

Note; This document is a partial translation of "Kessan Tanshin" for the second quarter of the Fiscal Year Ending December 31, 2023 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 Second Quarter of the Fiscal Year Ending December 31, 2023 (Japanese GAAP)

August 10, 2023

Company Name: CAC Holdings Corporation
Code Number: 4725
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Stock Exchange: Tokyo Stock Exchange
URL: <https://www.cac-holdings.com/>
Scheduled date to submit the annual securities report (Yukashoken Hokokusho): August 10, 2023
Scheduled date of dividend payment: September 1, 2023
Supplementary documents for financial results: Yes (on the website of CAC Holdings)
Financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2022 (January 1, 2023 through June 30, 2023)

(1) Consolidated Results of Operations (cumulative)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2023	24,052	2.7	1,550	(13.8)	1,390	(13.8)	1,209	34.9
June 30, 2022	23,418	(10.2)	1,798	(24.9)	1,613	(30.1)	896	(46.7)

(Note) Comprehensive income
Six months ended June 30, 2023 1,996 million yen (-%)
Six months ended June 30, 2022 Δ 1,508 million yen (-%)

	Net income per share	Net income per share (fully diluted)
Six months ended	Yen Sen	Yen Sen
June 30, 2023	71.05	–
June 30, 2022	53.06	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2023	44,558	30,416	67.6
December 31, 2022	44,213	29,300	64.7

(Reference) Shareholders' equity
As of June 30, 2023 30,109 million yen
As of December 31, 2022 28,620 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
Year ended December 31, 2022	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
Year ending December 31, 2023	–	30.00	–	30.00	60.00
Year ending December 31, 2023 (Forecast)	–	40.00	–	40.00	80.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023
(January 1, 2023 through December 31, 2023)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen Sen
Full-year	50,000	4.2	3,300	3.5	3,200	1.3	2,200	5.1	129.17

(Note) Revisions to forecast published most recently: None

* Notes

(1) Important changes in subsidiaries for the fiscal year ended December 31, 2023 (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.: Yes

(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 June 30, 2023 20,541,400 shares As of December 31, 2022 20,541,400 shares

(ii) Total number of treasury stock as of the end of each period:

As of June 30, 2023 3,495,689 shares As of December 31, 2022 3,537,978 shares

(iii) Average number of issued shares for each period (cumulative period)

As of June 30, 2023 17,018,044 shares As of June 30, 2022 16,896,348 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 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 actual results may differ materially 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 Six Months of the Fiscal Year Ending December 31, 2023

(1) Explanation of operating results

During the first six months of the fiscal year under review (January 1, 2023 to June 20, 2023, hereinafter the “first six months under review”), net sales increased 2.7% year on year, to ¥24,052 million, reflecting growth in the overseas IT business and foreign exchange effects, despite the impact of deconsolidation in the domestic IT business. Operating profit decreased 13.8% year on year, to ¥1,550 million, chiefly due to the implementation of investment for the creation of growth bases according to the medium-term management plan that started from the previous fiscal year. Ordinary profit declined 13.8% year on year, to ¥1,390 million. Profit attributable to owners of parent amounted to ¥1,209 million, an increase of 34.9%, due to the posting of a gain on sale of investment securities.

The CAC Group has been conducting business under CAC Vision 2030, “Evolving into a corporate group that consistently makes a positive impact on society through technologies and ideas,” a long-term goal that it established to achieve sustainable growth without being swayed by short-term volatility in the rapidly changing recent situation. 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 FY2023, or the second year of the medium-term management plan, we will continue to launch new businesses with a view toward creating growth bases, while also continuing to recruit and develop human resources proactively. In addition, we will continue to move forward with the structural reform of overseas subsidiaries, enhancement of group governance and transformation of organizational culture.

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.

The Company has also changed, from the first three months of the fiscal year under review, its method for calculating segment profit. Consequently, the amounts of adjustment reflect corporate expenses that are not allocated to individual reportable segments. The figures for the first six months of the previous fiscal year also reflect the same change.

Net sales

(Unit: million yen)

	Year ended June 30, 2022		Year ended June 30, 2023		YoY change	
	Net sales	%	Net sales	%	Net sales	%
Domestic IT Business	18,015	76.9	17,933	74.6	(81)	(0.5)
Overseas IT Business	5,402	23.1	6,118	25.4	715	13.2
TOTAL	23,418	100.0	24,052	100.0	634	2.7

Consolidated Segment Income

(Unit: million yen)

	Year ended June 30, 2022		Year ended June 30, 2023		YoY change	
	Segment Income	%	Segment Income	%	Segment Income	%
Domestic IT Business	1,931	10.7	1,774	9.9	(157)	(8.1)
Overseas IT Business	549	10.2	519	8.5	(30)	(5.5)
Adjustment	(682)	-	(743)	-	(60)	-
TOTAL	1,798	7.7	1,550	6.4	(248)	(13.8)

<Domestic IT>

Although Domestic IT businesses were generally solid, net sales amounted to ¥17,933 million (down 0.5% year on year) because a decline in sales attributable to the exclusion of one subsidiary from the scope of consolidation was not fully offset. Segment profit decreased 8.1% year on year, to ¥1,747 million, reflecting an increase in selling, general and administrative expenses due mainly to acceleration in investment in human resources and the development of new businesses, with an eye to creating growth bases.

<Overseas IT>

Net sales amounted to ¥6,118 million (up 13.2% year on year), primarily due to growth in sales at an Indonesian subsidiary and foreign exchange effects, among other factors. Segment profit stood at ¥519 million (down 5.5% year on year), chiefly due to increased structural reform expenses at the Indian subsidiary and a rise in engineers' personnel expenses at the Indonesian subsidiary.

(2) Summary of financial position

(Assets)

Total assets at the end of the first six months of the consolidated fiscal year under review amounted to ¥44,558 million, an increase of ¥344 million from the end of the previous consolidated fiscal year. Major factors behind this change include increases of ¥1,142 million in cash and deposits, and ¥506 million in goodwill, which were partially offset by a decrease of ¥1,300 million in securities.

(Liabilities)

Total liabilities at the end of the first six months of the consolidated fiscal year under review amounted to ¥14,141 million, a decrease of ¥771 million from the end of the previous consolidated fiscal year. Major factors for this change include decreases of ¥457 million in notes and accounts payable - trade, ¥461 million in provision for bonuses, and ¥148 million in retirement benefit liability, which offset an increase of ¥302 million in deferred tax liabilities.

(Net assets)

Net assets totaled ¥30,416 million at the end of the first half under review, an increase of ¥1,116 million from the end of the previous fiscal year. The major factors behind this change include increases of ¥699 million in retained earnings, ¥258 million in a valuation difference on available-for-sale securities, and ¥504 million in foreign currency translation adjustment, partly offset by a decrease of ¥375 million in non-controlling interests.

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

We believe that our performance through the first six months under review has been generally in line with our forecast of consolidated financial results. Consolidated financial forecasts for the fiscal year ending December 31, 2023 published on February 14, 2023 remain unchanged at the present time.

(1) Consolidated Balance Sheet

(Rounded down to the nearest million yen)

	December 31,2022	30-Jun-23
Assets		
Current assets		
Cash and deposits	12,491	13,634
Notes and accounts receivable - trade, and contract assets	9,287	9,234
Securities	1,300	-
Merchandise	56	96
Work in process	174	182
Supplies	14	6
Other	1,751	1,837
Allowance for doubtful accounts	(316)	(344)
Total current assets	24,758	24,647
Non-current assets		
Property, plant and equipment	1,489	1,428
Intangible assets		
Goodwill	763	1,270
Other	1,092	927
Total intangible assets	1,856	2,197
Investments and other assets		
Investment securities	14,543	14,738
Deferred tax assets	346	233
Other	1,221	1,316
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	16,108	16,285
Total non-current assets	19,454	19,911
Total assets	44,213	44,558
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,172	2,715
Short-term borrowings	606	932
Income taxes payable	432	336
Provision for bonuses	851	389
Provision for loss on business of subsidiaries and associates	20	17
Asset retirement obligations	297	297
Other	3,818	3,682
Total current liabilities	9,199	8,371
Non-current liabilities		
Long-term borrowings	2,000	2,000
Retirement benefit liability	2,225	2,077
Asset retirement obligations	227	227
Deferred tax liabilities	875	1,178
Other	383	286
Total non-current liabilities	5,713	5,770
Total liabilities	14,912	14,141
Net assets		
Shareholders' equity		
Share capital	3,702	3,702
Capital surplus	3,749	3,740
Retained earnings	20,498	21,198
Treasury shares	(4,267)	(4,215)
Total shareholders' equity	23,683	24,425
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,293	4,551
Foreign currency translation adjustment	461	965
Remeasurements of defined benefit plans	182	167
Total accumulated other comprehensive income	4,936	5,684
Non-controlling interests	679	306
Total net assets	29,300	30,416
Total liabilities and net assets	44,213	44,558

(2) Consolidated Statements of Income

(Rounded down to the nearest million yen)

別1	From January 1, 2022 to June 30, 2022	From January 1, 2023 to June 30, 2023
Net sales	23,418	24,052
Cost of sales	17,660	18,013
Gross profit	5,757	6,038
Selling, general and administrative expenses	3,959	4,488
Operating profit	1,798	1,550
Non-operating income		
Interest income	19	54
Dividend income	37	39
Foreign exchange gains	133	63
Share of profit of entities accounted for using equity method	15	22
Gain on adjustment of account payable	42	22
Other	33	39
Total non-operating income	281	241
Non-operating expenses		
Interest expenses	38	33
Commitment fees	3	3
Loss on investments in investment partnerships	373	325
Other	51	38
Total non-operating expenses	466	401
Ordinary profit	1,613	1,390
Extraordinary income		
Gain on sale of investment securities	0	554
Gain on sale of shares of subsidiaries and associates	-	31
Reversal of provision for loss on business of subsidiaries and associates	152	-
Other	-	25
Total extraordinary income	152	612
Extraordinary losses		
Loss on valuation of investment securities	82	-
Business office renovation expenses	-	47
Other	0	-
Total extraordinary losses	83	47
Profit before income taxes	1,682	1,955
Income taxes - current	327	473
Income taxes - deferred	415	241
Total income taxes	742	714
Profit	939	1,241
Profit attributable to non-controlling interests	42	32
Profit attributable to owners of parent	896	1,209

(3) Consolidated Statements of Comprehensive Income

	From January 1, 2022 to June 30, 2022	From January 1, 2023 to June 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,682	1,955
Depreciation	275	275
Amortization of goodwill	130	72
Increase (decrease) in provision for bonuses	(358)	(428)
Increase (decrease) in allowance for doubtful accounts	(58)	(1)
Increase (decrease) in provision for loss on business of subsidiaries and associates	(375)	(3)
Loss (gain) on sale of investment securities	0	(554)
Loss (gain) on sale of shares of subsidiaries and associates	-	(31)
Loss (gain) on valuation of investment securities	82	-
Decrease (increase) in trade receivables	227	234
Decrease (increase) in inventories	116	(34)
Increase (decrease) in trade payables	150	(333)
Other, net	(733)	(326)
Subtotal	1,138	823
Interest and dividends received	62	103
Interest paid	(23)	(35)
Income taxes paid	(836)	(792)
Income taxes refund	14	102
Net cash provided by (used in) operating activities	354	201
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1,124)	1,441
Purchase of property, plant and equipment	(71)	(63)
Purchase of intangible assets	(103)	(18)
Net decrease (increase) in short-term investment securities	(800)	1,300
Purchase of shares of subsidiaries and associates	-	(34)
Proceeds from sale of investment securities	802	832
Decrease (increase) in guarantee deposits	30	(3)
Payments for acquisition of businesses	-	(548)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(394)
Other, net	18	7
Net cash provided by (used in) investing activities	(1,247)	2,519
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5	254
Repayments of lease liabilities	(69)	(56)
Dividends paid	(510)	(508)
Dividends paid to non-controlling interests	(19)	(10)
Payments from changes in ownership interests in subsidiaries that do not result in changes in scope of consolidation	(348)	(198)
Net cash provided by (used in) financing activities	(943)	(518)
Effect of exchange rate change on cash and cash equivalents	253	282
Net increase (decrease) in cash and cash equivalents	(1,582)	2,484
Cash and cash equivalents at beginning of period	10,367	10,879
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	41
Cash and cash equivalents at end of period	8,784	13,405

(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)

The Company started to apply the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance") at the first quarter. Moving forward, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance in accordance with transitional measures stipulated in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. The application of the accounting standard has no impact on the consolidated quarterly financial statements.

(Additional information)

The Company and certain of its consolidated subsidiaries in Japan made a shift from the consolidated taxation system to the group tax sharing system in the first quarter of the fiscal year under review. Consequently, regarding accounting processing and disclosures for income taxes, local corporate income taxes and tax effect accounting, the Company started to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter "PITF No. 42"). In addition, based on Paragraph 32-(1) of PITF No. 42, the Company considers that there will be no impact of changes in its accounting policy resulting from the application of PITF No. 42.

(Segment information)

I . Previous fiscal year (January 1, 2022 to June 30, 2022)

1. Information by segment pertaining to net sales, profits/losses, assets, liabilities and other items by reported segment Previous fiscal year

(Unit: million yen)

	Reportable segment			Adjustment (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Domestic IT Business	Overseas IT Business	Total		
Net sales					
Net sales to external customers	18,015	5,402	23,418	-	23,418
Intersegment sales or transfers	162	914	1,076	(1,076)	-
Total	18,177	6,317	24,494	(1,076)	23,418
Segment profit (loss)	1,931	549	2,480	(682)	1,798

(Note) 1. An adjustment to segment profit in the amount of ¥(682) million reflects corporate expenses that are not allocated to individual reportable segments.

2. Segment profit is reconciled to operating profit stated in the consolidated statements of income.

2. 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 three months under review.

II, Fiscal year under review (January 1, 2023 to June 30, 2023)

1. Information by segment pertaining to net sales, profits/losses, assets, liabilities and other items by reported segment Previous fiscal year (January 1, 2023 to June 30, 2023)

(Unit: million yen)

	Reportable segment			Adjustment (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Domestic IT Business	Overseas IT Business	Total		
Net sales					
Net sales to external customers	17,933	6,118	24,052	-	24,052
Intersegment sales or transfers	124	709	833	(833)	-
Total	18,058	6,828	24,886	(833)	24,052
Segment profit	1,774	519	2,293	(743)	1,550

(Note) 1. An adjustment to segment profit in the amount of ¥(743) million reflects corporate expenses that are not allocated to individual reportable segments.

2. Segment profit is reconciled to operating profit stated in the consolidated statements of income.

2. Matters related to changes in reportable segments

(Changes in the calculation method of profit or loss of reportable segments)

To evaluate business performance more appropriately by reportable segment, we started to post, from the beginning of the first three months of the consolidated fiscal year, our general and administrative expenses in the segment profit adjustment as corporate expenses instead of allocating them to each reportable segment. Segment information for the first six months of the previous fiscal year has been restated to reflect the change to a method for calculating segment profit or loss.

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 six months under review.

(Material subsequent events)

Not applicable

6. Supplementary Information

(1) Consolidated Orders Received by Segment

(Rounded down to the nearest million yen)

	Six months ended June 30, 2022		Six months ended June 30, 2023		YoY Change	
	Amount	Vs total (%)	Amount	Vs total (%)	Amount	%
Domestic IT	21,121	74.3	20,115	63.9	(1,006)	(4.8)
Overseas IT	7,324	25.7	11,381	36.1	4,057	55.4
Total	28,446	100.0	31,497	100.0	3,050	10.7

(Note) The above amounts denote orders received from customers outside the CAC Group.

(2) Consolidated Order Backlog by Segment

(Rounded down to the nearest million yen)

	Six months ended June 30, 2022		Six months ended June 30, 2023		YoY Change	
	Amount	Vs total (%)	Amount	Vs total (%)	Amount	%
Domestic IT	11,407	68.1	11,055	54.9	(352)	(3.1)
Overseas IT	5,352	31.9	9,099	45.1	3,747	70.0
Total	16,759	100.0	20,155	100.0	3,395	20.3

(Note) The above amounts denote the order backlog for customers outside the CAC Group.

(3) Consolidated Net Sales by Industry

(Rounded down to the nearest million yen)

	Six months ended June 30, 2022		Six months ended June 30, 2023		YoY Change	
	Amount	Vs total (%)	Amount	Vs total (%)	Amount	%
Financial services	7,398	31.6	7,894	32.8	485	6.7
Pharmaceuticals	4,002	17.1	4,125	17.2	123	3.1
Manufacturing	3,759	16.1	3,599	15.0	(160)	(4.3)
Information & Communications Services and others	3,556	15.2	3,586	14.9	29	0.8
	4,700	20.0	4,845	20.1	145	3.1
Total	23,418	100.0	24,052	100.0	634	2.7

(Note) The above amounts denote net sales to external customers.

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