Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Summary of Financial Results (Under Japanese GAAP) for the Third Quarter of Fiscal Year Ending December 31, 2024 (Non-consolidated)

November 13, 2024

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

(Amounts less than one million yen have been omitted)

1. Results for the Third Quarter (3Q) of FY2024 (January 1, 2024 to September 30, 2024)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2024 3Q	523	-30.5	-202	–	-202	–	-203	–
FY2023 3Q	753	-5.5	-8	–	-18	–	-24	–

	Net income per share	Diluted net income per share
	Yen	Yen
FY2024 3Q	-75.15	–
FY2023 3Q	-9.44	–

(Note) Diluted net income per share for the third quarter of fiscal year ending December 31, 2024 is not stated because net loss per share was recorded for the period, although there are diluted shares.

(2) Financial Position

	Total assets	Net assets	Capital ratio
	Millions of yen	Millions of yen	%
FY2024 3Q	1,052	884	84.0
FY2023	1,286	1,072	83.4

(Reference) Equity capital: FY2024 3Q 884 million yen FY2023 1,072 million yen

2. Dividends

	Annual dividend				
	1Q-end	2Q-end	3Q-end	FY-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	–	0.00	–	0.00	0.00
FY2024	–	0.00	–		
FY2024 (Forecast)				0.00	0.00

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

3. Financial Forecasts for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(% figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	713	-25.1	-304	–	-307	–	-307	–	-115.29

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

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* Notes

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

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

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

(3) Number of shares issued (common stock)

(i) Number of issued shares at the end of the period (including treasury shares)	FY2024 3Q	2,722,655 shares	FY2023	2,669,584 shares
(ii) Number of treasury shares at the end of the period	FY2024 3Q	– shares	FY2023	– shares
(iii) Average number of shares during the period	FY2024 3Q	2,705,777 shares	FY2023 3Q	2,645,769 shares

* Auditing of the attached quarterly financial statements by certified public accountants or auditing firms: Yes (optional)

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

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

The forward-looking statements, including business forecasts, etc., contained in this document are based on the information currently available to us and on certain assumptions deemed reasonable, and are not intended as a guarantee by the Company that they will be achieved. Actual results may differ significantly from these forecasts due to various factors. Please refer to "1. Qualitative Information on Financial Results for the Third Quarter of FY2024 (3) Summary of Financial Forecasts and Other Forward-Looking Information" on page 3 of the attached documents for matters concerning financial forecasts.

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

The supplementary explanatory materials "Financial Results for the Third Quarter of Fiscal Year Ending December 31, 2024" will be disclosed on TDnet on the same day and then posted on the Company's website. In addition, we are scheduled to hold a briefing session for institutional investors and analysts on Wednesday, November 13, 2024. Video of this briefing session and the materials for the financial results briefing to be distributed on that day will be promptly posted on our website after the briefing.

○ Contents of attached documents

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1. Qualitative Information on Financial Results for the Third Quarter of FY2024

(1) Summary of Operating Results

During the cumulative period through the third quarter of the current fiscal year (January 1, 2024 to September 30, 2024), the Japanese economy continued to recover, albeit at a moderate pace, as the employment and income environment improved and partly owing to the effect of various government policies. On the other hand, the downturn in overseas economies poses a risk of putting downward pressure on the Japanese economy due to factors such as continued high interest rate levels in Europe and the United States as well as continued stagnation of the real estate market in China, so the outlook remains uncertain.

According to the "FY2023 Report on Improvement of Digital Transaction Environment (Market Research on Electronic Commerce)" published by the Ministry of Economy, Trade and Industry, the size of the business-to-consumer EC (BtoC-EC) market as a whole in 2023 was 24.8 trillion yen (up 9.23% year on year), continuing to grow at a high growth rate. The BtoC-EC market continues to grow steadily, as shown by the increase of 0.25 percentage points to 9.38% of the EC ratio (the ratio of the size of the EC market to the size of the entire commerce market).

On the other hand, there has been a sharp increase in damage caused in recent years by the theft and unauthorized use of credit card numbers and other information. In response to this trend, the Revised Installment Sales Act mandates that necessary measures be taken to prevent the fraudulent use of credit card numbers and the like. In addition, the "Credit Card Security Guidelines Version 5.0 (Credit Card Transaction Security Council)," which serve as practical guidelines for such responses, require member businesses to introduce measures such as "attribute and behavior analysis (fraud detection system)" in accordance with the risk situation as a countermeasure against fraudulent use of credit cards in non-face-to-face transactions. As such, social demands for anti-fraud measures have been increasing more than ever.

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

As for our fraud detection services, we expanded the functions of O-PLUX, our fraudulent order detection service, including fraud detection accuracy improvement by strengthening the fraud prevention functions to accommodate overseas online shopping (cross-border e-commerce). We also began working with an EMV 3-D Secure Access Control Server (ACS) vendor to further eradicate fraudulent use of credit cards, thereby striving to increase the added value of our products. As a result, the amount of O-PLUX's recurring revenue (the sum of the monthly fee, which is a fixed fee, and the screening fee, which is a pay-per-use fee based on the number of screenings; including Fraud Checker) for the cumulative period through the third quarter of the current fiscal year was 341,688 thousand yen (down 36.9% year on year). Furthermore, with regard to our Unauthorized Access Detection Services, we strived to secure orders for Impenetrable Defense Pack for Phishing, a one-stop anti-phishing package that detects phishing e-mails and websites used to fraudulently obtain information and prevents spoofing logins attempted with such fraudulently obtained personal information.

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

As a result of the above, net sales for the cumulative period through the third quarter of the current fiscal year were 523,492 thousand yen (down 30.5% year on year), operating loss was 202,923 thousand yen (compared with operating loss of 8,287 thousand yen for the same quarter last year), ordinary loss was 202,945 thousand yen (compared with ordinary loss of 18,686 thousand yen for the same quarter last year), and net loss was 203,343 thousand yen (compared with net loss of 24,977 thousand yen for the same quarter last year).

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

(2) Summary of Financial Position

(Assets)

Current assets at the end of the third quarter of the current fiscal year were 865,015 thousand yen, a decrease of 212,842 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 173,023 thousand yen in cash and deposits. Non-current assets were 187,333 thousand yen, a decrease of 21,359 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 26,722 thousand yen in software.

As a result, total assets amounted to 1,052,349 thousand yen, a decrease of 234,201 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the third quarter of the current fiscal year were 97,450 thousand yen, a decrease of 33,831 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 15,479 thousand yen in accounts payable-trade. Non-current liabilities were 70,608 thousand yen, a decrease of 12,028 thousand yen from the end of the previous fiscal year. This was due to a decrease of 11,910 thousand yen in long-term borrowings.

As a result, total liabilities amounted to 168,059 thousand yen, a decrease of 45,859 thousand yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the third quarter of the current fiscal year were 884,289 thousand yen, a decrease of 188,342 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 203,343 thousand yen in retained earnings as a result of the recording of quarterly net loss.

As a result, the capital ratio was 84.0% (83.4% at the end of the previous fiscal year).

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

There are no revisions to the full-year financial forecasts for the FY2024 announced on February 14, 2024 in the Summary of Financial Results for Fiscal Year Ended December 31, 2023.

2. Quarterly Financial Statements and Significant Notes Thereto

(1) Quarterly Balance Sheet

(Unit: thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 3Q (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	941,093	768,070
Accounts receivable – trade	95,214	70,397
Work in process	495	284
Income taxes refund receivable	15,125	–
Other	25,929	26,263
Total current assets	1,077,858	865,015
Non-current assets		
Property, plant and equipment	3,811	3,608
Intangible assets		
Software	103,144	76,422
Total intangible assets	103,144	76,422
Investments and other assets		
Other	121,240	126,806
Allowance for doubtful accounts	-19,503	-19,503
Total investments and other assets	101,736	107,303
Total non-current assets	208,693	187,333
Total assets	1,286,551	1,052,349
Liabilities		
Current liabilities		
Accounts payable – trade	31,787	16,307
Current portion of long-term borrowings	14,292	14,292
Income taxes payable	2,758	874
Provision for bonuses	13,565	11,580
Other	68,878	54,396
Total current liabilities	131,281	97,450
Non-current liabilities		
Long-term borrowings	82,135	70,225
Deferred tax liabilities	502	383
Total non-current liabilities	82,637	70,608
Total liabilities	213,919	168,059
Net assets		
Shareholders' equity		
Share capital	376,188	384,165
Capital surplus	552,399	560,377
Retained earnings	144,312	-59,030
Total shareholders' equity	1,072,901	885,512
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-269	-1,222
Total valuation and translation adjustments	-269	-1,222
Total net assets	1,072,631	884,289
Total liabilities and net assets	1,286,551	1,052,349

(2) Quarterly Statement of Income
(The third quarter of FY2024)

(Unit: thousand yen)

	The third quarter of FY2023 (From January 1, 2023 to September 30, 2023)	The third quarter of FY2024 (From January 1, 2024 to September 30, 2024)
Net sales	753,049	523,492
Cost of sales	263,304	207,269
Gross profit	489,745	316,222
Selling, general and administrative expenses	498,032	519,146
Operating loss (-)	-8,287	-202,923
Non-operating income		
Interest and dividend income	177	207
Reversal of allowance for doubtful accounts	496	–
Other	200	760
Total non-operating income	874	968
Non-operating expenses		
Interest expenses	103	444
Expenses to deal with system failures	10,073	–
Other	1,096	546
Total non-operating expenses	11,273	990
Ordinary loss (-)	-18,686	-202,945
Loss (-) before income taxes	-18,686	-202,945
Income taxes – current	362	397
Income taxes – deferred	5,928	–
Total income taxes	6,291	397
Net loss (-)	-24,977	-203,343

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

Not applicable

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

Not applicable

(Notes to the quarterly cash flow statement)

A quarterly cash flow statement has yet to be prepared for the cumulative period through the third quarter of the current fiscal year. Depreciation (including amortization related to intangible assets) for the cumulative period through the third quarter is as follows:

	The third quarter of FY2023 (From January 1, 2023 to September 30, 2023)	The third quarter of FY2024 (From January 1, 2024 to September 30, 2024)
Depreciation and amortization	71,252 thousand yen	28,149 thousand yen

(Notes to segment information, etc.)

[Segment information]

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

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

For the third quarter of FY2024 (From January 1, 2024 to September 30, 2024)

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

(Significant subsequent events)

Not applicable

Independent Auditors' Interim Review Report on Quarterly Financial Statements

November 13, 2024

Cacco Inc.

To the Board of Directors

Gyosei & Co.

Tokyo Office

Designated Employee Business Executive　Certified Public Accountant　Akira Mishima

Designated Employee Business Executive　Certified Public Accountant　Takao Miki

Auditors' Conclusion

We have conducted an interim audit of the quarterly financial statements consisting of the quarterly balance sheet, the quarterly income statement, and the notes for the third quarter accounting period (July 1, 2024, to September 30, 2024) and the cumulative period through the third quarter (January 1, 2024, to September 30, 2024) of Cacco Inc.'s 14th fiscal year from January 1, 2024, to December 31, 2024, which are set out in the appendix to the summary of the quarterly financial results.

In the interim review conducted by our audit firm, we found no matters that would lead us to believe that the above quarterly financial statements were insufficient in any material respect under Article 4, Paragraph 1 of the standard for preparation of quarterly financial statements established by Tokyo Stock Exchange, Inc. and the accounting standards for quarterly financial statements generally accepted in Japan (provided, however, that the practice of omitting descriptions as provided in Article 4, Paragraph 2 of the above standard for preparation of quarterly financial statements is applied).

Basis for the Auditors' Conclusion

Our audit firm conducted an interim review under the standards for interim reviews generally accepted in Japan. Our responsibilities under these standards are described in "Auditors' Responsibilities in Interim Review of Quarterly Financial Statements." Our audit firm is independent of Cacco Inc. under the rules of professional ethics in Japan and fulfills other ethical responsibilities as auditors. We have obtained the evidence necessary to form a basis for expressing our conclusion.

Responsibilities of the Management and Audit and Supervisory Committee for Quarterly Financial Statements

Management's responsibility is to prepare quarterly financial statements under Article 4, Paragraph 1 of the standard for preparation of quarterly financial statements established by Tokyo Stock Exchange, Inc. and the accounting standards for quarterly financial statements generally accepted in Japan (provided, however, that the practice of omitting descriptions as provided in Article 4, Paragraph 2 of the above standard for preparation of quarterly financial statements is applied). This includes establishing and operating internal controls that management deems necessary to prepare quarterly financial statements free of material misstatements due to fraud or errors.

In preparing quarterly financial statements, management is responsible for evaluating whether it is appropriate to prepare quarterly financial statements based on the assumption of going concern. If management needs to disclose matters related to going concern under Article 4, Paragraph 1 of the standard for preparation of quarterly financial statements established by Tokyo Stock Exchange, Inc. (provided, however, that the practice of omitting descriptions as provided in Article 4, Paragraph 2 of the above standard for preparation of quarterly financial statements is applied), management is responsible for disclosing such matters.

The Audit and Supervisory Committee is responsible for overseeing directors' performance of their duties in establishing and operating the financial reporting process.

Auditors' Responsibility in the Interim Review of Quarterly Financial Statements

The auditors' responsibility is to express an independent conclusion on the quarterly financial statements in an interim review report based on an interim review conducted by the auditors.

Auditors shall, under the standards for interim reviews generally accepted in Japan, exercise their professional judgment and maintain professional skepticism throughout the interim review process and shall comply with the following.

• Auditors shall inquire primarily about management and the persons responsible for financial and accounting items, perform

analytical procedures, and perform other interim review procedures. The interim review procedures are more limited than those for audits of annual financial statements conducted under the auditing standards generally accepted in Japan.

- If auditors determine that there is significant uncertainty regarding events or circumstances that may cast significant doubt on matters related to the assumption of going concern, they shall conclude, based on the evidence obtained, whether there are any matters that lead the auditors to believe that the quarterly financial statements have not been prepared under Article 4, Paragraph 1 of the standard for preparation of quarterly financial statements established by Tokyo Stock Exchange, Inc. (provided, however, that the practice of omitting descriptions as provided in Article 4, Paragraph 2 of the above standard for preparation of quarterly financial statements is applied). In addition, if significant uncertainties regarding the assumption of going concern are identified, auditors are required to provide a warning in the notes to the quarterly financial statements in the interim review report, or if the notes to the quarterly financial statements regarding significant uncertainty are not appropriate, auditors are required to express a qualified or negative conclusion regarding the quarterly financial statements. Although the auditors' conclusion is based on evidence obtained up to the date of the interim review report, future events or circumstances may prevent entities from continuing as going concerns.
- Auditors shall evaluate whether any matters lead auditors to believe that the presentation of the quarterly financial statements and the notes have not been prepared under Article 4, Paragraph 1 of the standard for preparation of quarterly financial statements established by Tokyo Stock Exchange, Inc. and the accounting standards for quarterly financial statements generally accepted in Japan (provided, however, that the practice of omitting descriptions as provided in Article 4, Paragraph 2 of the above standard for preparation of quarterly financial statements is applied).

Auditors shall report to the Audit and Supervisory Committee on the planned scope of the interim review, its timing, and any significant findings from the interim review.

Auditors shall report to the Audit and Supervisory Committee on compliance with Japan's professional ethics regulations regarding independence, as well as on any matters that may be reasonably considered to affect auditors' independence and on any measures taken to remove impediments to independence or safeguards applied to reduce the impediments to an acceptable level.

Conflicts of Interest

There are no conflicts of interest between the company and the audit firm or its executive employees that must be disclosed according to the provisions of the Certified Public Accountants Act.

(Notes)

1. The originals of the above interim review reports are kept separately by the Company (the company that submits the summary of quarterly financial results).
2. XBRL and HTML data are not subject to the interim review.