

Note; This document is a partial translation of "Kessan Tanshin" for the Second Quarter of the Fiscal Year Ending December 31, 2017 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese version and any English translation of it, the Japanese version will govern.

**Summary of Financial Statements (Consolidated) for
the second quarter of the Fiscal Year Ending December 31, 2017
(Japanese GAAP)**

August 10, 2017

Company Name: CAC Holdings Corporation
 Stock Exchange: Tokyo Stock Exchange
 Code Number: 4725
 URL: <https://www.cac-holdings.com/>
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 Scheduled date of filing of quarterly securities report: August 14, 2017

(Note that all amounts are rounded down to the nearest million yen, unless otherwise specified)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2017
(January 1, 2017 through June 30, 2017)

(1) Consolidated Results of Operations (cumulative) (Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2017	28,177	5.6	406	(23.8)	321	(17.3)	550	-
Six months ended June 30, 2016	26,681	4.2	533	18.6	388	(16.2)	38	(94.8)

(Note) Comprehensive income

Six months ended June 30, 2017	1,952	million yen	(-%)
Six months ended June 30, 2016	(766)	million yen	(-%)

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Six months ended June 30, 2017	29.85	-
Six months ended June 30, 2016	1.95	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen sen
As of June 30, 2017	52,231	29,251	53.7	1,520.36
As of December 31, 2016	50,344	27,683	53.0	1,447.09

(Reference) Shareholders' equity As of June 30, 2017 28,028 million yen
 As of December 31, 2016 26,677 million yen

2. Dividends

	Dividend per share				
	End of the first 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	—	18.00			
Year ending December 31, 2017 (Forecast)			—	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 second 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 June 30, 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 June 30, 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 June 30, 2017	18,435,257 shares	As of June 30, 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

In the first half of the fiscal year under review (January 1, 2017 through June 30, 2017), the economy continued to enjoy a moderate expansion in the United States and Europe, aided by firm personal consumption and the strong performance of the manufacturing sector. In India, a country with which CAC Holdings Corporation and its consolidated subsidiaries (hereinafter the “CAC Group”) have close ties, high growth was expected to continue, despite the temporary confusion caused by the withdrawal of high-denomination banknotes.

The Japanese economy expanded moderately, reflecting increases in capital expenditures and exports as well as firm personal consumption. The IT service market in Japan remained solid, albeit with low growth. In the field of pharmaceutical development support, competition among companies was intensifying, but the market continued to grow.

In the current fiscal year, the CAC Group is working on several initiatives, such as making progress in the growing healthcare field, creating new technologies and new business domains, and expanding global operations in collaboration with CAC Group companies in Japan and overseas.

In terms of new technologies and new business domains, the CAC Group was advancing the commercialization of emotion recognition AI provided by Affectiva, Inc. (hereinafter “Affectiva”), in which CAC Holdings Corporation has invested through a corporate venture fund, as exemplified by the development of content for PR events of the latest Tokyo Metropolitan Assembly election by CAC Corporation, a subsidiary, in a joint initiative with Toppan Printing Co., Ltd. The CAC Group also stepped up its efforts to expand its global operations, with CAC Shanghai Corporation, a subsidiary in China, beginning to create the emotion AI market in China as a sales agent for Affectiva.

Consolidated net sales for the first half under review stood at ¥28,177 million, up 5.6% year on year, thanks to the recovery of Accel Frontline Limited (hereinafter “AFL”), a subsidiary in India, and growth in sales to some customers in Japan, offsetting a fall in sales of Sierra Solutions Pte. Ltd., a subsidiary in Singapore.

Consolidated operating income came to ¥406 million, down 23.8% year on year, reflecting an increase in selling, general and administrative expenses in the IT field in Japan and pharmaceutical development support services. Consolidated ordinary income amounted to ¥321 million, down 17.3% year on year, and consolidated net income attributable to owners of parent stood at ¥550 million, compared with consolidated net income attributable to owners of parent of ¥38 million in the same period of the previous fiscal year.

(ii) Financial results by business segment

<Systems development and integration services>

Consolidated net sales in the first half under review rose to ¥12,649 million, up 7.8% year on year, mainly due to growth in sales of AFL. Consolidated operating income came to ¥219 million, down 13.1% year on year.

<System operating and management services>

Consolidated net sales in the first half under review were ¥9,539 million, up 5.6% year on year, chiefly reflecting higher sales to some customers. Consolidated operating income rose to ¥170 million, up 90.5% year on year.

<BPO/BTO services>

Consolidated net sales in the first half under review remained almost unchanged from the first half of the previous fiscal year, rising 1.3% year on year, to ¥5,988 million. Consolidated operating income declined to ¥16 million, down 91.5% year on year.

(2) Explanation of the consolidated financial position

Consolidated total assets increased ¥1,886 million from the end of the previous fiscal year, to ¥52,231 million at the end of the second quarter under review. Consolidated liabilities climbed ¥318 million from the end of the previous fiscal year, to ¥22,979 million at the end of the second quarter under review.

Consolidated net assets rose ¥1,567 million from the end of the previous fiscal year, to ¥29,251 million, reflecting an increase of ¥181 million in retained earnings, a rise of ¥1,106 million in valuation difference on available-for-sale securities and an increase of ¥217 million in non-controlling interests.

(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 half FY2017 (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	11,428	9,543
Notes and accounts receivable - trade	10,318	10,716
Securities	1,101	2,501
Merchandise	842	627
Work in process	762	601
Supplies	26	73
Deferred tax assets	337	250
Other	1,779	1,836
Allowance for doubtful accounts	(128)	(198)
Total current assets	26,468	25,952
Non-current assets		
Property, plant and equipment	1,731	1,648
Intangible assets		
Goodwill	2,296	2,283
Other	2,439	2,753
Total intangible assets	4,736	5,037
Investments and other assets		
Investment securities	13,735	15,629
Deferred tax assets	1,495	1,507
Other	2,201	2,478
Allowance for doubtful accounts	(24)	(21)
Total investments and other assets	17,408	19,593
Total non-current assets	23,876	26,278
Total assets	50,344	52,231
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,324	4,472
Short-term loans payable	3,322	3,464
Current portion of long-term loans payable	60	59
Income taxes payable	1,368	509
Provision for bonuses	309	364
Provision for loss on order received	20	36
Other	4,812	4,174
Total current liabilities	13,218	13,079
Non-current liabilities		
Long-term loans payable	2,373	2,346
Net defined benefit liability	3,964	3,970
Deferred tax liabilities	2,609	3,085
Other	494	497
Total non-current liabilities	9,442	9,899
Total liabilities	22,661	22,979
Net assets		
Shareholders' equity		
Capital stock	3,702	3,702
Capital surplus	3,725	3,725
Retained earnings	16,373	16,555
Treasury shares	(2,909)	(2,909)
Total shareholders' equity	20,892	21,073
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,869	6,975
Foreign currency translation adjustment	(253)	(178)
Remeasurements of defined benefit plans	169	157
Total accumulated other comprehensive income	5,785	6,954
Non-controlling interests	1,005	1,222
Total net assets	27,683	29,251
Total liabilities and net assets	50,344	52,231

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

Consolidated second quarter results

(Rounded down to the nearest million yen)

	From January 1, 2016 to June 30, 2016	From January 1, 2017 to June 30, 2017
Net sales	26,681	28,177
Cost of sales	21,390	22,714
Gross profit	5,290	5,462
Selling, general and administrative expenses	4,756	5,056
Operating income	533	406
Non-operating income		
Interest income	10	11
Dividend income	176	169
Share of profit of entities accounted for using equity method	-	3
Other	20	48
Total non-operating income	207	232
Non-operating expenses		
Interest expenses	155	174
Commitment fee	8	21
Foreign exchange losses	136	43
Loss on investments in partnership	26	45
Share of loss of entities accounted for using equity method	3	-
Other	21	31
Total non-operating expenses	352	317
Ordinary income	388	321
Extraordinary income		
Gain on sales of investment securities	720	1,137
Gain on sales of non-current assets	-	23
Total extraordinary income	720	1,161
Extraordinary losses		
Impairment loss	-	33
Loss on business of subsidiaries and associates	602	-
Loss on liquidation of business	-	116
Other	11	3
Total extraordinary losses	613	153
Profit before income taxes	495	1,329
Income taxes - current	420	504
Income taxes - deferred	146	81
Total income taxes	567	586
Profit (loss)	(71)	742
Profit (loss) attributable to non-controlling interests	(110)	192
Profit attributable to owners of parent	38	550

Statement of comprehensive income

(Rounded down to the nearest million yen)

	From January 1, 2016 to June 30, 2016	From January 1, 2017 to June 30, 2017
Profit (loss)	△71	742
Other comprehensive income		
Valuation difference on available-for-sale securities	△433	1,106
Foreign currency translation adjustment	△252	115
Remeasurements of defined benefit plans, net of tax	△8	△11
Total other comprehensive income	△694	1,210
Comprehensive income	△766	1,952
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△603	1,719
Comprehensive income attributable to non-controlling interests	△163	233

(3) Consolidated Cash Flow

Consolidated second quarter results

(Rounded down to the nearest million yen)

	From January 1, 2016 to June 30, 2016	From January 1, 2017 to June 30, 2017
Cash flows from operating activities		
Profit before income taxes	495	1,329
Depreciation	345	439
Amortization of goodwill	107	105
Loss (gain) on sales of investment securities	(720)	(1,137)
Increase (decrease) in provision for bonuses	23	51
Increase (decrease) in allowance for doubtful accounts	(649)	65
Decrease (increase) in notes and accounts receivable - trade	1,704	(353)
Decrease (increase) in inventories	162	220
Increase (decrease) in notes and accounts payable - trade	(52)	1,132
Other, net	(18)	(726)
Subtotal	1,398	1,126
Interest and dividend income received	187	181
Interest expenses paid	(173)	(175)
Income taxes paid	(926)	(1,414)
Income taxes refund	79	24
Net cash provided by (used in) operating activities	565	(257)
Cash flows from investing activities		
Purchase of property, plant and equipment	(219)	(107)
Purchase of intangible assets	(281)	(546)
Net decrease (increase) in short-term investment securities	-	(400)
Purchase of investment securities	(122)	(1,118)
Proceeds from sales of investment securities	528	2,132
Payments for guarantee deposits	(21)	(11)
Proceeds from collection of guarantee deposits	54	0
Purchase of shares of subsidiaries and associates	(30)	-
Proceeds from sales of shares of subsidiaries and associates	-	14
Other, net	(10)	40
Net cash provided by (used in) investing activities	(103)	3
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	197	114
Proceeds from long-term loans payable	2	1
Repayments of long-term loans payable	(30)	(29)
Redemption of bonds	(150)	-
Repayments of lease obligations	(100)	(89)
Cash dividends paid	(314)	(368)
Dividends paid to non-controlling interests	(9)	(16)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(256)	(231)
Net cash provided by (used in) financing activities	(662)	(620)
Effect of exchange rate change on cash and cash equivalents	(72)	(10)
Net increase (decrease) in cash and cash equivalents	(272)	(884)
Cash and cash equivalents at beginning of period	9,101	11,268
Cash and cash equivalents at end of period	8,828	10,383

(4) 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)

(Application of the Guidance on Recoverability of Deferred Tax Assets)

The Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, issued on March 28, 2016) is applied from the first quarter of the current fiscal year.

(Application of the consolidated taxation system)

The consolidated taxation system is applied to CAC Holdings Corporation and certain of its consolidated subsidiaries from the first quarter of the current fiscal year.

(Segment information, etc.)

(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 Second quarter of the previous consolidated cumulative fiscal year
(January 1, 2016 to June 30, 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	11,729	9,037	5,913	26,681
Intersegment sales or transfers	—	—	—	—
Total	11,729	9,037	5,913	26,681
Segment profit (loss)	252	89	191	533

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

The Second quarter of the consolidated cumulative fiscal year under review
(January 1, 2017 to June 30, 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	12,649	9,539	5,988	28,177
Intersegment sales or transfers	—	—	—	—
Total	12,649	9,539	5,988	28,177
Segment profit (loss)	219	170	16	406

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

(Material subsequent events)

Business divestiture

Accel Frontline Limited (headquartered in Chennai, India; hereinafter “AFL”), a consolidated subsidiary of CAC Holdings Corporation, resolved at a meeting of its Board of Directors held on May 26, 2017 to transfer its entire holding of Accel Systems & Technologies Pte. Ltd. (headquartered in Singapore; hereinafter “ASTL”) to StarHub Ltd and concluded a share transfer agreement on the same day.

Because the share transfer procedures were completed on July 10, 2017, it was decided that ASTL would be excluded from the scope of consolidation.

(1) Overview of the business divestiture

- (i) Name and business of the consolidated subsidiary (sub-subsidiary) to be divested

Name: Accel Systems & Technologies Pte. Ltd.

Business: Building and provision of cyber security systems

(ii) Name of the purchaser

StarHub Ltd

(iii) Main reasons for the business divestiture

ASTL is a Singaporean company whose core business is the building of cyber security systems and provides the Singaporean government agencies with the systems. AFL acquired the shares of ASTL in April 2012 and made it a consolidated subsidiary. However, AFL judged that it would need to refine its business focus in order to boost its performance, and so decided to transfer its entire holding of ASTL to StarHub Ltd. Going forward, AFL will expand its business by concentrating its resources on the core businesses of IT infrastructure services, software services and product guarantee services.

(iv) Date of business divestiture

July 10, 2017

(v) Overview of transaction including legal form

Transfer of shares in exchange for cash or other compensation

(2) Overview of accounting treatment

The transaction will be accounted for based on the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on September 13, 2013).

(3) Business segment in which the divested business was included

Systems development and integration services

(4) Estimated amount of profit and loss pertaining the divested business reported on the consolidated statement of income for the first half of the fiscal year under review

Net sales: ¥931 million

Operating income: ¥177 million

6. Supplementary Information

(1) Consolidated Orders Received by Segment

(Rounded down to the nearest million yen)

	Six months ended June 30, 2016		Six months ended June 30, 2017		YoY Change	
	Orders Received	Backlog	Orders Received	Backlog	Amount	%
Systems Development and Integration	10,853	2,155	12,637	2,273	1,784	16.4
Systems Operation and Management	8,899	6,278	9,419	6,087	520	5.9
BPO/BTO	5,762	8,899	6,347	8,774	585	10.2
Total	25,515	17,334	28,405	17,135	2,890	11.3

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

(2) Consolidated Sales by Segment

(Rounded down to the nearest million yen)

	Six months ended June 30, 2016		Six months ended June 30, 2017		YoY Change	
	Amount	vs Total(%)	Amount	vs Total(%)	Amount	%
Systems Development and Integration	11,729	44.0	12,649	44.9	919	7.8
Systems Operation and Management	9,037	33.9	9,539	33.9	501	5.6
BPO/BTO	5,913	22.1	5,988	21.2	74	1.3
Total	26,681	100.0	28,177	100.0	1,496	5.6

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

(3) Consolidated Sales by Customer Industry

(Rounded down to the nearest million yen)

	Six months ended June 30, 2016		Six months ended June 30, 2017		YoY Change	
	Amount	vs Total(%)	Amount	vs Total(%)	Amount	%
Financial services	3,853	14.4	4,120	14.6	266	6.9
Trust banks	2,160	8.1	2,074	7.4	△85	△4.1
Pharmaceuticals	8,820	33.1	7,909	28.1	△910	△10.3
Food services	1,902	7.1	1,709	6.1	△192	△10.1
Manufacturing	1,525	5.7	1,574	5.6	49	3.2
Service and others	8,418	31.6	10,788	38.2	2,370	28.2
Total	26,681	100.0	28,177	100.0	1,496	5.6

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