COMPANY RESEARCH AND ANALYSIS REPORT

CAC Holdings Corporation

4725

Tokyo Stock Exchange Prime Market

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Summary

In FY12/25, the Company plans to continue aggressive business investment, aiming for 20% year-on-year increase in adjusted EBITDA

1. Company profile and business description

CAC Holdings Corporation <4725> (hereafter, also "the Company") was established in August 1966 as a pioneering, independent, software specialist company in Japan and expanded its business domain by leveraging an aggressive M&A strategy. In June 2021, it decided to transfer its stake in CAC Croit Corporation (currently, EPS Corporation), a consolidated subsidiary engaged in the CRO business undertaking contracted and agency services for clinical trials and post-marketing operations performed by pharmaceutical companies during drug development. The Company now forms a corporate group that concentrates its management resources on the IT business in Japan and abroad (23 consolidated subsidiaries and 3 equity-method affiliates operate under the holding company with 4,653 employees in the Group. All as of December 31, 2024).

The Company has two reporting segments: domestic IT business and overseas IT business. The domestic IT business mainly provides systems development services, systems operation and management services, and human resource business process outsourcing (BPO) services at domestic subsidiaries. Meanwhile, the overseas IT business mainly provides systems development services, systems operation and management services, and maintenance services at overseas subsidiaries.

2. Overview of FY12/24 results

FY12/24 consolidated results marked sales and profit growth as net sales increased 3.0% year on year (YoY) to ¥52.06bn, adjusted EBITDA (calculated by adding depreciation, goodwill amortization, and share-based compensation expenses to operating income) increased 10.3% to ¥4.57bn, operating income increased 2.0% to ¥3.39bn, ordinary income increased 7.8% to ¥3.36bn, and profit attributable to owners of parent increased 25.2% to ¥3.09bn. Looking at the factors behind the change in net sales, domestic IT business sales increased ¥2.96bn YoY. Of which, the existing business sales reported a ¥2.41bn increase driven by services for financial and manufacturing sectors, ¥1.21bn increase thanks to new consolidation effect through M&A, but a ¥660mn decrease due to the impact of deconsolidation. Overseas IT business sales decreased ¥1.43bn YoY (including an ¥840mn boost from forex impacts), owing mainly to the absence of a large-scale project for a financial institution at the Indian subsidiary, resulting in an overall increase of ¥1.52bn in net sales. On the profit front, the factors behind the changes in adjusted EBITDA were: an increase of ¥370mn due to sales growth (including a ¥110mn boost from forex impacts in overseas IT business), an increase of ¥580mn due to the cost of sales ratio improving by 1.8 percentage points (pp) YoY owing to the absence of a large-scale project at the Indian subsidiary, and an increase of ¥610mn due to management efficiency improvements including a review of fixed costs. On the other hand, profit was down ¥750mn due to investments to build a growth foundation based on the Medium-Term Management Plan (of which, investments in human capital were ¥620mn, and investments in new business development were ¥130mn), and down ¥190mn due to M&A expenses and deconsolidation effect. As a result, adjusted EBITDA increased ¥420mn YoY, and the adjusted EBITDA margin improved 0.6pp. The operating margin declined by 0.1pp, primarily due to higher costs associated with investments in human capital and new business development under the Medium-Term Management Plan, as well as an increase in goodwill amortization and share-based compensation expenses related to M&A.Excluding these factors, the operating margin of the existing business in real terms was around 10%.

3. FY12/25 forecasts

For FY12/25 consolidated results, the Company expects increases in both net sales and profit, with net sales to increase 11.4% (¥5.93bn) YoY to ¥58.0bn and adjusted EBITDA to increase 20.3% to ¥5.5bn. For the domestic IT business, it expects net sales to rise ¥4.0bn backed by a strong business environment. Of which, it expects the existing businesses sales to rise ¥3.5bn due to personnel reinforcement and the expansion of other capabilities, and rise ¥500mn due to full-year contributions from subsidiaries acquired in the previous fiscal year. For the overseas IT business, it expects net sales to rise ¥2.0bn due mainly to the growth of the Indian subsidiary. In FY12/25, the Company continues to consider M&A proactively as in the past and expects further expansion of business scale through external growth. It expects adjusted EBITDA to increase ¥800mn YoY in the domestic IT business. Of which, it expects the existing businesses profit to rise by ¥600mn due to improved profitability boosted by sales growth and the expansion of managed services on which it is focusing, and by ¥200mn from improved profitability at subsidiaries acquired in the previous fiscal year. For the overseas IT business, it expects a ¥200mn YoY increase in adjusted EBITDA, buoyed by sales growth. Promoting the expansion of managed services while continuing business investments, the Company plans to realize business growth, improved profitability, and a 0.7pp YoY improvement in adjusted EBITDA margin to 9.5%.

4. Progress of long-term vision and Medium-Term Management Plan

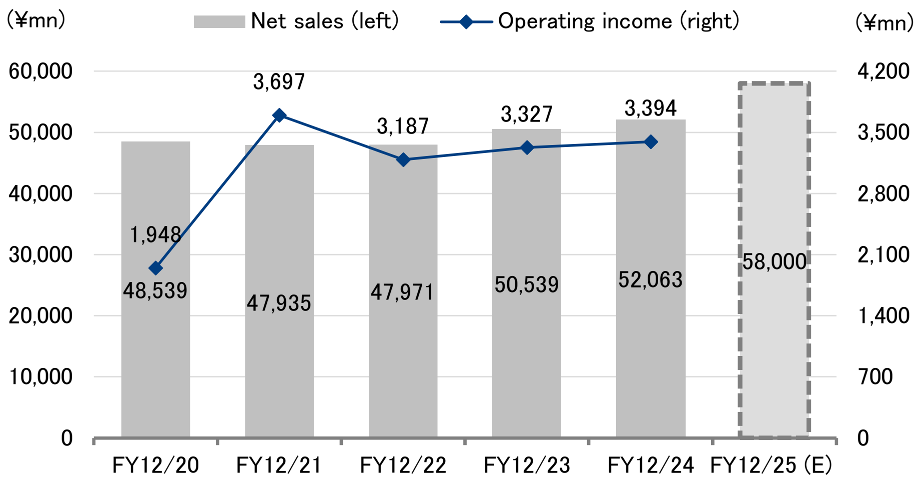
The Company has outlined five targets as the Medium-Term Management Plan in Phase 1 of CAC Vision 2030 for FY12/25: net sales of ¥58.0bn, adjusted EBITDA of ¥5.5bn, ROE of 10.0% or higher, an equity spread (difference between ROE and the cost of equity) of 3.0% or higher, and a dividend on equity (DOE) of 5.0%. The Company's forecasts on FY12/25 for net sales and adjusted EBITDA are unchanged from the Medium-Term Management Plan. At present, there are issues in the speed of growth of new businesses and the promotion of business investment, but overall, the Company is generally deemed making good progress in line with the roadmap in Phase 1 of CAC Vision 2030 following the improved profitability in existing businesses by the disposal of underperforming businesses and business efficiency improvement, as well as a review of the governance system and enhanced internal engagement on the corporate front.

From the perspective of "management that is conscious of capital costs and the stock price," the Company assumes a cost of equity of 7% and targets ROE of 10.0% and an equity spread of 3.0% in FY12/25. In its intention to raise ROE by improving the profitability of core businesses and capital efficiency, the Company promotes, in terms of the latter, measures such as reducing cross-shareholdings, enhancing the return of profits generated to shareholders, and executing strategic M&A through financial leverage. The Company's basic policy on shareholder returns is a DOE of 5%. The Company expects FY12/25 annual dividend per share to increase ¥10.0 YoY to ¥100.0, and DOE to be 4.7%, a 0.2pp improvement from the end of the previous fiscal year, and intends to strengthen the return of profits while advancing business investments.

Key Points

- In FY12/24, adjusted EBITDA steadily expanded as domestic IT business grew and overseas IT business profitability recovered
- For FY12/25, the Company targets 20% YoY increase in adjusted EBITDA from higher sales and strengthened earning capacity
- Net cash at the end of FY12/24 stood at ¥10.99bn, with net cash in a broader sense including investment securities standing at ¥32.81bn, exceeding 80% of market capitalization. With significant room for executing growth investments and bolstering shareholder returns, the Company holds great appeal from a value investing perspective

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Established in 1966. Independent SIer pioneer that has grown through aggressive M&A and overseas expansion

The Company was launched in August 1966 as Computer Applications Co., Ltd. (CAC), a pioneering, independent, software specialist company in Japan. Its founding philosophy was "independent/neutral," "responsible for deliverables (contract)" and "user-oriented" with the idea of "creating new value with the latest ICT in the global field," which has been passed on to the current corporate philosophy.

The Company currently concentrates its management resources on the IT business in Japan and abroad. There are 23 consolidated subsidiaries, 3 equity-method affiliates under the holding company, and 4,653 employees in the Group. (All as of December 31, 2024.)

Looking back on the Company's history of more than half a century, it is evident that the Company has continued to take on the challenge of creating new value with a keen sense of the changing times, while also nurturing and valuing its core competence.

1. Period of IT business expansion, when the Company built an excellent customer base as an independent SIer pioneer

Soon after its foundation in 1966, CAC (the predecessor of the Company) expanded its business to become a system integrator (SIer) that undertakes various operations, including planning, construction, and support for system development. In 1988 when the Systems Integrator Registration and Certification System was launched, the Company became a certified SIer by the Ministry of International Trade and Industry (currently, the Ministry of Economy, Trade and Industry (METI)). It has continued to expand its business domain as a group. In 1971, it invested in Nippon System Service Co., Ltd. (SSK) based on the idea that "specialist companies should operate and manage information systems in order to support customers' businesses," and launched a business as the first company in Japan specializing in outsourcing services. In 1973, it established System Utility Co., Ltd. (SUC) with a main focus on information processing and filing services.

In 1994, the above three companies (CAC, SSK, and SUC) merged to become CAC Corporation, where a system was put in place in name and reality to provide all services from planning and development to operation, as it entered the phase of IT business expansion. In addition to organic growth, the Company has actively expanded the business even further through M&A since it was listed (as over-the-counter shares in 1999, then on the First Section of the Tokyo Stock Exchange (TSE) in 2000). Specifically, the Company made the following companies its subsidiaries: ARK Systems Co., Ltd. in 2000, YUASA KNOWLEDGE INDUSTRY Co., Ltd. in 2002 (changed name to CAC Knowledge Co., Ltd. and is currently known as YUASA SYSTEM SOLUTIONS Co., Ltd.), ORBIS CORPORATION (currently, CAC ORBIS CORPORATION), and MARUHA SYSTEMS CORPORATION in 2003 (subsequently changed its name to CAC MARUHA NICHIRO SYSTEMS CORPORATION and is now known as Maruha Nichiro Solutions Inc.). These companies are the IT subsidiaries of leading companies, i.e., the Company's customers, and this sets a good example to show how the Company is well-positioned from the customers' perspective. In an effort to strengthen relations with YUASA TRADING <8074> (capital and business alliance in October 2020), CAC Knowledge transitioned from a consolidated subsidiary to an equity-method affiliate in February 2021, and in April of the same year, it resolved to change its trade name to YUASA SYSTEM SOLUTIONS.

The Company has been keen on providing optimized services for various industries from its position as a prime contractor. Since a prime-contractor agreement holds the Company responsible for product liability, the risk entailed in such agreement is greater compared with delegation agreements or subcontract agreements. However, the prime contractor can accurately and directly capture the needs of end customers (as a result, higher profits can be obtained if customer needs are met), which is consistent with the Company's founding philosophy of being "customer-oriented." These good relationships with customers as the prime contractor led to the expansion of outsourcing business through M&A and entry into the CRO (pharmaceutical BTO) area.

2. Period of CRO business development from 2006 to 2016, when M&A strategy was utilized

As the Company has served large pharmaceutical companies as major customers in its domestic IT business, it embarked on clinical trial data input business in the 1970s and entered data management as one of its CRO businesses in the 1980s when the term "CRO" was yet to exist as a business in Japan. Thereafter, the Company promoted the expansion of its CRO business by deploying its M&A strategy, and in 2016, launched CAC Croit Corporation (currently, EPS Corporation) as a pioneering enterprise that combined CRO with information technology. To concentrate its management resources on its IT business, however, the Company transferred all of its shareholdings in CAC Croit to EPS Corporation in June 2021.

3. Period of full-fledged development of the overseas IT business that began with the acquisition of an Indian company, and continued with M&A strategy after business restructuring

In 2014, the Company took on the challenge of full-scale development of its overseas business through an M&A strategy after 1) entering the US in 1989 and Europe in 1990 in response to the overseas business development of customer companies, and after 2) entering the Asia region (China in 2000) with the aim of reducing development costs. Specifically, to strengthen its overseas support capabilities, in 2014, the Company invested more than ¥1.5bn in Accel Frontline Limited (currently, Inspirisys Solutions Limited (ISL)), an Indian-based IT company based in sites including the US, the UK, and the Middle East, and made it a subsidiary. In 2015, the Company made Sierra Solutions Pte. Ltd. (Sierra) a subsidiary. Sierra is an IT company based in Singapore, developing a business for medical institutions in the Asia region.

Subsequently, assuming that the initially expected results would not be achieved, the Company transferred in 2017 all of its shares in Sierra and Accel Systems & Technologies Pte. Ltd., a Singaporean cybersecurity system company owned by Accel Frontline Limited (currently, ISL) in order to proceed with restructuring of the overseas business. In October 2019, the Company acquired all the shares of Mitrais Pte. Ltd. of Singapore (Mitrais) with a main base in Indonesia and made it a subsidiary while continuing to pursue its M&A strategy. Monetization focused on the Indian subsidiary had been a challenge, but profitability is improving thanks to progress on structural reforms. The Company continues to aim for expanding business.

4. M&A for IT business enhancement and new business

In the final fiscal year of Phase 1 (FY2022–FY2025) toward the achievement of CAC Vision 2030, the Company plans to emphasize especially on acquiring new businesses, in addition to reinforcing existing businesses in its M&A strategy. It has established a department dedicated to that purpose to strengthen its framework. During Phase 1 (FY2022–FY2025), the Company executed five M&As, and the new consolidations are contributing to sales growth. Such initiatives resulted in a sharp increase in the number of sourcing cases in 2024. After carrying out about 500 cases, concrete deliberations are currently underway toward the conclusion of several large-scale deals.

History

Date	Event
1966	Computer Applications Co., Ltd. (CAC) was established as an independent, software specialist company
1971	Invested in Nippon System Service Co., Ltd., (SSK) and started a business as a company specializing in outsourcing services (the first in Japan)
1973	CAC established System Utility Co., Ltd. (SUC), a company specializing in system operation/management and software development, as its wholly owned subsidiary
1976	Completed the construction of the CAC FM Center (the Iidabashi Shogaku Building), a building dedicated to computer Holding a 56% stake in SSK, the Company made SSK a subsidiary
1977	Opened the Kansai Sales Office
1986	Going live on system consulting services
1988	Registered as a system integrator upon the launch of the Systems Integrator Registration System by the Ministry of International Trade and Industry (MITI; currently, METI)
1989	Established CAC AMERICA CORPORATION in New York City, US
1990	Established CAC EUROPE LIMITED in London, UK
1993	Started a desktop service business to support information system management Launched an information technology education service business
1994	Entered into a business alliance with SAP Japan Co., Ltd., a distributor of ERP package (Enterprise Resource Planning integrated business package) CAC, SSK, and SUC merged to launch CAC Corporation. In conjunction with the merger, the Company made Nihon System Information a subsidiary. (It is a data entry business, later changed its name to CAC Information Services Co., Ltd.)
1995	CAC Corporation was registered as a system integrator by MITI (currently, METI) Certified as a "special system operating company, etc.," by MITI (currently, METI)
1996	Entered into a business alliance with SHL Japan (currently, SHL-JAPAN Ltd.), a subsidiary of SHL of Canada that has strength in distributed system outsourcing, and started a distributed system operations and management service business

Date	Event
1998	Opened the NSM (Networked Systems Management) Center in Shinkawa, Chuo Ward, Tokyo
1999	The Company's shares were listed on the over-the-counter market
2000	Acquired all of the shares in ARK Systems Co., Ltd., a system operation and management service company, and made it a subsidiary Established the subsidiary, CAC PACIFIC CORPORATION in San Jose, US Established Web Progressive Co., Ltd., as a joint venture with SHOGAKUKAN Inc., and NEC Corporation <6701> for the purpose of Internet-based multimedia business Established CAC SHANGHAI CORPORATION in Shanghai, China, through a 100% investment by CAC Pacific Established NetAdvance Inc., to provide digital content services as a joint venture with SHOGAKUKAN Inc., FUJITSU LIMITED <6702> Listed on the First Section of the TSE
2002	Acquired the shares of GoldenTech Computer Technology (Suzhou) Co., Ltd., and made it a subsidiary Established CEN Solutions Co., Ltd., as an affiliate through a joint venture with NEC Corporation and Kumagai Gumi Co., Ltd. <1861> Acquired the shares of YUASA KNOWLEDGE INDUSTRY Co., Ltd., made it a subsidiary, and changed its company name to CAC Knowledge Co., Ltd. Started providing PRASMA, a comprehensive support service for new drug research and development Made IXI Co., Ltd., a subsidiary (IXI is engaged in business-model construction, support, and systems-consulting operations)
2003	Acquired the shares of ORBIS CORPORATION (currently, CAC ORBIS CORPORATION) and made it a subsidiary Acquired the shares of MARUHA SYSTEMS CORPORATION (later changed its name to CAC MARUHA NICHIRO SYSTEMS CORPORATION and is now known as Maruha Nichiro Solutions Inc.) and made it a subsidiary
2005	Established Catient Inc., which conducts surveys, analysis, and consulting for IT-based value creation Transferred all the shares held in CAC Information Services Co., Ltd. (currently, Recruit Staffing Information Services Co., Ltd.) to Recruit Staffing Co., Ltd. Relocated the head office to Nihonbashi-Hakozaki-cho, Chuo Ward, Tokyo
2006	Established CDI Solutions, Inc. (currently, Activation Strategy, Inc.), as a joint venture with Corporate Directions, Inc., and others for the purpose of IT-ROI consulting (management strategy x IT)
2007	Established kizasi Company, Inc., engaged in Internet-related businesses
2010	Established CAC India in Mumbai, India
2012	Established CAC EXICARE Corporation, which conducts CRO operations, as a result of a company split Transferred all shares held in MIC Medical Corp. Transferred some of the shares held in Sogo Rinsho Holdings Co., Ltd (currently, EP-SOGO Co., Ltd.)
2013	Dissolved CAC Pacific Corporation
2014	Acquired the shares of Accel Frontline Limited, an Indian IT company, (listed on the Bombay Stock Exchange and National Stock Exchange) and made it a subsidiary
2015	Acquired the shares of Sierra Solutions Pte. Ltd., a Singapore IT company, and made it a subsidiary
2016	Established CAC Croit Corporation (currently, EPS Corporation) through the merger of CAC EXICARE Corporation and clinical trust Co., Ltd. Invested in Affectiva, Inc., a leading US company in the emotion recognition AI market, and signed the first distributor agreement in Japan
2017	Transferred all of the shares in Accel Systems & Technologies Pte. Ltd., held by Accel Frontline Limited Transferred all of the shares in Sierra Solutions Pte. Ltd.
2018	Composed a CVC fund for domestic companies as part of measures to create new businesses (total amount, ¥3.0bn) Accel Frontline Limited revamped its internal structure and changed its trade name to Inspirisys Solutions Limited
2019	Dissolved consolidated subsidiary kizasi Company, Inc. Acquired all of the shares in Mitrais Pte. Ltd., a software company with main bases in Indonesia and made it a subsidiary
2020	Concluded a capital and business alliance with YUASA TRADING CO., LTD. <8074> (allocated 1.46% of the Company's total number of outstanding shares through a disposal of treasury shares)
2021	Changed investment ratio in CAC Knowledge (from 51% to 49%) and transitioned it from a consolidated subsidiary to an equity-method affiliate Transferred all of its shares in CAC Croit Corporation (currently, EPS Corporation)
2022	Moved from First Section to the Prime Market prompted by the revision of market categories of the TSE
2023	Transferred all the shares of CAC MARUHA NICHIRO SYSTEMS CORPORATION (currently, Maruha Nichiro Solutions Inc.)
2024	Established CAC CROSS FUSION CO, LTD, and made it a wholly owned subsidiary CAC Corporation acquired all of the shares in CIM TECHNOLOGY Co., Ltd., and made it a subsidiary CAC Corporation acquired all of the shares in Rosso Co.,Ltd., and made it a subsidiary

Source: Prepared by FISCO from the Company's annual securities reports, news releases, and financial results

Business overview

Businesses operate in two segments: domestic IT and overseas IT

The Company's two reporting segments are the domestic IT business and the overseas IT business. To achieve prompt decision-making and agile execution of business, the Company assigns executive officers to take charge of each of five domains: core ICT, overseas supervision, new business promotion, management supervision, and strategic integration.

Domestic IT business has a prime-contractor rate of 90%

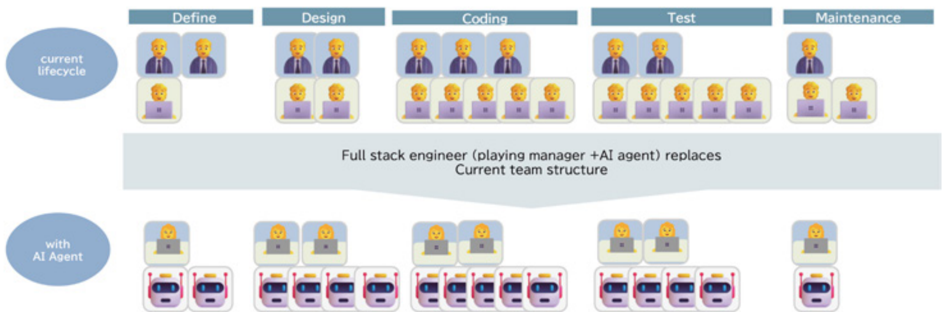
1. Domestic IT business

The domestic IT business, accounting for 74.7% exposure in its sales (FY12/24), is the Company's mainstay business. Through its domestic subsidiaries, the Company provides services including system development services, system operation and management services, and human resource BPO services. As a prime contractor and an independent SIer, the Company has been keen on capturing the needs of end customers and providing optimal services to its customers. In fact, CAC Corporation, which plays a central role in the domestic IT business, keeps the prime-contractor rate at around 90% and is deemed to secure a gross profit margin around 25% while serving nearly 400 customer companies.

(1) System development services with strengths in banks and trusts

In system development services, the Company comprehensively develops client companies' information systems, from the planning of information systems, designing, development, testing, introduction, and to maintenance. Its top-ranking customers in terms of net sales include multiple financial institutions and major trust banks. As a prime contractor for over half a century, the Company has accumulated expertise of operational knowledge and experience. As a result, it has strengths in market- and overseas-related systems for megabanks and pension-related systems for trust banks. From 2025, the Company plans to build systems and make management business more efficient through the introduction of AI agents.

Conceptual diagram of AI agent introduction in system construction



Source: The Company's results briefing materials

(2) System operation and management services to promote cloud-readiness

The system operation and management services originate from the investment in an outsourcing service company (SSK) in 1971. The Company now provides comprehensive services for the functions required in system management, including operation process management, operation management, user support, client device management, application management, and infrastructure management. The Company's strengths lie in the experience of having incorporated management expertise accumulated through providing comprehensive services to major pharmaceutical companies as well as the needs of various industries (manufacturing industry, trading companies, fishery and foods) through M&A.

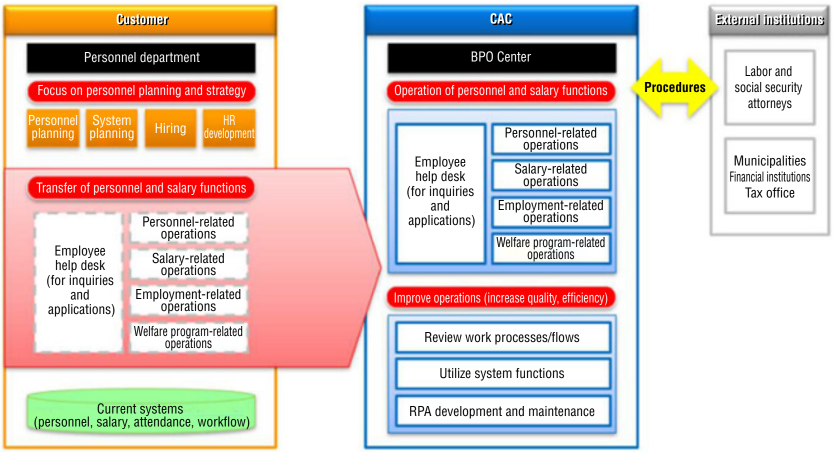
Since 2012, the Company has been strengthening its cloud support at a rapid pace. With a very good track record and a wealth of experiences in areas such as system integration and system development at Amazon Web Services (AWS), the Company has been certified as an APN Advanced Consulting Partner, and now supports over 40 companies including major financial institutions and pharmaceutical companies. Acceleration of the shift to the cloud is likely to cause reduction in existing businesses for IT vendors, but the Company analyzes that such impact is limited partly due to its focus on managed services. Moreover, it is working to improve operational efficiency by the active use of AI tools.

(3) Human resource BPO services

Human resource BPO services use IT to execute business processes including human resource operations on behalf of the responsible managers in companies. The contracted services are not limited to general payroll calculations but also include personnel system management, labor management, welfare management, and other overall HR operations. In July 2019, the Nagasaki BPO Center (within Nagasaki BizPORT) was opened, and in November 2021, Nagasaki NBC Office was opened in Nagasaki City as part of business expansion. In view of general affairs and accounting operations aside from overall HR operations, the Company aims to comprehensively conduct contracted back-office operations.

From April 2020, the Nagasaki BPO Center started providing pharmaceutical-related IT services. From September 2020, it started providing system development services for financial institutions. In addition to providing employee salary BPO services, the Nagasaki NBC Office engages in research and development of advanced technologies and also functions as a facilitator of IT use under the brand name, HCTech AI Lab Nagasaki. In so doing, the Company has contributed to addressing regional challenges and regional revitalization in Nagasaki. With an eye to business expansion in the Nagasaki area in 2025, the Company completed the integration of its two existing business bases in Nagasaki City and relocation to a larger space at the office building in Nagasaki Stadium City on Tuesday, February 25, 2025, officially opening the Nagasaki Office. For the Company, the Nagasaki business location has become more than just BPO center but an important nearshore base for domestic IT operations.

Overall image of human resource BPO services



Source: Company website

(4) Initiatives toward AI transformation

The Company recognizes that the dissemination of digital transformation (DX), which transforms society as a whole through the rapid evolution of ICT technology, is both an opportunity and a challenge for existing SIers. DX will not only create new businesses but also transform the design of existing businesses. In other words, there is a need to shift to digital business that is catered to the interaction of people, objects, money, and businesses in a new world in which the virtual and physical worlds are merged.

Given this situation, the Company has positioned "the development of AI transformation" as a priority measure for FY2025 and plans to fully embark on business using in-house AI. The priority measures will allow us to actively use AI in existing contracted business and generate new business opportunities by leveraging knowledge gained from these activities. The backdrop for these measures is the changes that rapid penetration of generative AI is bringing to society as a whole and the growing interest of customer companies in AI. By introducing AI agents into its contracted business such as system construction and operation, the Company aims to promote the sophistication and automation of its operations and provide added value to customers by improving productivity and shortening lead times.

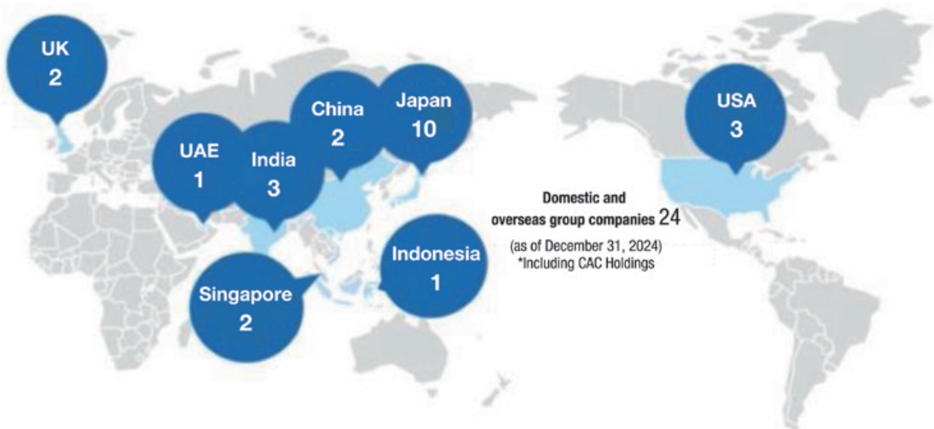
Overseas IT business undergoing business restructuring

2. Overseas IT business

The Company conducts overseas IT business mainly through its subsidiaries with large-scale businesses in India and Indonesia and provides services including system development services, system operation and management services, and maintenance services.

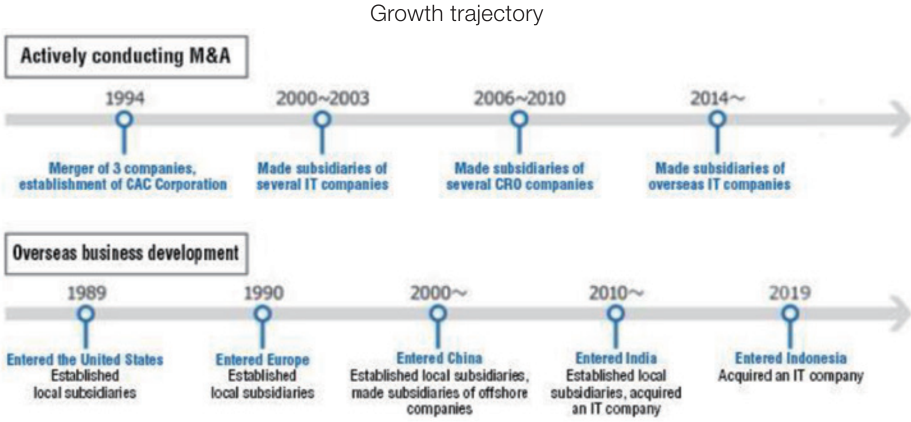
The Company has seen overseas markets as a growth frontier from early on and expanded into them in the 1980s ahead of its competitors. Partly due to active M&A, net sales in the overseas IT business expanded to ¥11.74bn in FY12/17. Meanwhile, in the pursuit of rapid expansion of scale, unexpected losses were incurred in the acquired companies forcing a segment loss of ¥600mn in FY12/17. Subsequently, in 2019, Mitrais, a Singaporean software company with a main base in Indonesia (having strengths in agile development methods that are effective in developing systems in a short time, which are the requirements in the DX age. Hereafter, “Indonesian subsidiary”) was made a wholly owned subsidiary. This helped the Company to return to profitability with a segment income of ¥440mn in FY12/20. In FY12/21, the Company embarked on business restructuring of ISL (listed on the Stock Exchange of India; hereafter, “Indian subsidiary”), the performance of which had been sluggish. However, sales were 81% of peak sales at ¥9.50bn, and segment income was ¥300mn. In FY12/22, sales benefited from further yen depreciation and the strong performance of the Indonesian and Indian subsidiaries, and profit was positively impacted by the improved profitability of the Indian subsidiary. As a result, sales were ¥11.56bn and segment income was ¥710mn. (The Company has changed the calculation method of segment income since FY12/23 to indicate corporate expenses not allocated to each segment as an adjusted amount. For reference, segment income for FY12/22 reflecting this change would have been ¥1.08bn). In FY12/24, both net sales and segment income continued to improve steadily, with net sales of ¥13.19bn and segment income of ¥1.43bn.

Group network



Note: As of December 31, 2024
Source: The Company’s website

Growth trajectory



Source: The Company’s website

The Company's overseas IT business is rooted in global support for its Japanese customer companies and offshore utilization of overseas Group companies, but its position has risen in local markets, mainly in Asia-Oceania where growth is anticipated.

Notable in this business are the Indian subsidiary and Indonesian subsidiary. While the Indian subsidiary is undergoing structural reform, it has retained good customers in its home country of India, including financial institutions and government agencies as well as in the US and other locations, and has potential to become a bridgehead for the development of overseas local markets. On the other hand, the Indonesian subsidiary has been steadily expanding business driven by business targeting Australia, and growing its presence in the overseas IT business. In FY12/22, the Indian subsidiary posted a slight loss before the change in the calculation method for segment income in FY12/23, but profit improved in FY12/23 and onward as a result of structural reforms. In FY12/24, profitability improved further. Future developments centered on both subsidiaries will be closely watched.

Results trends

In FY12/24, adjusted EBITDA expanded steadily as domestic IT business grew and overseas IT business profitability recovered

1. Overview of FY12/24 results

The FY12/24 consolidated results marked sales and profit growth as net sales increased 3.0% YoY to ¥52.06bn, adjusted EBITDA (calculated by adding depreciation, goodwill amortization, and share-based compensation expenses to operating income) increased 10.3% to ¥4.57bn, operating income increased 2.0% to ¥3.39bn, ordinary income increased 7.8% to ¥3.36bn, and profit attributable to owners of parent increased 25.2% to ¥3.09bn. In the full-year forecast, the Company expected net sales to increase 1.9% YoY to ¥51.5bn, adjusted EBITDA to increase 8.6% to ¥4.5bn, and both sales and profits landed exceeding the forecast. From FY12/24 onward, the Company has adopted adjusted EBITDA that indicates actual ability to generate cash from its businesses for disclosure.

Looking at the factors behind the changes in net sales, domestic IT business sales increased ¥2.96bn YoY. Of which, the existing business sales increased by ¥2.41bn due to growth in the financial and manufacturing sectors, increased by ¥1.21bn due to the effects of new consolidations through M&A, and decreased by about ¥660mn due to the impact of deconsolidation. Overseas IT business sales decreased ¥1.43bn (including a ¥840mn boost from forex impacts) owing mainly to the absence of a large-scale project for a financial institution at the Indian subsidiary. Overall net sales increased ¥1.52bn YoY.

On the profit front, the factors behind the change in adjusted EBITDA were: an increase of ¥370mn from sales growth (including a ¥110mn increase from forex impacts in overseas IT business), an increase of ¥580mn from a 1.8pp improvement in the cost of sales ratio due to the absence of the Indian subsidiary's large-scale project, and an increase of ¥610mn from more efficient management including a review of fixed costs. On the other hand, profit decreased ¥750mn due to investments to build a foundation for growth based on the Medium-Term Management Plan (of which, investments in human capital were ¥620mn, and investments in new business development were ¥130mn), and decreased ¥190mn due to M&A expenses and deconsolidation effect. As a result, adjusted EBITDA increased ¥420mn YoY, and the adjusted EBITDA margin improved 0.6pp. The operating margin worsened 0.1pp, which was mainly because of increased costs including the recording of expenses related to investments in human capital and new business development based on the Medium-Term Management Plan, growth in goodwill amortization following the execution of M&A, and share-based compensation. The operating margin for existing business in real terms excluding such factors is about 10%.

Overview of FY12/24 results

(¥mn)

	FY12/23		FY12/24				
	Results	% of net sales	Forecast	Results	% of net sales	YoY	Vs. forecast
Net sales	50,539	100.0%	51,500	52,063	100.0%	3.0%	1.1%
Cost of sales	38,253	75.7%	-	38,491	73.9%	0.6%	-
Gross profit	12,285	24.3%	-	13,571	26.1%	10.5%	-
SG&A expenses	8,958	17.7%	-	10,177	19.5%	13.6%	-
Adjusted EBITDA	4,143	8.2%	4,500	4,570	8.8%	10.3%	1.6%
Operating income	3,327	6.6%	-	3,394	6.5%	2.0%	-
Ordinary income	3,118	6.2%	-	3,361	6.5%	7.8%	-
Profit attributable to owners of parent	2,473	4.9%	-	3,096	5.9%	25.2%	-

Source: Prepared by FISCO from the Company's financial results

By business segment, domestic IT business net sales increased 8.2% YoY to ¥38.86bn and adjusted EBITDA increased 4.9% to ¥3.88bn. On the sales front, despite negative impact from the deconsolidation of CAC MARUHA NICHIRO SYSTEMS (currently Maruha Nichiro Solutions) in 1Q of the previous fiscal year, the existing business was strong, and net sales for financial institutions increased 11.0% and net sales for manufacturers increased 17.8%. The effects of new consolidation following M&A contributed to higher sales mainly in business for manufacturers. On the profit front, the adjusted EBITDA margin remained in the double digits at 10.0% despite increased costs due to investments in new business development and human capital toward medium- to long-term business growth.

In the overseas IT business, net sales decreased 9.8% YoY to ¥13.19bn, but adjusted EBITDA increased 0.5% to ¥1.87bn. Despite the impact from yen depreciation and penetration of projects in China and the US, net sales decreased due to the absence of a large-scale project for financial institutions in India, which was recorded in the previous fiscal year. On the profit front, adjusted EBITDA secured an increase due to the absence of the said large-scale project with relatively low-margin and higher sales at subsidiaries in places like China and the US, and the adjusted EBITDA margin improved 1.5pp. The order backlog at the end of FY12/24 was ¥8.23bn, up 30.3% from the end of the previous fiscal year. Even after deducting the effect of the yen's depreciation of about ¥500mn, the order backlog has built up to a high level.

Overview of FY12/24 results by business segment

(¥mn)

	FY12/23			FY12/24			
	Results	% of net sales	Profit margin	Results	% of net sales	Profit margin	YoY
Net sales	50,539	100.0%	-	52,063	100.0%	-	3.0%
Domestic IT	35,905	71.0%	-	38,866	74.7%	-	8.2%
Overseas IT	14,633	29.0%	-	13,196	25.3%	-	-9.8%
Adjusted EBITDA	4,143	-	8.2%	4,570	-	8.8%	10.3%
Domestic IT	3,709	-	10.3%	3,889	-	10.0%	4.9%
Overseas IT	1,862	-	12.7%	1,872	-	14.2%	0.5%
Adjustments	-1,428	-	-	-1,191	-	-	-

Source: Prepared by FISCO from the Company's financial results

Financial base is stable. Aggressive financial strategy that makes the best use of accumulated cash is expected

2. Financial position

Key financial indicators at the end of FY12/24 suggest that the Company's financial position is at a sufficiently high level: the equity ratio improved from 65.8% at the end of the previous fiscal year to 68.3%; the current ratio rose from 202.3% to 224.1%; and net cash (cash and deposits minus interest-bearing debt (excess cash if positive)) increased from ¥8.56bn to ¥10.99bn. Investment securities included in non-current assets increased from ¥17.50bn to ¥21.82bn, despite continued sales of cross-shareholdings commensurate with investments in medium- to long-term growth owing to increases in share prices. Net cash in a broad sense, including investment securities, reached ¥32.81bn. This accounts for 80.2% of the Company's market capitalization of ¥40.91bn based on the closing price as of March 18, 2025. The Company is expected to deliver specific strategies such as further strengthening of shareholder returns and acceleration of growth investments including M&As and new business creation.

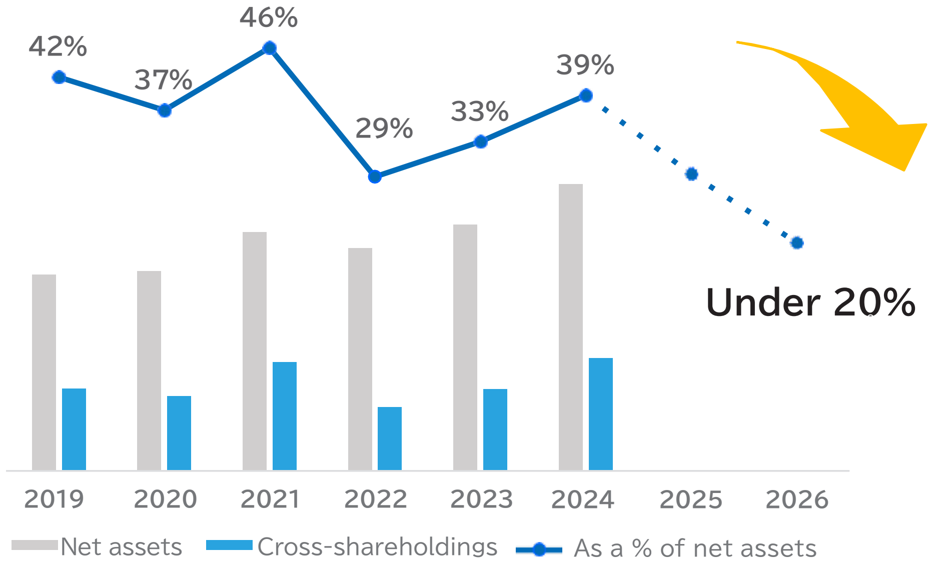
Consolidated balance sheet

(¥mn)

	End of FY12/20	End of FY12/21	End of FY12/22	End of FY12/23	End of FY12/24	Changes
Current assets	22,915	21,804	24,758	25,408	25,095	-313
Cash and deposits	10,125	10,532	12,491	11,039	12,869	1,830
Notes and accounts receivable – trade and contract assets	9,796	8,568	9,287	11,934	9,811	-2,123
Non-current assets	21,650	25,457	19,454	23,124	29,637	6,513
Property, plant and equipment	2,362	1,313	1,489	1,701	1,634	-67
Intangible assets	1,895	1,679	1,856	1,901	4,174	2,273
Investments and other assets	17,392	22,464	16,108	19,522	23,828	4,306
Investment securities	14,796	20,623	14,543	7,508	21,820	4,312
Total assets	44,565	47,261	44,213	48,532	54,733	6,201
Current liabilities	10,098	8,879	9,199	12,558	10,407	-2,151
Notes and accounts payable - trade	3,661	2,701	3,172	4,356	2,732	-1,624
Short-term borrowings	670	678	606	2,476	153	-2,323
Non-current liabilities	8,230	6,982	5,713	3,627	6,612	2,985
Bonds payable	-	-	-	-	10	10
Long-term borrowings	2,000	2,000	2,000	-	1,713	1,713
Total liabilities	18,329	15,862	14,912	16,185	17,019	834
Interest-bearing debt	2,670	2,678	2,606	2,476	1,876	-600
Total net assets	26,236	31,398	29,300	32,346	37,714	5,368
Retained earnings	17,944	19,408	20,498	21,780	23,482	1,702
[Key financial indicators]						
Equity ratio	57.0%	65.1%	64.7%	65.8%	68.3%	2.5pp
Current ratio	226.9%	245.6%	269.1%	202.3%	241.1%	38.8pp
Net cash	7,455	7,854	9,885	8,563	10,993	2,430

Note: Short-term borrowings include current portion of bonds payable, and current portion of long-term borrowings
Source: Prepared by FISCO from the Company's financial results

Cross-shareholdings



Source: The Company's results briefing materials

Outlook

For FY12/25, the Company expects double-digit growth in adjusted EBITDA, driven by higher sales and strengthened earning power

For FY12/25 consolidated results, the Company expects net sales to increase 11.4% YoY to ¥58.0bn and adjusted EBITDA to increase 20.3% to ¥5.5bn. Figures it has disclosed for reference are operating income of ¥3.6bn–¥4.3bn and profit attributable to owners of parent of ¥3.0bn–¥3.4bn.

The Company expects net sales to increase ¥4.0bn YoY on the back of a strong business environment of domestic IT business. Of which, the existing business sales is expected to increase by ¥3.5bn due to the expansion of capability including personnel reinforcement, and increase by ¥0.5bn from full-year contributions of subsidiaries acquired in the previous fiscal year. The overseas IT business sales is expected to increase ¥2.0bn YoY due mainly to growth at the Indian subsidiary. In FY12/25, the Company continues to consider M&A proactively as in the past, and expects further business scale expansion led by external growth.

The Company expects adjusted EBITDA to increase ¥800mn YoY in the domestic IT business. Of which, the existing business profit is expected to rise by ¥0.6bn due to the effects of sales growth and improved profitability following the expansion of managed services the Company has been focused on (outsourced maintenance and operation of corporate IT environments), and rise by ¥200mn from improved profitability at subsidiaries acquired in the previous fiscal year. The overseas IT business profit is expected to increase ¥0.2bn YoY, buoyed by sales growth. The Company plans to steadily strengthen its earning capacity while continuing to make business investments and aims to improve adjusted EBITDA margin by 0.7pp YoY to 9.5%.

FY12/25 financial results forecast

(¥mn)

	FY12/24	FY12/25 (E)	Changes	YoY
Net sales	52,063	58,000	5,937	11.4%
Adjusted EBITDA	4,570	5,500	930	20.3%
Operating income	3,394	3,600~4,300	206~906	6.1%~26.7%
Ordinary income	3,361	-	-	-
Profit attributable to owners of parent	3,096	3,000~3,400	-96~304	-3.1%~9.8%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Strengths and issues

Greatest strength is its “transformational power”

1. Strengths: “Corporate culture,” “customer base,” and “financial structure” that support the Company’s “transformational power”

FISCO sees that the Company’s greatest strength lies in its “transformational power,” namely the ability to transform itself (corporate reforms) in response to changing needs and issues of society over time.

The Company has not rested on its laurels as a growing independent software specialist and has continued to transform itself by weaving “structural reforms through selection and concentration” with “business expansion through M&A.” The “transformational power” is underpinned by “a corporate culture that encourages the act of taking on challenges (management’s intention),” “an excellent customer base as the core of business expansion,” and “a solid financial structure that enables an agile financial strategy.”

The Company considers that its clear mission and purpose (management philosophy) of being “customer oriented” and “emphasizing on CSV (creating shared value: social contribution through business)” has helped a corporate culture of taking on challenges to achieve goals to take root. It has continued to expand and achieve growth by “taking on challenges,” including advancing into overseas markets in the overseas IT business ahead of its competitors and accessing to the BPO and CRO businesses. This act of “taking on challenges” can be considered a fruit of its good relations with the “excellent customer base” it has built as Japan’s first independent SIer. In other words, its “excellent customer base” generates the seeds for “taking on challenges.”

In addition, it is the Company’s “solid financial structure” that supports its M&A strategy, rapid structural reforms, and stable returns to shareholders. Large shareholdings in Recruit to date is the testament that Recruit is an important business partner for the Company. The Company also has a track record of selling its Recruit shares as part of a medium-term capital policy to build a solid financial structure. This is a good example of how the Company’s good relationships with customers have become its asset.

2. Issues: How to improve high profitability and high growth

The CAC Vision 2030, a long-term vision presented by the Company, aims to transform itself into a digital solutions provider that achieves high profitability and high growth. In other words, the Company’s challenge when drawing up a long-term vision was a balance between profitability and growth. It is suggested, therefore, the solution to address this issue is to shift to increasing returns to scale business model from a labor-intensive business model. It is no easy task for the Company to take on this new challenge, but it is a true test of its “transformational power.”

Medium- to long-term management policies and progress

Realizing corporate transformation with a long-term vision for the future

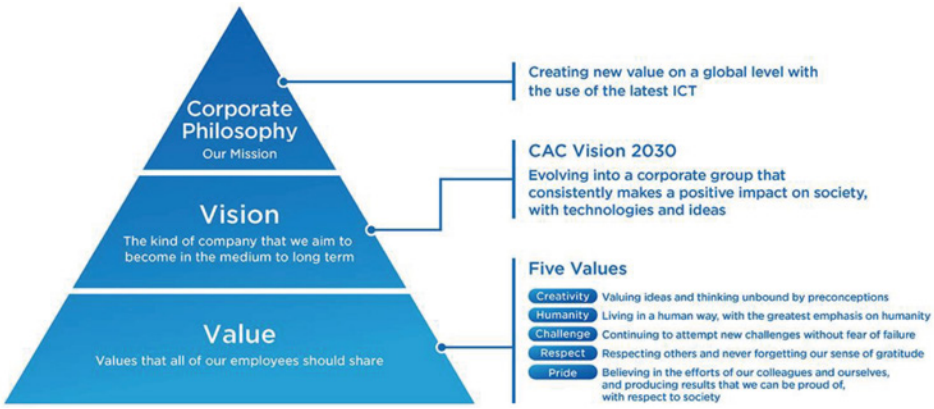
1. Formulating a long-term vision and clarifying values to be shared among all employees

In February 2022, the Company released its long-term vision, CAC Vision 2030, and its Medium-Term Management Plan. CAC Vision 2030 has been formulated with the aim of aligning the vectors of the Group by defining the "vision" and the "direction" of the Group toward 2030 based on its corporate philosophy of "Creating new value on a global level with the use of the latest ICT."

Of particular note in CAC Vision 2030 is the clarification of the vision, the corporate image that the Company is striving for in the medium to long term, and the values, which should be shared by all employees. The Company's vision is "Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas." Its Five Values are: 1) Creativity: value ideas and thinking unbound by preconceptions; 2) Humanity: value humanity and live like human beings; 3) Challenge: continue to take on challenges without fear of failure; 4) Respect: respect others and always remember to be grateful; and 5) Pride: believe in our colleagues and our own efforts and do the work that we can be proud of in society. All of these are consistent and highly convincing, given the Company's history of taking on the challenge of value creation and transformation through ICT and developing into a customer-oriented and CSV-focused corporate group.

CAC Vision 2030 was also shared internally at the end of 2021, prior to its public release. President & CEO Ryota Nishimori explained the vision directly to all employees in online conferences and said that several face-to-face briefings were held for executives on several occasions, with time set aside for Q&A sessions. The president himself talks to all employees about his thoughts on the medium- to long-term management plan, which is a matter of course, but in many cases is not actually done, which shows the importance the Company attaches to CAC Vision 2030. In a survey conducted after the internal briefing, employees generally had a positive impression of the definitions of "vision" and "direction" toward 2030, indicating that CAC Vision 2030 may contribute not only to aligning vectors of the Group but also to more employee engagement.

Corporate philosophy indicated in CAC Vision 2030



Source: The Company's financial results briefing materials

2. Aiming to build a new business model in FY12/22–FY12/25

Under CAC Vision 2030, the Company has positioned FY12/22–FY12/25 (the period covered by the Medium-Term Management Plan) as Phase 1 devoted to building a product and service infrastructure (mechanisms and business infrastructure to continuously launch new businesses) and FY12/26–FY12/30 as Phase 2 to achieve high growth. Ultimately, the Company will achieve a rebirth as a highly profitable, high-growth digital solutions provider. The Company defines digital solutions as combinations of digital products and services (consulting and support) that lead the way to addressing customer and social challenges. The contracted business to date has been passive since it responds to customer demand as it is a variable-cost and labor-intensive business model defined by man-monthly rates, whereas the digital solutions business follows a fixed-cost, increasing returns to scale business model that allows the Company to set its own prices. The current Medium-Term Management Plan (FY12/22–FY12/25) as Phase 1 in CAC Vision 2030, aims to build a system to continuously launch new businesses. As part of this effort, a new division (Business Development Department) was established. By 2024, internal assignments and experienced personnel were actively recruited, and a structure of more than 30 people was put in place to launch 18 new services. The Company also promotes co-creation with more than 30 companies and organizations from various industries.

In addition, the Medium-Term Management Plan states that the Company will invest approximately ¥15.0bn in promoting business and human resources to build a new business foundation and plan to complete executing them during Phase 1. In the reorganization of January 2023, “Corporate Division,” “Global Strategy Division,” “Financial Strategy Division” (which was placed under the “Corporate Division” from March 2024 and renamed “Financial Strategy Department”), and “Strategic Integration Division,” were established to develop specific investment projects and product strategies. Five M&As were executed during the period of the current Medium-Term Management Plan, and the number of sourcing cases significantly increased to about 500 cases from 2024 with a strengthened structure. Large M&A deals are expected from 2025 onward.

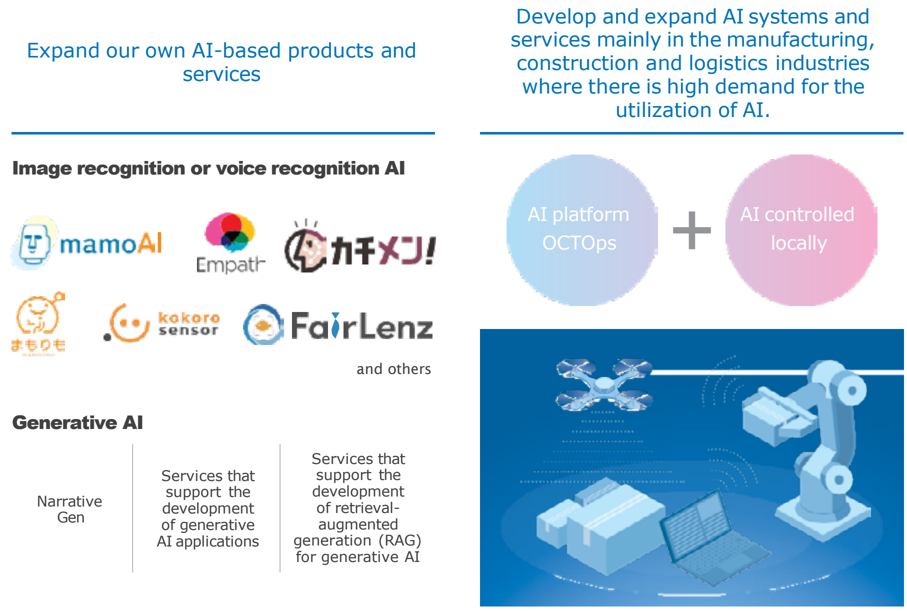
3. After the third year of the Medium-Term Management Plan

The Company has outlined five quantitative targets for the Medium-Term Management Plan in FY12/25: net sales of ¥58.0bn, adjusted EBITDA of ¥5.5bn, ROE of 10.0% or higher, equity spread (difference between ROE and cost of equity) of 3.0% or higher, and DOE (dividend on equity ratio) of 5.0%. The profit target was initially set at operating income of ¥5.0bn at the time of formulating the Medium-Term Management Plan, but in February 2024, the profit target was changed from operating income to adjusted EBITDA because operating income does not adequately represent the actual value of cash generated by the business as up-front investments are made for medium- to long-term growth.

The Company’s forecast for net sales and adjusted EBITDA in FY12/25 is in line with the Medium-Term Management Plan. Some of the current issues are the speed of growth of new businesses and the promotion of business investments, but overall, the Company is generally deemed to be making good progress in line with the roadmap in Phase 1 of CAC Vision 2030, largely due to improved profitability following the disposal of underperforming businesses and business efficiency improvement in existing businesses, as well as a review of governance structure, and improved internal engagement on the corporate front.

In existing businesses, the Company will focus on developing AI Transformation as a stepping stone toward Phase 2. Main items of implementation are 1) development of in-house AI solutions, 2) efficiency improvement and value-added maximization of contracted business through AI agents, and 3) establishment of a specialized department. As for 1), the Company will develop business systems (services) for specific industries, such as manufacturing, construction, and logistics, using its own AI, including in the image recognition domain, which is one of the Company’s strengths, and promote horizontal development for companies with similar issues.

Business development of in-house AI solutions



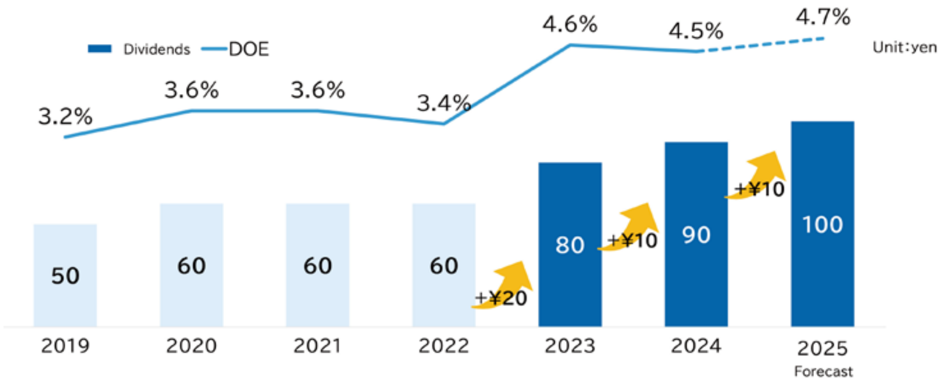
Source: CAC Report 2025

For 2), the aim is to improve the efficiency of operations, which have been conducted entirely on a labor-intensive, division of labor basis, from system construction to maintenance management, by allocating personnel to higher value-added duties through the introduction of AI agents. For 3), the Company established the Asset-based Business Promotion Department as a department dedicated to AI Transformation in January 2025. Going forward, the department will lead the entire Group by playing a role of planning and promoting AI transformation.

Growth investment of about ¥15.0bn is expected as business investment, including human resource investment. Only ¥8.1bn had been used as of the end of FY12/24, but the Company plans to execute the remaining investment quota by the end of FY12/25, leading to Phase 2 from FY12/26 onward.

From the perspective of management that is conscious of cost of capital and stock price, the Company assumes a cost of equity capital at 7% and targets ROE of 10.0% and an equity spread of 3.0% in FY12/25. It intends to raise ROE by improving the profitability of core businesses along with improving capital efficiency. In terms of the latter, it promotes measures such as reducing cross-shareholdings, enhancing the shareholder return of generated profits, and executing strategic M&A utilizing financial leverage (1.5 times at the end of FY12/24, upper limit set at about 2 times). The Company's basic policy on shareholder returns targets DOE of 5%. For FY12/25, it plans to increase the annual dividend per share by ¥10.0 YoY to ¥100.0. It expects DOE of 4.7%, up 0.2pp from the end of the previous fiscal year and will strengthen the return of profits while advancing business investments.

DOE and dividend trends



Source: The Company's results briefing materials

ESG

Promoting initiatives to increase the non-financial value of human capital

In 2022, the Company organized, prioritized, and set goals for material issues with stakeholders to balance corporate growth with the achievement of a sustainable society through business activities carried out by IT experts. It is promoting sustainability management by setting "solving social issues through business activities" as its top priority. The Company is also promoting measures that aim to raise non-financial value through problem-solving services in the social infrastructure field.

1. Solving social issues through IT

In January 2025, the Company established a subsidiary for smart aquaculture business and started initiatives to solve regional issues faced by the fisheries industry. In Nagasaki Prefecture, while working on regional revitalization and solving regional issues since 2019, the Company took note of structural issues facing the aquaculture industry such as surging feed prices and aging workers. Using AI and IoT, it conducted proof of concept (PoC) studies of such technologies to estimate the weight of farmed fish in a fish tank without touching them and realized workload mitigation and visualization of asset value. These technologies are also leading to more sophisticated business management in the fishing industry and frameworks for fund procurement from financial institutions. The Company is also participating in the Nagasaki Blue Economy project involving collaboration among industry, government, and academia. As part of initiatives to solve social issues through IT, it is working on the development and PoC studies of technologies to realize a sustainable fisheries industry.

2. Supporting caregivers and healthcare professionals with mamoAI, a monitoring system using image recognition AI

In December 2023, the Company started providing an MVP (stands for Minimum Viable Product, a product with minimum requirements for practical use) version of mamoAI, a monitoring system to help prevent the occurrence and recurrence of accidents such as falls, tumbles and wandering out of bed among patients and the elderly at medical institutions and nursing care facilities. The system aims to prevent falls by capturing a person's skeletal structure and determining his or her posture through AI technology.

Whereas conventional systems tended to be post-fall detectors, this system detects danger based on posture and notifies staff on their mobile devices early on. The AI is trained on thousands of images of postures to eliminate false positives. The Company also plans to expand the system's monitoring beyond the area around beds to entire rooms, and add an automated reporting function. This system is used to support the work of caregivers and nursing staff and aims to achieve a safe and secure nursing care/medical environment. The system will be recognized as one of the Company's initiatives to solve social issues through technology.

3. Ongoing Boccia support since 2016

With IT as its core business, the Company is a typical CSV-type corporate group that solves problems facing society through this core business. As part of its ESG activities, the Company has been promoting and supporting Boccia, the sport for the physically challenged since 2016. Through these activities, the Company aims to help its employees keep connected with the community, thereby contributing to society. The activities are not merely financial support but emphasize planning and implementation by the employees themselves.

Boccia is conceived as the sport for the physically challenged and spreading throughout the world (adopted as an official event of the Paralympics in 1988). While it can be enjoyed by people with and without physical challenges regardless of age or nationality, it also requires strategic thinking. Considering this feature, the Company has not only incorporated Boccia in the training programs of new employees and existing employees but also provided employees' families with opportunities to get hands-on experience of Boccia. Many domestic Group employees have already experienced Boccia, and the Company employed two athletes for Boccia as of April 2024. The Company also continues to provide support unique to an IT company, such as by making its Boccia Measure Android smartphone app for automatically measuring the distance between boccia balls available for free on Google Play. The Company has been certified by the Tokyo Metropolitan Government as a Tokyo Sports Promotion Company for the ninth consecutive year in fiscal 2024 (December 10, 2024 news release in Japanese language). It was also selected for the second time in 2024 as a "Model Company for Sports Promotion in Tokyo," a designation awarded to companies implementing especially progressive initiatives and measures with ripple effects among the Tokyo Sports Promotion Model Companies.

The Company's involvement in Boccia goes beyond the framework of encouraging participation and support, and contributes to facilitating communication among Group employees and improving their awareness of social contribution. This is the very reason that the Company has selected Boccia support as part of its initiatives to commemorate its 50th anniversary of foundation and has continued it to date. We at FISCO believe this also reflects the Company's intention to increase non-financial value, which it calls "invisible assets."

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