

Note; This document is a partial translation of "Kessan Tanshin" for the First Quarter of the Fiscal Year Ending December 31, 2024 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 First Quarter of the Fiscal Year Ending December 31, 2024 (Japanese GAAP)

May 14, 2024

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

Contact: Iori Sakai, Chief Manager, Corporate Communication Group, Corporate Planning Dept.

Tel: +81-3-6667-8070

Scheduled date of dividend payment: -

Scheduled date to submit the quarterly securities report (Shihanki Hokokusho): May 14, 2024

Supplementary documents for financial results: Yes (on the website of CAC Holdings)

Financial results briefing: No

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

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending December 31, 2024 (January 1, 2024 through March 31, 2024)

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

	Net sales		Adjusted EBITDA*		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2024	12,855	3.3	1,144	1.5	938	2.0	874	23.4	509	9.9
March 31, 2023	12,441	7.2	1,127	- 14.4	920	- 13.6	708	- 21.9	463	- 23.5

(Note) Comprehensive income

Three months ended March 31, 2024 1,892 million yen (-%) Three months ended March 31, 2023 155million yen (-%)

	Profit per share		Profit per share (fully diluted)	
	Yen	Sen	Yen	Sen
Three months ended March 31, 2024	29.91		—	
March 31, 2023	27.28		—	

* Adjusted EBITDA= Operating profit + Depreciation + Goodwill amortization + Share-based payment expenses

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
March 31, 2024	51,648	33,380	63.9
December 31, 2023	48,532	32,346	65.8

(Reference) Shareholders' equity As of March 31, 2024 33,020 million yen As of December 31, 2023 31,939 million yen

2. Dividends

	Dividend per share					Total dividends
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	End of the 4th quarter		
Year ended December 31, 2023	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
	—	40.00	—	40.00	80.00	
Year ending December 31, 2024	—					
Year ending December 31, 2024 (Forecast)		40.00	—	40.00	80.00	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2024 (January 1, 2024 through December 31, 2024)

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

	Net sales		Adjusted EBITDA	
	Million yen	%	Million yen	%
Full-year	51,500	1.9	4,500	8.6

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

The Group has adopted "Adjusted EBITDA" as a KPI, which indicates the ability of cash generated from its business, and forecast of consolidated financial results is disclosed in "Net sales" and "Adjusted EBITDA".

* Notes

(1) Important changes in subsidiaries for the first quarter of the fiscal year ending March 31, 2024 (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.: Not applicable

(ii) Changes in accounting principles other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements of accounting estimates: Not applicable

(4) Number of shares outstanding (common shares)

(i) Total number of shares outstanding (including treasury shares) as of the end of each period:

As of March 31, 2024 20,541,400 shares

As of December 31, 2023 20,541,400 shares

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

As of March 31, 2024 3,495,738 shares

As of December 31, 2023 3,495,738 shares

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

As of March 31, 2024 17,045,662 shares

As of March 31, 2023 17,002,915 shares

(Note) The Company introduced an Employee Stock Ownership Plan (J-ESOP). The number of shares in the Company held by the J-ESOP trust is included in the number of the treasury shares that are excluded from the calculation of the number of treasury shares as of the end of the period and the average number of issued shares during the period.

* The consolidated financial statements are 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. Summary of Business Results etc.

(1) Analysis of operating results

In the first quarter under review (from January 1, 2024 to March 31, 2024), net sales increased 3.3% year on year to ¥12,855 million, despite the impact of the deconsolidation in the Domestic IT business, due to the increase in sales at core subsidiaries and the effect of the depreciation of the yen. Operating profit increased 2.0% year on year to ¥938 million, despite the impact of investments to foster a foundation for growth based on the Medium-Term Management Plan launched in FY2022 and the deconsolidation, as a result of the promotion of management efficiency. Ordinary profit increased 23.4% year on year to ¥874 million due to the impact of foreign exchange rate fluctuations, and profit attributable to owners of parent increased 9.9% year on year to ¥ 509 million. Adjusted EBITDA (operating profit + depreciation expense, amortization of goodwill and Share-based payment expenses), which the Group considers as an important management indicator, increased 1.5% year on year to ¥1,144 million.

In light of the current rapidly changing environment, and with the aim of achieving sustainable growth independent of short-term fluctuations, the Group established CAC Vision 2030 "Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas" at the end of FY2021 as its ideal form for 10 years from now. The current Medium-Term Management Plan (FY2022 – FY2025, hereinafter "Phase 1") focuses on the three strategies of "the creation of a foundation for growth", "the achievement of increased profitability", and "the review and development of corporate capabilities" as the period to secure stable revenues from existing contracted businesses both in Japan and overseas and to prepare for the creation of digital products and services for Phase 2 from FY2026 onward.

Results by segment are as follows. In terms of net sales, sales to external customers are shown. In terms of profit, adjusted EBITDA figures are shown from the first quarter under review. For operating profit by segment, please refer to page 9.

Net sales

(Unit: million yen)

	Three months ended March 31, 2023		Three months ended March 31, 2024		YoY change	
	Net sales	%	Net sales	%	Net sales	%
Domestic IT Business	9,310	74.8%	9,388	73.0%	77	0.8%
Overseas IT Business	3,130	25.2%	3,466	27.0%	336	10.7%
TOTAL	12,441	100.0%	12,855	100.0%	413	3.3%

Adjusted EBITDA

(Unit: million yen)

	Three months ended March 31, 2023		Three months ended March 31, 2024		YoY change	
	Adjusted EBITDA	%	Adjusted EBITDA	%	Adjusted EBITDA	%
Domestic IT Business	1,081	11.6%	1,130	12.0%	48	4.4%
Overseas IT Business	379	12.1%	367	10.6%	-12	-3.3%
Adjustment	-334	-	-352	-	-18	-
TOTAL	1,127	9.1%	1,144	8.9%	17	1.5%

<Domestic IT>

Net sales were ¥9,388 million (up 0.8% year on year) due mainly to the growth of core subsidiaries, despite a decrease due to the exclusion of one subsidiary from the scope of consolidation at the end of the first quarter of the fiscal year ended December 2023. Adjusted EBITDA was ¥1,130 million (up 4.4% year on year) due mainly to the promotion of management efficiency while promoting human resources investment and new business development to foster a growth base.

<Overseas IT>

Net sales were ¥3,466 million (up 10.7% year on year) due to the effects of the depreciation of the yen and the growth of projects in the U.S. and China, while projects in financial services in the Indian market were reduced. Adjusted EBITDA was ¥367 million (down 3.3% year on year) due to an increase in personnel expenses in Indonesia.

(2) Analysis of financial position

(Assets)

Total assets at the end of the first quarter under review were ¥51,648 million, an increase of ¥3,115 million from the end of the previous fiscal year. The main causes of the changes were an increase of ¥894 million in cash and deposits, an increase of ¥1,608 million in goodwill and an increase of ¥1,616 million in investment securities, and a decrease of ¥873 million in notes and accounts receivable – trade, and contract assets.

(Liabilities)

Total liabilities at the end of the first quarter under review were ¥18,267 million, an increase of ¥2,082 million from the end of the previous fiscal year. The main causes of the changes were an increase of ¥1,220 million in short-term borrowings, ¥1,300 million in long-term borrowings and ¥589 million in deferred tax liabilities, a decrease of ¥772 million in notes and accounts payable-trade and a decrease of ¥104 million in income taxes payable.

(Net assets)

Total net assets at the end of the first quarter under review increased by ¥1,033 million from the end of the previous fiscal year to ¥33,380 million. The main cause of the change was an increase of ¥1,214 million in valuation difference on available-for-sale securities and a decrease of ¥186 million in retained earnings.

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

The Company believes that the consolidated financial results through the first quarter of the current fiscal year have generally progressed in line with the forecast. At present, there are no changes to the full-year forecast for the fiscal year ending December 2024 announced on February 13, 2024.

5. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheet

(Unit: million yen)

	December 31,2023	March 31,2024
Assets		
Current assets		
Cash and deposits	11,039	11,933
Notes and accounts receivable - trade, and contract assets	11,934	11,060
Merchandise	262	67
Work in process	214	170
Supplies	7	12
Other	2,250	2,365
Allowance for doubtful accounts	-299	-349
Total current assets	25,408	25,261
Non-current assets		
Property, plant and equipment	1,701	1,748
Intangible assets		
Goodwill	939	2,547
Other	962	931
Total intangible assets	1,901	3,479
Investments and other assets		
Investment securities	17,508	19,124
Deferred tax assets	272	259
Other	1,744	1,778
Allowance for doubtful accounts	-3	-3
Total investments and other assets	19,522	21,158
Total non-current assets	23,124	26,386
Total assets	48,532	51,648

(Unit: million yen)

	December 31,2023	March 31,2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,356	3,584
Short-term borrowings	476	1,697
Current portion of long-term borrowings	2,000	2,000
Income taxes payable	494	390
Provision for bonuses	708	672
Provision for loss on orders received	12	-
Other	4,508	4,448
Total current liabilities	12,558	12,793
Non-current liabilities		
Long-term borrowings	-	1,300
Retirement benefit liability	1,608	1,521
Asset retirement obligations	252	252
Deferred tax liabilities	1,487	2,076
Other	279	323
Total non-current liabilities	3,627	5,474
Total liabilities	16,185	18,267
Net assets		
Shareholders' equity		
Share capital	3,702	3,702
Capital surplus	3,943	3,854
Retained earnings	21,780	21,593
Treasury shares	-4,417	-4,417
Total shareholders' equity	25,008	24,732
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,351	6,565
Foreign currency translation adjustment	1,087	1,255
Remeasurements of defined benefit plans	491	465
Total accumulated other comprehensive income	6,930	8,287
Non-controlling interests	407	360
Total net assets	32,346	33,380
Total liabilities and net assets	48,532	51,648

(2) Consolidated Statements of Income

(Unit: million yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	12,441	12,855
Cost of sales	9,401	9,591
Gross profit	3,040	3,263
Selling, general and administrative expenses	2,120	2,325
Operating profit	920	938
Non-operating income		
Interest income	24	32
Dividend income	1	1
Foreign exchange gains	-	45
Share of profit of entities accounted for using equity method	15	7
Gain on adjustment of accounts payable	22	5
Other	22	41
Total non-operating income	86	134
Non-operating expenses		
Interest expenses	16	7
Commitment fees	1	1
Loss on investments in investment partnerships	222	163
Foreign exchange losses	37	-
Other	19	25
Total non-operating expenses	298	198
Ordinary profit	708	874
Extraordinary income		
Gain on sale of investment securities	-	0
Gain on sale of shares of subsidiaries and associates	31	-
Total extraordinary income	31	0
Extraordinary losses		
Loss on sale of investment securities	-	0
Loss on valuation of investment securities	-	37
Total extraordinary losses	-	37
Profit before income taxes	740	837
Income taxes - current	238	216
Income taxes - deferred	12	76
Total income taxes	250	293
Profit	489	544
Profit attributable to non-controlling interests	25	34
Profit attributable to owners of parent	463	509

(3) Consolidated Statements of Comprehensive Income

	(Unit: million yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit	489	544
Other comprehensive income		
Valuation difference on available-for-sale securities	-463	1,214
Foreign currency translation adjustment	138	163
Remeasurements of defined benefit plans, net of tax	-8	-29
Total other comprehensive income	-333	1,348
Comprehensive income	155	1,892
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	126	1,866
Comprehensive income attributable to non-controlling interests	28	25

(4) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

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

Not applicable

(Additional information)

(Transactions for Delivering Own Shares to Employees, etc. through a trust)

For the purpose of further enhancing the link between the Company's stock price and performance and the treatment of employees, etc. (Includes employees of the Company and directors and employees of some consolidated subsidiaries. The same shall apply hereinafter.), and to boost their motivation and morale to improve the stock price and performance, the Company and some consolidated subsidiaries have introduced an incentive plan, "Employee Stock Ownership Plan (J-ESOP)"(hereinafter, referred to as the "Plan"), to provide the shares of the Company to their employees, etc.

(1) Overview of Transactions

The Plan is a scheme to provide the Company's shares to employees etc. who satisfy certain requirements pursuant to the Stock Benefit Regulations prescribed by the Company and some of its consolidated subsidiaries in advance.

The Company and some of its consolidated subsidiaries grant points to employees etc. according to the business performance, etc., and when they acquire the right to receive benefits under certain conditions, the Company provides its shares equivalent to the grant points. Shares to be provided to employees, etc. are acquired using the money set in a trust in advance, including future shares, and are separately managed as trust property.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares in the net assets section according to the book value (excluding the amount of ancillary costs) of the trust. The book value and the number of shares of treasury stock were ¥648 million and 370,000 in the previous fiscal year, and ¥648 million and 370,000 in the first quarter of the current fiscal year.

(Segment information)

I . Previous fiscal year (January 1, 2023 to March 31, 2023)

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

(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	9,310	3,130	12,441	—	12,441
Intersegment sales or transfers	68	365	433	— 433	—
Total	9,379	3,496	12,875	— 433	12,441
Segment profit (loss)	1,015	267	1,283	— 363	920

(Note) 1. An adjustment to segment profit in the amount of ¥363million 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.

II . Fiscal year under review (January 1, 2024 to March 31, 2024)

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

(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	9,388	3,466	12,855	—	12,855
Intersegment sales or transfers	111	413	524	— 524	—
Total	9,499	3,880	13,380	— 524	12,855
Segment profit	1,067	257	1,324	— 385	938

(Note) 1. An adjustment to segment profit in the amount of ¥385 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.

3. Matters related to changes in reportable segments

(Material Changes in the Amount of Goodwill)

During the first quarter of the current fiscal year, the Company acquired all shares of CIM TECHNOLOGY Co., Ltd. and included them in the scope of consolidation, resulting in goodwill of ¥1,616 million in domestic IT. The amount of goodwill is provisionally calculated as the allocation of acquisition cost has not been completed at the end of the first quarter of the current fiscal year.

(Material subsequent events)

Not applicable

6. Supplementary Information

(1) Consolidated Orders Received by Segment

(Unit: million yen)

	Three months ended March 31, 2023		Three months ended March 31, 2024		YoY Change	
	Amount	Vs total (%)	Amount	Vs total (%)	Amount	%
Domestic IT	11,458	65.0%	11,438	67.7%	−19	−0.2%
Overseas IT	6,157	35.0%	5,455	32.3%	−701	−11.4%
Total	17,615	100.0%	16,894	100.0%	−721	−4.1%

(note) The above amounts display orders received from external customers.

(2) Consolidated Order Backlog by Segment

(Unit: million yen)

	Three months ended March 31, 2023		Three months ended March 31, 2024		YoY Change	
	Amount	Vs total (%)	Amount	Vs total (%)	Amount	%
Domestic IT	10,988	61.6%	12,569	60.2%	1,581	14.4%
Overseas IT	6,862	38.4%	8,308	39.8%	1,446	21.1%
Total	17,851	100.0%	20,878	100.0%	3,027	17.0%

(note) The above amounts display order backlog for external customers.

(3) Consolidated Net Sales by Industry

(Unit: million yen)

	Three months ended March 31, 2023		Three months ended March 31, 2024		YoY Change	
	Amount	Vs total (%)	Amount	Vs total (%)	Amount	%
Financial services	4,028	32.4%	4,428	34.5%	400	9.9%
Pharmaceuticals	2,122	17.1%	2,269	17.7%	147	6.9%
Manufacturing	2,092	16.8%	1,825	14.2%	−267	−12.8%
Information & Communications	1,806	14.5%	1,683	13.1%	−122	−6.8%
Services and others	2,392	19.2%	2,646	20.5%	254	10.7%
Total	12,441	100.0%	12,855	100.0%	413	3.3%

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

END