

Note: This document is a partial translation of "Kessan Tanshin" for the First quarter of the Fiscal Year Ended December 31, 2018 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 First Quarter of the Fiscal Year Ended December 31, 2018
(Japanese GAAP)**

May 11, 2018

Company Name: CAC Holdings Corporation
 Stock Exchange: Tokyo Stock Exchange
 Code Number: 4725
 URL: <https://www.cac-holdings.com/>
 Representative: Akihiko Sako, President and Chief Executive Officer
 Contacts: Iori Sakai, Group Manager, Enterprise Value Up Group, Corporate Planning Dept.
 Tel: +81-3-6667-8010
 Scheduled date of dividend payment: -
 Scheduled date to submit the annual securities report(Yukashoken Hokokusho): May 14, 2018
 Supplementary documents for financial results: None
 Financial results briefing: None

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ended December 31, 2018
(January 1, 2018 through March 31, 2018)

(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	%
Three month ended May 31, 2018	12,391	(12.7)	220	12.6	143	76.1	97	(80.5)
Three month ended May 31, 2017	14,189	4.1	195	(54.9)	81	(73.3)	503	-

(Note) Comprehensive income

Three month ended March 31, 2018 (936) million yen (—%)

Three month ended March 31, 2017 1,442 million yen (—%)

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Three month ended May 31, 2018	5.31	—
Three month ended May 31, 2017	27.30	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2018	51,927	31,149	58.6
As of December 31, 2017	54,125	32,429	58.6

(Reference) Shareholders' equity As of March 31, 2018 30,454 million yen
 As of December 31, 2017 31,715 million yen

2. Dividends

	Dividend per share				Total dividends
	End of the first quarter	End of the second quarter	End of the third quarter	Year end Annual	
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
Year ended December 31, 2017	-	18.00	-	18.00	36.00
Year ending December 31, 2018	-				
Year ending December 31, 2018 (Forecast)		19.00	-	19.00	38.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year ended December 31, 2018 (January 1, 2018 through December 31, 2018)

(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	1.4	1,600	129.1	1,500	108.9	1,100	(0.0)	59.67

(Note) Revisions to dividends forecast published most recently: No
Earning forecast for the second quarter will not be disclosed because we manage performance on annual basis.

※Notes

(1) Important changes in subsidiaries for the First Quarter of the fiscal year ended December 31, 2018 (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, 2018	21,541,400 shares	As of December 31, 2017	21,541,400 shares
(ii) Total number of treasury stock as of the end of each period:	As of March 31, 2018	3,106,143 shares	As of December 31, 2017	3,106,143 shares
(iii) Average number of issued shares for each period (cumulative period)	As of March 31, 2018	18,435,257 shares	As of March 31, 2017	18,435,257 shares

*The 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 for the First Quarter of the Fiscal Year Ending December 2018

(1) Explanation of operating results

As CAC Holdings Corporation (the “Company”) announced in “Notice of Change of Reportable Segments” released on May 11, 2018, the Company changed its reportable segments beginning in the first three months of the consolidated fiscal year under review. The results for the same period of the previous year presented in this report have been reorganized into the new segments.

(i) Overview

During the first quarter of the fiscal year under review (January 1 to March 31, 2018; the “first quarter under review”), the CAC Group focused on raising the profitability of its existing business and creating new business areas and new technologies based on a new medium-term strategy that started in the fiscal year under review.

In the existing business, the Company continued its efforts to increase profitability, primarily in the CRO segment, by, for instance, terminating low-profit projects and reducing expenses.

As a new business, the Company began entering the inbound tourism industry. It has accelerated activities such as investment in a restaurant booking and payment service provider targeting foreign tourists visiting Japan and an alliance with a Chinese venture capital with the aim of discovering and tying up with inbound-tourism-related companies. The Company has also established a corporate venture capital fund targeting Japanese companies and initiated investments in startups.

Net sales in the first quarter under review decreased 12.7% year on year, to ¥12,391 million, mainly reflecting the deconsolidation of two overseas subsidiaries that had been sold in the previous fiscal year due to the restructuring of the Company’s overseas business, reduced earnings achieved by the Indian subsidiary, a fall in sales of hardware targeting major accounts in Japan, and a decrease in system projects with financial institutions.

Operating profit and ordinary profit increased to ¥220 million (12.6% year on year) and ¥143 million (76.1% year on year), respectively, thanks largely to a rise in profit from the CRO business as a result of improved earning power, which offset the decrease in sales. Profit attributable to owners of parent fell 80.5% year on year, to ¥97 million, due chiefly to a decline in gain on sales of investment securities.

(ii) Overview by business segment

Results by segment are as follows. The net sales presented in this report represent the net value of goods and services sold to external customers.

(Unit:million)

	Three month ended March 31, 2017		Three month ended March 31, 2018		YoY Change	
	Net Sales	Segment Profit	Net Sales	Segment Profit	Net Sales	Segment Profit
Domestic IT	7,981	293	7,352	187	(692)	(106)
Overseas IT	3,414	(146)	2,166	(224)	(1,248)	(78)
CRO	2,793	48	2,873	257	80	209
TOTAL	14,189	195	12,391	220	(1,797)	24

< Domestic IT >

Net sales decreased 7.9% year on year, to ¥7,352 million, mainly as a result of a decrease in sales of hardware to major accounts and sales to financial institutions. Segment profit came to ¥187 million with a 36.2% year-on-year decline, attributable largely to reduced sales.

< Overseas IT >

Net sales stood at ¥2,166 million, down 36.6% year on year, due to factors such as business restructuring in the previous fiscal year and a fall in sales made by subsidiaries in India and the US. The reduced sales caused a segment loss of ¥224 million (the segment incurred a loss of ¥146 million in the same period of the previous year).

< CRO >

Net sales remained at the same level as those in the same period of the previous year, totaling ¥2,873 million (up 2.9% year on year). Segment profit grew 433.8% year on year, to ¥257 million, thanks to the termination of low-profit projects, the reduction of expenses, and other efforts.

(2) Explanation of financial position

Total assets at the end of the first quarter of the fiscal year under review amounted to ¥51,927 million after a decrease of ¥2,198 million from the end of the previous fiscal year. Total liabilities declined ¥918 million from the end of the previous fiscal year to become ¥20,778 million. Net assets fell ¥1,279 million from the end of the previous fiscal year, totaling ¥31,149 million, which was caused by decreases including ¥233 million in retained earnings and ¥1,021 million in valuation difference on available-for-sale securities.

(3) Explanation of forward-looking information including forecast of consolidated results

As of the time of this report, the forecasts of the full-year business results for the fiscal year ending December 31, 2018, which were announced on February 14, 2018, remain unchanged.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Rounded down to the nearest million yen)

	FY2017 (As of December 31, 2017)	FY2018 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	8,551	7,814
Notes and accounts receivable - trade	10,440	9,263
Securities	1,500	1,300
Merchandise	641	238
Work in process	527	588
Supplies	23	29
Deferred tax assets	231	385
Other	2,408	2,971
Allowance for doubtful accounts	239	276
Total current assets	24,084	22,314
Non-current assets		
Property, plant and equipment	1,392	1,338
Intangible assets		
Goodwill	1,054	1,016
Other	2,816	2,809
Total intangible assets	3,871	3,826
Investments and other assets		
Investment securities	20,788	20,782
Deferred tax assets	1,519	1,290
Other	2,612	2,517
Allowance for doubtful accounts	142	142
Total investments and other assets	24,777	24,448
Total non-current assets	30,041	29,613
Total assets	54,125	51,927
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,431	3,354
Short-term loans payable	2,794	2,411
Current portion of long-term loans payable	62	60
Income taxes payable	371	520
Provision for bonuses	322	981
Provision for loss on order received	17	35
Other	4,121	3,597
Total current liabilities	11,120	10,961
Non-current liabilities		
Long-term loans payable	2,084	2,056
Net defined benefit liability	3,488	3,455
Deferred tax liabilities	4,528	3,873
Other	473	431
Total non-current liabilities	10,576	9,816
Total liabilities	21,696	20,778
Net assets		
Shareholders' equity		
Capital stock	3,702	3,702
Capital surplus	3,725	3,725
Retained earnings	16,773	16,539
Treasury shares	2,909	2,909
Total shareholders' equity	21,291	21,058
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,004	8,982
Foreign currency translation adjustment	55	49
Remeasurements of defined benefit plans	474	462
Total accumulated other comprehensive income	10,423	9,396
Non-controlling interests	713	694
Total net assets	32,429	31,149
Total liabilities and net assets	54,125	51,927

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

Consolidated quarterly results

(Rounded down to the nearest million yen)

	From January 1, 2017 to March 31, 2017	From January 1, 2018 to March 31, 2018
Net sales	14,189	12,391
Cost of sales	11,415	9,899
Gross profit	2,773	2,491
Selling, general and administrative expenses	2,578	2,271
Operating profit	195	220
Non-operating income		
Interest income	2	1
Dividend income	8	12
Share of profit of entities accounted for using equity method	4	2
Other	28	77
Total non-operating income	44	94
Non-operating expenses		
Interest expenses	91	68
Commitment fee	5	0
Foreign exchange losses	39	83
Loss on investments in partnership	0	6
Other	21	12
Total non-operating expenses	158	171
Ordinary profit	81	143
Extraordinary income		
Gain on sales of investment securities	1,137	318
Gain on sales of non-current assets	23	-
Total extraordinary income	1,161	318
Extraordinary losses		
Loss on liquidation of business	115	163
Other	4	0
Total extraordinary losses	120	164
Profit before income taxes	1,121	297
Income taxes - current	521	343
Income taxes - deferred	61	137
Total income taxes	459	206
Profit	662	91
Profit (loss) attributable to non-controlling interests	158	6
Profit attributable to owners of parent	503	97

Consolidated statement of comprehensive income

Consolidated quarterly results

(Rounded down to the nearest million yen)

	From January 1, 2017 to March 31, 2017	From January 1, 2018 to March 31, 2018
Profit	662	91
Other comprehensive income		
Valuation difference on available-for-sale securities	680	1,021
Foreign currency translation adjustment	105	5
Remeasurements of defined benefit plans, net of tax	5	11
Total other comprehensive income	780	1,028
Comprehensive income	1,442	936
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,245	929
Comprehensive income attributable to non-controlling interests	197	7

(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

(Segment information, etc.)

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

Information on amounts of net sales and profit (loss) by reportable segment

(Unit: million yen)

	Reportable segment				Adjustment	Amount on quarterly consolidated statement of income
	Domestic IT	Overseas IT	CRO	Total		
Net sales						
Net sales to external customers	7,981	3,414	2,793	14,189	-	14,189
Intersegment sales or transfers	157	410	1	569	(569)	-
Total	8,139	3,824	2,794	14,758	(569)	14,189
Segment profit (loss)	293	(146)	48	195	-	195

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

II The first quarter of the previous consolidated cumulative fiscal year (January 1, 2018 to March 31, 2018)

1. Information on amounts of net sales and profit (loss) by reportable segment

(Unit: million yen)

	Reportable segment				Adjustment	Amount on quarterly consolidated statement of income
	Domestic IT	Overseas it	CRO	Total		
Net sales						
Net sales to external customers	7,352	2,166	2,873	12,391	-	12,391
Intersegment sales or transfers	63	420	1	485	(485)	-
Total	7,415	2,586	2,874	12,876	(485)	12,391
Segment profit (loss)	187	(224)	257	220	-	220

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

2. Changes in reportable segments, etc.

The Company has established a new medium-term management strategy with the fiscal year under review as the first year, and has changed the targets, measures, and management divisions of performance evaluation. Because of this change, the Company has reorganized its reportable segments from the conventional three segments of Systems Development and Integration Services, System Operation and Management Services, and BPO/BTO Services to the three new segments of Domestic IT, Overseas IT and CRO, which will take effect in the first quarter of the fiscal year

under review. The segment information for the first quarter of the previous fiscal year presented in this report has been prepared based on the reportable segments after the change.

(Material subsequent events)

Not applicable

3. Supplementary Information

(1) Consolidated Orders Received by Segment

(Rounded down to the nearest million yen)

	Three month ended May 31, 2017		Three month ended May 31, 2018		YoY Change	
	Orders Received	%	Orders Received	%	Amount	%
Domestic IT	8,678	53.4	8,084	46.0	(593)	(6.8)
Overseas IT	3,357	20.7	5,145	29.2	1,787	53.2
CRO	4,209	25.9	4,355	24.8	146	3.5
Total	16,245	100.0	17,585	100.0	1,340	8.3

(note) The above amounts do not include consumption taxes. In addition, it represents orders received to external customers.

(2) Consolidated Orders Baglog by Segment

(Rounded down to the nearest million yen)

	Three month ended May 31, 2017		Three month ended May 31, 2018		YoY Change	
	Orders Received	Vs total	Orders Received	Vs total	Amount	%
Domestic IT	7,738	40.8	7,474	35.8	(264)	(3.4)
Overseas IT	2,198	11.6	4,209	20.2	2,010	91.4
CRO	9,025	47.6	9,177	44.0	151	1.7
Total	18,963	100.0	20,861	100.0	1,897	10.9

(note) The above amounts do not include consumption taxes. In addition, it represents orders Baglog to external customers.

(3) Consolidated Sales by Customer Industry

(Rounded down to the nearest million yen)

	Three month ended March 31, 2017		Three month ended March 31, 2018		YoY Change	
	Amount	vs Total(%)	Amount	vs Total(%)	Amount	%
Financial services	1,883	13.3	1,373	11.1	(509)	(27.1)
Trust banks	1,099	7.8	1,008	8.1	(91)	(8.3)
Pharmaceuticals	4,135	29.1	4,163	33.6	28	0.7
Food services	902	6.4	731	5.9	(171)	(19.0)
Manufacturing	738	5.2	856	6.9	118	16.0
Service and others	5,429	38.2	4,256	34.4	(1,172)	(21.6)
Total	14,189	100.0	12,391	100.0	(1,797)	(12.7)

(note) The above amounts do not include consumption taxes. In addition, it represents Net sales to external customers.

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