Note; This document is a partial translation of "Kessan Tanshin" for 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 Fiscal Year Ended December 31, 2018 (Japanese GAAP)

February 14, 2019

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, Chief Manager, Enterprise Value Up Group, Corporate Planning Dept.
Tel: +81-3-6667-8010
Scheduled date of Annual General Meeting of Shareholders: March 27, 2019
Scheduled date of dividend payment: March 28, 2019
Scheduled date to submit the annual securities report(Yukashoken Hokokusho):March 28, 2019
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for institutional investors and analyst)

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 (January 1, 2018 through December 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	%
Year ended December 31, 2018	49,906	(6.3)	1,426	104.3	1,368	90.6	1,319	19.9
year ended December 31, 2017	53,268	1.4	698	(41.9)	717	(23.4)	1,100	(46.0)

(Note) Comprehensive income
Year ended December 31, 2018 (2,878)million yen (―%)
Year ended December 31, 2017 5,931 million yen (―%)

	Net income per share	Net income per share (fully diluted)	Return on Equity	Total assets Ordinary income ratio	Net sales Operating income ratio
	Yen	Yen	%	%	%
Year ended December 31, 2018	71.57	–	4.4	2.7	2.9
Year ended December 31,2017	59.69	–	3.8	1.4	1.3

(Reference) Equity gains of affiliated companies As of December 31, 2018 4 million yen
As of December 31, 2017 4 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Total assets Per share
	Million yen	Million yen	%	Yen sen
As of December 31, 2018	47,176	28,857	59.7	1,527.13
As of December 31, 2017	54,125	32,429	58.6	1,720.38

(Reference) Shareholders' equity As of December 31, 2018 28,152 million yen
As of December 31, 2017 31,715 million yen

(3) Consolidated Financial Position

	Cash flows from Operating activities	Cash flows from investing activities	Cash flows from Financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
As of December 31, 2018	3,276	2,362	(2,310)	11,725
As of December 31, 2017	(1,014)	307	(2,196)	8,389

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Net asset dividend rate (consolidated)
	End of the first quarter	End of the second quarter	End of the third quarter	End of the fourth quarter	Year end Annual			
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Million yen	%	%
Year ended December 31, 2017	-	18.00	-	18.00	36.00	663	60.3	2.3
Year ended December 31, 2018	-	19.00		19.00	38.00	700	53.1	2.3
Year ending December 31, 2019 (Forecast)		25.00	-	25.00	50.00		62.7	

3. Forecast of Consolidated Financial Results for the Fiscal Year ending December 31, 2019
(January 1, 2019 through December 31, 2019)

(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	52,000	4.2	2,000	40.2	1,900	38.9	1,350	2.3	79.72

(Note) Earning forecast for the second quarter will not be disclosed because we manage performance on annual basis.

※At the Board of Directors meeting held today, the Company resolved to acquire treasury stock. With regard to “Net income per share” in the consolidated earnings forecast, we have taken into consideration the impact of the share repurchase. For details, please refer to the Notice of Determination of Matters concerning the Acquisition of Treasury Stock, which is disclosed today.

※Notes

(1) Important changes in subsidiaries for the fiscal year ended December 31, 2018 (changes in specified subsidiaries resulting in a change in the scope of consolidation): Not applicable

(2) 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

(3) Number of shares outstanding (common stock)

(i) Total number of shares outstanding (including treasury stock) as of the end of each period:	As of December 30, 2018	20,541,400 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 December 30, 2018	2,106,145 shares	As of December 31, 2017	3,106,143 shares
(iii) Average number of issued shares for each period (cumulative period)	As of December 30, 2018	18,435,256 shares	As of June 30, 2017	18,435,257 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2018
 (January 1, 2018 through December 31, 2018)

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

	Net sales		Operating income		Ordinary income		**Net income**	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2018	1,325	(3.2)	(72)	-	(139)	-	2,373	358.1
Year ended December 31, 2017	1,368	(2.3)	172	(21.3)	487	23.6	518	(80.3)

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Year ended December 31, 2018	128.77	–
Year ended December 31,2017	28.11	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Total assets Per share
	Million yen	Million yen	%	Yen sen
As of December 31, 2018	31,206	26,649	85.4	1,445.58
As of December 31, 2017	33,599	28,574	85.0	1,549.99

(Reference) Shareholders' equity As of December 31, 2018 26,649 million yen
As of December 31, 2017 28,574 million yen

*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.

・Financial result briefing for institutional investors and analyst is scheduled to be held on February 14, 2019. Material in the briefing is posted on the CAC Holdings website.

4. Qualitative Information on Financial Results

(1) Summary of business results for the fiscal year under review

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 starting from the first quarter of the consolidated fiscal year under review. The results for the previous fiscal year presented in this report have been reorganized into the new segments.

(i) Overview

In the consolidated fiscal year under review (January 1, 2018 through December 31, 2018), the CAC Group focused on improving earning power in existing business, shifting to new technologies and creating new business areas based on a new medium-term strategy that started in the fiscal year under review. In existing business, the Group continued its efforts to increase profitability, primarily in the CRO segment, by, for instance, terminating low-profit projects and rationalizing costs. The Group also promoted business using new technologies in readiness for the digital shift. As a result, the Group advanced services using emotion recognition AI and made progress with various initiatives, including offering RPA (Robotic Process Automation) services and developing insurance-related services using blockchain technology.

As a new business area, the Group invested in and collaborated with Japanese and foreign startups that possess unique digital technologies.

As a result, net sales for the consolidated fiscal year under review fell 6.3% year on year, to ¥49,906 million, mainly reflecting a decrease in sales from the overseas IT business including the de-consolidation of two overseas subsidiaries that had been sold in the previous fiscal year due to the restructuring of the Group overseas business.

Operating income increased 104.3% year on year, to ¥1,426 million, while ordinary income rose 90.6% year on year, to ¥1,368 million, thanks largely to an improvement in earnings power in the CRO business and cost cutting. Profit attributable to owners of parent increased 19.9% year on year, to ¥1,319 million, reflecting the recording of a gain on sales of investment securities in extraordinary income, which offset extraordinary losses such as impairment loss for software in the domestic IT business.

(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)

	Year ended December 31, 2017		Year ended December 31, 2018		YoY Change	
	Net Sales	Segment Profit	Net Sales	Segment Profit	Net Sales	Segment Profit
Domestic IT	30,232	1,022	29,623	1,041	(699)	19
Overseas IT	11,743	(600)	9,280	(308)	(2,463)	292
CRO	11,201	277	11,002	693	(198)	416
TOTAL	53,268	698	49,906	1,426	(3,362)	728

<Domestic IT> Net sales remained mostly flat, dipping 2.3% year on year, to ¥29,623 million. Segment income was also largely unchanged from the year-ago level, edging up 1.9% year-on-year, to ¥1,041 million.

<Overseas IT> Net sales stood at ¥9,280 million, down 21.0% 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 business restructuring (sale of loss-making subsidiaries) and other factors resulted in a segment loss of ¥308 million (the segment incurred a loss of ¥600 million the previous fiscal year).

<CRO> Net sales remained mostly flat, slipping 1.8% year on year, to ¥11,002 million. Segment income grew 150.3% year on year, to ¥693 million, thanks to the termination of low-profit projects, cost reductions, and other efforts.

(2) Summary of financial position for the fiscal year under review

(Assets) Total assets at the end of the consolidated fiscal year under review amounted to ¥47,176 million, a decrease of ¥6,949 million from the end of the previous consolidated fiscal year. Current assets increased ¥188 million, to ¥24,273 million. Major factors behind this change include increases of ¥836 million in cash and deposits and ¥2,299 million in securities, which offset decreases of ¥1,834 million in notes and accounts receivable-trade and ¥417 million in merchandise. Non-current assets decreased ¥7,138 million, to ¥22,903 million. Major factors behind this change include decreases of ¥2,126 million in software, ¥3,565 million in investment securities, and ¥872 million in deferred tax assets (Investments and other assets).

(Liabilities) Total liabilities at the end of the consolidated fiscal year under review amounted to ¥18,319 million, a decrease of ¥3,377 million from the end of the previous consolidated fiscal year. Current liabilities fell ¥360 million, to ¥10,760 million. Major factors behind this change include decreases of ¥503 million in notes and accounts payable-trade and ¥797 million in short-term loans payable, which offset an increase of ¥1,157 million in income taxes payable. Non-current liabilities decreased ¥3,017 million, to ¥7,558 million. Major factors behind this change include a decrease of ¥3,196 million in deferred tax liabilities (non-current liabilities).

(Net assets) Net assets at the end of the consolidated fiscal year under review amounted to ¥28,857 million, a decrease of ¥3,571 million from the end of the previous consolidated fiscal year. Major factors behind this change include decreases of ¥3,723 million in valuation difference on available-for-sale securities and ¥459 million in remeasurements of defined benefit plans, which offset an increase of ¥637 in shareholders' equity, reflecting an increase of ¥1,319 million in profit attributable to owners of parent and a decrease of ¥682 million due to dividends of surplus.

(3) Summary of cash flows for the fiscal year under review

Cash flows in the consolidated fiscal year under review were as follows.

(Net cash from operating activities) Net cash provided by operating activities stood at ¥3,276 million (¥4,291 million more than in the previous consolidated fiscal year). This mainly reflected a gain on sales of investment securities of ¥3,479 million and income taxes paid of ¥445 million, which were offset by profit before income taxes of ¥2,351 million, depreciation of ¥766 million, an impairment loss of ¥2,131 million, a decrease in notes and accounts receivable trade of ¥1,521 million and an income taxes refund of ¥577 million.

(Net cash from investing activities) Net cash provided by investing activities stood at ¥2,362 million (¥2,054 million more than in the previous consolidated fiscal year). This was chiefly attributable to a decrease in securities of ¥200 million and proceeds from sales of investment securities of ¥5,316 million, offsetting the purchase of intangible assets of ¥482 million and the purchase of investment securities of ¥2,908 million.

(Net cash from financing activities) Net cash used in financing activities stood at ¥2,310 million (¥114 million more than in the previous consolidated fiscal year). This was mainly due to a net decrease in short-term loans payable of ¥546 million, cash dividends paid of ¥682 million, and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of ¥856 million.

As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥11,725 million, up ¥3,336 million from the end of the previous consolidated fiscal year.

Changes in indicators related to cash flows are as follows.

	FY2016	FY2017	FY2018
Shareholders' equity ratio (%)	53.0	58.6	59.7
Shareholders' equity ratio at fair value (%)	37.8	42.2	40.6
Ratio of interest-bearing debt to cash flow (years)	7.0	-	1.4
Interest coverage ratio (times)	2.7	-	12.7

* The calculation methods for the above indicators are as follows.
- - Shareholders' equity ratio: Shareholders' equity / Total assets
- - Shareholders' equity ratio at fair value: Market capitalization / Total assets
- - Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Operating cash flows
- - Interest coverage ratio: Operating cash flows / Interest paid

* All indicators are calculated using consolidated financial data.
* Market capitalization is calculated by multiplying the share price at the end of the period by the total number of shares issued and outstanding at the end of the period.
* Operating cash flows refer to net cash from operating activities in the Consolidated Statements of Cash Flows.
* Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid. Interest paid refers to interest expenses stated on the Consolidated Statement of Income.
* The ratio of interest-bearing debt to cash flows and the interest coverage ratio for the fiscal year ended December 2017 are omitted as the net cash from operating activities is negative.

(4) Future outlook

The CAC Group launched a new four-year medium-term strategy in FY2018, setting net sales of ¥70 billion, operating income of ¥4 billion, and ROE of 8% as numerical targets to be achieved at the end of FY2021.

In FY2019, the Group will focus on increasing its chances of winning orders and improving profit margins by shifting to digital business in the domestic IT business, tapping into local demand and turning around low profit business in the overseas IT business, and strengthening its ability to win orders and improving productivity through continued use of AI and RPA in the CRO business. The Group will also acquire new management resources through investment and M&A and seek to create and expand new business areas. Based on the foregoing, the Group's consolidated financial results forecasts for FY2019 are net sales of ¥52 billion, up 4.2% year on year, operating income of ¥2.0 billion, up 40.2%, ordinary income of ¥1.9 billion, up 38.9%, and profit attributable to owners of parent of ¥1.35 billion, up 2.3%.

(5) Basic policy for profit sharing and dividends for the current and the next fiscal years

The Company regards the return of profits to shareholders as an important management issue, and fundamentally aims to continue providing stable returns after consideration of consolidated payout ratio while striving to enhance its earning power and develop sound financial strength. In addition, it will purchase treasury stock when necessary as part of its flexible capital policy and comprehensive measures to return profits to shareholders. Moreover, the Company will invest internal reserves in bolstering its financial strength, as well as M&A to facilitate the Group's growth, business development, training of human resources, research and development from a medium-to long-term perspective, and the improvement of productivity and quality capability. In this way, it will strive to strengthen its comprehensive corporate capabilities and the Group's business foundation to achieve sustainable growth. The Company's basic policy is to pay dividends twice a year: interim dividends and year-end dividends. The decision on whether to pay dividends lies with the Board of Directors in regard to interim dividends, and the General Shareholders Meeting in regard to year-end dividends.

The Company has decided to pay a year-end dividend of ¥19 per share for the fiscal year under review. As a result, combined with the interim dividend of ¥19 per share, the annual dividend will be ¥38 per share. In addition, the Company cancelled 1 million treasury shares, which is equivalent to 4.64% of shares outstanding before cancellation, in December 2018.

Next fiscal year, the Company plans to increase dividend payments and make acquisitions of treasury shares to improve capital efficiency and enhance corporate value by actively returning profit to shareholders, which is part of the basic policy of the medium-term management strategy (for FY2018 to FY2021). Accordingly, the Company plans to pay an annual dividend of 50 yen per share (25 yen at the end of the second quarter and 25 yen at the end of the fiscal year), which is an increase of 12 yen from the current fiscal year. The Company also plans to make acquisitions of treasury shares, setting the maximum number of shares to be acquired at 3 million shares (16.3% of shares outstanding excluding treasury shares) or the maximum acquisition cost at ¥3 billion in total, whichever the greater, and with the period of acquisition being from March 28, 2019 to December 31, 2019.

5. Status of the corporate group

The Group consists of the Company, 20 consolidated subsidiaries and 1 affiliated company accounted for by the equity method, and is engaged in the domestic IT business, the overseas IT business, and the CRO business as its main businesses. The Group's main activities in each business are as follows.

<Domestic IT>

Provides system development services, system operation and management services, human resource BPO services, etc. at domestic subsidiaries

<Overseas IT>

Provides system development services, system operation and management services, maintenance services, etc. at overseas subsidiaries

<CRO>

Provides pharmaceutical companies with contract and proxy services for clinical testing (clinical development) and post-manufacturing and sales operations associated with pharmaceutical development

The Group’s main subsidiaries in each segment are as follows.

Segment	Main Subsidiaries
Domestic IT	CAC Corporation ARK Systems Co., Ltd. CAC Knowledge Co., Ltd. CAC ORBIS CORPORATION CAC MARUHA NICHIRO SYSTEMS CORPORATION Kizasi Company, Inc.
Overseas IT	CAC AMERICA CORPORATION CAC EUROPE LIMITED CAC SHANGHAI CORPORATION CAC India Private Limited Inspirisys Solutions Limited (former Accel Frontline Limited)
CRO	CAC Croit Corporation

6. Management Policy

(1) Corporate management policy

Under its corporate philosophy “Creating new values on a global level with the use of the latest ICT technologies,” the CAC Group aims to contribute to society by understanding market needs arising from globalization and diversifying values to continually create new values through advanced ICT.

(2) Target management indicators

The CAC Group has established “improving its corporate value through continued expansion of operating revenue” as its management objective. To achieve this goal, it recognizes the increase of profits, including operating income, ordinary income and net income, as its management indicator. The Group also attaches importance to return on equity (ROE) as an indicator for capital efficiency.

(3) Medium-to-long-term business strategy

The shift to “digital transformation,” where AI, IoT and other digital technologies significantly transform the lives of individuals, corporate activities and even society at large, is approaching rapidly. This shift has changed the capabilities required by system integrators and outsourcers.
To achieve sustainable growth while keeping pace with social needs in this dramatically changing age, the CAC Group established a new medium-term strategy (for FY2018 to FY2021), adopting ”Creating new values on a global level with the use of the latest ICT technologies” as the Group’s new corporate philosophy.

To achieve these targets, the Group focused on the following initiatives in FY2018.
In domestic and overseas IT business, the Group launched multiple services using emotion recognition AI and also made progress with new services using digital technologies, including offering RPA (Robotic Process Automation) services and developing insurance-related services

using blockchain technology. However, initiatives to improve earnings power in the overseas IT business progressed slowly and the Group recognizes this as a major challenge to be addressed in coming fiscal years. Meanwhile, in the CRO business, the Group implemented various initiatives, including terminating low-profit projects and rationalizing costs, and succeeded in improving earning power. In a first move to branch out into business areas surrounding the CRO business, the Group launched a compound sharing library business. In initiatives to create and expand new business areas, the Group did not manage to close any M&A transactions but did make investments in Japanese and foreign startups possessing unique digital technologies. In its CSR activities, the Group actively supported Boccia, a sport ideal for people with a disability, and raised social recognition of the sport.

From FY2019, the Group will add “maximization of shareholder value” to the concepts of the medium-term management strategy and conduct Group management in line with the following basic policy which incorporates measures to strengthen corporate governance, improve capital efficiency and strengthen shareholder returns, and the Group will seek maximization of shareholder value through enhancement of corporate value. Accordingly, the Group will add ROE of 8% to its existing numerical targets under the medium-term management strategy, namely consolidated net sales of ¥70 billion and consolidated operating income of ¥4 billion, and will work to achieve these targets by FY2021, which is the final year of the strategy.

(i) Strengthen governance through separation of management and execution
The Group will separate the management decision-making/supervisory functions and business execution functions to strengthen corporate governance and speed up management processes. The Board of Directors will be responsible for making decisions on Group management policies and strategies and supervising business execution by executive officers, and executive officers will devote themselves to executing business in line with the policies set out by the Board of Directors.

(ii) Achieve agile business execution by speeding up decision making
The Group will divide its existing business into the “Core ICT Domain,” which is mainly domestic IT business, the “China Domain,” the “India Domain”, and the “Healthcare Domain,” which is mainly CRO business, and add the “Future Domain,” which is in charge of new business, to make a total of five business domains. The Group will put an executive officer in charge of each business domain and will seek business expansion and improvement of earning power by pursuing the growth of each business while clarifying accountability for results. Initiatives in each business domain are as follows.
In the Core ICT Domain, the Group will conduct business with CAC Corporation as the intermediate parent company overseeing five domestic IT subsidiaries and two overseas subsidiaries (CAC AMERICA CORPORATION and CAC EUROPE LIMITED) that provide services to Japanese companies. The Group will accelerate initiatives for digital transformation within the domain and adopt a unified strategy and unified framework when dealing with the same customer or the same

service and aim to provide agile, flexible services.
In the China and India Domains, the Group will seize the remarkable growth of the Chinese and Indian economies and IT markets as an opportunity and seek to expand business in these areas.
In the China Domain, the Group will focus mainly on strengthening its sales capability and diversifying its service menu for expansion of the growing digital business. It will also make investments in Chinese startups that can be expected to produce synergies. In the India Domain, the Group will seek improvement in profits by shifting the focus of its existing business which is mainly hardware sales to services, splitting off unprofitable business and turning around low profit businesses.
In the Healthcare Domain, the Group will endeavor to improve productivity and strengthen service quality by continuing to use AI and RPA and reviewing service processes. The Group will also seek to strengthen its ability to win orders by reviewing the sales framework and processes. In addition, the Group will promote the compound sharing library business and work on creating other new businesses in the area surrounding CRO.
In the Future Domain, the Group aims to form capital and business tie-ups and close M&A transactions with companies that will play a part in expansion of the Core ICT Domain and companies that possess digital technologies such as IoT, AI, blockchain, cloud-computing, security and robotics. It will also continue to invest in startups that could become business partners.

(iii) Improve capital efficiency and enhance shareholder returns
Combining sustainable growth in business profits, stable and continuous dividends and active acquisitions of treasury shares, the Group will seek to enhance corporate value by improving capital efficiency and actively returning profits to shareholders. The Group has set itself a target of 8% ROE as an indicator of capital efficiency and will work towards achieving this target by the end of FY2021, which is the final year of the medium-term management strategy.

(iv) Increase alignment of values with shareholders
The Group will introduce a restricted stock-based compensation plan and, by paying directors of the Company excluding external directors, directors of certain subsidiaries and affiliates of the Company, executive officers of the Company and its subsidiaries and affiliates who do not serve concurrently as directors, and employees of the Company and its subsidiaries and affiliates a portion of their compensation in the form of common stock. In this way, the Group will provide recipients with an incentive to achieve sustainable improvement in corporate value and increase the alignment of their values with those of shareholders.

7. Basic approach to selecting accounting standards
The CAC Group will continue to prepare its consolidated financial statements under Japanese standards for the foreseeable future, taking into account the comparability of the terms of consolidated financial statements and the comparability among companies. It will consider adopting IFRS in the future, taking domestic and overseas circumstances into consideration.

8. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Rounded down to the nearest million yen)

	FY2017	FY2018
Assets		
Current assets		
Cash and deposits	8,551	9,387
Notes and accounts receivable - trade	10,440	8,605
Securities	1,500	3,799
Merchandise	641	223
Work in process	527	577
Supplies	23	11
Prepaid expenses	903	823
Deferred tax assets	231	309
Other	1,504	858
Allowance for doubtful accounts	(239)	(323)
Total current assets	24,084	24,273
Non-current assets		
Property, plant and equipment		
Buildings and structures	620	567
Machinery, equipment and vehicles	29	19
Land	124	124
Other	617	516
Total property, plant and equipment	1,392	1,228
Intangible assets		
Software	2,749	622
Goodwill	1,054	903
Other	67	51
Total intangible assets	3,871	1,577
Investments and other assets		
Investment securities	20,788	17,222
Long-term loans receivable	253	243
Long-term prepaid expenses	237	309
Guarantee deposits	774	663
Deferred tax assets	1,519	646
Other	1,347	1,276
Allowance for doubtful accounts	(142)	(265)
Total investments and other assets	24,777	20,097
Total non-current assets	30,041	22,903
Total assets	54,125	47,176

Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,431	2,928
Short-term loans payable	2,794	1,997
Current portion of long-term loans payable	62	37
Lease obligations	148	146
Accrued expenses	1,547	1,440
Income taxes payable	371	1,528
Accrued consumption taxes	369	437
Provision for bonuses	322	330
Provision for loss on order received	17	30
Other	2,056	1,884
Total current liabilities	11,120	10,760
Non-current liabilities		
Long-term loans payable	2,084	2,016
Lease obligations	330	282
Provision for directors' retirement benefits	24	27
Net defined benefit liability	3,488	3,746
Deferred tax liabilities	4,528	1,332
Other	119	153
Total non-current liabilities	10,576	7,558
Total liabilities	21,696	18,319
Net assets		
Shareholders' equity		
Capital stock	3,702	3,702
Capital surplus	3,725	3,725
Retained earnings	16,773	16,474
Treasury shares	(2,909)	(1,972)
Total shareholders' equity	21,291	21,929
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,004	6,280
Foreign currency translation adjustment	(55)	(72)
Remeasurements of defined benefit plans	474	15
Total accumulated other comprehensive income	10,423	6,223
Non-controlling interests	713	704
Total net assets	32,429	28,857
Total liabilities and net assets	54,125	47,176

(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 December 31, 2017	From January 1, 2018 to December 31, 2018
Net sales	53,268	49,906
Cost of sales	42,996	39,425
Gross profit	10,272	10,481
Selling, general and administrative expenses	9,573	9,054
Operating profit	698	1,426
Non-operating income		
Interest income	25	44
Dividend income	260	228
Share of profit of entities accounted for using equity method	4	4
Other	150	129
Total non-operating income	441	406
Non-operating expenses		
Interest expenses	301	258
Loss on investments in partnership	38	97
Commitment fee	23	4
Foreign exchange losses	11	76
Other	47	29
Total non-operating expenses	422	465
Ordinary profit	717	1,368
Extraordinary income		
Gain on sales of investment securities	1,748	3,479
Gain on sales of shares of subsidiaries and associates	1,177	-
Gain on sales of non-current assets	23	-
Total extraordinary income	2,949	3,479
Extraordinary losses		
Loss on sales of investment securities	15	0
Provision of allowance for doubtful accounts	120	122
Impairment loss	1,288	2,131
Loss on liquidation of business	117	157
Settlement package	-	66
Other	3	18
Total extraordinary losses	1,545	2,496
Profit before income taxes	2,122	2,351
Income taxes - current	808	1,609
Income taxes - deferred	66	(585)
Total income taxes	875	1,023
Profit	1,246	1,327
Profit attributable to non-controlling interests	146	7
Profit attributable to owners of parent	1,100	1,319

Consolidated statement of comprehensive income

(Rounded down to the nearest million yen)

	From January 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Profit	1,246	1,327
Other comprehensive income		
Valuation difference on available-for-sale securities	4,134	3,723
Foreign currency translation adjustment	244	22
Remeasurements of defined benefit plans, net of tax	305	459
Total other comprehensive income	4,684	4,205
Comprehensive income	5,931	2,878
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,738	2,880
Comprehensive income attributable to non-controlling interests	192	2

(3) Consolidated cash flow statement

(Rounded down to the nearest million yen)

	From January 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,122	2,351
Depreciation	820	766
Amortization of goodwill	196	150
Share of loss (profit) of entities accounted for using equity method	(4)	(4)
Loss (gain) on investments in partnership	38	97
Impairment loss	1,288	2,131
Loss on liquidation of business	117	157
Increase (decrease) in net defined benefit liability	(480)	270
Increase (decrease) in provision for directors' retirement benefits	(46)	3
Increase (decrease) in provision for bonuses	12	13
Increase (decrease) in allowance for doubtful accounts	223	234
Interest and dividend income	(286)	(272)
Interest expenses	301	258
Loss (gain) on sales of property, plant and equipment	(23)	-
Loss (gain) on sales of investment securities	(1,732)	(3,479)
Loss (gain) on sales of shares of subsidiaries and associates	(1,177)	-
Decrease (increase) in notes and accounts receivable - trade	(823)	1,521
Decrease (increase) in inventories	345	164
Decrease (increase) in other current assets	15	(108)
Increase (decrease) in notes and accounts payable - trade	384	(438)
Increase (decrease) in accrued expenses	(148)	(53)
Increase (decrease) in other current liabilities	(201)	38
Decrease (increase) in other non-current assets	(35)	(170)
Increase (decrease) in other non-current liabilities	0	39
Other, net	437	(577)
Subtotal	1,341	3,093
Interest and dividend income received	295	307
Interest expenses paid	(309)	(256)
Income taxes paid	(2,366)	(445)
Income taxes refund	24	577
Net cash provided by (used in) operating activities	(1,014)	3,276
Cash flows from investing activities		
Purchase of property, plant and equipment	(173)	(61)
Purchase of intangible assets	(994)	(482)
Net decrease (increase) in short-term investment securities	(400)	200
Purchase of investment securities	(2,931)	(2,908)
Proceeds from sales of investment securities	4,026	5,316
Decrease (increase) in guarantee deposits	1	91
Proceeds from sales of shares of subsidiaries and associates	20	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	797	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(47)	-
Other, net	8	206
Net cash provided by (used in) investing activities	307	2,362
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(482)	(546)
Proceeds from long-term loans payable	1	-
Repayments of long-term loans payable	(295)	(60)
Repayments of lease obligations	(183)	(153)
Purchase of treasury shares	-	0
Cash dividends paid	(701)	(682)
Dividends paid to non-controlling interests	(16)	(11)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(518)	(856)
Net cash provided by (used in) financing activities	(2,196)	(2,310)
Effect of exchange rate change on cash and cash equivalents	25	7
Net increase (decrease) in cash and cash equivalents	(2,878)	3,336
Cash and cash equivalents at beginning of period	11,268	8,389
Cash and cash equivalents at end of period	8,389	11,725

(4) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)
Not applicable

(Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements)
1. Matters Related to the Scope of Consolidation
(i) Number of Consolidated Subsidiaries and the Names of Major Consolidated Subsidiaries
Number of Consolidated Subsidiaries: 20
Name of main consolidated subsidiaries
CAC Corporation
ARK Systems Co., Ltd. CAC Knowledge Co., Ltd.
CAC ORBIS CORPORATION
CAC MARUHA NICHIRO SYSTEMS CORPORATION
kizasi Company, Inc.
CAC Croit Corporation
CAC AMERICA CORPORATION
CAC EUROPE LIMITED
CAC SHANGHAI CORPORATION
CAC India Private Limited
Inspirisys Solutions Limited

Network programs (Japan), Inc. (headquartered in the U.S.), which is a subsidiary of Inspirisys Solutions Limited, was excluded from the scope of consolidation because it was dissolved during the consolidated fiscal year under review.
Accel Frontline Limited changed its trade name to Inspirisys Solutions Limited.

(ii) Names of Non-consolidated Subsidiaries
CAC Venture Capital Management, Inc.
Fenox Venture Company XI, L.P.
CAC Capital Co., Ltd.
CAC Capital Investment Limited Partnership

Reason for Exclusion from scope of Consolidation
Since non-consolidated subsidiaries are small in scale, and their combined assets, net sales, net income (the Company's interest share) and retained earnings (the Company's interest share) have a minimal effect on the Company's consolidated financial statements, they are excluded from the scope of consolidation.

2. Matters Related to Application of Equity Method
(i) Number of Associated Companies accounted for by Equity Method and Their Names
Number of Associated Companies : 1
Names of the Company: CEN Solutions Corp.

(ii) Number of Consolidated Subsidiaries and Associated Companies not accounted for by Equity

Names of the companies
Non-Consolidated Companies
CAC Venture Capital Management, Inc.
Fenox Venture Company XI, L.P.

CAC Capital Co., Ltd
CAC Capital Investment Limited Partnership
Associated company
M.Heart Co. Ltd.

Method Reason for Not Applying Equity Method
As to consolidated subsidiaries and associated companies not accounted by equity method, their net income (the company's interest share) and retained earnings (the company's interest share) have a minimal effect on the Company's consolidated financial statements, and they are insignificant in general. Therefore, these companies are not included in the scope of equity method.

3. Matters Related to Fiscal Year of Consolidated Subsidiaries
Consolidated subsidiaries with a fiscal-year end that is different from the consolidated fiscal year end are as follows.

Name of the company	Fiscal-year end
Inspirisys Solutions Limited	March 31

For these subsidiaries, financial statements prepared provisionally as of the consolidated fiscal year end are used to prepare the consolidated financial statement

(Segment Information)
1. 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 asses the segments' performance.
The Group's main businesses consist of providing IT services in Japan and overseas and providing pharmaceutical development support services in Japan. Therefore, the Group has three reportable segments: Domestic IT, Overseas IT and CRO. The contents of each reportable segment are as follows.

<Domestic IT>
Provides system development services, system operation and management services, human resource BPO services, etc. at domestic subsidiaries
<Overseas IT>
Provides system development services, system operation and management services, maintenance services, etc. at overseas subsidiaries
<CRO>
Provides pharmaceutical companies with contract and proxy services for clinical testing (clinical development) and post-manufacturing and sales operations associated with pharmaceutical development

Starting from the consolidated fiscal year under review, the Group changed its three reportable segments from "Systems Development and Integration Services", "System Operation and Management Services" and "BPO/BTO Service" to "Domestic IT," "Overseas IT" and "CRO" in line with changes in targets and measures and segments for business evaluation under the newly formulated medium-term management strategy, which began in the fiscal year under review. Segment information for the previous fiscal year has been reorganized into the new segments.

2. Method of calculating the amount of sales, profits or losses, assets, liabilities and other items for each reporting segment

The method of accounting for reported business segments is based on "Significant matters that are fundamental for preparing consolidated financial statements." It is roughly the same as described above. Income of reportable segments is based on operating income.

3. Information on amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

The previous consolidated cumulative fiscal year (January 1, 2017 to December 31, 2017)

(Unit: million yen)

	Reportable segment				Adjustment (Note1,2)	Amount on quarterly consolidated statement of income (Note3)
	Domestic IT	Overseas IT	CRO	Total		
Net sales						
Net sales to external customers	30,323	11,743	11,201	53,268	-	53,268
Intersegment sales or transfers	429	1,631	6	2,067	(2,067)	-
Total	30,752	13,375	11,208	55,336	(2,067)	53,268
Segment profit (loss)	1,022	(600)	277	698	-	698
Segment assets	15,604	7,454	5,113	28,172	25,953	54,125
Other items						
Depreciation expense	490	249	81	820	-	820
Fixed asset increase(*)	750	212	203	1,166	1	1,168

*increase in tangible and intangible fixed assets

(Note) 1. The ¥25,953 million adjustment in segment assets is corporate assets that cannot be allocated to any reportable segment and is mainly assets held by the Company.

2. The ¥1 million adjustment in increase in tangible and intangible fixed assets is capital investment that cannot be allocated to any reportable segment.

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

The consolidated cumulative fiscal year (January 1, 2018 to June 30, 2018)

(Unit: million yen)

	Reportable segment				Adjustment (Note1,2)	Amount on quarterly consolidated statement of income (Note3)
	Domestic IT	Overseas IT	CRO	Total		
Net sales						
Net sales to external customers	29,623	9,280	11,002	49,906	-	49,906
Intersegment sales or transfers	273	1,573	5	1,852	(1,852)	-
Total	29,896	10,853	11,008	51,758	(1,852)	49,906
Segment profit (loss)	1,041	(308)	693	1,426	-	1,426
Segment asset	12,480	5,712	5,267	23,460	23,715	47,176
Other item						
Depreciation expense	583	115	67	766	-	766
Fixed asset increase(*)	345	35	151	532	10	543

*increase in tangible and intangible fixed assets

(Note) 1. The ¥23,715 million adjustment in segment assets is corporate assets that cannot be allocated to any reportable segment and is mainly assets held by the Company.

2. The ¥1 million adjustment in increase in tangible and intangible fixed assets is capital investment that cannot be allocated to any reportable segment.

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

(Information per Share)

Item	From January 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Net asset value per share	Yen sen 1,720.38	Yen sen 1,527.13
Net income per share	Yen sen 59.69	Yen sen 71.57

Note: 1. Net income per share (diluted) is not presented because there were no potential shares.
2. The basis for calculating net income per share is as follows.

Item	From January 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Profit attributable to owners of parent (Millions of yen)	1,100	1,319
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common shares (Millions of yen)	1,100	1,319
Average number of common shares during the period (shares)	18,435,257	18,435,256

(Important late events)

Not applicable

3. Supplementary Information

(1) Consolidated Orders Received by Segment

(Rounded down to the nearest million yen)

	Year ended December 31, 2017		Year ended December 31, 2018		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Domestic IT	30,023	57.6	29,588	59.0	(434)	(1.4)
Overseas IT	10,838	20.8	11,206	22.3	368	3.4
CRO	11,286	21.6	9,376	18.7	(1,910)	(16.9)
Total	52,147	100.0	50,171	100.0	(1,976)	(3.8)

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

(2) Consolidated Order Backlog by Segment

(Rounded down to the nearest million yen)

	Year ended December 31, 2017		Year ended December 31, 2018		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Domestic IT	6,742	42.7	6,706	42.1	(35)	(0.5)
Overseas IT	1,349	8.6	3,166	19.8	1,816	134.6
CRO	7,694	48.7	6,068	38.1	(1,626)	(21.1)
Total	15,786	100.0	15,941	100.0	155	1.0

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

(3) Consolidated Sales by Industry

(Rounded down to the nearest million yen)

	Year ended December 31, 2017		Year ended December 31, 2018		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Financial services	7,253	13.6	6,107	12.3	(1,145)	(15.8)
Trust banks	4,060	7.6	4,359	8.7	299	7.4
Pharmaceuticals	16,268	30.5	16,116	32.3	(151)	(0.9)
Food services	3,105	5.8	2,852	5.7	(252)	(8.1)
Manufacturing	3,360	6.3	3,762	7.5	401	12.0
Service and others	19,221	36.2	16,707	33.5	(2,513)	(13.1)
Total	53,268	100.0	49,906	100.0	(3,362)	(6.3)

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

END