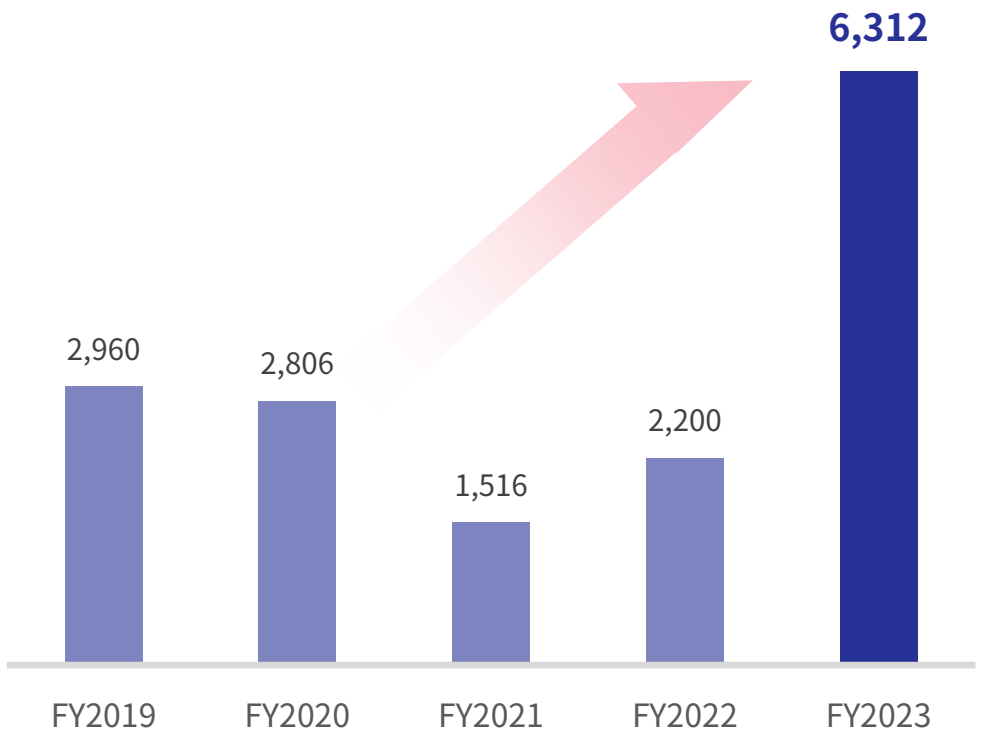
In Japan, there is no end in sight for damage caused by information leaks, such as the divulgence of personal information caused by phishing and unauthorized access, and the need for measures against damage from unauthorized access is expected to keep growing.

Number of recognized acts after unauthorized access in Japan

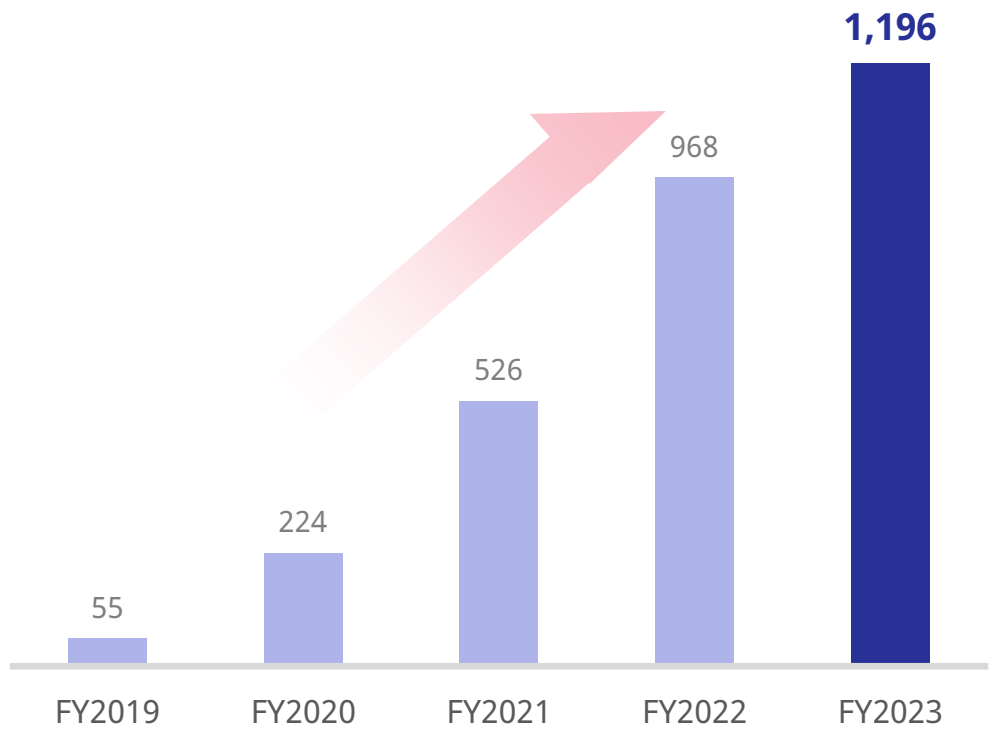
(Unit: number of acts)



Source: National Police Agency, Ministry of Internal Affairs and Communications, and Ministry of Economy, Trade and Industry, 2023
"Status of Research and Development of Technologies for Unauthorized Access and Access Control Functions (FY2023)"

Number of phishing reports

(Unit: thousand reports)



* Source: Council of Anti-Phishing Japan, "Number of Phishing Reports"

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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 service” (as of the end of March 2024) performed by TOKYO SHOKO RESEARCH, LTD.)

3

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

(Recurring revenue accounted for 63.8% of our total sales in FY24 2Q)

© Cacco Inc.

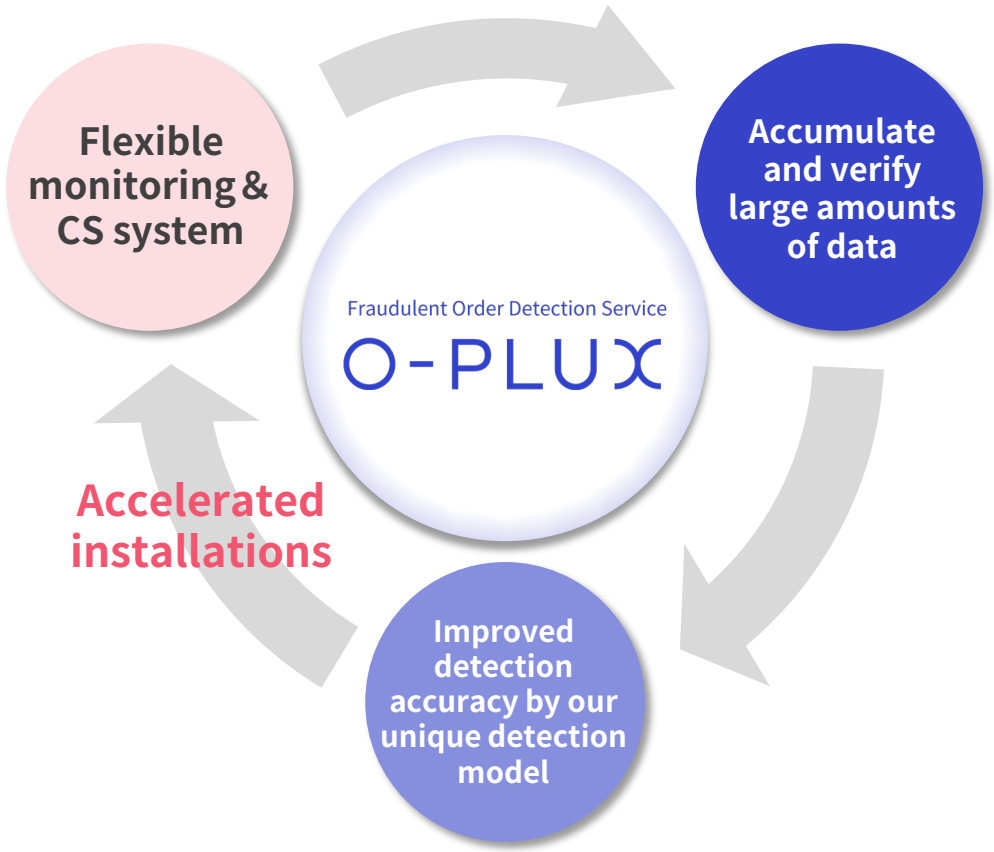
Differentiating Factors in Products

1 High fraud detection accuracy through possession of a large volume of domestic fraudulent order data
* No. 1 in Japan in terms of number of installations

2 Building a unique detection model with data science, security technology, and expertise

3 Speedy and flexible monitoring and support system that only domestic and in-house products can provide

Positive Growth Cycle in which Competitive Advantages are Maintained



* TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service,” (as of the end of March 2024)

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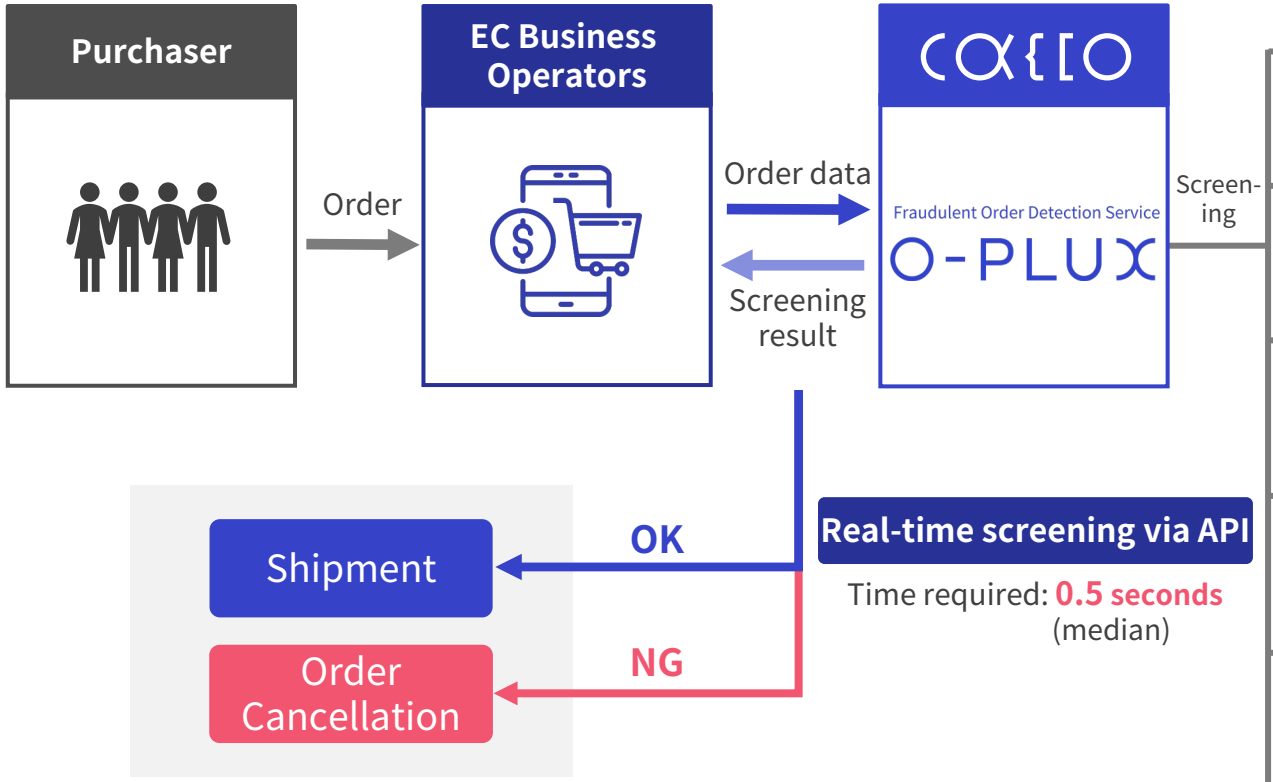
Fraudulent Order Detection Service O-PLUX

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



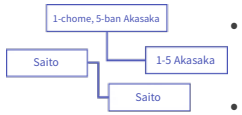
Main Screening Functions

Judgment by e-mail



- Judgment by whether e-mails can be sent
- Detection of e-mail aliases
- Identification of disposable and suspicious domains, etc...

Normalization of name and address notation



- Utilize the same address and last name with different notation after normalization process.
- Detection of mismatch between *kanji* and *furigana* in name

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



- Address verification service (judgment of false addresses)
- 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 (cumulative total: 110,000 sites)
- Service to detect shop hoppers purchasing products with benefits that are available only to first-time buyers

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Functional Advantages of O-PLUX, Our Core Fraudulent Order Detection Service, Compared with Competing Services

O-PLUX, our fraudulent order detection service, can address any type of fraud and protect EC business operators from fraud damage.

Fraud Type	O-PLUX	Competing Service A	Competing Service B	Competing Service C	Competing Service D	Competing Service E	Competing Service F	Competing Service G	Competing Service H
Chargeback	○	○	×	○	○	○	△	○	○
Fraudulent resale*	○	×	○	×	×	×	×	×	×
Credit master attacks	○	○	×	○	○	○	○	×	×
Frauds involving affiliate programs	○	×	○	×	×	×	×	×	×

* Fraudulent orders with which fraudsters obtain products fraudulently in large quantities at a price available only to first-time buyers for the purpose of reselling them.

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Appendix / Diversified Client Companies

O-PLUX, our fraudulent order detection service, has been installed in various industries and is the No. 1 solution by number of installations in Japan.*1
It promotes the development of a safe and secure infrastructure for every genre of e-commerce by preemptively preventing losses from fraudulent orders.

Hobby

animate / あみあみ / KOTOBUKIYA / Toys"R"Us BABIES"R"US / Funbox

Food and health food

株式会社AIJ / Embrace / Oisix ra daichi / KAMAKURA BENIYA / Q'SAI / GRAPESTONE / SUNSTAR / 四季乃舎 / NICORIO / ハーブ健康本舗 / from COCORO / Belle Neige Direct / Leo Sophia Group / 和漢の森

Home appliances

NEC Direct / Dospara / ZOA / mouse

Cosmetics and hair care

Jm / ALMADO / ON&DO / STEFANY GINZA TOKYO / KINS / SISI / KINUI / Sparty / CHURACOS / PHOEBE BEAUTY UP / Tellas / BATHCLIN / FINE AID / FABIUS / to esella / ホソカワミクロン化粧品株式会社 / 株式会社ユーピーエス / Ricecurry

Apparel and sports

洋服の青山 / L.L.Bean / SOCCER SHOP KAMO www.sskamo.co.jp / graniph / JINS / RAGTAG / KARITOKE / Northmall / Dr. Martens / Pearly Miki / PARIS MIKI / PUMA / FLAVA / UNIFORM NEXT ユニフォームネクスト株式会社 / LACOSTE

Housing and interiors

KAI / K-EYUCA / DIY FACTORY / nishikawa

Online shopping malls, MVNO, and others

AEONNEXT / GAZIGO / オンラインストア / GMO CREATORS NETWORK / DMM.com / LIBMO / DTI dream.jp / BackMarket / petgo / ユーキャン / UNIMEDIA / ポンパレモール

Video and audio equipment

カメラのキタムラ / フジヤカメラ

Hosting

SAKURA internet

*1 TOKYO SHOKO RESEARCH, LTD., “Survey on the number of EC sites in Japan introducing paid fraud detection service,” (as of the end of March 2024)
*2 Only selected companies with permission to be listed are included. As of end of June 2024.

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

EC package, shopping cart and chatbot

EC-ORANGE
EC CUBE
ecbeing
ecforce
売れるD2C つくーる
ebisumart
eltexDC EC / 通販統合パッケージ
qualva
Commerce 21
サブスクストア たまごリピート
GMOクラウドEC
shopify
Salesforce Commerce Cloud
W2 Unified W2 Repeat
通販マーケッター Eight!
BBF
BOTCHAN

Credit card companies

UC CARD
MUFG 三菱UFJニコス

Payment Service Providers (PSPs)

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

Security service vendors

INTELLIGENT WAVE INC.
eltes
CSC CYBER SECURITY CLOUD
Synqula
Rocketworks

*1 EC-CUBE is a trademark of EC-CUBE Co., Ltd.
*2 As of the end of June 2024.

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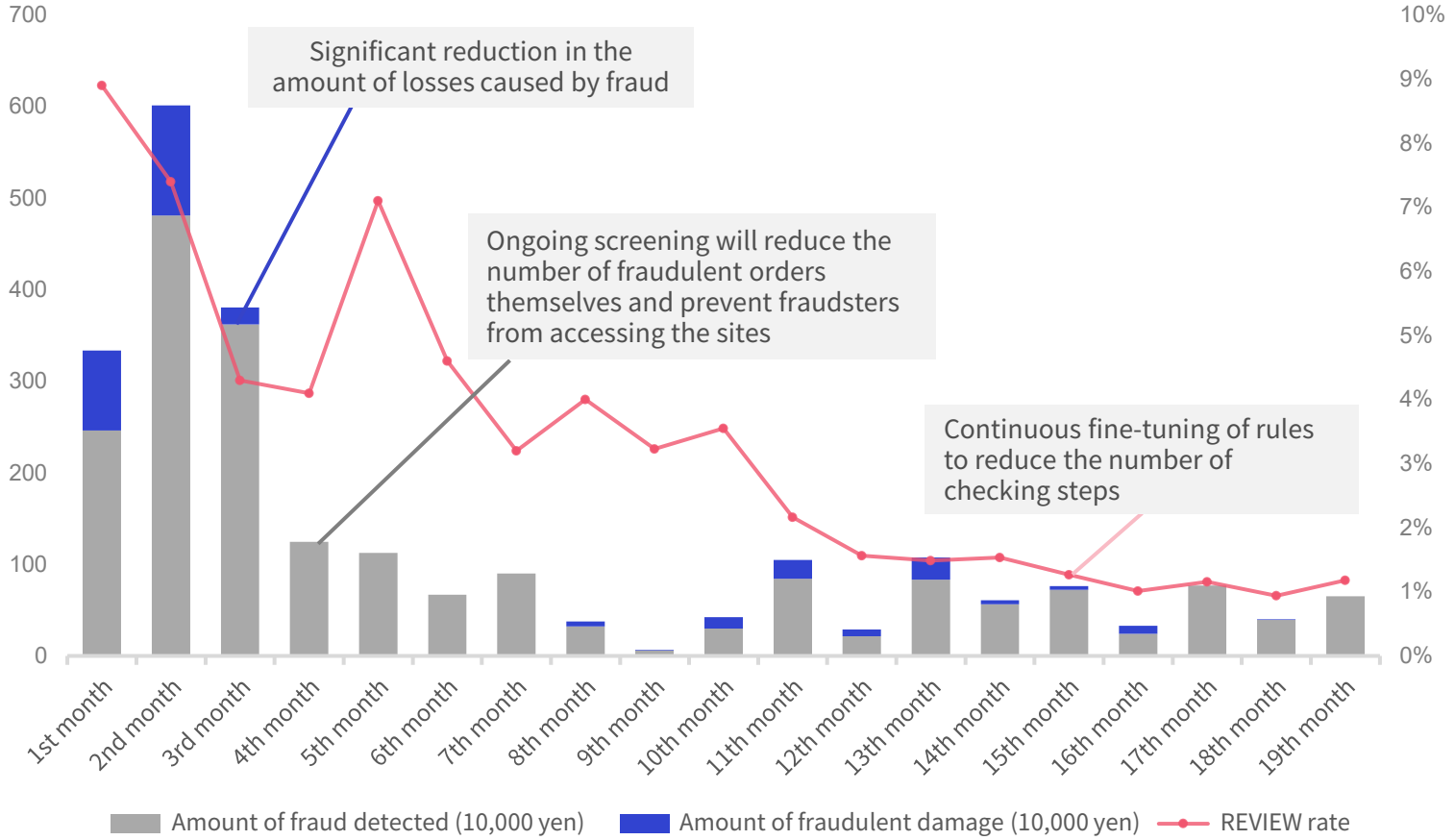
Fraudulent Order Detection Service O-PLUX

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

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



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

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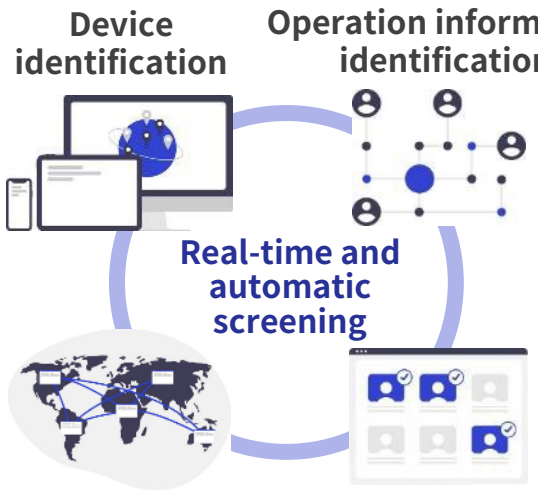
Real-time analysis of the operation information and device information of users who access websites.
The system identifies identity theft and prevents fraudulent activities (divulgence of personal information, unauthorized purchases, etc.) resulting from unauthorized access.

Unauthorized Access Detection Service
O-MOTION



Banks and securities firms
Fraudulent Access Monitoring



Internet banking
Countermeasures against unauthorized remittances



Various member sites
Countermeasures against divulgence of personal information



Countermeasures against cornering of online tickets



- **Real-time and automatic screening**
- **Visual dashboard**
- **Notification function through alert mails**

Highly precise and **efficient** screening and monitoring system

Credit card/Electricity/Gas points site
Countermeasures against fraudulent points exchange



Countermeasures against fraudulent member registration for affiliate compensation



© Cacco Inc.

Financial institutions, ticket sites, and various point and member sites have introduced O-MOTION.

Ticket sites

チケットぴあ

NFT games

GENSOKISHI ONLINE META WORLD

EC site

ORBIS

EC cart/EC package

W2

futureshop

Other (Company name not disclosed)

Major bank

Online brokerage firm

Credit card company, etc.

*1 Only selected companies with permission to be listed are included. As of the end of June 2024.

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A packaged service focusing on countermeasures against phishing with the O-MOTION unauthorized access detection service at its core.

Anti-Phishing Service

Impenetrable Defense PACK

for Phishing

Support for countermeasures against phishing e-mails

- Aggregation/visualization of DMARC reports
- Notification of a rapid increase in the DMARC authentication failure rate

Detection of phishing domains



- Detection of similar domains
- Verification with phishing site databases
- Report/alert notices

Detection of spoofing logins

Unauthorized Access Detection Service
O-MOTION

Optional services

Cybersecurity support

- Vulnerability assessment
- Proposal of IPS/IDS, WAF, etc.
- Digital forensics
- Consulting, etc.

Phishing site takedown service

Phishing site monitoring

Phishing social networking site monitoring

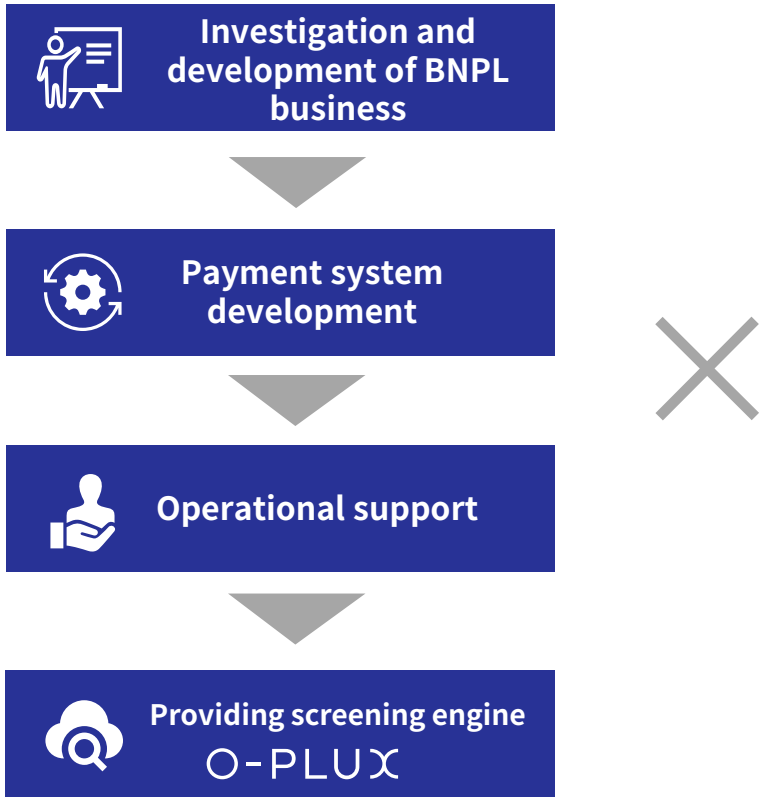
Multi-factor authentication
(risk-based authentication)

Detection of unauthorized use of credit cards, malicious resale and credit master attacks

Fraudulent Order Detection Service
O-PLUX

© Cacco Inc.

We provide one-stop support for the establishment and launch of BNPL, including service construction, payment system development, and operational support.
We offer the O-PLUX fraudulent order detection service as the screening engine.



Point 1 **Experience in setting up and developing systems for multiple BNPL businesses**

- Experience in constructing payment systems that handle several million transactions per month
- Experience in supporting the launch of BNPL businesses (business planning, preparation of various requirement definitions, etc.)
- Experience in post-launch support (credit lines, operation process development, etc.)

Point 2 **Support from consultants with experience in BNPL operations**

Consultants with extensive experience in BNPL operations provide optimal proposals from the customer's perspective.

Point 3 **Fraudulent order detection using O-PLUX, the No. 1 solution in terms of the number of installations in Japan***

We have achieved a great deal of success in fraud detection in the financial and settlement fields, where strict accuracy is required. O-PLUX, our fraudulent order detection service, is the No. 1 solution in terms of installation numbers in Japan.*

* Based on "Survey on the number of EC sites in Japan introducing paid fraud detection service" (as of the end of March 2024) performed by TOKYO SHOKO RESEARCH, LTD.

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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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Disclaimer and Cautionary Statement Regarding Forward-Looking Statements

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

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

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Shaping the “Let’s Do It”

for a next game changer