Summary of Financial Statements (Consolidated) for the Fiscal Year Ended December 31, 2019 (Japanese GAAP)

February 14, 2020

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 general meeting of shareholders: March 24, 2020
Scheduled date of dividend payment: March 25, 2020
Scheduled date to submit the annual securities report (Yukashoken Hokokusho): March 25, 2020
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, 2019
(January 1, 2019 through December 31, 2019)

(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, 2019	50,683	1.6	1,314	(7.9)	1,257	(8.1)	1,500	13.7
Year ended December 31, 2018	49,906	(6.3)	1,426	104.3	1,368	90.6	1,319	19.9

(Note) Comprehensive income Year ended December 31, 2019 607million yen (-%)
Year ended December 31, 2018 (2,878)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 Sen	Yen Sen	%	%	%
Year ended December 31, 2019	84.83	–	5.6	2.7	2.6
Year ended December 31, 2018	71.57	–	4.4	2.7	2.9

(Reference) Shareholders' equity As of December 31, 2019 4million yen
As of December 31, 2018 4million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen Sen
As of December 31, 2019	45,626	25,797	54.7	1,512.07
As of December 31, 2018	46,968	28,857	59.9	1,527.13

(Reference) Shareholders' equity As of December 31 2019 24,976 million yen
As of December 31, 2018 28,152 million yen

(Note) CAC Holdings Corporation (the "Company") has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018), etc. since the beginning of the consolidated first quarter under review. The results for the fiscal year ended December 31, 2018, presented in this report have been reorganized in accordance with the above amendments.

(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, 2019	104	3,523	(6,324)	8,978
As of December 31, 2018	3,276	2,362	(2,310)	11,725

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Net asset dividend rate (consolidated)
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	End of the 4th quarter	Year end Annual			
	Yen Sen	Million yen	%	%	Yen Sen	Million yen	%	%
Year ended December 31, 2018	-	19.00	-	19.00	38.00	700	53.1	2.3
Year ended December 31, 2019	-	25.00	-	25.00	50.00	851	58.9	3.3
Year ending December 31, 2020 (Forecast)	-	30.00	-	30.00	60.00		70.8	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020
(January 1, 2020 through December 31, 2020)

(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	2.6	2,000	52.1	1,900	51.1	1,400	(6.7)	84.76

(Note) 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 fiscal year ended December 31, 2019 (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 31, 2019	20,541,400 shares	As of December 31, 2018	20,541,400 shares
(ii) Total number of treasury stock as of the end of each period:	As of December 31, 2019	4,023,505 shares	As of December 31, 2018	2,106,145 shares
(iii) Average number of issued shares for each period (cumulative period)	As of December 31, 2019	17,683,483 shares	As of December 31, 2018	18,435,256 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2019
   (January 1, 2019 through December 31, 2019)

(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, 2019	897	(32.3)	(660)	-	(617)	-	1,707	(28.1)
Year ended December 31, 2018	1,325	(3.2)	(72)	-	(139)	-	2,373	358.1

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Year ended December 31, 2019	96.54	-
Year ended December 31, 2018	128.77	-

(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, 2019	27,468	23,537	85.7	1,424.95
As of December 31, 2018	31,143	26,649	85.6	1,445.58

(Reference) Shareholders' equity As of December 31, 2019 23,537 million yen
As of December 31, 2018 26,649 million yen

(Note) CAC Holdings Corporation (the "Company") has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018), etc. since the beginning of the consolidated first quarter under review. The results for the fiscal year ended December 31, 2018, presented in this report have been reorganized in accordance with the above amendments.

* This consolidated financial statements is not subject to audit.
* 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, 2020. Material in the briefing is posted on the CAC Holdings website.

4. Summary of business results etc.

(1) Summary of business results

i. Summary

In the consolidated fiscal year under review (January 1, 2019 to December 31, 2019), net sales rose only 1.6% year on year, to ¥50,683 million. Despite brisk IT demand from the domestic IT business' existing customers, the conclusion of the CRO business' large-scale projects and other CRO projects being scaled back led to a significant fall in revenue. Affected by the significant fall in revenue in the CRO business, operating income declined 7.9% year on year, to ¥1,314 million, and ordinary income decreased 8.1% year on year, to ¥1,257 million. Profit attributable to owners of parent amounted to ¥1,500 million, an increase of 13.7% year on year, due to recording of a ¥5,299 million gain on sales of investment securities in extraordinary income, despite the posting of extraordinary losses of ¥3,199 million as a result of disposing of underperforming businesses and reviewing the evaluation of some assets owned as an active measure to improve profitability from the next fiscal year.

ii. Results by 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, 2018		Year ended December 31, 2019		YoY Change	
	Net Sales	Segment Profit	Net Sales	Segment Profit	Net Sales	Segment Profit
Domestic IT	29,623	1,041	31,653	1,640	2,030	598
Overseas IT	9,280	(308)	10,461	(46)	1,181	262
CRO	11,002	693	8,563	(278)	(2,434)	(972)
TOTAL	49,906	1,426	50,683	1,314	776	(112)

<Domestic IT>

Net sales rose to ¥31,653 million (6.9% increase year-on-year), reflecting growth in businesses with trust banks and manufacturing clients. These higher sales impacted income for the segment, bringing it to ¥1,640 million (57.4% growth year-on-year).

<Overseas IT>

Net sales increased 12.7% year on year, to ¥10,461 million, mainly as a result of making Mitrais Pte. Ltd. (hereinafter "Mitrais"), based in Indonesia, a subsidiary in the fourth quarter (October 1, 2019 to December 31, 2019). Despite expenses related to the acquisition of shares in Mitrais, the segment managed to reduce losses to ¥46 million (compared with losses of ¥308 million for the same period last year) due to an increase in profits as a result of consolidating Mitrais as a subsidiary and a decrease in SG&A expenses by restructuring businesses for profitability—particularly its Indian subsidiary.

<CRO>

Net sales decreased 22.1% year-on-year, to ¥8,568 million, reflecting the completion of large projects and the scaling back of projects. The segment incurred a loss of ¥278 million (compared with income of ¥693 million for the same period last year), as significantly lower sales made it unable to fully absorb fixed costs, despite cost-cutting efforts.

The CAC Group is focused on enhancing the profitability of existing businesses, shifting to new technologies and creating new business domains based on the Medium-Term Strategy (FY2018 – FY2021).

In the existing business domains, the Group made efforts to shift to new technologies, including the development of applications utilizing emotion-recognition AI, the commencement of services using software that measures the cardiac rate without touching a measuring device, and the development of RPA services in the domestic IT area. In the area of overseas IT, the Group promoted business restructuring to improve profitability. In the healthcare area, preparations for full-fledged operation of the Group’s new chemical compound libraries business (QualityLead) progressed, including the decision made by several large pharmaceutical companies to participate in the QualityLead.

In new business domains, the Company acquired shares in Mitrais, a company with knowhow and knowledge of best practices regarding agile software development, which is expected to expand in the future.

The Group will remain committed to enhancing profitability and pursuing business that uses new technologies toward digital transformation. For details, refer to “(4) Future outlook” on page 7 and “6. Management Policy, (3) Medium-to-long-term business strategy” on page 9.

(2) Summary of financial position

(Assets)

Total assets at the end of the consolidated fiscal year under review amounted to ¥45,626 million, a decrease of ¥1,341 million from the end of the previous consolidated fiscal year.

Current assets decreased ¥1,491 million, to ¥22,471 million. Major factors behind this change include a decrease of ¥2,999 million in securities, which offset increases of ¥1,002 million in notes and accounts receivable – trade, ¥121 million in work in process and ¥358 million in prepaid expenses.

Non-current assets increased ¥149 million, to ¥23,155 million. Major factors behind this change include increases of ¥274 million in buildings and structures, ¥1,017 million in construction in progress and ¥673 million in customer-related assets, which offset a decrease of ¥1,791 million in investment securities.

(Liabilities)
Total liabilities at the end of the consolidated fiscal year under review amounted to ¥19,829 million, an increase of ¥1,718 million from the end of the previous consolidated fiscal year.
Current liabilities increased ¥1,793 million, to ¥12,554 million. Major factors behind this change include increases of ¥511 million in notes and accounts payable – trade and ¥1,982 million in current portion of long-term loans payable, which offset a decrease of ¥857 million in short-term loans payable.
Non-current liabilities decreased ¥75 million, to ¥7,275 million. Major factors behind this change include a decrease of ¥1,999 million in long-term loans payable, which offset an increase of ¥1,224 million in provision for loss on business of subsidiaries and associates.

(Net assets)
Net assets at the end of the consolidated fiscal year under review amounted to ¥25,797 million, a decrease of ¥3,059 million from the end of the previous consolidated fiscal year. Major factors behind this change include an increase of ¥2,901 million in treasury shares and a decrease of ¥1,130 million in valuation difference on available-for-sale securities, which offset an increase of ¥711 million in retained earnings, reflecting a rise of ¥1,500 million by profit attributable to owners of parent and a decrease of ¥789 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 ¥104 million (¥3,172 million less than in the previous consolidated fiscal year). This mainly reflected profit before income taxes of ¥3,358 million, deprecation of ¥578 million, impairment loss of ¥1,484 million and an increase of ¥1,221 million in provision for loss on business of subsidiaries and associates, which were offset by gain on sales of investment securities ¥5,147 million and income taxes paid of ¥2,157 million.

(Net cash from investing activities)
Net cash provided by investing activities stood at ¥3,523 million (¥1,161 million more than in the previous consolidated fiscal year). This was chiefly attributable to proceeds from sales of investment securities of ¥6,728 million, offsetting purchase of property, plant and equipment of ¥1,276 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,873 million.

(Net cash from financing activities)
Net cash used in financing activities stood at ¥6,324 million (¥4,013 million more than in the previous consolidated fiscal year). This was mainly due to net decrease in short-term loans

payable of ¥816 million, purchase of treasury shares of ¥2,999 million, cash dividends paid of ¥789 million and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of ¥1,507 million

As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥8,978 million, down ¥2,747 million from the end of the previous consolidated fiscal year.

Changes in indicators related to cash flows are as follows.

	FY2017	FY2018	FY2019
Shareholders' equity ratio (%)	58.6	59.7	54.7
Shareholders' equity ratio at fair value (%)	42.2	40.8	70.6
Ratio of interest-bearing debt to cash flow (years)	-	1.4	36.0
Interest coverage ratio (times)	-	12.7	0.5

* 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

In FY2020, while the domestic IT business is expected to remain firm on the back of continued solid IT demand from customers, the Group expects a rise in costs as a result of changes in the personnel system and investment in the development of human resources. In the overseas IT business, the Group will aim to restore operating income by improving profitability through the consolidation of Mitrais as a subsidiary (the fourth quarter of FY2019), and business restructuring in India and China. The CRO business will work on structural reforms and the reduction of SG&A expenses to recover earnings strength.

The Group will also work to expand new business domains through M&A that will contribute to the Group's earnings and the change of its business model in the medium to long term by striving to develop investment and financial strategies and strengthen their execution.

Based on the foregoing, the Group's consolidated financial results forecasts for FY2020 are net sales of ¥52.0 billion, up 2.6% year on year, operating income of ¥2.0 billion, up 52.1%, ordinary income of ¥1.9 billion, up 51.1%, and profit attributable to owners of parent of ¥1.4 billion, 6.7% decline.

The Group is currently executing the four-year medium-term strategy with FY2021 as the final year.

For details, refer to “6. Management Policy, (3) Medium-to-long-term business strategy” on page 7.

(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 shares 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.

In the medium-term strategy (FY2018 - FY2021) that the Company is currently executing, it has set the improvement of capital efficiency and the enhancement of shareholder returns as a basic policy. The Company will work on appropriate profit sharing while ensuring a balance among investments for business growth, financial health and the enhancement of shareholder returns. Based on this policy, the Company has decided to increase the year-end dividend for the fiscal year under review by ¥6 to ¥25 per share. As a result, combined with the interim dividend of ¥25 per share, the annual dividend will be ¥50 per share, an increase of ¥12. The Company has also acquired about 2 million treasury shares (the ratio to the total number of shares outstanding excluding treasury shares at the time of resolution was 10.9%).

In the next fiscal year, the Company plans to increase the annual dividend by ¥10 to ¥60 per share (the interim dividend of ¥30 and the year-end dividend of ¥30).

5. Status of the corporate group

The Group consists of the Company, 22 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. (as of December 31, 2019)

Segment	Main Subsidiaries
Domestic IT	CAC Corporation ARK Systems Co., Ltd. CAC Knowledge Co., Ltd. CAC ORBIS CORPORATION CAC MARUHA NICHIRO SYSTEMS CORPORATION
Overseas IT	CAC AMERICA CORPORATION CAC EUROPE LIMITED CAC SHANGHAI CORPORATION CAC India Private Limited Inspirisys Solutions Limited Mitrais Pte. Ltd.
CRO	CAC Croit Corporation

※1 Mitrais Pte. Ltd. and its two subsidiaries have been included in the scope of consolidation since the 4th quarter of the consolidated fiscal year under review, because the Company newly acquired Mitrais' shares on October 18, 2019.
※2 Kizasi Company, Inc. has been excluded from the scope of consolidation, because it completed liquidation on December 23, 2019.

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
Since its founding in 1966, the CAC Group has been accumulating knowledge on customers' industries and businesses to provide them with optimum services. The Group has also advanced into CRO and other healthcare areas, as well as IT. In addition, the Group has continued to expand overseas operations, which began in the 1980s ahead of other Japanese IT companies, through M&A and other means, and has grown into a global corporate group with overseas operations making up about 20% of the Group's net sales and more than 5,000 employees in Japan and overseas.

Given that the digital transformation (DX), where AI, IoT and other digital technologies could transform the entire society, is accelerating in recent years, the Group is working to improve the earnings strength of its existing businesses and create and expand new businesses in the medium-term strategy (Determination 21) from FY2018 to FY2021 to address the advancement of DX without delay and become a corporate group that will continue to grow sustainably.
In FY2019, the Group added the following initiatives to the basic policies: Strengthening corporate governance through the separation of management and execution, pursuing agile business execution through unity between the execution system and business domains, and enhancing shareholder returns and improving capital efficiency through the active acquisition of treasury shares and a dividend increase. In addition, as numerical targets, the Group has set the achievement of operating income of ¥4 billion, net sales of ¥70 billion and ROE of 8% in FY2021.

Looking back over the past two years with the medium-term strategy hitting the halfway point, while the domestic IT business is improving its earnings strength as planned, the overseas IT business is delayed and halfway through improving its profitability with regard to the existing businesses. The CRO business is facing the challenge of a significant decline in net sales, which was unexpected when formulating the medium-term strategy. With respect to new businesses, while we conducted the acquisition of Mitrais Pte. Ltd., which excels at agile development, with a business base in Indonesia, in addition to investments in companies with unique digital technologies, we have yet to create and expand sales in new businesses as initially expected. As a result, it has become difficult to achieve the initial performance targets.

Therefore, for the remaining two years, we will emphasize the establishment of a highly profitable business model while maintaining a policy of strengthening corporate governance and pursuing agile business execution. We will promptly proceed with business restructuring and review our business style, which is making slow progress, with a focus on the improvement of profitability of the overseas IT business, which now makes up about 20% of the Group's net sales.
In addition, the newly established Investment and Financial Strategy Division will work to develop

investment and financial strategies and strengthen the execution thereof. The Division will aim to contribute to the Group's earnings by making maximum use of assets and cash in the Group and strive to expand new business domains through M&A and by other means that will contribute to the change in business models in the medium to long term.
We will also strongly promote our response to DX. We will solidly grasp customer needs for DX by working on agile development and strengthening of a co-creation model with customers. In addition, we will promote integration between the CRO business and digital technologies in the Group to provide digital healthcare services. Through these efforts, we will boost the ratio of digital-related sales to net sales in the Group, which is currently 22%, to 50% in FY2021.

Reflecting the above, the Group will change its performance targets for FY2021 to net sales of ¥55 billion and operating income of ¥3 billion (excluding the contribution of investment and financial strategies). We will continuously aim to achieve ROE of 8% in FY2021 by maintaining our policy of improving capital efficiency and enhancing shareholder returns as the priority issues.

In the DX era, co-creation to derive optimum solutions with the Group and customers working together more than ever is required. We will continue growth to become a sustainable global company by striving to strengthen the co-creation model with customers and society.

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)

列1	December 31, 2018	December 31, 2019
Assets		
Current assets		
Cash and deposits	9,387	9,313
Notes and accounts receivable - trade	8,605	9,607
Securities	3,799	800
Merchandise	223	255
Work in process	577	698
Supplies	11	34
Prepaid expenses	823	1,181
Other	858	867
Allowance for doubtful accounts	(323)	(288)
Total current assets	23,963	22,471
Non-current assets		
Property, plant and equipment		
Buildings and structures	567	841
Machinery, equipment and vehicles	19	73
Land	124	193
Construction in progress	-	1,017
Other	516	512
Total property, plant and equipment	1,228	2,639
Intangible assets		
Software	622	524
Goodwill	903	623
Customer relationship	-	673
Other	51	170
Total intangible assets	1,577	1,992
Investments and other assets		
Investment securities	17,222	15,431
Long-term loans receivable	243	244
Long-term prepaid expenses	309	393
Guarantee deposits	663	710
Deferred tax assets	748	710
Other	1,276	1,277
Allowance for doubtful accounts	(265)	(246)
Total investments and other assets	20,199	18,522
Total non-current assets	23,005	23,155
Total assets	46,968	45,626
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,928	3,440
Short-term loans payable	1,997	1,140
Current portion of long-term loans payable	37	2,020
Lease obligations	146	148
Accrued expenses	1,440	1,464
Income taxes payable	1,528	1,258
Accrued consumption taxes	437	431
Provision for bonuses	330	398
Provision for loss on order received	30	-
Other	1,884	2,252
Total current liabilities	10,760	12,554
Non-current liabilities		
Long-term loans payable	2,016	17
Lease obligations	282	416
Provision for loss on business of subsidiaries and associates	-	1,224
Provision for retirement benefits for directors (and other officers)	27	32
Retirement benefit liability	3,746	3,243
Deferred tax liabilities	1,124	756
Other	153	1,584
Total non-current liabilities	7,350	7,275
Total liabilities	18,111	19,829
Net assets		
Shareholders' equity		
Capital stock	3,702	3,702
Capital surplus	3,725	3,692
Retained earnings	16,474	17,185

列1	December 31, 2018	December 31, 2019
Treasury shares	(1,972)	(4,874)
Total shareholders' equity	21,929	19,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,280	5,150
Foreign currency translation adjustment	(72)	(78)
Remeasurements of defined benefit plans	15	199
Total accumulated other comprehensive income	6,223	5,271
Non-controlling interests	704	821
Total net assets	28,857	25,797
Total liabilities and net assets	46,968	45,626

(2) Consolidated Statements of Income

(Rounded down to the nearest million yen)

列1	From January 1, 2018 to December 31, 2018	From January 1, 2019 to December 31, 2019
Net sales	49,906	50,683
Cost of sales	39,425	40,124
Gross profit	10,481	10,558
Selling, general and administrative expenses	9,054	9,243
Operating profit	1,426	1,314
Non-operating income		
Interest income	44	31
Dividend income	228	169
Share of profit of entities accounted for using equity method	4	4
Gain on adjustment of account payable	-	126
Other	129	100
Total non-operating income	406	432
Non-operating expenses		
Interest expenses	258	201
Loss on investments in partnership	97	191
Commitment fee	4	4
Foreign exchange losses	76	17
Other	29	75
Total non-operating expenses	465	489
Ordinary profit	1,368	1,257
Extraordinary income		
Gain on sales of investment securities	3,479	5,299
Other	-	0
Total extraordinary income	3,479	5,300
Extraordinary losses		
Loss on sales of investment securities	0	152
Impairment loss	2,131	1,484
Loss on retirement of non-current assets	-	25
Loss on liquidation of business	157	-
Provision for loss on business of subsidiaries and associates	-	1,221
Provision of allowance for doubtful accounts	122	-
Business office renovation expenses	-	236
Settlement package	66	-
Other	18	77
Total extraordinary losses	2,496	3,199
Profit before income taxes	2,351	3,358
Income taxes - current	1,609	1,810
Income taxes - deferred	(585)	(21)
Total income taxes	1,023	1,788
Profit	1,327	1,570
Profit attributable to non-controlling interests	7	70
Profit attributable to owners of parent	1,319	1,500

(3) Consolidated Statements of Comprehensive Income (Rounded down to the nearest million yen)

列1	From January 1, 2018 to December 31, 2018	From January 1, 2019 to December 31, 2019
Profit	1,327	1,570
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,723)	(1,130)
Foreign currency translation adjustment	(22)	(16)
Remeasurements of defined benefit plans, net of tax	(459)	184
Total other comprehensive income	(4,205)	(962)
Comprehensive income	(2,878)	607
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,880)	547
Comprehensive income attributable to non-controlling interests	2	60

(4) Consolidated Statements of Cash Flows

(Rounded down to the nearest million yen)

列1	From January 1, 2018 to December 31, 2018	From January 1, 2019 to December 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,351	3,358
Depreciation	766	578
Amortization of goodwill	150	181
Share of loss (profit) of entities accounted for using equity method	(4)	(4)
Loss (gain) on investments in partnership	97	191
Impairment loss	2,131	1,484
Loss on liquidation of business	157	-
Increase (decrease) in retirement benefit liability	270	(796)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3	4
Increase (decrease) in provision for bonuses	13	69
Increase (decrease) in allowance for doubtful accounts	234	(54)
Increase (decrease) in provision for loss on business of subsidiaries and associates	-	1,221
Interest and dividend income	(272)	(200)
Interest expenses	258	201
Loss (gain) on sales of investment securities	(3,479)	(5,147)
Decrease (increase) in notes and accounts receivable - trade	1,521	(561)
Decrease (increase) in inventories	164	(181)
Decrease (increase) in other current assets	(108)	(156)
Increase (decrease) in notes and accounts payable - trade	(438)	375
Increase (decrease) in accrued expenses	(53)	7
Increase (decrease) in other current liabilities	38	70
Decrease (increase) in other non-current assets	(170)	(103)
Increase (decrease) in other non-current liabilities	39	1,426
Other, net	(577)	294
Subtotal	3,093	2,259
Interest and dividend income received	307	202
Interest expenses paid	(256)	(200)
Income taxes paid	(445)	(2,157)
Income taxes refund	577	-
Net cash provided by (used in) operating activities	3,276	104
Cash flows from investing activities		
Purchase of property, plant and equipment	(61)	(1,276)
Purchase of intangible assets	(482)	(283)
Net decrease (increase) in short-term investment securities	200	500
Purchase of investment securities	(2,908)	(111)
Proceeds from sales of investment securities	5,316	6,728
Decrease (increase) in guarantee deposits	91	(46)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,873)
Other, net	206	(114)
Net cash provided by (used in) investing activities	2,362	3,523
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(546)	(816)
Repayments of long-term loans payable	(60)	(37)
Repayments of lease obligations	(153)	(169)
Purchase of treasury shares	0	(2,999)
Cash dividends paid	(682)	(789)
Dividends paid to non-controlling interests	(11)	(2)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(856)	(1,507)
Other, net	-	(2)
Net cash provided by (used in) financing activities	(2,310)	(6,324)
Effect of exchange rate change on cash and cash equivalents	7	(50)
Net increase (decrease) in cash and cash equivalents	3,336	(2,747)
Cash and cash equivalents at beginning of period	8,389	11,725
Cash and cash equivalents at end of period	11,725	8,978

(5) 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: 22
Name of main consolidated subsidiaries
CAC Corporation
ARK Systems Co., Ltd.
CAC Knowledge Co., Ltd.
CAC ORBIS CORPORATION
CAC MARUHA NICHIRO SYSTEMS CORPORATION
CAC Croit Corporation
CAC AMERICA CORPORATION
CAC EUROPE LIMITED
CAC SHANGHAI CORPORATION
CAC India Private Limited
Inspirisys Solutions Limited
Mitrais Pte. Ltd.
Mitrais Pte. Ltd. and its two subsidiaries have been included in the scope of consolidation beginning the consolidated fiscal year under review, because the Company newly acquired Mitrais' shares.
Kizasi Company, Inc. has been excluded from the scope of consolidation, because it completed liquidation on December 23, 2019.

(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
CAC INVESTMENT CO., LTD
CAC (Shanghai) Equity Investment Fund Partnership (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) Names of Consolidated Subsidiaries and Associated Companies Not Accounted for by Equity Method

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
CAC INVESTMENT CO., LTD
CAC (Shanghai) Equity Investment Fund Partnership (Limited Partnership)

Associated company

M.Heart Co. Ltd.

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 and its 6 subsidiaries	March 31

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

(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

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. Intersegment sales and transfers are based on the current market value.
Starting from the beginning of the consolidated fiscal year under review, the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) is applied. As a result, values after retroactive application are stated for the segment assets in the previous consolidated fiscal year.

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

The previous consolidated cumulative fiscal year (January 1, 2018 to December 31, 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	12,272	5,712	5,267	23,252	23,715	46,968
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 ¥10 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, 2019 to December 31, 2019)

(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	31,653	10,461	8,568	50,683	-	50,683
Intersegment sales or transfers	243	1,326	6	1,576	(1,576)	-
Total	31,897	11,787	8,574	52,259	(1,576)	50,683
Segment profit (loss)	1,640	(46)	(278)	1,314	-	1,314
Segment asset	13,946	9,056	4,678	27,680	17,946	45,626
Other item						
Depreciation expense	361	150	65	578	-	578
Fixed asset increase(*)	192	114	1,147	1,455	103	1,559

*increase in tangible and intangible fixed assets

(Note) 1. The ¥17,946 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 ¥103 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, 2018 to December 31, 2018	From January 1, 2019 to December 31, 2019
Net asset value per share	Yen sen 1,527.13	Yen sen 1,512.07
Net income per share	Yen sen 71.57	Yen sen 84.83

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, 2018 to December 31, 2018	From January 1, 2019 to December 31, 2019
Profit attributable to owners of parent (Millions of yen)	1,319	1,500
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common shares (Millions of yen)	1,319	1,500
Average number of common shares during the period (shares)	18,435,256	17,683,483

(Important late events)

Not applicable

10. Supplementary Information

(1) Consolidated Orders Received by Segment

(Rounded down to the nearest million yen)

	Year ended December 31, 2018		Year ended December 31, 2019		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Domestic IT	29,588	59.0	32,332	63.7	2,744	9.3
Overseas IT	11,206	22.3	10,060	19.8	(1,145)	(10.2)
CRO	9,376	18.7	8,406	16.5	(970)	(10.3)
Total	50,171	100.0	50,799	100.0	628	1.3

(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, 2018		Year ended December 31, 2019		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Domestic IT	6,706	42.1	7,385	43.8	678	10.1
Overseas IT	3,166	19.8	3,548	21.1	381	12.1
CRO	6,068	38.1	5,906	35.1	(161)	(2.7)
Total	15,941	100.0	16,840	100.0	898	5.6

(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, 2018		Year ended December 31, 2019		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Financial services	6,107	12.3	5,621	11.1	(486)	(8.0)
Trust banks	4,359	8.7	5,623	11.1	1,263	29.0
Pharmaceuticals	16,116	32.3	14,190	28.0	(1,926)	(12.0)
Food services	2,852	5.7	2,956	5.8	103	3.6
Manufacturing	3,762	7.5	4,280	8.4	518	13.8
Service and others	16,707	33.5	18,010	35.6	1,302	7.8
Total	49,906	100.0	50,683	100.0	776	1.6

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

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