

Note; This document is a partial translation of "Kessan Tanshin" for the third quarter of the Fiscal Year Ending December 31, 2022 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese version and any English translation of it, the Japanese version will govern.

**Summary of Financial Statements (Consolidated) for
the Third Quarter of the Fiscal Year Ending December 31, 2022
(Japanese GAAP)**

November 10, 2022

Company Name: CAC Holdings Corporation
 Stock Exchange: Tokyo Stock Exchange
 Code Number: 4725
 URL: <https://www.cac-holdings.com/>
 Representative: Ryota Nishimori, President and Chief Executive Officer
 Contacts: Iori Sakai, Chief Manager, Corporate Communication Group, Corporate Planning Dept.
 Tel: +81-3-6667-8010
 Scheduled date to submit the annual securities report (Yukashoken Hokokusho): November 11, 2022
 Scheduled date of dividend payment: -
 Supplementary documents for financial results: Yes (on the website of CAC Holdings)
 Financial results briefing: None

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2022
(January 1, 2022 through September 30, 2022)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2022	35,595	(3.2)	2,655	(18.8)	2,525	(20.6)	1,641	(27.4)
Nine months ended September 30, 2021	36,779	2.3	3,272	140.3	3,179	127.9	2,260	247.8

(Note) Comprehensive income Nine months ended September 30, 2022 (525)million yen(−%)
 Nine months ended September 30, 2021 5,669 million yen (1,522.0%)

	Net income per share	Net income per share (fully diluted)
	Yen Sen	Yen Sen
Nine months ended September 30, 2022	97.02	—
Nine months ended September 30, 2021	133.97	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	45,078	30,009	65.0
As of December 31, 2021	47,261	31,398	65.1

(Reference) Equity As of September 30, 2022 29,315 million yen
 As of December 31, 2021 30,769 million yen

2. Dividends

	Dividend per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	End of the 4th quarter	Total dividends
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
Year ended December 31, 2021	-	30.00	-	30.00	60.00
Year ending December 31, 2022	-	30.00			
Year ending December 31, 2022 (Forecast)				30.00	60.00

(Note) Revisions to dividends forecast published most recently: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 through December 31, 2022)

(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	45,000	(6.1)	3,000	(18.9)	2,900	(20.9)	2,000	(19.2)	118.05

(Note) Revisions to the forecast of Consolidated Financial Results published most recently: None

※Notes

- (1) Important changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): Not applicable
- (2) Apply specific accounting to the preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting principles and changes or restatements of accounting estimates
- (i) Changes in accounting principles due to the amendment of accounting standards, etc.: Applicable
 - (ii) Changes in accounting principles other than (i): Not applicable
 - (iii) Changes in accounting estimates: Not applicable
 - (iv) Restatements of accounting estimates: Not applicable

(4) Number of shares outstanding (common stock)

(i) Total number of shares outstanding (including treasury stock) as of the end of each period:	As of September 30, 2022	20,541,400 shares	As of December 31, 2021	20,541,400 shares
(ii) Total number of treasury stock as of the end of each period:	As of September 30, 2022	3,537,453 shares	As of December 31, 2021	3,656,849 shares
(iii) Average number of issued shares for each period (cumulative period)	As of September 30, 2022	16,920,181 shares	As of September 30, 2021	16,871,466 shares

* 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.

4. Qualitative Information on Financial Results for the First Nine Months of the Fiscal Year Ending December 31, 2022

(1) Explanation of operating results

As for net sales for the first nine months of the consolidated fiscal year under review (January 1, 2022 to September 30, 2022, hereinafter the "first nine months under review"), although both the domestic IT and overseas IT businesses remained strong, especially in existing businesses, net sales decreased by 3.2% year on year, to ¥35,595 million, mainly because of the impact of the deconsolidation of a subsidiary engaging in the CRO business. As in net sales, operating income decreased 18.8% year on year, to ¥2,655 million, due to the significant impact of the deconsolidation. Ordinary income was down 20.6% year on year, to ¥2,525 million and profit attributable to owners of parent came to ¥1,641 million, down 27.4% year on year.

This year, in light of the rapidly changing recent situation, the CAC Group has developed CAC Vision 2030, "Evolving into a corporate group that consistently makes a positive impact on society through technologies and ideas," as its vision for the next 10 years in order to achieve sustainable growth without being swayed by short-term volatility. Under CAC Vision 2030, we envisage that CAC Group solutions incorporating digital technology such as AI and IoT and data will enable people to demonstrate their diverse imagination and creativity and will help solve social issues. Our aim under the vision is to become a highly profitable, high growth corporate Group through the creation and growth of constant digital solutions which have such a positive impact.

In the medium-term management plan (FY2022-FY2025) ahead of the realization of CAC Vision 2030, the Company set the period for securing stable earnings from existing contracted businesses in Japan and overseas and building a framework for continuously creating digital products and services for FY2026 and beyond. In the fiscal year under review, we are focusing mainly on expanding our structure, building a framework for creating new businesses, and acquiring co-creation partners. In addition, with a view toward realizing CAC Vision 2030 and becoming a company that will continue to be successful in the years to come, the Group is in the process of establishing organizational systems and developing concrete measures to facilitate sustainability management while simultaneously reviewing its financial strategy including the streamlining and optimization of group assets.

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.

Consolidated Net Sales

(Unit: million)

	Nine months ended September 30, 2021		Nine months ended September 30, 2022		YoY Change	
	Net Sales	%	Net Sales	%	Net Sales	%
Domestic IT	24,716	77.4%	27,004	75.9%	2,288	9.3%
Overseas IT	7,221	22.6%	8,591	24.1%	1,370	19.0%
TOTAL	31,937	100.0%	35,595	100.0%	3,658	11.5%

Reference

CRO	4,841	-	-	-	(4,841)	-
TOTAL Including CRO	36,779	-	35,595	-	(1,183)	(3.2)%

Consolidated Segment Income

(Unit: million)

	Nine months ended September, 2021		Nine months ended September 30, 2022		YoY Change	
	Segment Income	%	Segment Income	%	Segment Income	%
Domestic IT	2,066	8.4%	2,062	7.6%	(4)	(0.2)%
Overseas IT	392	5.4%	593	6.9%	201	51.2%
TOTAL	2,459	7.7%	2,655	7.5%	196	8.0%

Reference

CRO	812	16.8%	-	-	(812)	-
TOTAL Including CRO	3,272	8.9%	2,655	7.5%	(616)	(18.8)%

<Domestic IT>

Net sales increased 9.3% year on year, to ¥27,004 million, reflecting firm sales of projects in all industries, but segment income came to ¥2,062 million (down 0.2% year on year), mainly due to an increase in personnel, investment in new businesses, and corporate expenses in accordance with the medium-term management plan.

<Overseas IT>

Net sales amounted to ¥8,591 million (up 19.0% year on year) primarily due to growth in sales at an Indonesian subsidiary and the effect of the weaker yen. Segment income amounted to ¥593 million (up 51.2% year on year) chiefly due to increased sales and a recovery in profits at the Indian subsidiary.

(2) Summary of financial position

(Assets)

Total assets at the end of the first nine months under review amounted to ¥45,078 million, a decrease of ¥2,183 million from the end of the previous consolidated fiscal year. The main factors of this change

include an increase of ¥1,333 million in cash and deposits, an increase of ¥851 million in notes and accounts receivable - trade and contract assets (notes and accounts receivable - trade at the end of the previous fiscal year) and an increase of ¥293 million in goodwill, which were offset by a decrease of ¥5,216 million in investment securities.

(Liabilities)

Total liabilities at the end of the first nine months under review amounted to ¥15,068 million, a decrease of ¥793 million from the end of the previous consolidated fiscal year. Major factors behind this change include an increase of ¥872 million in notes and accounts payable - trade, which was offset by decreases of ¥184 million in income taxes payable, ¥383 million in provision for loss on business of subsidiaries and associates, and ¥1,001 million in deferred tax liabilities.

(Net assets)

Total net assets at the end of the first nine months under review amounted to ¥30,009 million, a decrease of ¥1,389 million from the end of the previous consolidated fiscal year. Major factors for this change include an increase of ¥638 million in retained earnings, a decrease of ¥144 million in treasury shares due to disposal of treasury shares and an increase of ¥715 million in foreign currency translation adjustment, which were offset by a decrease of ¥2,924 million in valuation difference on available-for-sale securities.

(3) Summary of future outlook including consolidated financial results forecast

We believe that our performance through the first nine months under review has been generally in line with our forecast of consolidated financial results. There is uncertainty over the possible impact of exchange rate fluctuations and domestic and international changes in customer IT investment trends. Given that, at this point, our full-year earnings forecast for the fiscal year ending December 31, 2022, remains unchanged from that announced on February 14, 2022.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Rounded down to the nearest million yen)

	December 31, 2021	September 30, 2022
Assets		
Current assets		
Cash and deposits	10,532	11,866
Notes and accounts receivable - trade	8,568	-
Notes and accounts receivable - trade, and contract assets	-	9,419
Securities	1,100	800
Merchandise	82	69
Work in process	356	227
Supplies	77	16
Other	1,440	2,315
Allowance for doubtful accounts	(354)	(335)
Total current assets	21,804	24,380
Non-current assets		
Property, plant and equipment	1,313	1,318
Intangible assets		
Goodwill	521	815
Other	1,157	1,176
Total intangible assets	1,679	1,991
Investments and other assets		
Investment securities	20,623	15,407
Deferred tax assets	438	369
Other	1,405	1,613
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	22,464	17,387
Total non-current assets	25,457	20,697
Total assets	47,261	45,078
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,701	3,573
Short-term borrowings	678	868
Income taxes payable	495	310
Provision for bonuses	946	1,169
Provision for loss on business of subsidiaries and associates	-	31
Other	4,057	3,479
Total current liabilities	8,879	9,433
Non-current liabilities		
Long-term borrowings	2,000	2,000
Provision for loss on business of subsidiaries and associates	414	-
Retirement benefit liability	1,898	1,987
Deferred tax liabilities	2,275	1,274
Other	394	373
Total non-current liabilities	6,982	5,635
Total liabilities	15,862	15,068
Net assets		
Shareholders' equity		
Share capital	3,702	3,702
Capital surplus	3,735	3,749
Retained earnings	19,408	20,046
Treasury shares	(4,411)	(4,267)
Total shareholders' equity	22,434	23,231
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,760	4,836
Foreign currency translation adjustment	84	799
Remeasurements of defined benefit plans	490	448
Total accumulated other comprehensive income	8,335	6,083
Non-controlling interests	629	694
Total net assets	31,398	30,009
Total liabilities and net assets	47,261	45,078

(2) Consolidated Statements of Income

(Rounded down to the nearest million yen)

	From January 1, 2021 to September 30, 2021	From January 1, 2022 to September 30, 2022
Net sales	36,779	35,595
Cost of sales	27,557	26,982
Gross profit	9,221	8,612
Selling, general and administrative expenses	5,949	5,957
Operating profit	3,272	2,655
Non-operating income		
Interest income	37	27
Dividend income	41	38
Foreign exchange gains	50	196
Share of profit of entities accounted for using equity method	4	19
Gain on adjustment of account payable	30	43
Other	82	65
Total non-operating income	247	389
Non-operating expenses		
Interest expenses	55	51
Commitment fees	5	5
Loss on investments in investment partnerships	185	375
Other	92	87
Total non-operating expenses	339	520
Ordinary profit	3,179	2,525
Extraordinary income		
Gain on sale of investment securities	-	212
Gain on sale of shares of subsidiaries and associates	272	-
Reversal of provision for loss on business of subsidiaries and associates	-	152
Total extraordinary income	272	364
Extraordinary losses		
Loss on valuation of investment securities	-	79
Loss on sale of investment securities	2	-
Other	-	0
Total extraordinary losses	2	80
Profit before income taxes	3,449	2,809
Income taxes - current	1,054	731
Income taxes - deferred	102	373
Total income taxes	1,157	1,104
Profit	2,292	1,704
Profit attributable to non-controlling interests	32	62
Profit attributable to owners of parent	2,260	1,641

(3) Consolidated Statements of Comprehensive Income

(Rounded down to the nearest million yen)

	From January 1, 2021 to September 30, 2021	From January 1, 2022 to September 30, 2022
Profit	2,292	1,704
Other comprehensive income		
Valuation difference on available-for-sale securities	3,102	(2,924)
Foreign currency translation adjustment	210	736
Remeasurements of defined benefit plans, net of tax	64	(42)
Total other comprehensive income	3,376	(2,230)
Comprehensive income	5,669	(525)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,624	(610)
Comprehensive income attributable to non-controlling interests	44	84

(4) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Note on significant changes in the amount of shareholders' equity)

Not applicable

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. since the beginning of the first three months of the consolidated fiscal year under review and recognizes revenue at the amount of consideration to which the Company is expected to be entitled when control of the goods or services is transferred to the customer.

Regarding made-to-order software, the Company previously applied the percentage-of-completion method (cost-to-cost method for the estimation of progression rate) to contracts in which the reliability of results for progressed portions was recognized, while applying the completed-contract method to other contracts. However, the Company replaced those practices with a new method, which is applied for performance obligations to be fulfilled over a fixed period. With this method, the rate of progress in fulfillment of such performance obligations is reasonably estimated, and revenue is recognized over the fixed period based on the estimated rate of progress. The level of progress in fulfillment of performance obligations is estimated based on the actual cost as a percentage of estimated total cost (input method) where the result of performance obligation can be reasonably measured. Where the result of performance obligation cannot be reasonably measured, revenue is recognized only within the range of actual cost that was generated.

The Revenue Recognition Accounting Standard, etc. is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained earnings at the beginning of the first three months of the consolidated fiscal year under review. This balance of retained earnings is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the first three months, either by adding it to or deducting it from the retained earnings.

As a result, net sales, cost of sales, operating income, ordinary income and profit before income taxes for the first nine months under review decreased by ¥122 million, ¥108 million, ¥14 million, ¥14 million, and ¥14 million, respectively. In addition, retained earnings at beginning of period increased ¥11 million.

Due to the application of Revenue Recognition Accounting Standard, etc., "Notes and accounts receivable - trade" which were included in "Current assets" in the consolidated balance sheets for the previous fiscal year, are included in "Notes, accounts receivable – trade and contract assets" from the first three months of the consolidated fiscal year under review. In accordance with the provisional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting

Standard, no reclassification has been made to the consolidated financial statements for the previous fiscal year based on the new presentation method. In accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on revenues from contracts with customers for the first nine months of the previous consolidated fiscal year have not been broken down.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company started to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. at the beginning of the first three months of the consolidated fiscal year under review. Accordingly, the Company has decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the accounting standard has no impact on the consolidated quarterly financial statements.

(Additional Information)

(The Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

In relation to the transition to the group tax sharing system, which is newly established under the Act for Partial Revision of the Income Tax Act and Other Acts (Act No. 8 of 2020) and the items regarding which the non-consolidated taxation system was reviewed in line with the transition to the group tax sharing system, the Company and part of its consolidated subsidiaries do not implement the provisions of Paragraph 44 of the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) but comply with the provisions of the tax regulations prior to the revision with respect to amounts of deferred tax assets and deferred tax liabilities, in accordance with the treatment stipulated in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No.39, March 31, 2020).

(Segment information)

I The third quarter of the previous consolidated cumulative fiscal year (January 1, 2021 to September 30, 2021)

1. Information on amounts of net sales, profit (loss) by reportable segment (Unit: million yen)

	Reportable segment				Adjustment	Amount on quarterly consolidated statement of income (Note)
	Domestic IT	Overseas IT	CRO	Total		
Net sales						
Net sales to external customers	24,716	7,221	4,841	36,779	-	36,779
Intersegment sales or transfers	116	1,194	2	1,313	(1,313)	-
Total	24,832	8,415	4,844	38,092	(1,313)	36,779
Segment profit (loss)	2,066	392	812	3,272	-	3,272

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

2. Information on assets by reportable segment

(Considerable asset decrease due to a fall in the number of subsidiaries)

Assets in the CRO segment decreased ¥4,250 million from the last day of the previous fiscal year due to the transfer of all shares in CAC Croit Corporation, which comprised the CRO segment, and the company's exclusion from the scope of consolidation in the first six months under review.

II The third quarter of the consolidated cumulative fiscal year (January 1, 2022 to September 30, 2022)

1. Information on amounts of net sales, profit (loss) by reportable segment (Unit: million yen)

	Reportable segment			Adjustment	Amount on quarterly consolidated statement of income (Note)
	Domestic IT	Overseas IT	Total		
Net sales					
Net sales to external customers	27,004	8,591	35,595	-	35,595
Intersegment sales or transfers	246	1,328	1,575	(1,575)	-
Total	27,250	9,920	37,170	(1,575)	35,595
Segment profit (loss)	2,062	593	2,655	-	2,655

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

2. Matters related to changes in reportable segments

(Reclassification of Reportable Segments)

In the previous consolidated fiscal year, in order to concentrate its management resources on its IT business, the Company transferred all shares of CAC Croit Corporation, which was in charge of "CRO," and excluded it from the scope of consolidation. Accordingly, the "CRO" category has been abolished from the first three months of the consolidated fiscal year under review.

(Application of Accounting Standard for Revenue Recognition, etc.)

As described in “Changes in Accounting Policies,” the Company adopted the Revenue Recognition Accounting Standard, etc. and changed its accounting methods for revenue recognition at the beginning of the first three months of the consolidated fiscal year under review. Reflecting this change, it modified its method for measuring the profits and losses of its business segments. As a result of said change, the sales of the Domestic IT segment for the first nine months under review decreased by ¥122 million and segment income decreased by ¥14 million compared with the previous method.

3. Information on impairment loss in non-current assets and goodwill by reportable segment
(Significant Changes in Amount of Goodwill)

In the Overseas IT business, new goodwill was recognized due to the finalized payment of the conditional consideration for the acquisition of shares of Mitrais Pte. Ltd. on October 18, 2019. This event resulted in an increase in goodwill of ¥348 million during the first nine months under review.

(Material subsequent events)

Not applicable

6. Supplementary Information

(1) Consolidated Orders Received by Segment

(Rounded down to the nearest million yen)

	Nine months ended September 30, 2021		Nine months ended September 30, 2022		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Domestic IT	27,038	61.5%	29,609	75.8%	2,571	9.5%
Overseas IT	7,721	17.6%	9,451	24.2%	1,729	22.4%
CRO	9,211	20.9%	-	-	(9,211)	-
Total	43,970	100.0%	39,060	100.0%	(4,910)	(11.2)

(note) The above amounts display orders received from external customers. CRO segment is abolished from the fiscal year ending December 2022, and segment is changed into two, domestic IT and overseas IT.

(2) Consolidated Order Backlog by Segment

(Rounded down to the nearest million yen)

	Nine months ended September 30, 2021		Nine months ended September 30, 2022		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Domestic IT	9,788	73.7%	10,921	71.8%	1,133	11.6%
Overseas IT	3,494	26.3%	4,289	28.2%	794	22.7%
Total	13,283	100.0%	15,211	100.0%	1,928	14.5%

(note) The above amounts display order backlog for external customers. CRO segment is abolished from the fiscal year ending December 2022, and segment is changed into two, domestic IT and overseas IT.

(3) Consolidated Net Sales by Industry

(Rounded down to the nearest million yen)

	Nine months ended September 31, 2021		Nine months ended September 31, 2022		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Financial services	10,050	27.3%	11,254	31.6%	1,203	12.9%
Pharmaceuticals	8,850	24.1%	6,034	17.0%	(2,815)	(31.8)%
Manufacturing	5,160	14.0%	5,658	15.9%	498	9.7%
Information & Communications Services and others	4,835	13.1%	5,573	15.7%	738	15.3%
	7,881	21.5%	7,073	19.8%	(807)	(10.2)%
Total	36,779	100.0%	35,595	100.0%	(1,183)	(3.2)%

(note) The above amounts display net sales to external customers.

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