

2. Dividends

	Dividend per share				
	End of the third quarter	End of the second quarter	End of the third quarter	Year end	Annual
Year ended December 31, 2016	Yen —	Yen 20.00	Yen	Yen 20.00	Yen 40.00
Year ending December 31, 2017	—				
Year ending December 31, 2017 (Forecast)		18.00	—	18.00	36.00

(Note) Revisions to dividends forecast published most recently: No

Breakdown of end of the second quarter dividend for the fiscal year ended December 31, 2016:

16.00 Yen ordinary dividend, 4.00 Yen commemorative dividend.

Breakdown of year end dividend for the fiscal year ended December 31, 2016:

16.00 Yen ordinary dividend, 4.00 Yen commemorative dividend.

3. Forecast of Consolidated Financial Results for the Fiscal Year ending December 31, 2017

(January 1, 2017 through December 31, 2017)

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Sen
Full-year	54,000	2.8	1,800	49.7	1,500	60.1	1,100	(46.1)	59.67	

(Note) Revisions to earnings forecast published most recently: No

※Notes

- (1) Important changes in subsidiaries for the first quarter of the fiscal year ending December 31, 2017 (changes in specified subsidiaries resulting in a change in the scope of consolidation): Not applicable
- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting principles and changes or restatements of accounting estimates
- (i) Changes in accounting principles due to the amendment of accounting standards, etc.: Not applicable
 - (ii) Changes in accounting principles other than (i): Not applicable
 - (iii) Changes in accounting estimates: Not applicable
 - (iv) Restatements of accounting estimates: Not applicable

(4) Number of shares outstanding (common stock)

(i) Total number of shares outstanding (including treasury stock) as of the end of each period:	As of March 31, 2017	21,541,400 shares	As of December 31, 2016	21,541,400 shares
(ii) Total number of treasury stock as of the end of each period:	As of March 31, 2017	3,106,143 shares	As of December 31, 2016	3,106,143 shares
(iii) Average number of issued shares for each period (cumulative period)	As of March 31, 2017	18,435,257 shares	As of March 31, 2016	19,657,357 shares

* Status of quarterly review

The quarterly consolidated financial statements under the Financial Instruments and Exchange Act are outside the scope of review.

* Cautionary note regarding the use of the Forecast of Financial Results and other special notes

The forecasts of financial results and other forward-looking statements contained in this document are calculated based on the information which is available to the Company and assumptions that the Company deems to be reasonable as of the date hereof. Therefore, they do not constitute a guarantee that they will be realized. Please note that the actual results may differ due to various factors. For matters related to the above forecasts, refer to the accompanying materials.

4. Qualitative Information on Financial Results of the Current Quarter

(1) Explanation of results of operations

(i) Overview

During the first quarter of the consolidated fiscal year under review (January 1, 2017 to March 31, 2017, hereinafter referred to as the “current first quarter”), with respect to the global economy, the U.S. economy continued to recover with a background of stable employment. In Europe, despite uncertainty over political risk, the economy remained strong due to an increase in consumption. In emerging countries including India, to which the CAC Group is closely related, signs of recovery from the economic slowdown were observed.

The Japanese economy maintained a modest recovery trend due to improved corporate earnings and signs of an increase in personal consumption. In the IT service market in Japan, expansion of business relating to IoT, FinTech, big data, AI, etc. is forecast, while large-scale projects in the existing systems area have been on the decline. In the area of pharmaceutical development support, the market has continued to expand despite intensified competition among companies.

In this fiscal year, the CAC Group is striving to increase global projects by strengthening cooperation among Group companies both in Japan and overseas, and to make progress in the growing healthcare field. In addition, the Group is also actively working on the creation of new technologies and new business fields. CAC Corporation started collaboration with a leading printing company, among other actions, for the development and commercialization of its services in the field of emotion recognition AI. Net sales in the current quarter stood at ¥14,189 million, up 4.1% from the same period a year ago, mainly reflecting an improvement in sales of the Indian subsidiary, Accel Frontline Limited (hereinafter referred to as “AFL”), and growth in sales from some domestic customers, despite a decrease in sales of the Singaporean subsidiary, Sierra Solutions Pte. Ltd. (hereinafter referred to as “Sierra Solutions”). In terms of profitability, although the income of AFL increased, the sales of Sierra Solutions decreased, resulting in a decrease in income. There were also unprofitable projects in the pharmaceutical development support services. Consequently, operating income came to ¥195 million, down 54.9% from the same period a year ago, and ordinary income amounted to ¥81 million, down 73.3%. Net income for the current quarter attributable to owners of parent came to ¥503 million (compared with a net loss attributable to owners of parent of ¥64 million for the same period of the previous fiscal year) mainly due to gains on sales of investment securities and loss on restructuring of business related to AFL recorded.

(ii) Overview by business segment

<Systems development and integration services>

Net sales came to ¥6,084 million, down 1.0% compared to the same period a year ago, as a result of a decrease in sales of Sierra Solutions and the domestic Group companies, despite a sales increase at AFL. Operating income declined 74.2%, to ¥44 million.

<System operation and management services>

Net sales were ¥5,041 million, up 10.6% compared to the same period a year ago, primarily due to an increase in sales to major customers. Operating income came to ¥105 million, up 214.5%.

<BPO/BTO services>

Net sales were ¥3,063 million, up 4.7% compared to the same period a year ago, attributable to increases in sales of pharmaceutical development support services and human resources BPO services. Operating income came to ¥45 million, down 79.8% compared to the same period a year ago.

*BPO: Business Process Outsourcing

*BTO: Business Transformation Outsourcing

(2) Explanation of financial conditions

Total assets at the end of the first quarter of the consolidated fiscal year under review increased ¥1,325 million from the end of the previous fiscal year, to ¥51,670 million. Total liabilities rose ¥268 million from the end of the previous fiscal year, to ¥22,929 million.

Net assets increased ¥1,057 million from the end of the previous fiscal year, to ¥28,740 million, mainly due to increases in retained earnings of ¥134 million, valuation difference on available-for-sale securities of ¥680 million and non-controlling interests of ¥180 million.

(3) Explanation on forecasts of results of consolidated operations and other future prospects

At the time of this report, the forecast for the business results for the year ending December 31, 2017, that was released on February 14, 2017, remains unchanged.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Rounded down to the nearest million yen)

	FY2016 (As of December 31, 2016)	1st quarter FY2017 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	11,428	8,790
Notes and accounts receivable - trade	10,318	10,735
Securities	1,101	1,501
Merchandise	842	503
Work in process	762	604
Supplies	26	53
Deferred tax assets	337	394
Other	1,779	3,433
Allowance for doubtful accounts	(128)	(178)
Total current assets	26,468	25,837
Non-current assets		
Property, plant and equipment	1,731	1,634
Intangible assets		
Goodwill	2,296	2,342
Other	2,439	2,568
Total intangible assets	4,736	4,910
Investments and other assets		
Investment securities	13,735	15,489
Deferred tax assets	1,495	1,488
Other	2,201	2,331
Allowance for doubtful accounts	(24)	(21)
Total investments and other assets	17,408	19,287
Total non-current assets	23,876	25,832
Total assets	50,344	51,670
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,324	4,179
Short-term loans payable	3,322	3,520
Current portion of long-term loans payable	60	58
Income taxes payable	1,368	497
Provision for bonuses	309	945
Provision for loss on order received	20	20
Other	4,812	3,949
Total current liabilities	13,218	13,170
Non-current liabilities		
Long-term loans payable	2,373	2,375
Net defined benefit liability	3,964	4004
Deferred tax liabilities	2,609	2,895
Other	494	483
Total non-current liabilities	9,442	9,758
Total liabilities	22,661	22,929
Net assets		
Shareholders' equity		
Capital stock	3,702	3,702
Capital surplus	3,725	3,725
Retained earnings	16,373	16,508
Treasury shares	(2,909)	(2909)
Total shareholders' equity	20,892	21,026
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,869	6,549
Foreign currency translation adjustment	(253)	(185)
Remeasurements of defined benefit plans	169	163
Total accumulated other comprehensive income	5,785	6,527
Non-controlling interests	1,005	1,186
Total net assets	27,683	28,740
Total liabilities and net assets	50,344	51,670

(2) Consolidated statements of income and consolidated statement of comprehensive income

Consolidated first quarter results

(Rounded down to the nearest million yen)

	From January 1, 2016 to March 31, 2016	From January 1, 2017 to March 31, 2017
Net sales	13,632	14,189
Cost of sales	10,922	11,415
Gross profit	2,710	2,773
Selling, general and administrative expenses	2,276	2,578
Operating income	433	195
Non-operating income		
Interest income	1	2
Dividend income	8	8
Share of profit of entities accounted for using equity method	3	4
Other	12	28
Total non-operating income	26	44
Non-operating expenses		
Interest expenses	82	91
Commitment fee	4	5
Foreign exchange losses	49	39
Loss on investments in partnership	6	0
Other	13	21
Total non-operating expenses	155	158
Ordinary income	304	81
Extraordinary income		
Gain on sales of investment securities	98	1,137
Gain on sales of non-current assets	-	23
Total extraordinary income	98	1,161
Extraordinary losses		
Loss on business of subsidiaries and associates	317	-
Loss on liquidation of business	-	115
Other	1	4
Total extraordinary losses	318	120
Profit before income taxes	84	1,121
Income taxes - current	406	521
Income taxes - deferred	(117)	(61)
Total income taxes	288	459
Profit (loss)	(204)	662
Profit (loss) attributable to non-controlling interests	(139)	158
Profit (loss) attributable to owners of parent	(64)	503

Statement of comprehensive income

(Rounded down to the nearest million yen)

	From January 1, 2016 to March 31, 2016	From January 1, 2017 to March 31, 2017
Profit (loss)	Δ204	662
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ445	680
Foreign currency translation adjustment	Δ88	105
Remeasurements of defined benefit plans, net of tax	Δ1	Δ5
Total other comprehensive income	Δ535	780
Comprehensive income	Δ739	1,442
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	Δ579	1,245
Comprehensive income attributable to non-controlling interests	Δ160	197

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumptions)

None.

(Notes on a significant change in the amount of shareholders' equity)

None

(Notes on a significant change of subsidiaries)

None

(Particular accounting treatments)

None

(Change in accounting policy)

None

(Additional information)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued on March 28, 2016) is applied from the current first quarter of the current fiscal year.

(Segment information, etc.)

[Segment information]

(i) Outline of reportable segments

The reporting segments of the CAC Group are those units of the Group for which discrete financial information is available and for which the decision-making bodies of the Group regularly conduct reviews for the purpose of making decisions about resources to be allocated to the segments and assess the segments' performance.

The Group consists of segments by services, and the Systems Development and Integration Services, System Operation and Management Services and BPO/BTO Service are three reportable segments.

The contents of each reportable segment are as follows.

- Systems Development and Integration Services: System consulting, system development, system maintenance, infrastructure development and package integration
- System Operation and Management Services: System operation consulting, system operation, application operation, data center and help desk/call center
- BPO/BTO Services: Business process outsourcing and business transformation outsourcing

- (ii) Information on amounts of net sales and profit (loss) by reportable segment
The first quarter of the previous consolidated cumulative fiscal year
(January 1, 2016 to March 31, 2016)

(Unit: million yen)

	Reportable segment			Total
	Systems Development and Integration Services	System Operation and Management Services	BPO/BTO Services	
Net sales				
Net sales to external customers	6,148	4,557	2,926	13,632
Intersegment sales or transfers	—	—	—	—
Total	6,148	4,557	2,926	13,632
Segment profit (loss)	172	33	227	433

(Note) The total amount of segment profit (loss) corresponds to the amount of operating income in the quarterly consolidated income statement.

The first quarter of the consolidated cumulative fiscal year under review
(January 1, 2017 to March 31, 2017)

(Unit: million yen)

	Reportable segment			Total
	Systems Development and Integration Services	System Operation and Management Services	BPO/BTO Services	
Net sales				
Net sales to external customers	6,084	5,041	3,063	14,189
Intersegment sales or transfers	—	—	—	—
Total	6,084	5,041	3,063	14,189
Segment profit (loss)	44	105	45	195

(Note) The total amount of segment profit (loss) corresponds to the amount of operating income in the quarterly consolidated income statement.

(5) Material subsequent events

Not applicable

6. Supplementary Information

(1) Consolidated Orders Received by Segment

(Rounded down to the nearest million yen)

	Three months ended March 31, 2016		Three months ended March 31, 2017		YoY Change	
	Orders Received	Backlog	Orders Received	Backlog	Amount	%
Systems Development and Integration	5,708	2,592	6,146	2,347	437	7.7
Systems Operation and Management	4,666	6,526	5,391	6,556	724	15.5
BPO/BTO	4,307	10,410	4,707	10,059	400	9.3
Total	14,682	19,529	16,245	18,963	1,562	10.6

(note) Consumption tax is not included in the amount above.

(2) Consolidated Sales by Segment

(Rounded down to the nearest million yen)

	Three months ended March 31, 2016		Three months ended March 31, 2017		YoY Change	
	Amount	vs Total(%)	Amount	vs Total(%)	Amount	%
Systems Development and Integration	6,148	45.1	6,084	42.9	(63)	(1.0)
Systems Operation and Management	4,557	33.4	5,041	35.5	483	10.6
BPO/BTO	2,926	21.5	3,063	21.6	136	4.7
Total	13,632	100.0	14,189	100.0	556	4.1

(note) Consumption tax is not included in the amount above.

(3) Consolidated Sales by Customer Industry

(Rounded down to the nearest million yen)

	Three months ended March 31, 2016		Three months ended March 31, 2017		YoY Change	
	Amount	vs Total(%)	Amount	vs Total(%)	Amount	%
Financial services	1,941	14.2	1,883	13.3	(58)	(3.0)
Trust banks	1,035	7.6	1,099	7.8	64	6.2
Pharmaceuticals	4,500	33.0	4,135	29.1	(365)	(8.1)
Food services	979	7.2	902	6.4	(76)	(7.8)
Manufacturing	832	6.1	738	5.2	(93)	(11.3)
Service and others	4,343	31.9	5,429	38.2	1,085	25.0
Total	13,632	100.0	14,189	100.0	556	4.1

(note) Consumption tax is not included in the amount above.