

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

November 9, 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: No
 Scheduled date to submit the annual securities report(Yukashoken Hokokusho): November 13, 2018
 Supplementary documents for financial results: No
 Financial results briefing: No

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2018
(January 1, 2018 through September 30, 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	%
Nine month ended September 30, 2018	37,394	(7.2)	881	84.6	811	105.5	468	(32.9)
Nine month ended September 30, 2017	40,295	3.3	477	(39.6)	394	(27.4)	697	(66.0)

(Note) Comprehensive income

Nine month ended September 30, 2018 3,551 million yen (-12.3%)
 Nine month ended September 30, 2017 4,047 million yen (-%)

	Net income per share	Net income per share (fully diluted)
	Yen Sen	Yen Sen
Nine month ended September 30, 2018	25.40	—
Nine month ended September 30, 2017	37.83	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Total assets Per share
	Million yen	Million yen	%	Yen sen
As of September 30, 2018	57,090	35,287	60.6	1,875.98
As of December 31, 2017	54,125	32,429	58.6	1,720.38

(Reference) Shareholders' equity As of September 30, 2018 34,584 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	
Year ended December 31, 2017	Yen Sen -	Yen Sen 18.00	Yen Sen -	Yen Sen 18.00	Yen Sen 36.00
Year ending December 31, 2018	-	19.00			
Year ending December 31, 2018 (Forecast)			-	19.00	38.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending 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

※Notes

- (1) Important changes in subsidiaries for the Third 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 September 30, 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 September 30, 2018	3,106,145 shares	As of December 31, 2017	3,106,143 shares
(iii) Average number of issued shares for each period (cumulative period)	As of September 30, 2018	18,435,257 shares	As of September 30, 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 Third Quarter of the Fiscal Year Ending December 2018

(1) Explanation of operating results

As announced in the Notice of Change of Reportable Segments on May 11, 2018, the CAC Group changed its reportable segments, starting with the first quarter of the fiscal year ending December 31, 2018. The change also applied to figures for the same period of the previous fiscal year presented after reclassification into new segments.

(i) Overview

In the nine months of the consolidated fiscal year under review (January 1, 2018 through September 30, 2018, hereinafter, the “third-quarter period”), the CAC Group focused on improving earnings power in existing businesses as well as creating and expanding new business domains and new technologies based on the medium-term strategy that the Group implemented from this fiscal year.

In terms of existing businesses, progress was made on initiatives for improving earnings power, such as the termination of low-profit projects and rationalization of expenses, mainly for the CRO business. In addition, the Group started to provide *Automotive AI*, a technology that is expected to be applied to the next-generation driver monitoring system, following the *Kokoro sensor*, a video analysis service that utilizes an emotion recognition technology. Through such efforts, it is promoting businesses that make use of digital technologies.

As for new business domains, in addition to investment in inbound-related companies, the Group worked to invest in start-ups by forming Japanese corporate venture capital funds.

Net sales in the third-quarter period under review decreased 7.2% year on year, to ¥37,394 million, mainly due to reduced earnings recorded by overseas IT businesses, including the impact of the deconsolidation of two overseas subsidiaries sold in the previous fiscal year as a result of the restructuring of overseas businesses as well as a decline in revenues in the domestic IT business.

On the profit side, operating profit and ordinary profit increased to ¥881 million (84.6% year on year) and ¥811 million (105.5% year on year), respectively, largely due to improved earnings power in the CRO business, despite the impact of decreased sales. Profit attributable to owners of parent declined 32.9% year on year, to ¥468 million, chiefly due to a decline in gains 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)

	Nine month ended September 30, 2017		Nine month ended September 30, 2018		YoY Change	
	Net Sales	Segment Profit	Net Sales	Segment Profit	Net Sales	Segment Profit
Domestic IT	22,414	714	21,689	537	(725)	(177)
Overseas IT	9,614	(365)	7,455	(226)	(2,159)	139
CRO	8,267	128	8,250	570	(16)	441
TOTAL	40,295	477	37,394	881	(2,901)	404

< Domestic IT >

Net sales decreased 3.2% year on year, to ¥21,689 million, mainly as a result of a decrease in sales of hardware to major accounts and sales to financial institutions. Segment profit came to ¥537 million or a decline of 24.8% year on year.

< Overseas IT >

Net sales stood at ¥7,455 million, down 22.5% year on year, due to factors such as the impact of the business restructuring in the previous fiscal year and a fall in sales recorded by subsidiaries in India and the U.S. Segment profit came to ¥226 million (the segment incurred a loss of ¥365 million in the same period of the previous year).

< CRO >

Net sales remained almost unchanged from the same period of the previous year, totaling ¥8,250 million yen (down 0.2% year on year). Segment profit grew 344.0%, to ¥570 million, mainly due to the termination of low-profit projects and the reduction of expenses.

(2) Explanation of financial position

Total assets at the end of the third quarter of the fiscal year under review increased ¥2,964 million from the end of the previous fiscal year, to ¥57,090 million. Total liabilities came to ¥21,803 million after an increase of ¥106 million from the end of the previous fiscal year. Net assets increased ¥2,857 million from the end of the previous fiscal year, to ¥35,287 million, mainly reflecting a decrease of ¥213 million in retained earnings, which offset an increase of ¥3,111 million yen in valuation difference on securities available for sale.

(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 September 30, 2018)
Assets		
Current assets		
Cash and deposits	8,551	7,959
Notes and accounts receivable - trade	10,440	8,440
Securities	1,500	1,300
Merchandise	641	240
Work in process	527	738
Supplies	23	12
Deferred tax assets	231	440
Other	2,408	2,020
Allowance for doubtful accounts	(239)	(281)
Total current assets	24,084	20,869
Non-current assets		
Property, plant and equipment	1,392	1,286
Intangible assets		
Goodwill	1,054	941
Other	2,816	2,830
Total intangible assets	3,871	3,771
Investments and other assets		
Investment securities	20,788	27,822
Deferred tax assets	1,519	1,191
Other	2,612	2,290
Allowance for doubtful accounts	(142)	(142)
Total investments and other assets	24,777	31,162
Total non-current assets	30,041	36,220
Total assets	54,125	57,090
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,431	3,130
Short-term loans payable	2,794	2,027
Current portion of long-term loans payable	62	59
Income taxes payable	371	526
Provision for bonuses	322	1,083
Provision for loss on order received	17	56
Other	4,121	3,460
Total current liabilities	11,120	10,344
Non-current liabilities		
Long-term loans payable	2,084	2,025
Net defined benefit liability	3,488	3,248
Deferred tax liabilities	4,528	5,697
Other	473	486
Total non-current liabilities	10,576	11,459
Total liabilities	21,696	21,803
Net assets		
Shareholders' equity		
Capital stock	3,702	3,702
Capital surplus	3,725	3,725
Retained earnings	16,773	16,559
Treasury shares	(2,909)	(2,909)
Total shareholders' equity	21,291	21,078
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,004	13,115
Foreign currency translation adjustment	(55)	(49)
Remeasurements of defined benefit plans	474	439
Total accumulated other comprehensive income	10,423	13,506
Non-controlling interests	713	702
Total net assets	32,429	35,287
Total liabilities and net assets	54,125	57,090

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

Consolidated statements of income

(Rounded down to the nearest million yen)

	From January 1, 2017 to September 30, 2017	From January 1, 2018 to September 30, 2018
Net sales	40,295	37,394
Cost of sales	32,417	29,836
Gross profit	7,878	7,558
Selling, general and administrative expenses	7,400	6,676
Operating profit	477	881
Non-operating income		
Interest income	15	26
Dividend income	175	116
Share of profit of entities accounted for using equity method	4	4
Other	98	119
Total non-operating income	294	266
Non-operating expenses		
Interest expenses	240	193
Commitment fee	22	2
Foreign exchange losses	30	54
Loss on investments in partnership	38	60
Other	44	25
Total non-operating expenses	376	336
Ordinary profit	394	811
Extraordinary income		
Gain on sales of investment securities	1,137	370
Gain on sales of shares of subsidiaries and associates	992	-
Gain on sales of non-current assets	23	-
Total extraordinary income	2,153	370
Extraordinary losses		
Impairment loss	1,153	-
Loss on liquidation of business	116	158
Other	3	1
Total extraordinary losses	1,273	159
Profit before income taxes	1,274	1,022
Income taxes - current	1,009	648
Income taxes - deferred	(587)	(98)
Total income taxes	421	549
Profit	853	472
Profit attributable to non-controlling interests	155	4
Profit attributable to owners of parent	697	468

Consolidated statement of comprehensive income

(Rounded down to the nearest million yen)

	From January 1, 2017 to September 30, 2017	From January 1, 2018 to September 30, 2018
Profit	853	472
Other comprehensive income		
Valuation difference on available-for-sale securities	3,064	3,111
Foreign currency translation adjustment	147	2
Remeasurements of defined benefit plans, net of tax	17	35
Total other comprehensive income	3,194	3,078
Comprehensive income	4,047	3,551
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,847	3,550
Comprehensive income attributable to non-controlling interests	200	0

(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 third quarter of the previous consolidated cumulative fiscal year (January 1, 2017 to September 30, 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	22,414	9,614	8,267	40,295	-	40,295
Intersegment sales or transfers	378	1,227	4	1,610	(1,610)	-
Total	22,792	10,842	8,271	41,906	(1,610)	40,295
Segment profit (loss)	714	(365)	128	477	-	477

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

II The third quarter of the consolidated cumulative fiscal year (January 1, 2018 to September 30, 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	21,689	7,455	8,250	37,394	-	37,394
Intersegment sales or transfers	216	1,221	4	1,442	(1,442)	-
Total	21,905	8,676	8,254	38,837	(1,442)	37,394
Segment profit (loss)	537	(226)	570	881	-	881

(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 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 third 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)

	Nine month ended September 30, 2017		Nine month ended September 30, 2018		YoY Change	
	Amount	vs total(%)	Amount	vs total(%)	Amount	%
Domestic IT	23,079	55.8	22,333	59.0	(745)	(3.2)
Overseas IT	9,289	22.4	8,111	21.4	(1,178)	(12.7)
CRO	9,012	21.8	7,403	19.6	(1,609)	(17.9)
Total	41,381	100.0	37,848	100.0	(3,532)	(8.5)

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

(2) Consolidated Orders Backlog by Segment

(Rounded down to the nearest million yen)

	Nine month ended September 30, 2017		Nine month ended September 30, 2018		YoY Change	
	Amount	vs total(%)	Amount	vs total(%)	Amount	%
Domestic IT	7,707	42.9	7,386	45.8	(320)	(4.2)
Overseas IT	1,930	10.7	1,896	11.8	(34)	(1.8)
CRO	8,354	46.4	6,847	42.4	(1,507)	(18.0)
Total	17,993	100.0	16,130	100.0	(1,862)	(10.4)

(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)

	Nine month ended September 30, 2017		Nine month ended September 30, 2018		YoY Change	
	Amount	vs Total(%)	Amount	vs Total(%)	Amount	%
Financial services	5,800	14.4	4,771	12.8	(1,028)	(17.7)
Trust banks	3,050	7.6	3,148	8.4	98	3.2
Pharmaceuticals	11,824	29.3	11,908	31.8	84	0.7
Food services	2,406	6.0	2,053	5.5	(353)	(14.7)
Manufacturing	2,432	6.0	2,768	7.4	336	13.8
Service and others	14,781	36.7	12,743	34.1	(2,038)	(13.8)
Total	40,295	100.0	37,394	100.0	(2,901)	(7.2)

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

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