CAC Holdings Corporation

CAC REPORT 2015

Celebrating 50 years

Changing the world and shaping the future through IT and healthcare services.

The CAC Group was established on August 8, 1966 as a pioneering independent software company in Japan. From our earliest days, we have striven to evolve by anticipating the needs of the times and environmental changes and changing the nature of who we are.
Constantly tackling challenges, never allowing ourselves to be satisfied with the status quo or given in to the fear of failure, and continually reinventing who we are to further our growth – this is the essence of what we do at the CAC Group.

We never stop evolving.

We will try to seize the next opportunity by continually reinventing who we are.

Re Birth! BEYOND

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We have continued growing for 50 years, tackling various challenges along the way.

The history of the CAC Group's growth is also the history of challenges we have addressed over the last 50 years. Never fearing failure, we have tackled challenges in areas that no other company has entered.
Over the next 50 years, we will make a full-scale entry on the global stage and continue tackling challenges to further increase our corporate value.

1994

Establish CAC Co., Ltd. through merger of three companies

1974

Initial launch of SOFTECHS, a technology report magazine that is still in publication

1990

Establish subsidiary in Europe

1986

Establish a technology laboratory
Start research on advanced technologies such as AI

1971

Establish a company specializing in outsourcing services (SSK)

1989

Establish a subsidiary in the United States

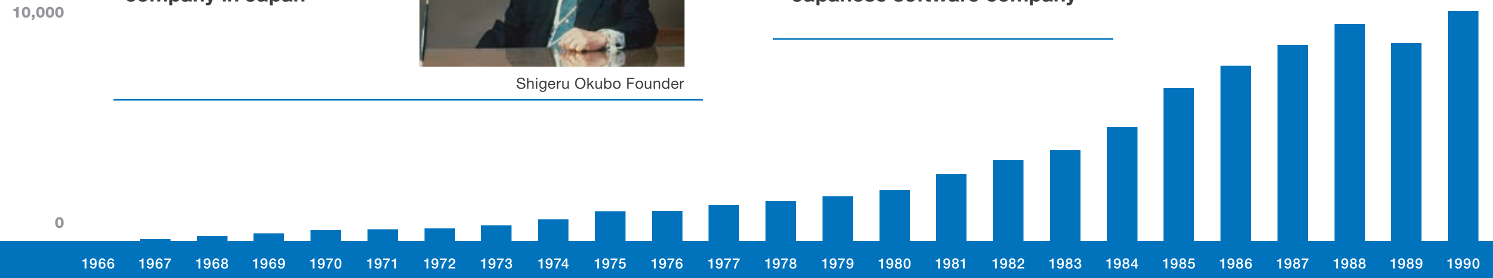
1966

Establish Computer Applications Co., Ltd. (CAC), a pioneering independent software company in Japan

Shigeru Okubo Founder

1978

Establish a subsidiary in Taiwan
First capital foray into an overseas market by a Japanese software company



Foundation period

Growth period

2006 ～ 2010

Add multiple CRO companies to the CAC Group

2000 ～ 2006

Obtained multiple companies, made them subsidiaries, and established joint ventures for business expansion

2014

- Shift to a holding company structure
- Add an IT company in India to subsidiaries

2015

Add an IT company in Singapore to subsidiaries

2002

Add a Chinese IT company to the ranks of subsidiaries in order to enhance the development system of offshore business

2005

Sell non-core businesses

2012

- Provide support for the establishment of the Institute of Strategic Solutions for Pension Management
- Company split to establish company that engages in the CRO (pharmaceutical BTO) business

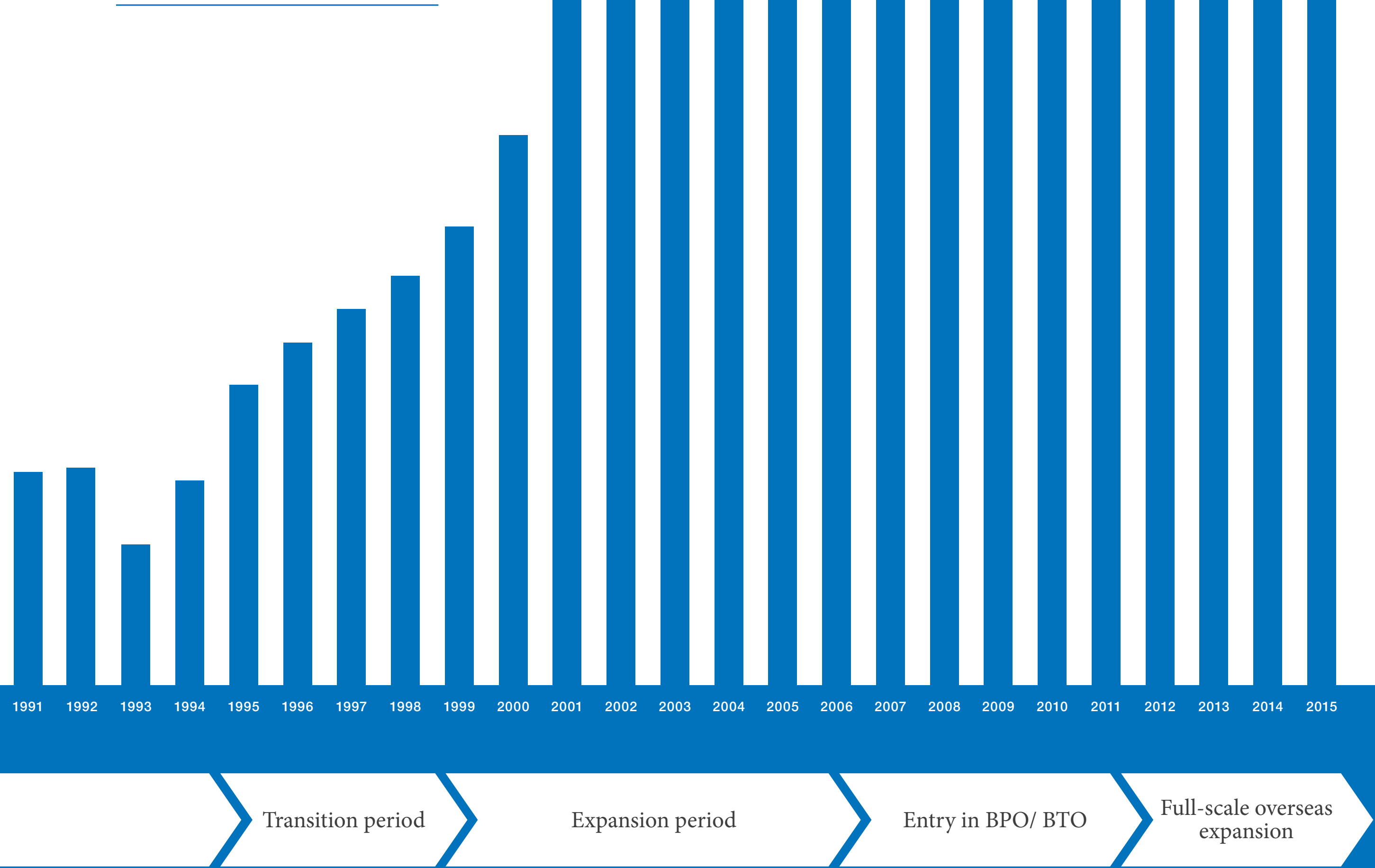
Net sales
¥52,105 million
Fiscal year ended December 2015

2000

- Listed on the First Section of the Tokyo Stock Exchange
- Establish a subsidiary in China

2010

Establish a subsidiary in India



Three key points of the CAC Group

We have summarized our unique characteristics into three points so that you can get a better idea of what the CAC Group is all about.

Key point 1 An IT and healthcare service provider that has strength in financial services, trust banks, and pharmaceuticals

The CAC Group is the independent pioneer that was founded before the dawn of the software industry in Japan.

We are prime contractor who develops and provides the optimal systems for users.

We command a large market share for the development of pension management systems for major trust and banking companies.

In regards to services for the pharmaceutical industry, in addition to IT domain, we have expanded into the domain of the CRO (pharmaceutical BTO) business. This business has been our growth engine in recent years.

Prime contract rate

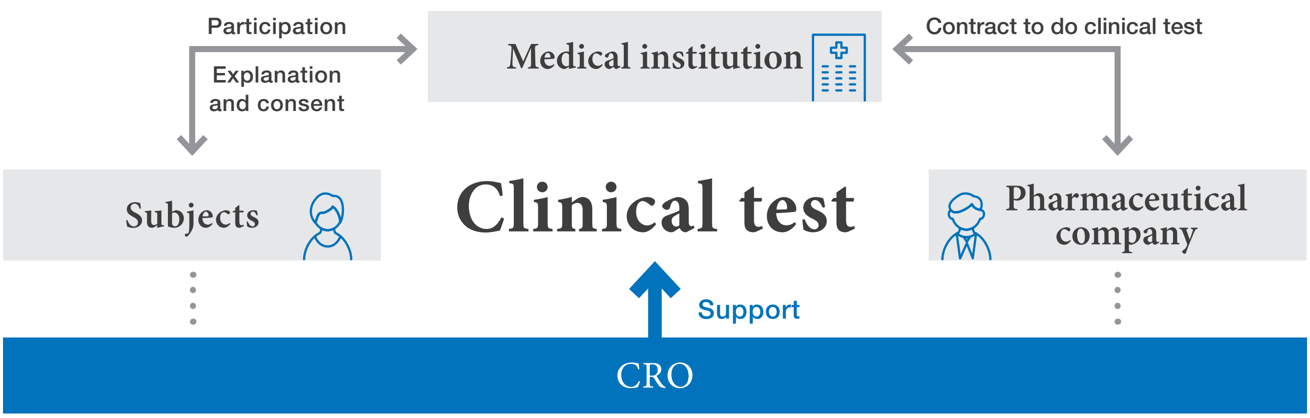
Approx. 90%

*At CAC

5-year growth rate of CRO business

200%

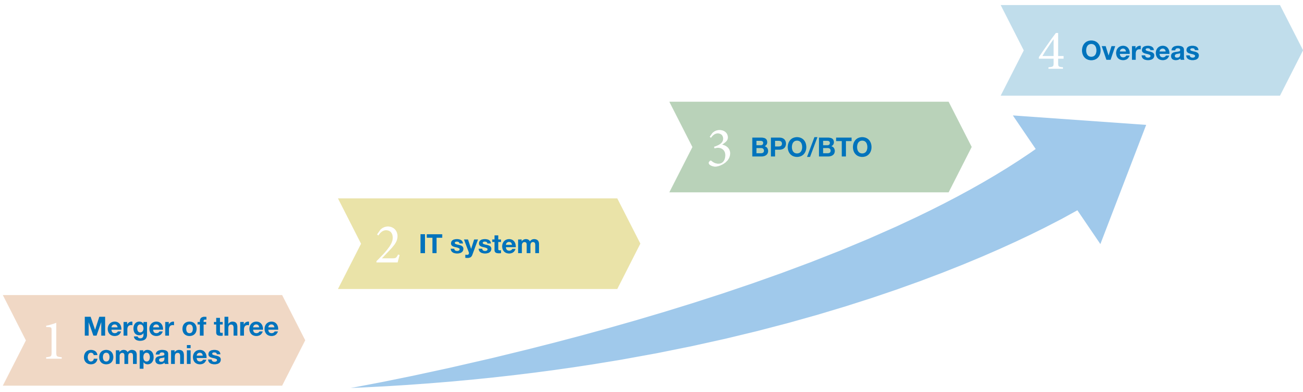
What does a CRO do?



・Pharmacovigilance ・Monitoring ・Data management, statistical analysis, and others

CRO stands for Contract Research Organization.
CRO refers to undertaking outsourced operations of conducting the clinical trials (clinical development) upon drug development by a pharmaceutical company and operations after manufacturing and sales. The term also refers to companies that perform these operations.
At the CAC Group, we provide all kinds of CRO solutions, including the pharmacovigilance, monitoring, and data management and statistical analysis. The CAC Group categorizes these operations as BPO/ BTO services.

Key point 2 Early start of growth through mergers and acquisitions (M&A)



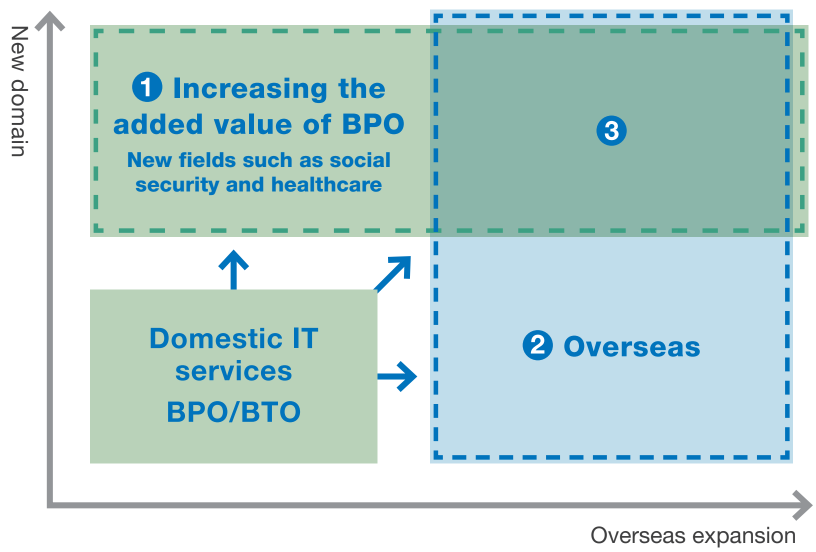
Merger of Computer Applications Co., Ltd., a systems development and integration company, with two CAC Group companies, Nippon System Service Co., Ltd. (SSK) and System Utility Co., Ltd. (SUC)

Acquisition of IT affiliates as systems divisions of companies such as Maruha Nichiro Corporation and YUASA TRADING CO., LTD. and converting them into subsidiaries of the CAC Group

Investments, business acquisitions, and business integration in CRO as a growth field

Investment in overseas IT companies

Key point 3 Overseas business and new business as our frontiers



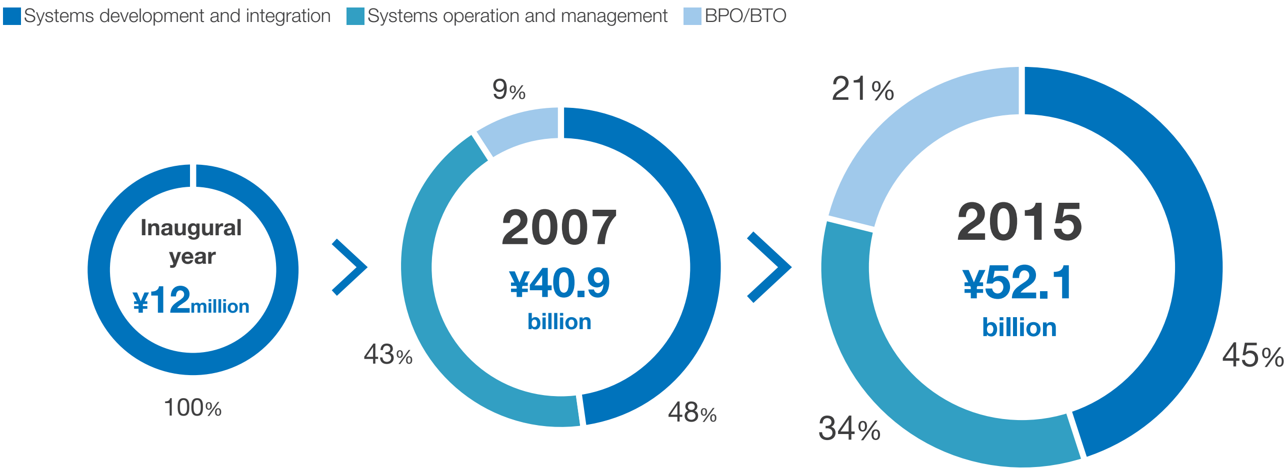
1. **Expanding our business domains to the field of social security and healthcare, taking advantage of our strength in the fields of finance, banking, and pharmaceuticals**
2. **Expanding domains to emerging areas in Asia**
3. **The combination of these two forms of expansion gives rise to the potential for further growth.**

We have grown by changing our business portfolio.

Net sales by segment

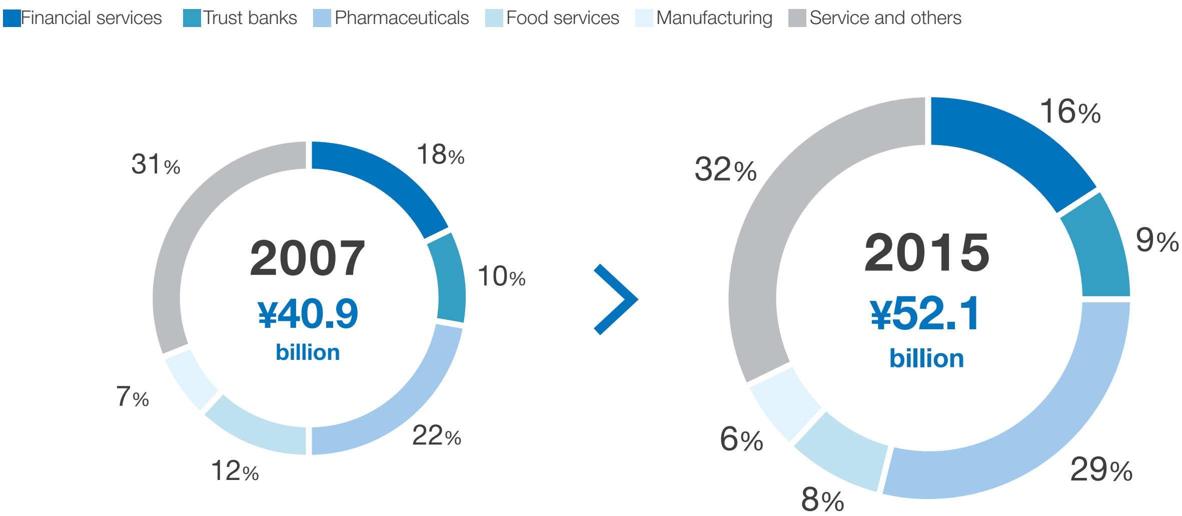
The component ratios of sales of our business segments have changed greatly in our 50 years of operation. The CAC Group began as a company that specialized in systems development and integration, but today the ratio of sales from this business is less than 50%. Sales from systems operation and management and BPO/ BTO have increased and the balance of our segment portfolio has improved.

*In the BPO/ BTO segment, we mainly provide CRO (pharmaceutical BTO) services.



Net sales by industry

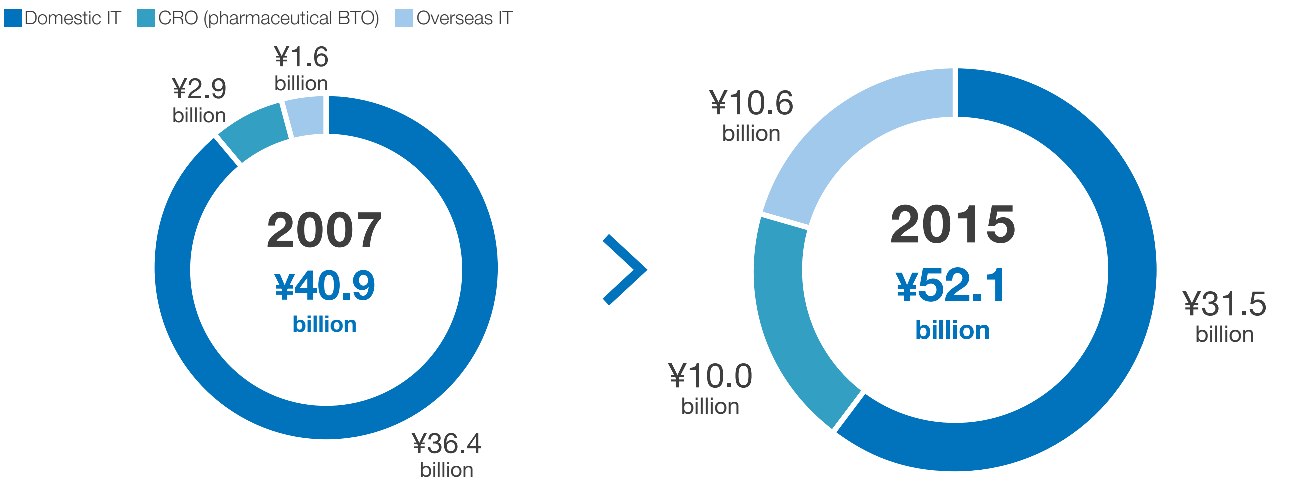
The component ratios of our customers' industries have also changed greatly. While the CAC Group has remained strong in financial services, trust banks, and pharmaceuticals, one area that has experienced significant growth is sales from customers in the pharmaceutical industry. The strengths of the CAC Group have been applied in a highly specialized customer domain with a relatively high entry barrier.



Since our foundation, we at the CAC Group have grown by changing dynamically to adapt to the needs of customers and the needs of the times. We have expanded our growth fields from Japan to overseas markets, while also expanding the range of customer industries that we serve. Here we discuss the CAC Group and how it has continued to change over the last half-century.

Composition of sales within the CAC Group

The composition of sales within the CAC Group has changed significantly in recent years, with sales from the IT business increasing greatly in overseas markets. Sales from the CRO (pharmaceutical BTO) business, which we launched around 1990, has also been growing steadily. It is now our second core business after the IT business.



The domestic IT business includes human resources BPO services.

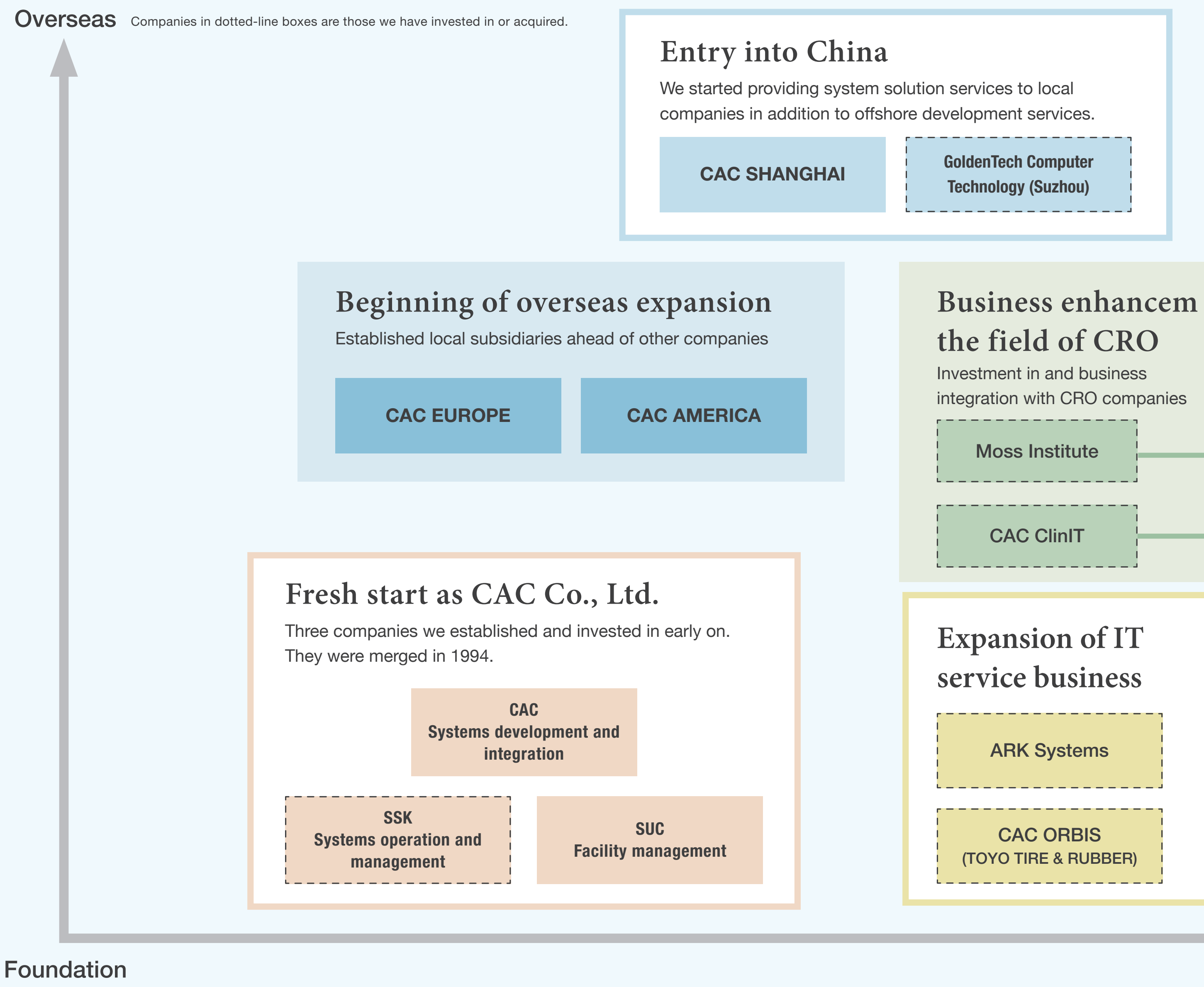
History of growth

There were only 34 employees when the company was founded in 1966. Over our 50 years of existence, we have grown into a corporate group with more than 5,200 employees.
More than half of these employees—or over 3,200—work for our overseas subsidiaries. We will continue tackling challenges as a corporate group that competes all around the world.

	1966/ Foundation	2007	2015/ 50th anniversary
Overseas sales ratio	0%	4%	20%
Number of Group companies*1	1	15	27
Number of Group employees	34	1,881	5,202
(Includes the number of employees at overseas subsidiaries*2)	0	203	3,214

*1: Excludes equity method affiliates
*2: Includes Japanese employees

We are accelerating our growth through M&A in Japan and overseas.



Fresh start as CAC Co., Ltd.

CAC Co., Ltd. was established in 1994 as a result of the merger of three companies – Computer Applications Co., Ltd., which had provided systems development and integration services since its foundation, Nippon System Service Co., Ltd. (SSK), a CAC Group company specialized in outsourcing services, and System Utility Co., Ltd. (SUC), another CAC Group company engaged in facility management.

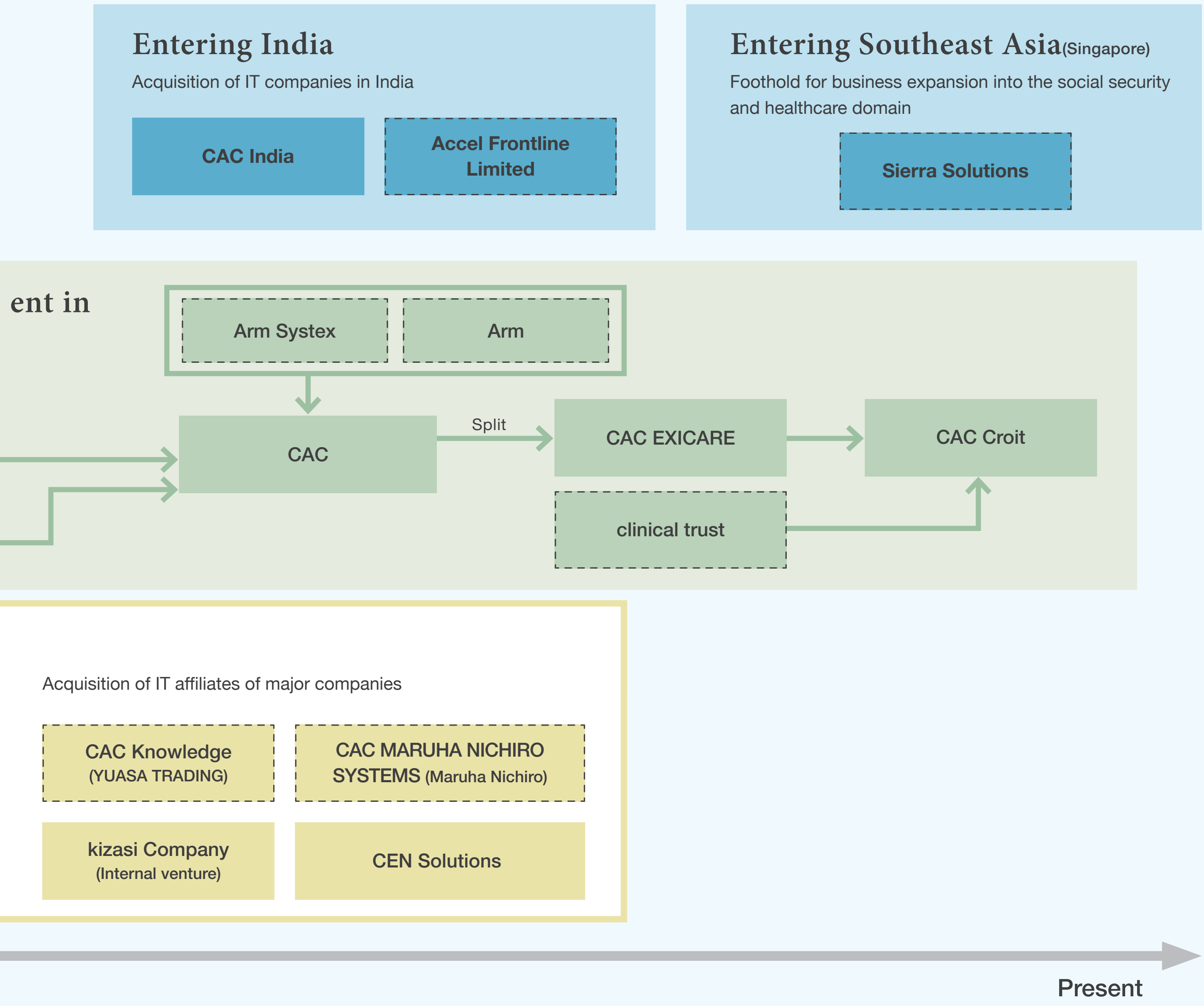
Beginning of overseas expansion

We established a local subsidiary (CAC AMERICA CORPORATION) in New York (US) in 1989 to meet the demand for overseas customer support that accompanied the expansion of our customers overseas. The following year we established another local subsidiary (presently CAC EUROPE LIMITED) in London (UK).

Expansion of IT service business

In the period from 2000 to 2003, we added the IT affiliates of major companies such as Maruha Nichiro, YUASA TRADING, and TOYO TIRE & RUBBER to our Group companies. The purpose of this move was to acquire customer bases and expand our business. In addition, kizasi Company, Inc. was spun off and became independent as the first internal venture.

One of our growth strategies is the aggressive pursuit of M&A. This strategy provides us with a more efficient and effective way to accelerate growth. It also helps us move onto the next stage by integrating different cultures that can serve as sources of strength.



Entering China

We established CAC SHANGHAI CORPORATION in 2000 in response to customer companies entering China and for offshore development. In 2002, we made GoldenTech Computer Technology (Suzhou) Co., Ltd. our subsidiary to expand our base for offshore development. In 2015, the number of employees of the two companies in China was around 350. They are committed to business for local companies as well.

Business enhancement in the field of CRO

We have made clinical trust Co., Ltd. and some other companies our subsidiaries to expand our CRO (pharmaceutical BPO) service business. We consolidated their functions within CAC Co., Ltd., and then split off the CRO business and established CAC EXICARE Corporation. We later merged clinical trust Co., Ltd. and CAC EXICARE Corporation to establish CAC Croit Corporation.

Entering India and Southeast Asia

We established CAC India Private Limited and made Accel Frontline Limited our subsidiary in order to establish a system for delivering development and operation services in overseas markets and to respond to the globalization of customer companies. In 2015, we added Sierra Solutions Pte. Ltd. of Singapore, which provides IT services to medical institutions, to our ranks of subsidiaries.

We continually reinvent who we are, never remaining satisfied with the status quo.

Akihiko Sako
President and CEO

We are committed to *rebirth*.

My name is Akihiko Sako, the president and CEO of CAC Holdings Corporation. This year we at the CAC Group celebrate our 50th anniversary. I would like to express my heartfelt gratitude to our stakeholders for their continued support over the years. In 1966, the year in which we were founded, software was regarded as a kind of accessory for hardware (computer equipment). At that time, there were virtually no companies that specialized in the software business. Since we were founded, we have provided customers with the optimal systems development and integration and systems operation and management services under the basic principles of Independent/Neutral, User-Oriented, and Fully Liable for Deliverables. We take great pride in being a knowledge-intensive company that carefully studies its customers' business and operations and utilizes the knowledge it gains. We have expanded our outsourcing business, which undertakes general operations instead of only IT operations, mainly in the CRO (pharmaceutical BTO) field. In addition, we began to expand our business overseas ahead of other companies in the 1980s, and have continued expanding our overseas business through M&A and other initiatives. We have grown to become a corporate group that now has more than 5,000 employees in Japan and other countries.

My duty as the top manager is to improve our corporate value in a sustainable manner. We are currently moving forward with management reforms based on the concept of "Rebirth Beyond." As paradoxical as it may sound, I have a sense of crisis in that I believe it is impossible to blaze a path to the future by clinging to the factors of past success, because that prevents us from the keeping up with the rapid pace at which society and technologies change. In managing the company, I make sure I'm always ready to completely reinvent it instead of following along the path we've walked up to this point. Our investments in new technologies and acquisitions of companies in different business domains are underlined by a belief that we must change by being receptive to external influences and absorbing them. We do not envision a future based solely on the internal resources we have now. In passing on the enterprising spirit that has enabled us to develop markets, we will review all we have without exception, including the founding principles of Independent/Neutral, User-Oriented, and Fully Liable for Deliverables.

The loss of our subsidiary in India was posted as one lump sum in FY2015. We expect business performance to recover in FY2016.

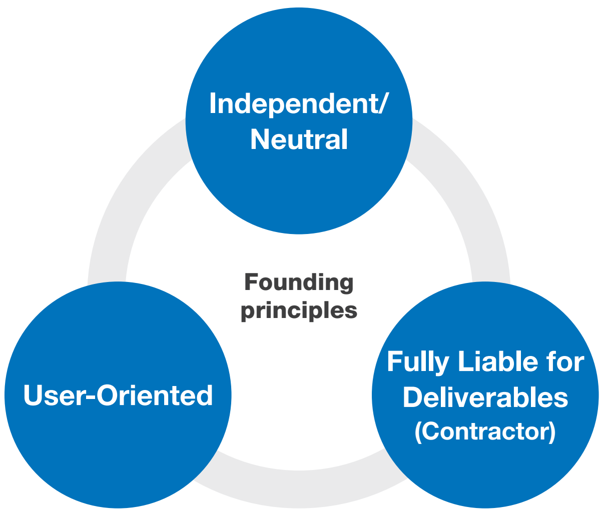
Net sales for the fiscal year ended December 31, 2015 increased 4% year on year, to 52,105 million yen, due to the growth of systems development and integration services for financial services and trust banks, as well as the increase in overseas sales attributed to the depreciation of the yen. On the other hand, operating income decreased 62% year on year, to 1,209 million yen, due to the increase of costs at Accel Frontline Limited (AFL), our consolidated overseas subsidiary, and the delay in the recovery of CRO (pharmaceutical BTO) services. We posted a net loss at 142 million yen due to the extraordinary loss related to AFL, and earnings per share (EPS) declined to a loss of 7.2 yen.

Net sales for the fiscal year ending December 31, 2016 are expected to rise 8% year on year, to 56,000 million yen. Operating income is expected to increase 86% year on year, to 2,250 million yen. Net income attributable to parent is expected to stand at 1,100 million yen, while earnings per share (EPS) is expected to turn positive at 56.0 yen. We aim to achieve our targets by increasing orders for overseas IT service projects, and further capturing demand by enhancing our system for providing services in the CRO (pharmaceutical BTO) business. We will also look to take advantage of the absence of temporary expenses and losses related to AFL.

AFL is an IT service provider based in India that became a subsidiary in 2014. A year after acquiring the company, we began to use the same auditing firm group, and the director we had deployed to the company helped to strengthen its governance. These moves led to the revelation of accounts receivable that were unlikely to be collected.

In response, CAC Holdings posted allowance for doubtful accounts and others, which were to be disposed of in the settlement of accounts for FY2015, as SG&A expenses at 660 million yen, and posted a loss on business and impairment loss on goodwill as an extraordinary loss at a total of 1,390 million yen. We have organized an advisory committee consisting of third parties to study measures for preventing these problems from happening again. Moving forward, we will continue working to strengthen the management of AFL.

AFL is based in India and has business locations in the United States, the United Kingdom, the Middle East, and Singapore. It operates a wide range of businesses, including businesses in domains where no other CAC Group company is operating. The company posted a loss for FY2015, but this loss is not attributable to a problem with its businesses. For this reason, it remains a company that is expected to contribute to the business expansion of the CAC Group.



Tackling challenges under the medium-term strategy.

The 2015-2017 Medium-Term Strategy that we formulated in early 2015 consists of six basic strategies, including “pursuing new mainstream technologies” and “tackling challenges in new business domains.” Working in line with these strategies, we aim to increase orders by improving the productivity and quality of our services by consolidating knowledge and responding to the diversifying customer needs by improving our capacity to operate on a global scale. Based on our own assessment for FY2015, the first year of the mid-term strategy, we were able to move forward with the strategy despite posting the unfortunate loss at AFL that we greatly regret.

Outline of the 2015-2017 Medium-Term Strategy

- Pursuing new mainstream technologies
- Enhancing the added value of BPO
- All in AZAREA
- Making use of global support system centering on Asia
- Tackling challenges in new business domains
- Improving corporate capabilities through group-wide strategies

Working in line with the strategies of “pursuing new mainstream technologies” and “tackling challenges in new business domains,” we established a corporate venture fund jointly with a venture capital from Silicon Valley (upper limit of investment: USD 20.2 million) in October 2015. Using this fund as a foothold for the development of new business domains, we will promote investment in promising venture companies and business alliances with these companies. In November 2015, we used this fund to invest in Jibo, Inc. (headquartered in Boston), a start-up based in the United States that develops social robots. The Jibo, a family robot developed by this company, features cutting-edge technologies such as speech recognition, emotion recognition, emotion expression on the display, and mobility. It is the world’s first social robot to come with advanced functions, and is able to understand and implement a wide variety of tasks. The CAC Group will apply the technologies for this robot within the nursing care domain in Japan, aiming to develop a new business in the healthcare field.

Growth opportunities in the fields of social security (pension) and healthcare

Throughout its history, the CAC Group has worked to establish a strong relationship with the financial services, trust banks, and pharmaceutical industries and a track record in businesses in these industries. In the financial services industries, we have been involved in a large number of development projects for more than 30 years, stretching back to “third online systems” used as the core banking systems in the 1980s. Around the year 2000, we became involved with the pension management systems of major trust and banking companies in Japan. Micmari, an original pension management package that we developed, represents the summation of our expertise in corporate pension management. We plan to expand the business for handling this package to corporate pension funds, welfare pension funds, and various other organizations, as well as trust and banking companies. We also supported the creation of the Institute for Strategic Solutions for Pension Management, a research institute operating under industry-academia-government collaboration that was established in 2012. We help with the operation of the institute, making a partial contribution to its research activities related to the proper operation of pension systems.

Looking at our businesses for the pharmaceutical industry, we have provided many pharmaceutical companies with systems development and integration and systems operation and management services since the early days of the company. We draw upon the knowledge of pharmaceutical industry operations that one of the three predecessors of CAC Co., Ltd. accumulated in undertaking all the systems operation and management of a major pharmaceutical company. In regards to our CRO (pharmaceutical BTO) services for pharmaceutical companies, we have been enhancing the lineup of the services. This move represents our response to the yearly rise in demand for the use of outsourcing services, which is aimed at reducing costs and other expenses, among pharmaceutical

Jibo and Ms. Cynthia Breazeal, one of the social robot’s developers companies who face a wide range of issues, such as national governments seeking to control healthcare costs and a decline in the rate of success in new drug development. CROs are now expected to be able to operate on a global scale and provide a wide range of services due in part to the increase in international joint clinical trials, the diversification of clinical tests, and the strengthening of safety measures. To cope with this business environment, we merged CAC EXICARE Corporation and clinical trust Co., Ltd., our core subsidiaries in this field, and established CAC Croit Corporation in April 2016. We will strive to diversify our services and provide one-stop services so that we can cater to customer needs for solutions.

In the future, we aim to develop new businesses in the social security and healthcare fields in Japan and other countries, drawing upon our extensive experience and customer bases in the fields of financial services, trust banks, and pharmaceuticals. Investment in Jibo is an example of an initiative in line with this aim. We also intend to develop a nursing care robot in the future by applying technologies used by Jibo. In November 2015, we acquired Sierra Solution Pte. Ltd. in Singapore, a company that provides IT services for medical institutions in Asia. Sierra Solution currently has bases in Singapore, India, Thailand, and Spain, and has entered an alliance with Apple Inc. in the United States. The main business of this company now is introducing system packages to hospitals. Moving forward, we plan to explore the possibilities of expanding new businesses in the social security domain and healthcare domain by applying next-generation technologies such as the Internet of Things (IoT).

Continued evolution of corporate governance

Around the time we went public, we at the CAC Group began aiming for open management that places an emphasis on transparency. In 2003, we introduced the Management Advisory Board and since then have received advice from external specialists. In 2005, we introduced outside directors. Today two of our ten directors are of another nationality, and four are outside directors. All of our outside directors are independent directors, each with his or her own specialty. Some of them serve concurrently as the directors of other companies, and we take advantage of the diverse viewpoints they offer for management.

In April 2014, we made the switch to a holding company structure and became a corporate group in which the group companies in Japan and other countries provide IT services and outsourcing services under the name of CAC Holdings Corporation. We aim to ensure the effectiveness of the holding company's governance of subsidiaries, including overseas subsidiaries, the number of which have been increasing year by year. We will also improve our system for managing business investments and acquisitions by reflecting on the posting of a loss in FY2015. We make decisions by carefully examining factors such as the synergy with the business

environment and current business, growth potential, stability, and management team of the investment destination, as well as the amount of investment. Moving forward, we will further tighten our disciplinary rules for investment by incorporating the viewpoints of people from the outside more than ever before.

To our shareholders

At the CAC Group, we emphasize sustainable shareholder returns while also considering their balance with investments for the future. In FY2015, we acquired 250,000 shares of treasury stock (1.26% of outstanding shares) by June. Although we posted a full-year net loss due to an allowance and impairment loss on goodwill, we decided to pay a full-year dividend of 32 yen per share, the same amount as the previous year, taking into account the fact that the loss had a minor impact on cash and the fact that our financial condition has remained sound. In FY2016, we plan to pay a dividend of 40 yen, which includes a 50th anniversary dividend of 8 yen, for the full year. In regards to shareholder returns, we will continue to observe our basic policy of ensuring continuous, stable dividends and flexibly purchasing treasury stock. (See pages 15 and 16 for our financial strategy.)

While the CAC Group is a time-honored company, it faces challenges as an IT company. I believe that making investments to sow the seeds of business and thereby reinvent ourselves is essential for the long-term, sustainable growth of the CAC Group. We aim to keep growing over the next 50 years by expanding our business domains, making sure to avoid dwelling upon past successes or blindly following conventions. I greatly appreciate your continued understanding and high hopes for the CAC Group going forward.

Akihiko Sako President and CEO

We achieve growth and stable dividends.

At the CAC Group, our financial strategy aims to deliver both investment for growth and stable shareholder returns. The following section provides an overview of our approach to finance.

Principles of capital policy

Principles of the CAC Group's capital policy

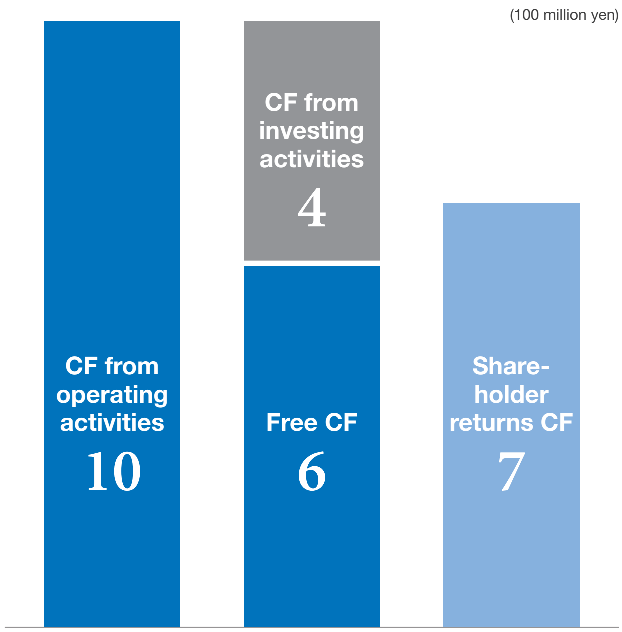
Creating profit stably and continuously while aggressively making the investments needed for growth	Providing comprehensive shareholder returns, including initiatives such as the acquisition of treasury stock, as well as consistently paying dividends

Cash flows

Cash flows from operating activities in FY2015 resulted in a net outflow of 770 million yen (compared to a net inflow of 2,331 million yen in FY2014). Outflows included an increase in notes and accounts receivable at 1,435 million yen and income taxes paid at 1,353 million yen, while income before income taxes and minority interests was 761 million yen and inflows included 778 million yen as depreciation. Cash flows from investing activities resulted in a net outflow of 2,760 million yen (compared to a net inflow of 432 million yen in FY2014). There was an inflow of 1,265 million yen as proceeds from sale of investment securities, which was offset by outflows including 1,475 million yen for the purchase of shares of subsidiaries resulting in change in scope of consolidation, 1,457 million yen for the purchase of investment securities, and 941 million yen for the purchase of intangible assets. Cash flows from financing activities resulted in a net outflow of 796 million yen (compared to a net outflow of 1,388 million yen in FY2014). This is attributed in part to 633 million yen as cash dividends paid and 300 million yen for the redemption of bonds. As a result of the above, cash and cash equivalents at the end of FY2015 decreased by 4,355million yen from the end of FY2014, to 9,101 million yen.

While cash flows from operating activities are relatively stable, cash flows from investing activities differ greatly among fiscal years due to the acquisition or sale of businesses. Therefore, free cash flows (defined as cash flows from operating activities less cash flows from investing activities) also fluctuate. The average figures for the past five years show that we have returned approximately 700 million yen to our shareholders compared to cash flows from operating activities at approximately 1,000 million yen, cash flows from investing activities at approximately 400 million yen, and free cash flows at approximately 600 million yen.

Average cash flows (CF) and shareholder returns in the past five years



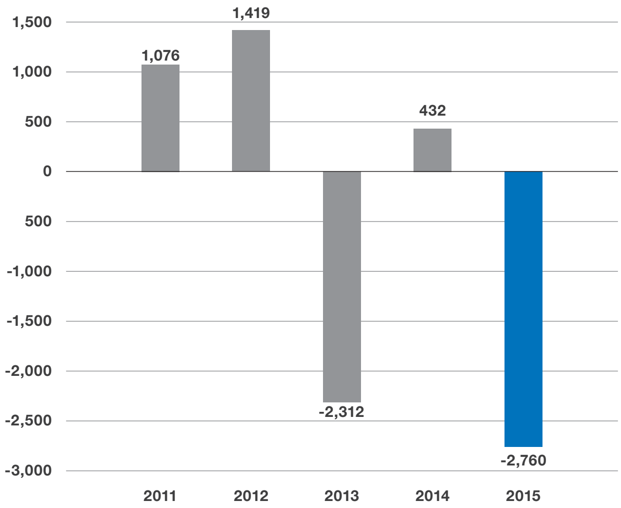
Investments

Since around the year 2000, the year when we were listed on the First Section of the Tokyo Stock Exchange, we have actively pursued growth initiatives through aggressive M&A. Although we sold some subsidiaries in 2005, we have continued to promote M&A. The main areas of investment from 2000 to 2006 were system-related companies, while from 2006 to 2010 were CRO companies. We acquired IT companies in China in 2002, India in 2014, and Singapore in 2015 to accelerate overseas expansion.

(See pages 9 and 10 for details on M&A completed by the CAC Group.)

Changes in CF from investing activities

(Million yen)



Major investments made over the past three years

FY2014

Accel Frontline Limited (India)
Amount of investment: ¥1,600 million Overseas IT

*The impact on cash flows was posted in the FY2013 results.

FY2015

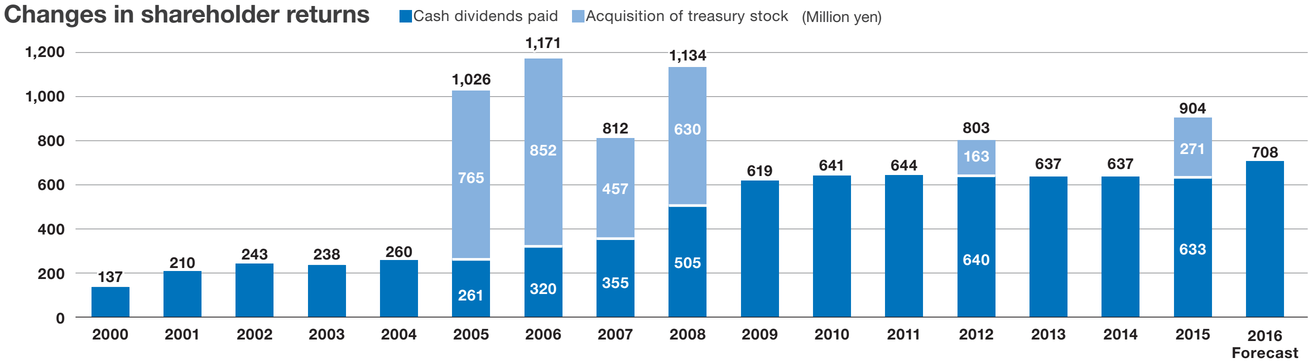
Sierra Solutions Pte. Ltd. (Singapore)
Amount of investment: ¥1,700 million Overseas IT

Establishment of a corporate venture fund
Investment in Jibo,Inc. which develops family robots
Amount of investment: ¥200 million

We consider the return of profits to our shareholders to be an important business mission. We work under a basic policy of continuing to pay stable dividends by monitoring the consolidated dividend payout ratio, while at the same time striving to increase our earning power and build a sound financial structure. In addition, we will study and make treasury stock acquisitions when necessary as a part of our flexible capital policy and comprehensive measures for shareholder returns. In regards to internal reserves, we will invest in M&A for growth of the group, business development, human resource development, research, and development carried out from medium- to long-term perspective. We will also work to improve productivity and our capabilities to ensure superior quality, as well as reinforce our financial structure in an effort to boost our comprehensive strengths and reinforce the business foundation of the group for sustainable growth.

In FY2015, we acquired 250,000 shares of treasury stock (1.26% of outstanding shares/ approximately 272 million yen). While we posted a full-year net loss due to an allowance and impairment loss on goodwill, we decided to pay a full-year dividend of 32 yen per share (approximately 630 million yen), the same amount as the previous year, taking into account the fact that the loss had a minor impact on cash and the fact that our financial condition has remained sound. In FY2016, we plan to pay a dividend of 40 yen, which includes a 50th anniversary dividend of 8 yen, for the full year. In regards to shareholder returns, we will continue to observe our basic policy of ensuring continuous, stable dividends and flexibly purchasing treasury stock.

Changes in shareholder returns



Medium-term strategy

Basic strategies and main strategic points

Pursue new mainstream technologies

Work on research and development and marketing activities jointly with overseas group companies, anticipating the formation of new markets with IoT and other areas.

Tackle challenges in new business domains

Invest in ventures and other external management resources by making use of our internal reserves in an attempt to enter domains that have yet to be developed by the CAC Group.

Increase added value of BPO

Try to expand our businesses to BPO in fields where we only provide IT services, such as pension management for trust and banking companies. Move forward with measures to increase the added value of our existing businesses of CRO (pharmaceutical BTO) and human resource BPO services.

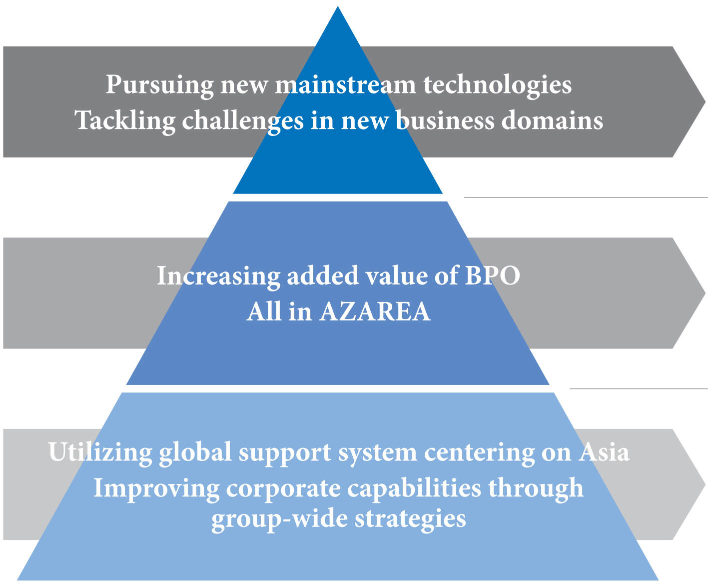
Progress made in FY2015

Development of a corporate venture fund and investment in a company that develops robots (Jibo)

Progress in improving the efficiency and quality of system development

Initiatives for FY2016 and onward

Focusing efforts on new fields to reinvent ourselves over the next 50 years



- Continuous investments in new technologies and new businesses
- Entering the social security domain

- Expansion of CRO business through the establishment of CAC Croit by means of merger between EXICARE and clinical trust
- Improving the quality of system development
- Accumulating technologies within the group

- Strengthening cooperation within the group
- Strengthening the global management system
- Developing the next-generation global human resources

Our medium-term strategy for FY2015 to FY2017 contains six basic strategies. In existing fields, we will strive to improve the quality of our services and productivity by consolidating our knowledge. At the same time, we will try to increase orders by developing new businesses and improving our ability to operate on a global scale, aiming to improve our corporate value.

ALL in AZAREA

Reduce costs and improve quality by enhancing the function of AZAREA, a unique development platform that is an aggregation of the CAC Group's intellectual properties, in our attempt to differentiate ourselves from other companies.

Make use of the global support system centering on Asia

Identify demand among existing customers for overseas IT services by establishing a global support system centering on AFL in India and CAC SHANGHAI and GoldenTech Computer Technology in China.

Improve corporate capabilities through group-wide strategies

Establish a foundation for long-term development by strengthening the bonds between group companies and working jointly to develop next-generation human resources.

Addition of Sierra Solutions (Singapore) to our subsidiaries

Development of executive candidates and personnel exchanges through the Group Academy

Aiming to increase the added value of BPO by expanding businesses to the social security and healthcare fields

Existing domains Domains which are expected to grow in the future

Expansion of business domains			
Healthcare	Mental health training	Disease prediction	Corporate health checkup
Nursing care	Support for shopping	Reform of food services and administration of medication	Comprehensive cooperation with the healthcare sector
Pension	Contract basis SI and operation	Micmari (pension management package)	Outsourcing services
Personnel management affairs	Outsourcing services	Outsourcing services + Systems operation and management	Human resource development

Added value (profit rate)

Creating value

We focus on business domains in Japan and other countries in which we possess strengths, taking advantage of the non-financial assets we have developed since our foundation (organizational assets, human assets, and customer assets) and financial assets that enable growth investments. We create value by generating social value and economic value.

1 Our business assets and strengths

Assets	Non-financial assets		
	Organizational assets	**Human assets**	**Customer assets**
Strengths	Founding principles Independent/ Neutral, User-Oriented, and Fully Liable for Deliverables Position as an independent, well-established company Unique knowledge on industries, expertise, knowledge of related laws and regulations AZAREA, a system development platform	Global human resources (More than 50% of employees and two of our directors are of different nationalities.)	Relationship with financial services, trust banks, and pharmaceutical companies established throughout our history
Results	From labor-intensive services to knowledge-intensive services	Operating globally ahead of others	Percentage of projects in which we serve as the prime contractor: 90% Large shares in the pension field and other fields
	Differentiation		

2 Business domains

IT services

Systems development and integration services	- Consulting services - System development and maintenance - Package integration
Systems operation and management services	- Systems operation and management services - Application operation services - Help desk services

Outsourcing services (BPO/ BTO)

CRO (pharmaceutical BTO) services
Human resource BPO services

3 Values we create

Social value

Contributing to customers' business reforms

Efficient support for pharmaceutical development

Financial assets

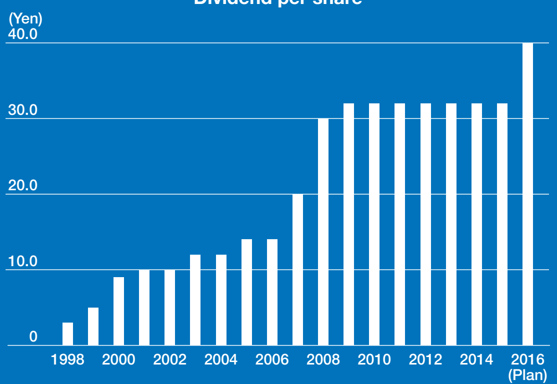
Sound financial structure

High growth achieved through aggressive M&A
Stable shareholder returns

Economic value

Reinvestment **Stable dividends**

Dividend per share



1 Business assets and strengths

At the CAC Group, the knowledge we have accumulated is applied within the running of our businesses. In contrast to physical assets and financial assets that are recorded in financial statements, our main business assets are non-financial assets that are not recorded in financial statements, such as organizational assets, human assets, and customer assets.
We have succeeded in differentiating ourselves from others by building on the strength of our founding philosophy, position as an independent pioneer, a wide range of expertise and intellectual properties, global human resources, and long-term relationships of trust with customers. Likewise, we have also built long-term relationships with our shareholders by making growth investments, such as aggressive M&A, and stable shareholder returns in a well-balanced manner on an as-needed basis, taking advantage of our sound financial structure.

2 Business domains

At the CAC Group, we operate businesses in Japan and overseas with a focus on IT services and outsourcing services (BPO/ BTO). Our main strength in IT services is the area of services for finance and trust banks, while the major strength in outsourcing services is the area of services for pharmaceutical manufacturers. Our IT services include consulting services, systems development and integration services such as system development and maintenance and package integration, and systems operation and management services such as system operation, application operation, and help desk services. Our outsourcing services include CRO (pharmaceutical BTO) services and human resource BPO services.

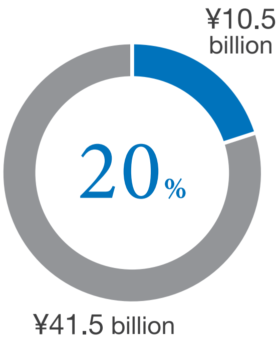
3 Values we create

The main forms of value we create through businesses are social value and economic value. While social value includes employment, tax payment, and making a contribution to local communities, we place the greatest emphasis on contributing to the reform of our customers' businesses through our own operations. Economic value is created through sustainable growth and the creation of cash flows. We return profit to our shareholders by continuing to provide dividends, the amount of which has been increasing since the early 2000s, after making reinvestments for future growth.

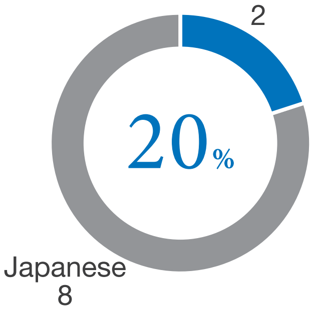
Overseas markets as growth frontiers

The CAC Group expanded overseas in the 1970s before other Japanese companies were interested in entering the markets of other countries. In recent years, we have been increasing the percentage of overseas operations though initiatives such as aggressive M&A as part of our efforts to respond to global demand.
We will continue making group-wide efforts to accelerate our globalization as a growth area.

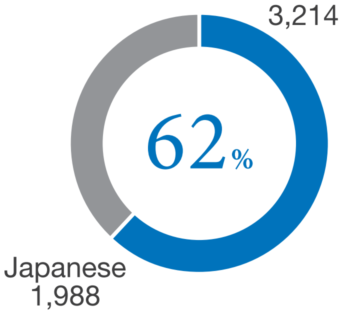
Overseas sales (consolidated)



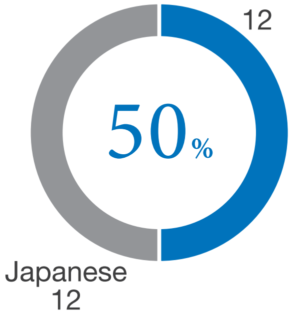
Number of non-Japanese directors of CAC Holdings Corporation



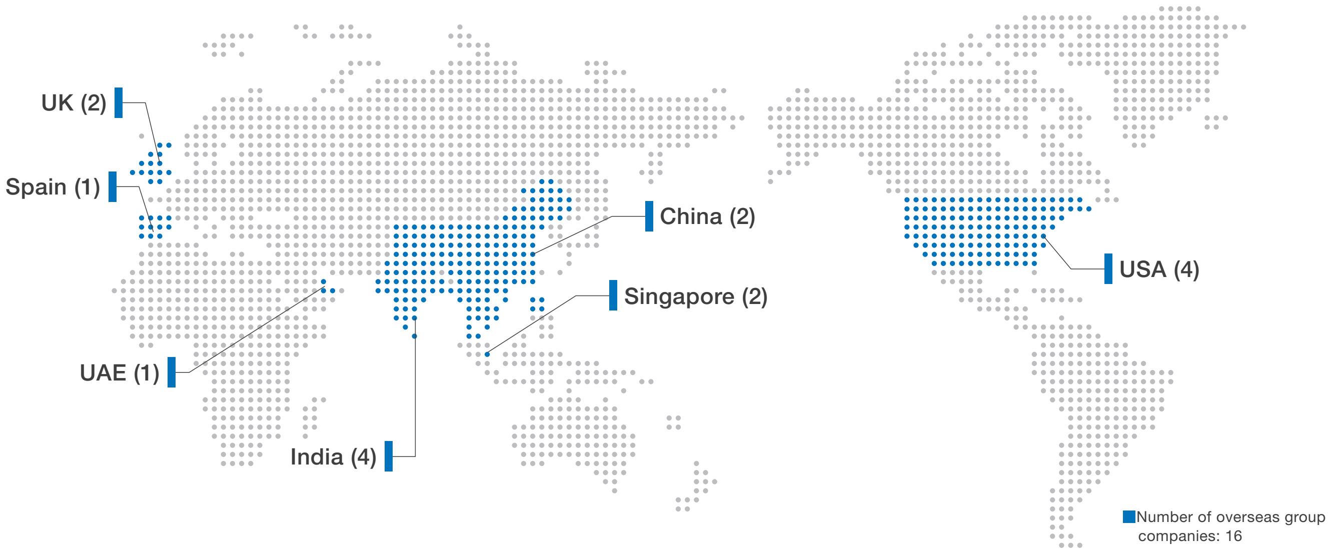
Number of non-Japanese employees of the group (consolidated)



Foreign fresh graduates of the core operating company (CAC Corporation)



*The figure for the number of non-Japanese directors of CAC Holdings Corporation is for 2016. All the other figures are for 2015.



History of overseas expansion

1989 Entered the United States
Established local subsidiary

1990 Entered Europe
Established local subsidiary

2000 – Entered China
Established local subsidiary and acquired shares in an offshore company, making it a subsidiary

2010 – Entered India
Established local subsidiary and acquired an IT panyacquired shares in an offshore company, making it a subsidiary

2015 Entered Singapore
Acquired an IT company

CAC AMERICA CORPORATION
Director & President

Ryoichi Ohara

At CAC AMERICA, we provide IT services to the bases of Japanese companies in the United States and TAKUMI job, which refers to temporary staffing and employment agency services that specialize in IT. Moving forward, we aim to provide outsourcing services by making use of the CAC Group's resources, which are located all over the world, and thereby contribute to its global business expansion.

CAC EUROPE LIMITED
Managing Director

Toshiyuki Mitani

Our approach is to target the entire region instead of a particular country, city, or some other smaller area. We cooperate closely with other group companies and involve the head office in Japan, our bases in the United States, and bases in other countries, while taking advantage of our customer bases in the financial services, trust banks, and pharmaceutical industries and our knowledge of those industries and their operations. In addition, we are working to broaden the range of services we can offer as well as the range of customers we can approach by strengthening our efforts to find new local partners and cooperate with existing local partners.

CAC SHANGHAI CORPORATION
Director/ CEO
GoldenTech Computer Technology (Suzhou) Co., Ltd.
Chairman

Bin Cheng

In the field of IT services, we are currently working to improve our capacity to provide services and activities so that we can expand our customer base to non-Japanese companies in the financial services and pharmaceutical domains. We have also started to provide BPO/ BTO services and support for the business expansion of Chinese companies in Japan. Moving forward, we plan to run a CRO business (in collaboration with CAC Croit) and IoT business that target the Chinese market.

Accel Frontline Limited
Executive Director

Malcolm F Mehta

I've been working on the expansion of the global business ever since I joined the company. One thing I'm proud of is the acquisition of AFL, an Indian company, which we completed in December 2013. In September 2015, I was put in charge of all of AFL's operations, and since then have been promoting initiatives aimed at building up AFL's business by working together with CAC Group companies, which are expanding globally, and our partners.

Sierra Solutions Pte. Ltd.
CEO

Ranjan Vaswani

We provide IT services in various aspects of healthcare, focusing on the introduction of SAP solutions to medical institutions. Recently, we developed our own mobile application for people who provide nursing care to aged family members at home. This application represents our solution to help address global issue of aging populations. We will work to expand our global business through various strategies, such as securing human resources and building relationship with customers.

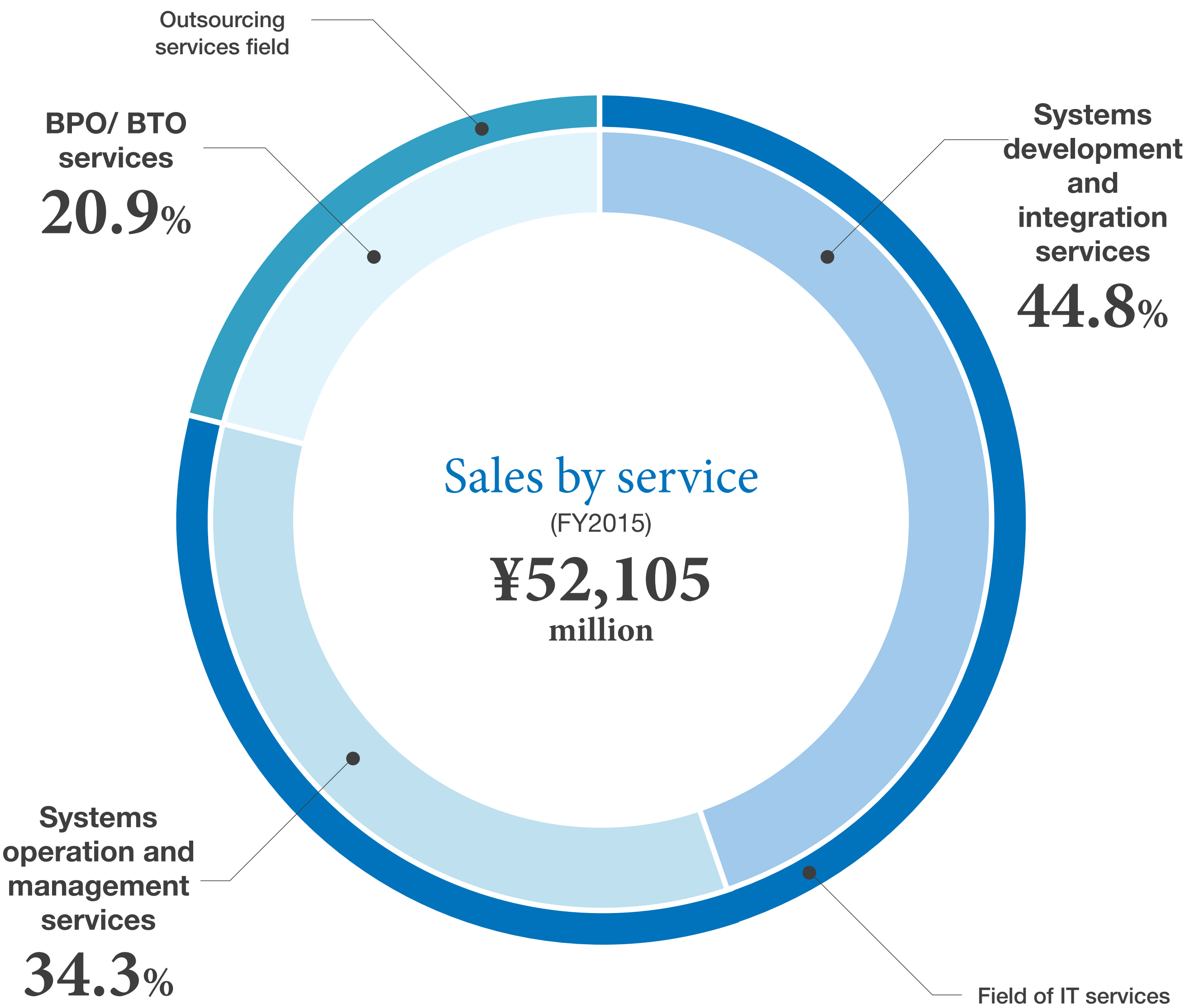
Accel Systems & Technologies Pte. Ltd.
CEO

Tammie Tham

We have built up a solid track record in the field of security. I believe that our cyber security solutions and services, which we provide in cooperation with a world-class security vendor, are ideal for customers in industries such as the financial services, trust banks, and pharmaceutical industries. We will proceed with expansion to areas outside of Singapore, starting from Japan, by taking advantage of our ties with the CAC Group.

Business review

At the CAC Group, we run a systems development and integration service and systems operation and management service in the field of IT services, and a BPO/BTO service business in the field of outsourcing services that combine IT and operation functions.
The full-year consolidated results for FY2015 are as follows. Net sales rose 4.1% year on year, to 52,105 million yen, while operating income fell 62.1% year on year, to 1,209 million yen. Ordinary income declined 64.0% year on year, to 1,080 million yen. We posted a net loss of 142 million yen (compared to net income of 2,343 million yen in the previous fiscal year).



Risk factors

- Political and economic conditions of each region, exchange rate, legal regulations, social chaos, and other similar factors
- Excessive number of development processes
- Discontinuation of services due to a disaster or other similar event
- Degree of dependence on specific customers
- Leakage of confidential information or other similar incident

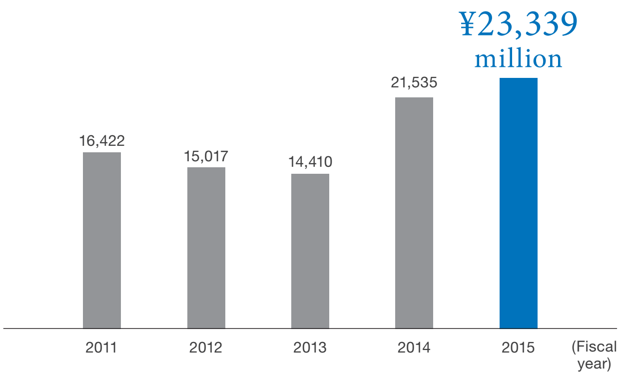
Field of IT services

Systems development and integration services

Business overview

We provide customers in Japan and other countries with a wide range of services. These include consultation on corporate information systems, system development and maintenance, and package integration.

Sales



Our strengths and features

Strength in systems for financial institutions

We are more than capable when it comes to market transaction systems and overseas trading systems for mega banks and pension-related systems for trust and banking companies.

High overseas sales ratio

Overseas sales constitute approximately 32% of our total sales. Currently we provide services in India, Singapore, China, the United States, and the United Kingdom. Moving forward, we expect to further increase of our overseas sales ratio.

Business performance

In FY2015, we enjoyed an increase in large-scale projects for mega banks and systems development and integration projects for trust and banking companies. In addition, sales in yen terms were positively influenced by the depreciation of the yen, increasing 8.4% year on year. However, operating income decreased 40.6% year on year, to 101 million yen, due to a rise in costs at AFL, our overseas subsidiary.

The projects for mega banks, which contributed to the increase in sales in FY2015, are expected to finish in FY2016. At the same time, we expect an increase in both sales and profit due in part to the consolidation of Sierra Solutions in Singapore, which provides IT services to medical institutions with a focus on Asia, growth of overseas group companies, and business expansion in the social security and healthcare domains.

Creating value

●Increase in global projects

We will work to boost the number of global projects by identifying the demand arising from the shift of IT investment to other countries in response to the globalization of customer companies.

●Differentiation through the use of AZAREA

We will work to boost the number of global projects by identifying the demand arising from the shift of IT investment to other countries in response to the globalization of customer companies.

●Enhancing services in the social security domain

We will start providing IT services in the field of nursing care. This move will help enhance our services in the social security domain as well as in the pension domain, our existing domain.

●Providing services to medical institutions

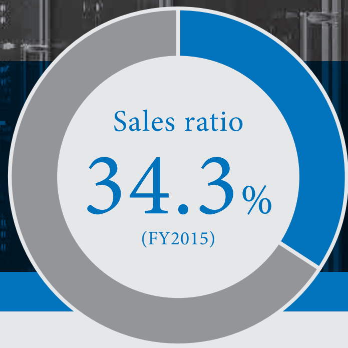
We will use the acquisition of ownership in Sierra Solutions as an opportunity to enhance our services for medical institutions.

●Reinforcing software package businesses based on knowhow

We will bolster the development and provision of software packages by applying our business knowhow in preparation for the future decrease in demand for the contract-basis development business. We have already provided Micmari, a pension management software package, and MR-Navi, a marketing and sales support system for pharmaceutical companies.

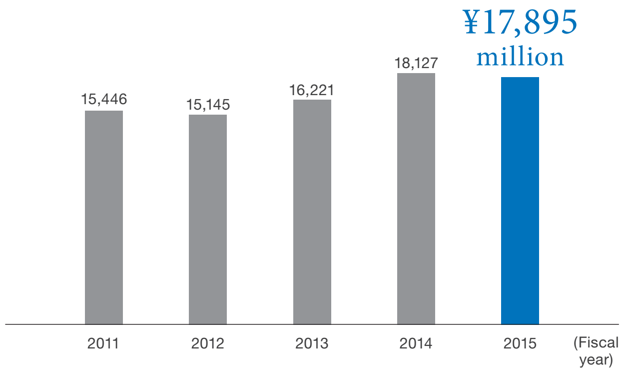
Field of IT services

Systems operation and management services



Business overview

In addition to operations outsourcing services, we provide data center services, help desk/call center services, security-related services, and product assurance services, among others.



Our strengths and features

Services for a major pharmaceutical company

These services began with a company that specialized in outsourcing, which was our subsidiary in the early days of the CAC Group. A major pharmaceutical company also invested in this company. We have built up our expertise through the provision of comprehensive services to this pharmaceutical company.

Expansion through M&A

CAC MARUHA NICHIRO SYSTEMS CORPORATION, CAC ORBIS CORPORATION, CAC Knowledge Co., Ltd., and ARK Systems Co., Ltd., which are group companies, all joined the CAC Group as a result of M&A.

Business performance

In FY2015, sales declined 1.3% year on year due to a decrease of sales from services for major customers in Japan. Looking at profit, we posted an operating loss of 187 million yen due to a special cause while we posted an operating income of 443 million yen for the same period of previous year. This was largely due to the posting of allowance for doubtful accounts at AFL, an overseas subsidiary.

In FY2016, sales are only expected to increase slightly. In terms of profit, we expect to move back into the black because temporary expenses recorded in the previous year will not be posted.

Creating value

●Elevating the quality of services by improving operating tools

We have been striving to elevate the quality of our operations by operating in compliance with global standards such as ITIL. Moving forward, we will aim to ensure a high and uniform level of quality by making additional improvements to our operating tools.

●Improving price competitiveness

We will improve our price competitiveness by reducing costs through the promotion of automation with operating tools and the use of offshore resources.

●For stable provision of services

The CAC Group has obtained certification under the international standard on information security (ISMS), namely JIS Q 27001:2014 (ISO/IEC 27001:2013). This certification provides customers with a sense of security when they use our stable services.

●Developing new operation services and service menus

We focus on developing new operation services and service menus, such as developing operation and/or management services using cloud computing, in an effort to respond to the steady stream of new technologies and reduce the operational and cost burden for customers.

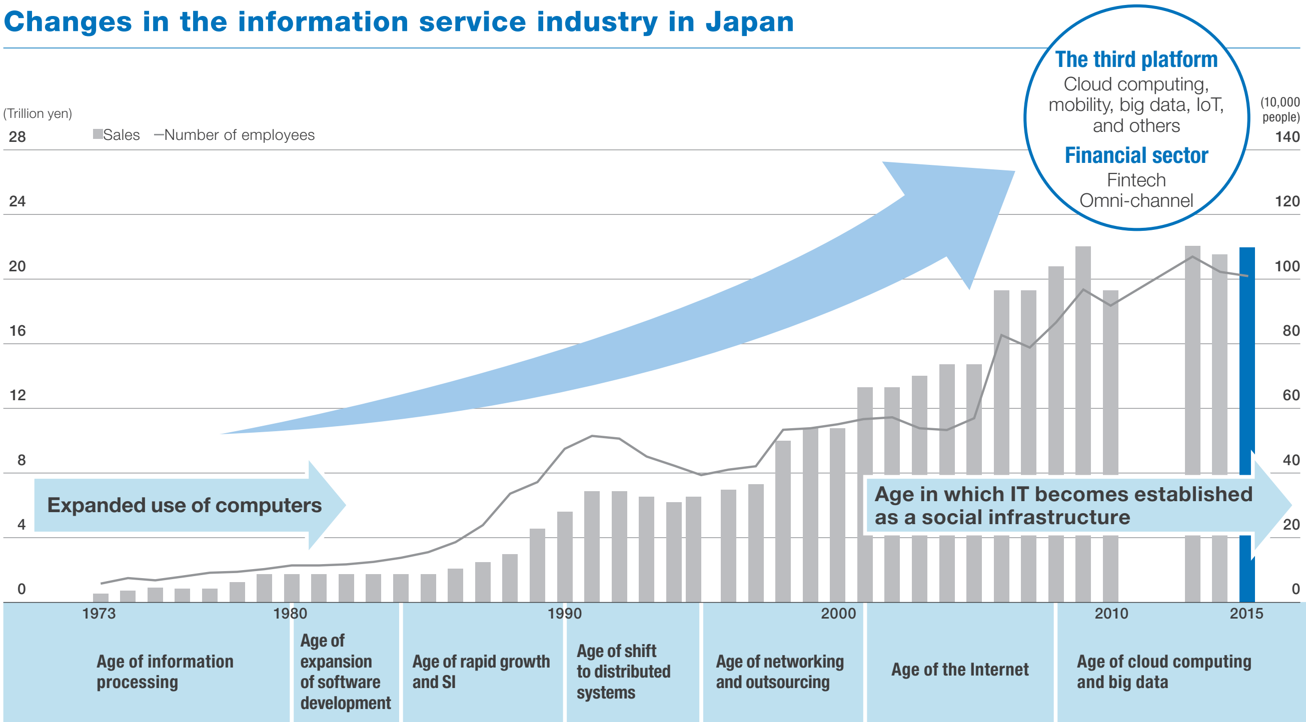
Industry structure in the field of IT services

Trends in the IT service industry

The IT service market of Japan grew in both FY2014 and FY2015 (at an annual growth rate of 3% according to research by IDC*), driven by large-scale projects such as system updates in the financial sector and the introduction of the Social Security and Tax Number System. In FY2016 and onward, the growth rate will decline following the completion of these large projects, but modest growth is expected to continue until 2020 (at an annual growth rate of 1.7% according to research by IDC*), driven by spending related to the third platform, such as cloud computing, mobility, big data, and IoT. By industry, IT spending by financial institutions, in particular mega banks, is expected to grow at a high rate. Spending is aimed at improving services, such as making the shift to omni-channel and enhancing account settlement solutions in the Fintech age.

*IDC Japan, Kokunai IT Service Shijou Sangyou Bunya-betsu Yosoku 2016 nen ~ 2020 nen (Outlook of Domestic IT Service Market by Industrial Field: 2016 to 2020)

Changes in the information service industry in Japan



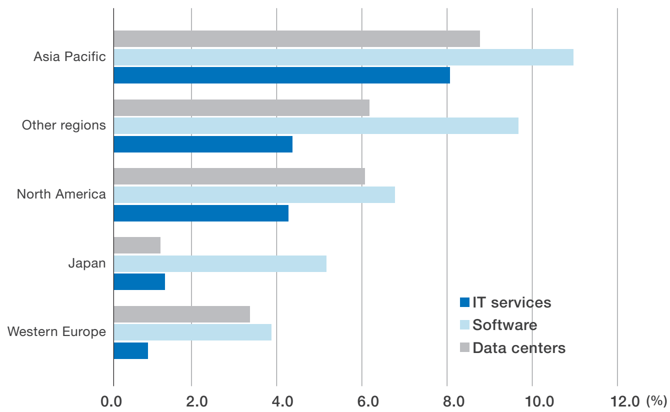
[Sources: Japan Information Technology Services Industry Association (JISA), Jouhou Service Hatten no Keii (Development of Information Services) http://itjobgate.jisa.or.jp/trend/index.html] (referred to in May 2016), Ministry of Economy, Trade and Industry, Survey of Selected Service Industries)

Market growth rate by world region

The global market for IT services is forecasted (by the Ministry of Internal Affairs and Communications) to grow positively at an annual average growth rate of 5.2% (during 2012 to 2017) due to the globalization of corporate activities and the spread and expansion of information and telecommunications systems. By region, a high growth rate is expected in Asia Pacific (around 8% to 11%) and North America (4% to 7%).

As an independent company that excels in particular fields such as financial services and trust banks, we at the CAC Group will identify and capitalize on demand in growth fields in Japan and develop business opportunities in overseas markets, using our expansion into India and Asia as a springboard.

Market growth rate by region (2012 to 2017)



(Source: Ministry of Internal Affairs and Communications, Region-by-region ICT service market sizes and growth rates (2012-2017), White Paper – Information and Communications in Japan 2013)

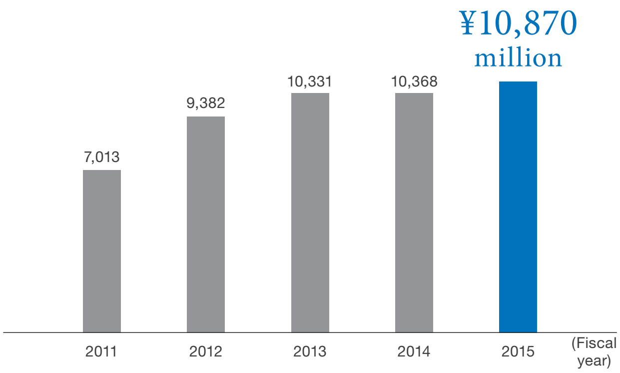
Field of outsourcing services

BPO/ BTO services

Business overview

We provide outsourcing services that combine IT and operation functions.
At the CAC Group, we currently provide CRO (pharmaceutical BTO) services and human resource BPO services.

Sales



Our strengths and features

CRO with strength in pharmacovigilance service

Our lineup of CRO (pharmaceutical BTO) services includes all the factors needed to support pharmaceutical development. Our strength lies in pharmacovigilance service, which involves managing information about side effects.

Ready to undertake all types of personnel management affairs

Our human resource BPO services handle general tasks such as salary calculation. They also cover the operation of personnel systems, labor management, benefit program management, and other personnel management affairs.

Business performance

In FY2015, sales from CRO (pharmaceutical BTO) services increased but those from human resource BPO services declined. As a result, overall sales increased by no more than 4.8% year on year. Income decreased 62.8% year on year, to 395 million yen, due to loss of time that resulted from a delay in the commencement of a project in CRO (pharmaceutical BTO) services.

In FY2016, we expect to see the expansion of both human resource BPO services and CRO (pharmaceutical BTO) services. For the latter, we will take measures to elevate efficiency and profitability, such as the appropriate allocation of staff through the merging of consolidated subsidiaries.

Creating value

●Accelerating measures to respond to globalization through M&A and alliances

In the CRO (pharmaceutical BTO) services, international joint clinical trials constitute approx. 30%* of all clinical trials, and are expected to continue increasing. This makes it essential to ensure that the level of quality is consistent with the global standard. We will accelerate measures to respond to globalization through M&A and alliances.

●Developing new businesses and improving quality

To better accommodate diversifying customer needs, we will develop new businesses and further improve the quality and efficiency of our services by making use of IT.

*Source: Data on notifications of international joint clinical trials of drugs cited from a report on recent trends in evaluations and clinical trials of pharmaceuticals, etc. (FY2015) by the Ministry of Health, Labour and Welfare

●Reorganizing the group to improve our capacity to provide services

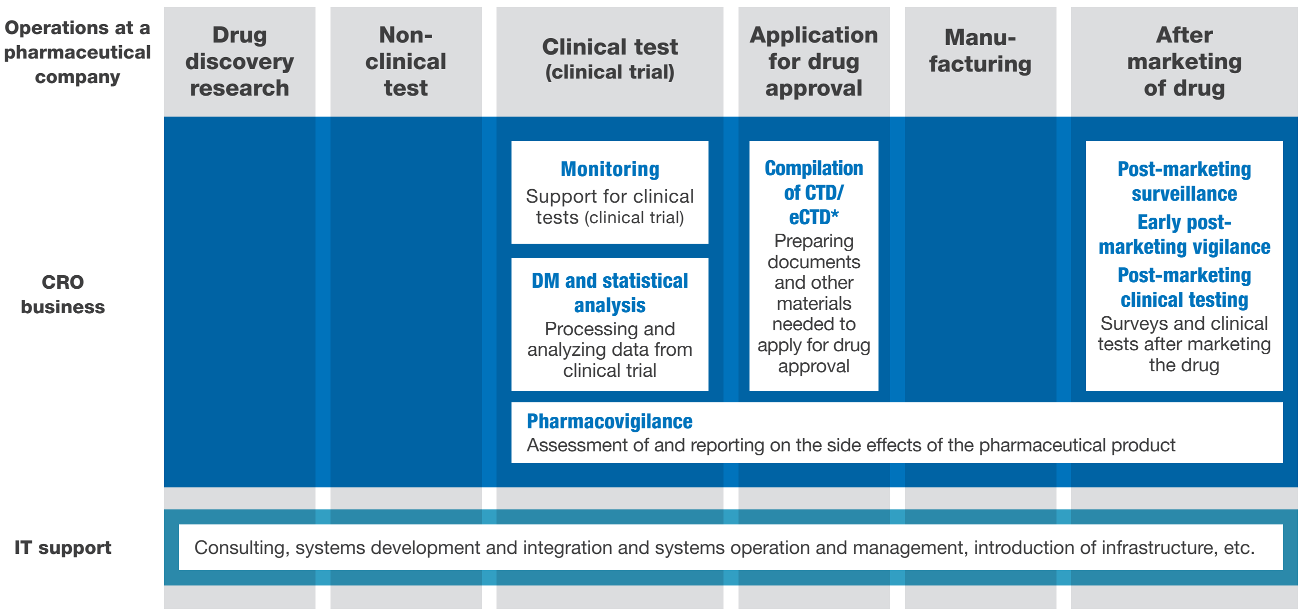
In April 2016, two CAC Group companies engaging in the provision of CRO (pharmaceutical BTO) services merged to establish CAC Croit Corporation. Support services related to data ranging from non-clinical tests to post-marketing surveillance and pharmacovigilance, which are provided by making full use of IT, are combined with monitoring services provided by using a high level of expertise. This will enable us to cover a full range of CRO (pharmaceutical BTO) services. We will thus improve our ability to accommodate diversifying customer needs. In addition, we will expand our operations by further elevating the level of quality, efficiency, and safety and accelerating measures for handling areas such as global clinical trials. For this purpose, we will make greater use of IT, strengthen efforts to develop human resources, and pursue other measures.

Industry structure in the field of outsourcing services

CRO industry and position of the CAC Group

CRO (Contract Research Organization) services, which we provide as a form of pharmaceutical BTO services, are aimed at supporting pharmaceutical development. We handle various operations for customers or support their operations in clinical testing and post-marketing surveillance, helping to improve the efficiency of pharmaceutical development and enable quicker drug discoveries. At the CAC Group, we started the CRO business around 1990. Currently, CAC Croit Corporation, which we founded in April 2016, plays a central role in the provision of these services.

Flow of CRO business

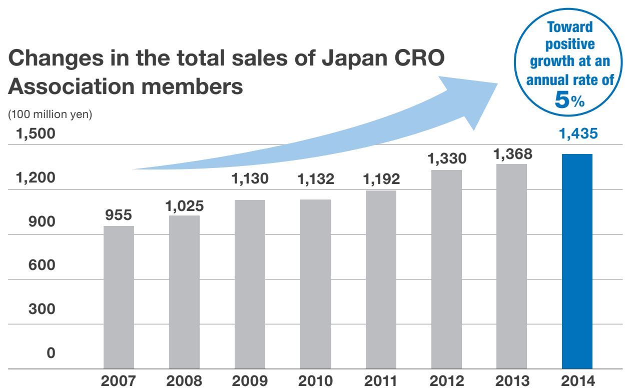


*CTD stands for Common Technical Document, an application format for drug approval that is common to Japan, the United States, and EU countries.

Trends in the CRO market

The CRO market is expected to grow positively this year again at an annual rate of around 5%. The main reason for this growth is that pharmaceutical companies are outsourcing more of their operations to reduce the cost of clinical trials and improve their efficiency.

Globally, there has been a growing trend for pharmaceutical companies and biopharmaceutical companies to outsource R&D operations. The global CRO market is expected to grow at an annual rate of around 10%.



(Source: Japan CRO Association, 2014 Annual Report)

CRO industry in Japan and position of the CAC Group

While the majority of the companies in the industry are those that originally began as companies specialized in CRO, CAC Croit Corporation stands as a distinctive service vendor that has evolved from an IT company. CAC Croit Corporation provides outsourcing services for the pharmaceutical development process, as well as services for system development and integration and system operation and management for customers. It is positioned as a second-tier company in the industry behind industry-leading corporate groups such as CMIC Co., Ltd. and EPS Corporation. The company aims to expand its business by exploring an opportunity to form an alliance with a global enterprise, for example, because of the increasing number of foreign CRO companies entering the Japanese market in recent years as a result of an increase in the international joint clinical trials.

Corporate governance

Basic approach to corporate governance

The core of the CAC Group's management philosophy is "to continually contribute to the enhancement of customers' corporate value." To successfully embody this philosophy, we will develop a solid base of growth and mobilize the capacities of the CAC Group for improving earnings. We will manage the company in a way that maximizes stakeholder satisfaction in line with the basic policies of earning the trust of customers, responding to changes in the market ahead of others, and enhancing the vitality of each individual employee. For this purpose, we have improved the transparency of our decision-making and have established a corporate governance system in which a monitoring function and a supervising function are embedded appropriately.

Basic structure of governance and management execution system

At the CAC Group, we have been strengthening governance aiming for open management with an emphasis on the transparency of management. In 2003, we set up the Management Advisory Board and began to take initiatives for obtaining advice and recommendations about corporate governance from external specialists. In 2005, we made the change to a management system that includes outside directors. Currently (as of March 24, 2016), our Board of Directors consists of ten directors, four of whom are outside directors (three men and one woman). All of the outside directors are independent directors. In addition, two of our directors are foreign nationals due to the expansion of our global business. In 2014, we made the switch to a pure holding company structure, thereby establishing a system under which the formulation of business strategies for the entire group and the business administration of group companies are carried out faster than ever before.

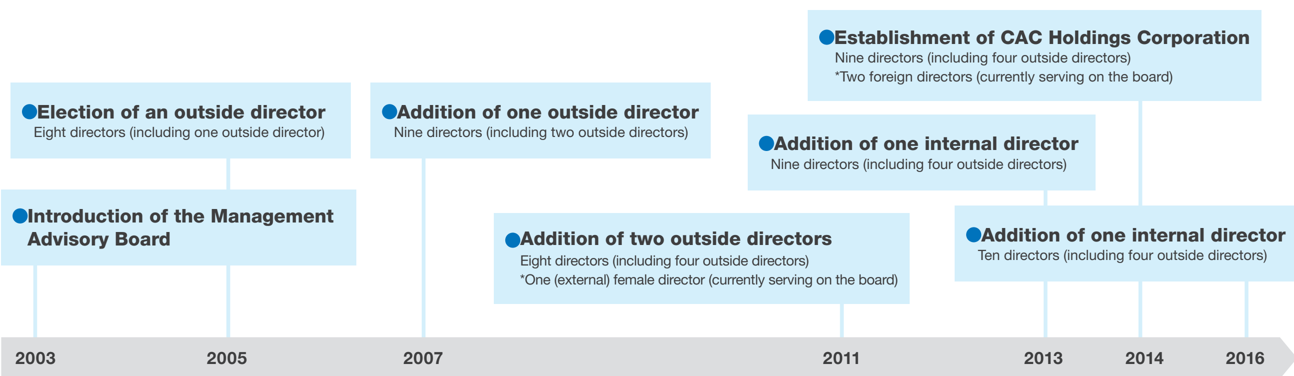
Board of Directors

The Board of Directors meets regularly every month and as needed. Important matters are submitted for discussion at the Board of Directors, and the status of operations is reported as needed. We have also set up a Management Meeting as a place for deliberating and making final decisions on important management matters related to consolidated subsidiaries and affiliates.

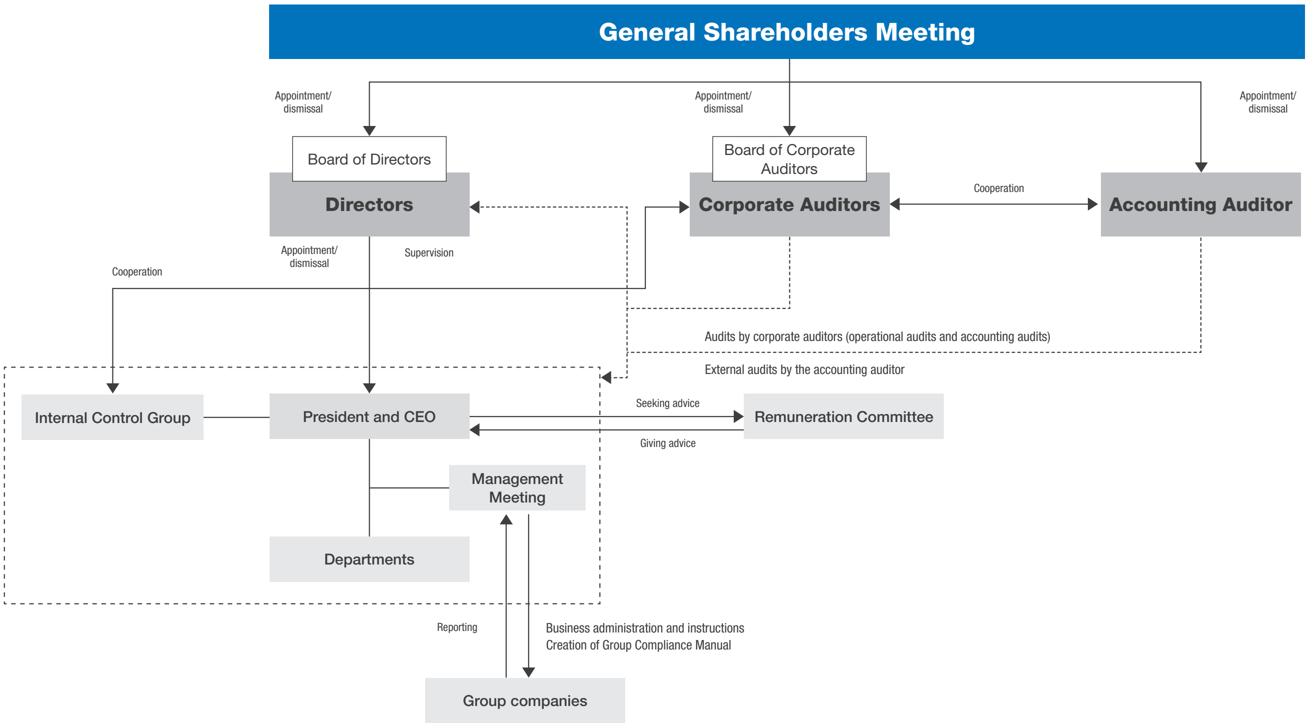
Board of Corporate Auditors

Our Board of Corporate Auditors consists of four corporate auditors, two of whom are outside corporate auditors. They meet regularly every month and as needed to hold discussions aimed at ensuring the adequacy and appropriateness of decisions made by the Board of Directors, and the manner in which each director performs his or her operations. Corporate auditors actively participate in Management Meetings in addition to Board of Directors meetings to properly monitor the performance of operations by directors.

Reinforcement of the governance system



Corporate governance system



Remuneration Committee

The amount of remuneration and other similar benefits for each director is determined through a comprehensive evaluation of the roles and degree of contribution each director makes by the Board of Directors, making sure the range does not exceed the upper limit approved at the General Shareholders Meeting. The amount of remuneration for corporate auditors is determined through discussion by corporate auditors, comprehensively taking into account factors such as whether each corporate auditor is a full-time or part-time corporate auditor and the distribution of auditing operations among corporate auditors, while making sure the range does not exceed the upper limit approved at the General Shareholders Meeting. The Remuneration Committee, which is chaired by an outside director (Mr. Mitsuyo Hanada), was established as an advisory committee for the purpose of examining the adequacy of remuneration for directors and other executives.

Amount of remuneration for officers in FY2015

Position	Number of officers	Total amount of remuneration (million yen)	Breakdown	Upper limit of the amount
Directors (outside directors)	9 (4)	151 (18)	Base remuneration: ¥126 million Bonus: ¥24 million (Only base remuneration was paid to outside directors)	Up to ¥240 million per year
Corporate auditors (outside corporate auditors)	5 (3)*	44 (9)	Base remuneration only	Up to ¥4 million per month
Total	14 (7)	195 (27)		

Notes:
1. The upper limit of the amount of remuneration for directors, which is 240 million yen per year (excluding the amount of employee salaries), was approved at the 40th Annual General Shareholders Meeting held on March 30, 2006.
2. The upper limit of the amount of remuneration for corporate auditors, which is 4 million yen per month, was approved at an extraordinary General Shareholders Meeting held on December 11, 1997.
3. At the 42nd Annual General Shareholders Meeting held on March 27, 2008, the abolition of officers' resignation bonuses was approved. It was also decided that the amount to be paid as of the time of the abolition should be paid, and that the payment should be made at the time each director or corporate auditor resigns.
*The total number of corporate auditors was five (including a total of three outside corporate auditors) because one outside corporate auditor resigned and one was appointed in March 2015.

Management team

(As of March 24, 2016)

Directors

Toshio Shimada
Chairman of the Board of Directors

Nov. 1997 : Joins the Company
Mar. 2002 : Director and Senior Vice President, Corporate Planning Dept., the Company
Mar. 2004 : President and CEO, the Company
Jan. 2011 : Representative Director and Chairman of the Board of Directors, the Company
Jun. 2011 : Vice Chairman, Japan Information Technology Services Industry Association (current position)
Mar. 2015 : Director and Chairman of the Board of Directors, the Company (current position)

Akihiko Sako
President and CEO

Apr. 1983 : Joins the Company
Mar. 2000 : Executive Officer and General Manager, 1st Section, Financial System Dept., SI Div., the Company
Mar. 2005 : Director, Executive Officer and Senior Vice President, Corporate Div., the Company
Jan. 2011 : President and CEO, the Company (current position)
Apr. 2014 : President and CEO, CAC Corporation (current position)

Hisashi Takahashi
Director (In charge of Pharmaceutical BTO)

Apr. 1979 : Joins the Company
Apr. 2000 : Vice President, SI Promotion Div., the Company
Apr. 2012 : President and Chief Executive Officer, CAC EXICARE Corporation (now CAC Croit Corporation) (current position)
Apr. 2014 : Director, the Company (current position)

Bin Cheng
Director (In charge of China)

Apr. 2000 : Joins the Company
May. 2000 : Director & President, CAC PACIFIC CORPORATION
Jul. 2000 : Director & President, CAC SHANGHAI CORPORATION (current position)
Apr. 2014 : Director, the Company (current position)

Malcolm F. Mehta
Director (In charge of India)

Jun. 2010 : Joins the Company
Oct. 2010 : President, CAC India Private Limited (current position)
Apr. 2014 : Director, the Company (current position)
Jul. 2014 : Executive Director, Accel Frontline Limited (current position)

Ryota Nishimori
Director (In charge of Corporate Dept., Corporate Planning Dept., and Innovative Business Planning Dept.)

Apr. 1994 : Joins the Company
Jan. 2011 : Director & President, CAC AMERICA CORPORATION
Mar. 2016 : Director, CAC Corporation (current position)
Director, the Company (current position)

Outside directors

Mitsuyo Hanada
Outside Director

Sep. 1977 : Lecturer, Department of Sociology, California State University, Los Angeles
Mar. 1990 : Professor, Faculty of Policy Management, Keio University
Mar. 2005 : Director, the Company (current position)
Apr. 2014 : Professor Emeritus, Keio University (current position)

*The Company has designated Mr. Mitsuyo Hanada as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

Shigeru Matsushima
Outside Director

Apr. 1973 : Joins the Ministry of International Trade and Industry of Japan (currently the Ministry of Economy, Trade and Industry)
Apr. 2001 : Professor, Faculty of Business Administration, Hosei University
Mar. 2007 : Director, the Company (current position)
Apr. 2011 : Professor, Department of Management of Technology, Graduate School of Innovation Studies, Tokyo University of Science (current position)

The Company has designated Mr. Shigeru Matsushima as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

Michitaka Hirose
Outside Director

Apr. 2006 : Professor, Department of Mechano-Informatics, Graduate School of Information Science and Technology, the University of Tokyo (current position)
Mar. 2011 : Director, the Company (current position)
Apr. 2011 : R&D Advisor, National Institute of Information and Communications Technology (current position)
Apr. 2014 : Auditor, The Virtual Reality Society of Japan (current position)

*The Company has designated Mr. Michitaka Hirose as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

Yukiko Kuroda
Outside Director

Jan. 1991 : Representative Director, People Focus Consulting Co., Ltd.
Aug. 1996 : Director, CICOM BRAINS Inc. (current position)
Mar. 2011 : Director, the Company (current position)
Apr. 2012 : Founder and Director, People Focus Consulting Co., Ltd. (current position)

*The Company has designated Ms. Yukiko Kuroda as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

Auditors

Akinobu Matsumura
Full-Time Corporate Auditor

Oct. 2000 : Joins the Company
Apr. 2001 : Executive Officer, Senior Vice President, Internet Business Promotion Div., COE Control Div., the Company
Mar. 2005 : Director and Executive Officer, Head of Outsourcing Business Unit, the Company
Mar. 2011 : Full-Time Corporate Auditor, the Company (current position)

Masayuki Osuka
Full-Time Corporate Auditor

Feb. 2005 : Joins the Company
Apr. 2005 : Assigned temporarily to Catient Corporation as the Director
Aug. 2006 : Executive Officer, Senior Vice President, Financial Industry Collaborative Solution Div., the Company
Mar. 2013 : Full-Time Corporate Auditor, the Company (current position)

Morihito Fujitani
Outside Corporate Auditor

Apr. 1992 : Starts his career as a lawyer
Nov. 1994 : Opens Morihito Fujitani Law Office (current L&T Law Office Legal Profession Corporation)
Mar. 1998 : Corporate Auditor, the Company (current position)
Apr. 2002 : Director and Lawyer, L&T Law Office Legal Profession Corporation (current position)

*The Company has designated Mr. Morihito Fujitani as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

Kotaro Ishii
Outside Corporate Auditor

Apr. 1984 : Joins The Boston Consulting Group
Jan. 1986 : Participates in the foundation of Corporate Directions, Inc.
Mar. 2003 : Representative Director, Corporate Directions, Inc. (current position)
Mar. 2015 : Corporate Auditor, the Company (current position)

*The Company has designated Mr. Kotaro Ishii as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

Voices of outside directors

Changing the management for the better by taking advantage of viewpoints not found within the company

Mitsuyo Hanada
Outside Director
Appointed in March 2005
Professor Emeritus, Keio University

I was assigned to the position of outside director in 2005, but it was back in 2003, when the Management Advisory Board was introduced, that I first become involved in the management of the CAC Group. At that time the outside director system was not very common, so my involvement was initially aimed at obtaining advice from external specialists based on the reasonableness of business judgments and from the perspective of experts. I was invited to join the advisory board because I was part of a council in the outsourcing industry. While this company is a time-honored company with a proven track record in the computer software industry, it has aggressively pursued forms of new governance by actively promoting young individuals in executive appointments and presidential appointments. We can say that the introduction of the Management Advisory Board and early adoption of the outside director system were both the results of this approach taken by the company. Currently four of the ten directors, including myself, are outside directors. All of us are independent directors, not outside directors from affiliated companies or banks who typically form a kind of social club. In this way, the company has established a unique governance system in which the outside directors function as elements that are necessary for the management system. The Board of Directors has a friendly atmosphere, but has established a system where members are expected to say “No” to agendas which they feel should be rejected without being influenced by the opinions of other members.
As for myself, I have attended nearly every Board of Directors meeting since my appointment in 2005, excluding meetings that coincided with entrance examinations, which form one of the most important tasks of a university. When I make remarks at the Board of Directors meeting, I am aware that I am a representative of stakeholders in the broad sense of the term. I speak not only for minority shareholders, but for all people in society, including employees. At other companies, there seem to be cases where directors who were formerly executive officers maintain a reserved attitude because of the presence of the president or where they hesitate to make remarks due to the constraints related to the daily execution of operations. We outside directors do not know the internal power relationships or what goes on in specific departments. However, this lack of knowledge allows us to say whatever we need to say without reservation or constraint, which at times means objecting to what the top management says. I also believe this to be an important duty of outside directors.
I feel the main challenge facing the Board of Directors of CAC Holdings is establishing a balance between the quantity and quality of information submitted as agenda items. While the discussions made at the Board of Directors meetings are in principle based on the information provided at the meeting, there are cases in which implicit knowledge of people on the inside or other related information is essential as the background for the discussions. On the other hand, because a wide range of agenda items are submitted to the Board of Directors, too much information can hamper the discussion. I believe that the quality of discussions at the Board of Directors meetings will be improved further if the necessary background for agenda items is selected and submitted to the Board of Directors, while also considering whether the amount of information is appropriate.
I specialize mainly in organizations and personnel affairs, but the other outside directors also have their own strengths, such as extended knowledge on venture management, diversity, and information technologies. I believe that the contributions made by outside directors to the improvement of corporate value consist of changing the management for the better, taking advantage of the experience and knowledge of each director and viewpoints that do not exist within the company.

Further improving corporate value by conducting more precise M&A

Yukiko Kuroda
Outside Director
Appointed in March 2011
Founder and Director, People Focus Consulting Co., Ltd.

Generally, companies from the IT service industry are perceived as being distant and impersonal. However, the CAC Group has a friendly atmosphere in which its employees are close to each other. This also applies to the Board of Directors meetings, where discussions are made in lively and rather casual manner. The company has four outside directors including myself, and each one of us does not hesitate to draw upon our expertise and speak our minds. While many companies have only one or two outside directors, this company has four outside directors, accounting for a sizeable portion of the ten directors. This is another factor that I believe helps us to speak freely.

I am a consultant on organizational development and serve as an outside director of other listed companies as well. This provides me with many opportunities to observe the management of different companies. I feel that the Board of Directors of CAC Holdings make decisions relatively quickly. While it is generally good to be quick in making decisions, we outside directors are obliged to put the brakes on business decisions that have been made in haste. On the other hand, there are also cases in which where we give advice on internal human resource development if we find it to be lacking, and ask CAC Holdings to accelerate and further enhance these measures. In my experience, I can say that the internal management members, including the president, are willing to listen to and accept the opinions of outside directors. I myself believe that outside directors should be viewed as an uncomfortable presence by people within the company. I always try to speak from an objective point of view on the side of society as a representative of shareholders and all other stakeholders.

There have been changes to the Board of Directors since the holding company structure was introduced in April 2014. While the Board of Directors used to spend a lot of time discussing agendas about the business of CAC Corporation as a single entity, issues faced by group companies are now submitted to the Board of Directors more quickly following the introduction of the holding company structure. I feel that the role played by the CAC Holdings will be even greater because establishing the group management and optimal distribution of management resources over the global value chain will be important for the CAC Group moving forward. In relation to this, I believe that development of knowhow on M&A under the initiative of CAC Holdings will be a business challenge the CAC Group needs to overcome as it strives to improve its corporate value in the future.

The CAC Group, which has an abundance of cash on hand, has become more active in M&A because of its aggressive growth strategy. For the group to succeed in acquisitions and connect this success to the improvement of its corporate value, there will be a greater need to improve the accuracy of due diligence before acquisition and enhance its management capabilities and the individuals needed for post-merger integration.

The CAC Group is trying to transform itself under the slogan of “ReBirth! BEYOND.” While the nonconsolidated business performance of CAC Corporation, which is the core operating company, has been stable, the management team possesses a strong sense of crisis that maintaining the status quo is not enough for the group to survive in the rapidly changing IT industry. We recognize that we are now at the stage of taking on new challenges with an eye to the future. As an outside director in these circumstances, I would like to be involved in management in a way that fuels the growth of the business and corporate value of the CAC Group, while also pointing out risks in a level-headed manner.

Technologies

At the CAC Group, we take initiatives to improve our technological capabilities and quality in order to differentiate ourselves and become a competitive, knowledge-intensive company.

AZAREA, a group of tools that support systems development and integration and systems operation and management

Currently, IT service companies are required to ensure speedy response, high quality, and price competitiveness. They must also be capable of using the latest technologies. To address these needs, we developed AZAREA, a group of tools that support systems development and integration and systems operation and management.

Improved productivity is the initial benefit people experience when they use AZAREA for the first time. Some of the development tools are already in use at our group companies, and there have been cases where productivity was improved by 30%.

In this way, we consolidate and accumulate knowledge and knowhow on systems development and integration and systems operation and management in AZAREA, in our efforts to improve the quality of our services and pass down this knowledge and knowhow to future generations. These initiatives are called the "All in AZAREA," one of the basic strategies under our medium-term strategy.

AZAREA-Gene	Tool that supports the development of web applications
AZAREA-Workflow	Tool that supports the development of workflow systems
AZAREA-Cluster	Tool that supports the creation of batch processing* that is also compatible with big data
CACTUS	Tool that supports various management tasks
Other tools	
AZAREA-XXXX	We will continue to develop the necessary tools.

Batch processing: A method with which data collected in a specific period or a specific amount of data is subject to certain processing in a batch

Conformity to international standards for systems development and integration and systems operation and management

Along with "All in AZAREA," we take initiatives to comply with international standards, such as the Capability Maturity Model Integration (CMMI)*.

CMMI is an international standard for development processes. IT vendors who have yet to achieve a certain level in CMMI cannot even compete in the global market for a chance to be selected as vendors. At CAC Corporation, the department in charge of providing services to the financial sector achieved Level 3 ahead of other departments about 12 years ago. Currently, all the departments of the company have achieved Level 3. The benefits of attaining this level include the potential for being selected for global projects and earning the trust of customers in regards to development processes and quality. Moving forward, we aim to set our sights higher and attain Level 5.

In regards to systems operation and management services, we have obtained certification under an international standard for information security (ISMS) "JIS Q 27001:2014 (ISO/IEC 27001:2013)."

We believe that the application of these international standards to "All in AZAREA" will enable us to comply with the global standard and achieve a competitive edge. At the same time, these standards will also help us to realize both a high level of quality and high level of productivity.

CMMI, an international standard model for development processes

Level 1 Initial	Level 2 Managed	Level 3 Defined	Level 4 Quantitatively Managed	Level 5 Optimizing
Number of Japanese companies that have achieved the level (2013 to 2016)	5	37	11	6

Source: CMMI Institute "Published Appraisal Results" https://sas.cmmiinstitute.com/pars/pars.aspx (Referred to in July 2016)

*CMMI (Capacity Maturity Model Integration): An international standard model for development processes

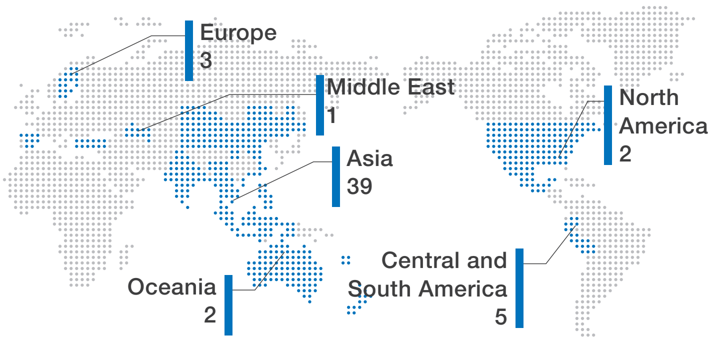
Human resources

At the CAC Group, we work on the recruitment and development of human resources on the global level to promote diversity as well as the globalization of our businesses.

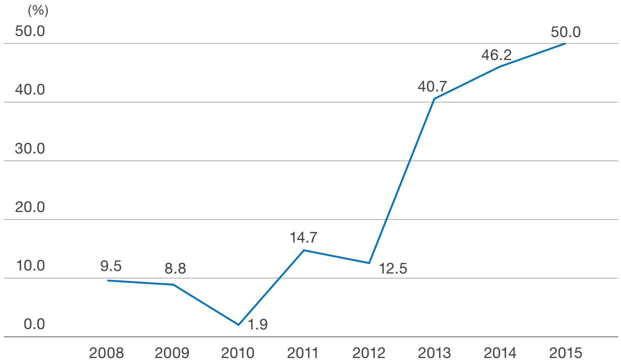
Initiatives for enhancing global human resources

Since 2008, we have actively recruited employees of other nationalities to promote the globalization of our operations. CAC Corporation, the core operating company, has a total of 52 non-Japanese employees from 20 countries as of December 2015. The percentage of new foreign employees, many of whom are from other Asian countries, accounts for as much as 50% of all its new employees. In 2013, CAC Corporation began to recruit new employees in the autumn as well as in the spring in order to secure highly skilled individuals.
At the holding company, two of the directors are from other countries.
In addition, we are taking initiatives to improve the English proficiency of Japanese employees.

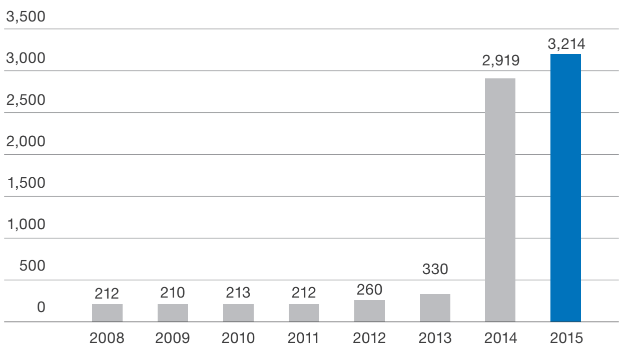
Number of foreign employees by region of origin
CAC Corporation
As of December 31, 2015



Percentage of new non-Japanese employees
CAC Corporation



Number of employees at overseas subsidiaries



Initiatives for changing work style as a part of management strategies

In 2012, we introduced a free-address system on the floors of sales and administrative departments. We have built an environment where people can work anytime, anywhere, and with anyone. We have also introduced a teleworking system, which permits employees to work at home once or twice a week. CAC Corporation has systematized and commercialized its knowhow on work-style reforms obtained through these initiatives as an IT solution and began to offer it as the Frequitous Solution in October 2013. In January 2015, CAC Corporation was given the Yushu-sho (award of excellence) and Kaicho Tokubetsu-sho (special chairman's award) at the 15th Telework Promotion Awards hosted by the Japan Telework Association in recognition of these initiatives.

Relationship with society

Long business relationship with major blue-chip companies in Japan

We have enjoyed a business relationship with Astellas Pharma Inc. (former Yamanouchi Pharmaceutical Co., Ltd.), our largest customer, from shortly after the time we were founded. Since the 1970s, we have provided this customer with comprehensive outsourcing services for information systems. We have built and operated the customer's systems for head offices and sales offices, such as their production, accounting, and distribution systems, and systems for research and development.
We have done business with Mizuho Bank, Ltd. since 1969, when it was the former Industrial Bank of Japan, Ltd. We were involved in the derivative system project in 1995 and other large-scale projects with this customer, including projects in other countries.
We have also built up long-term relationships with a number of other leading companies in Japan. We have maintained business relationships with large-scale customers (top ten companies in terms of sales) for an average of more than 25 years.

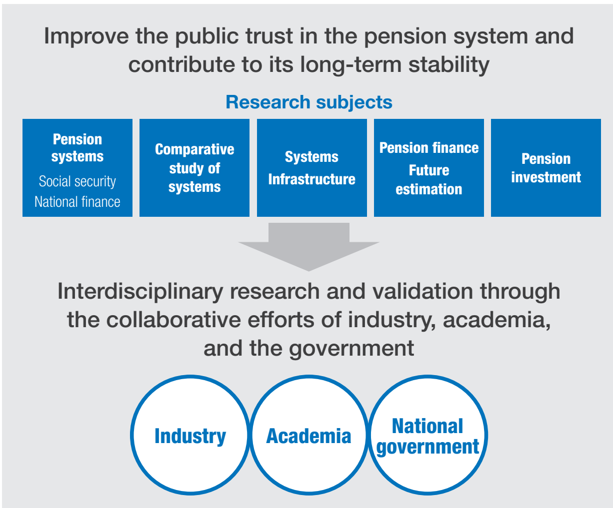
At the CAC Group, we have accumulated knowledge and knowhow that are important for operations, as well as technologies, through steady communication with these industry-leading customers.
In the areas of banking operations and pension-related operations, CAC Corporation has established enough operating knowhow for publication in a book.
We also receive letters of appreciation and other related feedback from customers who value the services we provide through the application of our operational knowledge and experience.

Zukai de manabu SE no tameno ginkou sandai gyoumu nyumon (dai-2 han) (Illustrated ABCs of the Three Major Bank Operations for SEs, Second Edition), (Kinzai Institute for Financial Affairs, Inc.), a book authored by an engineer from CAC Corporation

Support for the establishment and operations of the Institute of Strategic Solutions for Pension Management

In October 2012, the Institute of Strategic Solutions for Pension Management, an institution for research related to pension systems, was established through the collaborative efforts of industry, academia, and the government. We have been involved in a large number of development projects in the field of corporate pension systems for more than 30 years, and are deeply aware that many issues need to be solved to ensure the stability of the pension system in the future. Based on this recognition, we endorsed the establishment of the institute, whose vision is to "improve public trust in the pension system and contribute to its long-term stability." We began providing support for the institute in the preparation phase leading up to its establishment, and continue to support its operations today.

Vision of the Institute of Strategic Solutions for Pension Management



At the CAC Group, we wish to help solve social problems through social contribution activities, such as support for the Institute of Strategic Solutions for Pension Management and sports for the disabled.

Commencement of activities for promoting and supporting Boccia

As a member of society, we at the CAC Group engage in social contribution activities such as environmental protection and participate in activities of local communities. We also aim to build a better society through the provision of IT and healthcare services.

Specific activities include providing support for the Japan Cross Country Skiing Association for the Disabled, support for events held in local communities, helping the Red Cross Society of Japan with blood donation activities, and assisting the Ecocap Movement. We also used our 50th anniversary as an opportunity to start promoting and supporting Boccia, a sport for persons with disabilities.

Boccia, which is a Paralympic sport, was invented in Europe for people with severe cerebral palsy and those with other equally severe disabilities that affect the functions of their limbs. Players compete to place their set of red and blue balls, six each, around a white ball called the jack ball (target ball). They throw or roll the balls or hit them with other balls to place them as close as possible to the jack ball. Players who are unable to throw the ball may use a ramp (assistive device) and take part in matches if they can tell their assistants where they wish to aim the ball.

Initiatives of the CAC Group for Boccia

At the CAC Group, we have a great appreciation for Boccia because it can be enjoyed by a wide range of people, from those without disabilities to those with severe disabilities. It is a deep sport that requires sophisticated strategy and gamesmanship. We will continue to support Boccia, aiming to make it known to a greater number of people, and help provide more opportunities for disabled people to play this sport.

- Provide support as a special partner of the Japan Boccia Association
- Send employee volunteers to various tournaments to support the operations and cheer on players
- Create an environment for watching Boccia games through measures such as developing support tools by making use of information technologies, a strength of the CAC Group

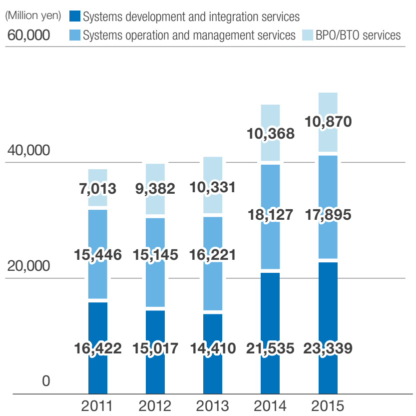
Employee volunteers supporting operations

Boccia support advertisement

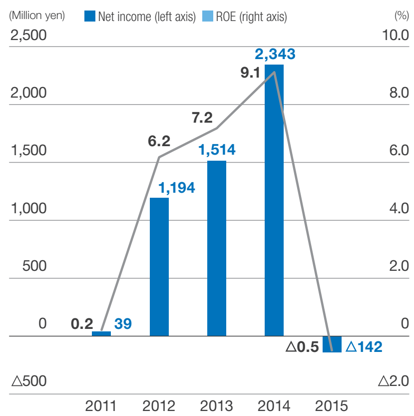
Financial highlights for the past 11 years

	40th term FY2005	41st term FY2006	42nd term FY2007	43rd term FY2008
Net sales (million yen)	52,423	37,387	40,924	43,701
Operating income (million yen)	3,693	1,944	2,512	3,260
Ordinary income (million yen)	3,746	2,185	2,846	3,491
Net income (million yen)	4,309	1,209	1,168	1,844
Net assets (million yen)	17,955	18,065	18,574	18,708
Total assets (million yen)	32,382	27,225	29,516	29,713
Cash flows from operating activities (million yen)	2,203	△ 3,043	3,279	2,666
Cash flows from investing activities (million yen)	7,021	△ 789	△ 694	△ 1,084
Cash flows from financing activities (million yen)	△ 2,531	△ 1,579	△ 870	△ 1,144
Book value per share <BPS> (yen)	835.14	857.39	886.06	915.93
Earnings per share <EPS> (yen)	197.86	56.79	55.89	91.12
Return on equity <ROE> (%)	27.1	6.8	6.5	10.1
Return on assets <ROA> (%)	11.5	7.3	10.0	11.8
Equity ratio (%)	55.5	65.7	61.8	61.6
Price-to-earnings ratio <PER> (times) *Based on the closing share price at the end of each fiscal year	7.4	17.5	12.9	8.5
Amount of dividend per share (yen)	14.00	14.00	20.00	30.00
Dividend payout ratio (%)	7.1	24.7	35.8	32.9
Number of employees	1,862	1,882	1,881	1,998

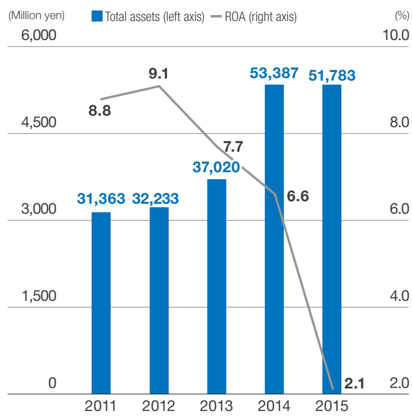
Net sales by segment



Net income/ROE

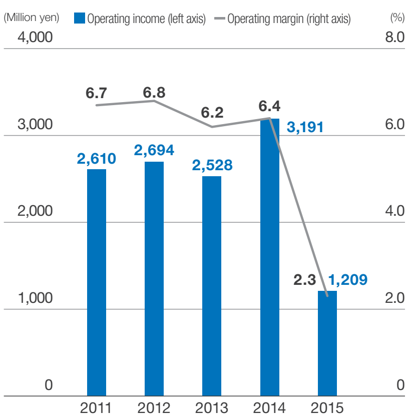


Total assets/ROA

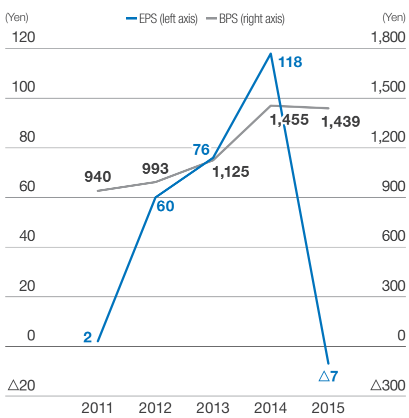


44th term FY2009	45th term FY2010	46th term FY2011	47th term FY2012	48th term FY2013	49th term FY2014	50th term FY2015
39,842	36,614	38,882	39,545	40,963	50,031	**52,105**
1,733	1,822	2,610	2,694	2,528	3,191	**1,209**
1,884	2,035	2,776	2,887	2,664	3,000	**1,080**
929	1,026	39	1,194	1,514	2,343	**△ 142**
19,773	20,316	19,294	20,200	22,833	30,310	**29,293**
31,004	31,781	31,363	32,233	37,020	53,387	**51,783**
687	2,319	△ 1,509	3,077	2,100	2,331	**△ 770**
△ 2,300	488	1,076	1,419	△ 2,312	432	**△ 2,760**
705	△ 908	△ 407	△ 1,248	989	△ 1,388	**△ 796**
960.61	979.73	940.20	993.35	1,124.81	1,455.06	**1,439.40**
46.49	51.09	1.98	59.99	76.07	117.69	**△ 7.21**
5.0	5.3	0.2	6.2	7.2	9.1	**△ 0.5**
6.2	6.5	8.8	9.1	7.7	6.6	**2.1**
62.0	62.0	60.3	61.4	60.5	54.3	**54.6**
14.3	12.3	317.9	11.4	12.1	10.0	**—**
32.00	32.00	32.00	32.00	32.00	32.00	**32.00**
68.8	62.6	1,614.7	53.3	42.1	27.2	**—**
2,150	2,070	2,057	2,166	2,239	4,833	**5,202**

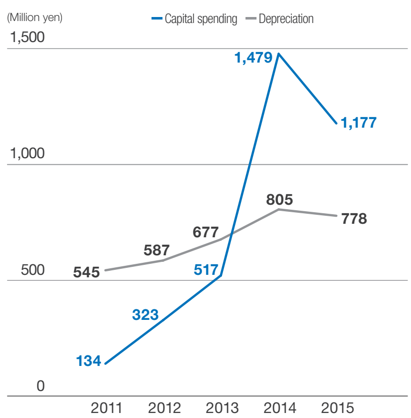
Operating income/Operating margin



EPS/BPS



Capital spending/Depreciation



CONSOLIDATED BALANCE SHEETS

CAC Holdings Corporation

	Millions of yen		Thousands of U.S. dollars
December 31	**2015**	2014	**2015**
Assets			
Current assets:			
Cash and deposits (Notes 6, 8 and 19)	**¥8,983**	¥9,881	**$74,858**
Notes and accounts receivable – trade (Notes 6 and 8)	**12,081**	10,612	**100,675**
Securities (Notes 5 and 6)	**1,108**	5,107	**9,233**
Merchandise and finished goods (Note 8)	**779**	731	**6,491**
Work in process	**1,051**	606	**8,758**
Supplies	**52**	34	**433**
Prepaid expenses	**892**	822	**7,433**
Deferred tax assets (Note 9)	**284**	260	**2,366**
Other (Note 8)	**847**	1,828	**7,058**
Allowance for doubtful accounts (Note 6)	**(780)**	(69)	**(6,500)**
Total current assets	**25,300**	29,815	**210,833**
Property and equipment:			
Land	**182**	182	**1,516**
Buildings and structures	**1,397**	927	**11,641**
Machinery and vehicles (Note 8)	**114**	145	**950**
Construction in progress	**1**	396	**8**
Other (Note 8)	**2,177**	1,876	**18,141**
Accumulated depreciation	**(1,990)**	(1,599)	**(16,583)**
Property and equipment, net	**1,883**	1,928	**15,691**
Intangible assets			
Software	**2,163**	1,580	**18,025**
Goodwill	**3,064**	2,570	**25,533**
Other	**87**	85	725
Total intangible assets	**5,315**	4,236	44,291
Investments and other assets:			
Investment securities (Notes 5 and 6)	**15,777**	14,667	**131,475**
Long-term prepaid expenses	**162**	80	**1,350**
Guarantee deposits (Note 8)	**823**	695	**6,858**
Deferred tax assets (Note 9)	**1,623**	1,709	**13,525**
Other (Note 8)	**918**	273	**7,650**
Allowance for doubtful accounts	**(21)**	(20)	**(175)**
Total investments and other assets	**19,284**	17,406	**160,700**
Total assets	**¥51,783**	¥53,387	**$431,525**

See notes to consolidated financial statements.

December 31	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable-trade (Notes 6 and 8)	**¥3,907**	¥3,841	**$32,558**
Short-term loans payable (Notes 6, 7 and 8)	**2,705**	2,165	**22,541**
Current portion of bonds payable (Notes 6 and 7)	**300**	300	**2,500**
Current portion of long-term loans payable (Notes 6 and 7)	**2,065**	44	**17,208**
Lease obligations (Note 7)	**193**	178	**1,608**
Accrued expenses	**1,469**	1,430	**12,241**
Income taxes payable	**953**	935	**7,941**
Consumption taxes payable	**440**	983	**3,666**
Provision for bonuses	**315**	287	**2,625**
Provision for loss on order received	**81**	1	**675**
Other	**2,001**	1,439	**16,675**
Total current liabilities	**14,434**	11,608	**120,283**
Non-current liabilities:			
Bonds payable (Notes 6 and 7)	**–**	300	**–**
Long-term loans payable (Notes 6, 7 and 8)	**463**	2,553	**3,858**
Lease obligations (Note 7)	**265**	260	**2,208**
Provision for directors' retirement benefits	**32**	13	**266**
Net defined benefit liability (Note 10)	**3,895**	4,537	**32,458**
Deferred tax liabilities (Note 9)	**3,278**	3,699	**27,316**
Other	**119**	102	**991**
Total non-current liabilities	**8,055**	11,468	**67,125**
Contingent liabilities (Note 11)			
Total liabilities	**22,489**	23,077	**187,408**
Net assets:			
Shareholders' equity (Note 12):			
Common stock - Authorized, 86,284,000 shares in 2015 and 2014 Issued, 21,541,400 shares in 2015 and 2014	**3,702**	3,702	**30,850**
Capital surplus	**3,969**	3,969	**33,075**
Retained earnings	**15,306**	15,944	**127,550**
Treasury shares – at cost, 1,884,043 shares in 2015 and 1,634,043 shares in 2014	**(1,909)**	(1,637)	**(15,908)**
Total shareholders' equity	**21,069**	21,978	**175,575**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**6,861**	6,829	**57,175**
Foreign currency translation adjustments	**128**	227	**1,066**
Remeasurements of defined benefit plans	**236**	(69)	**1,966**
Total accumulated other comprehensive income	**7,225**	6,988	**60,208**
Minority interests	**998**	1,343	**8,316**
Total net assets	**29,293**	30,310	**244,108**
Total liabilities and net assets	**¥51,783**	¥53,387	**$431,525**

CONSOLIDATED STATEMENTS OF OPERATIONS

CAC Holdings Corporation

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2015**	2014	**2015**
Net sales	**¥52,105**	¥50,031	**$434,208**
Cost of sales	**42,315**	39,963	**352,625**
Gross profit	**9,790**	10,067	**81,583**
Selling, general and administrative expenses (Note 13)	**8,581**	6,876	**71,508**
Operating income	**1,209**	3,191	**10,075**
Non-operating income:			
Interest and dividend income	**238**	187	**1,983**
Share of profit of entities accounted for using equity metho d	**2**	1	**16**
Foreign exchange gains	**–**	20	**–**
Other	**80**	98	**666**
Non-operating income, total	**321**	308	**2,675**
Non-operating expenses:			
Interest expenses	**360**	354	**3,000**
Commitment fee	**16**	46	**133**
Foreign exchange losses	**19**	–	**158**
Other	**53**	98	**441**
Non-operating expenses, total	**450**	499	**3,750**
Ordinary income	**1,080**	3,000	**9,000**
Extraordinary income:			
Gain on sales of investment securities	**1,071**	1,218	**8,925**
Gain on sales of shares of subsidiaries	**15**	–	**125**
Gain on changes in equity	**–**	2	**–**
Extraordinary income, total	**1,086**	1,220	**9,050**
Extraordinary losses:			
Loss on retirement of non-current assets (Note 14)	**–**	12	**–**
Loss on sales of investment securities	**4**	–	**33**
Loss on valuation of investment securities	**5**	–	**41**
Impairment loss (Note 15)	**653**	–	**5,441**
Loss on business of subsidiaries (Note 15)	**736**	–	**6,133**
Other	**6**	8	**50**
Extraordinary losses, total	**1,406**	20	**11,716**
Income before income taxes and minority interests	**761**	4,199	**6,341**
Income taxes:			
Current	**1,401**	1,467	**11,675**
Deferred	**(65)**	202	**(541)**
	1,335	1,669	**11,125**
Income (loss) before minority interests	**(574)**	2,529	**(4,783)**
Minority interests in income	**(431)**	186	**(3,591)**
Net income (loss)	**¥(142)**	¥2,343	**$(1,183)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CAC Holdings Corporation

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2015**	2014	**2015**
Income before minority interests	**¥(574)**	¥2,529	**$(4,783)**
Other comprehensive income (Note 16)			
Valuation difference on available-for-sale securities	**31**	4,654	**258**
Foreign currency translation adjustments	**(139)**	389	**(1,158)**
Remeasurements of defined benefit plans	**305**	–	**2,541**
Total other comprehensive income	**197**	5,044	**1,641**
Comprehensive income	**¥(376)**	¥7,573	**$(3,133)**
Total other comprehensive income attributable to:			
Owners of the Company	**¥96**	¥7,292	**$800**
Minority interests	**(473)**	281	**(3,941)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

CAC Holdings Corporation

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total
Balance at January 1, 2014	¥3,702	¥3,969	¥14,238	¥(1,637)	¥20,272
Dividend from surplus			(637)		(637)
Net income			2,343		2,343
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance at December 31, 2014	¥3,702	¥3,969	¥15,944	¥(1,637)	¥21,978
Cumulative effect of changes in accounting principle			**138**		**138**
Restated balance at December 31, 2014	**¥3,702**	**¥3,969**	**¥16,082**	**¥(1,637)**	**¥22,116**
Dividend from surplus			**(633)**		**(633)**
Net loss			**(142)**		**(142)**
Purchase of treasury shares				**(271)**	**(271)**
Net changes of items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2015	**¥3,702**	**¥3,969**	**¥15,306**	**¥(1,909)**	**¥21,069**

	Millions of yen					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Minority interests	Total net assets
Balance at January 1, 2014	¥2,174	¥(54)	¥-	¥2,119	¥441	¥22,833
Dividend from surplus						(637)
Net income						2,343
Net changes of items other than shareholders' equity	4,654	282	(69)	4,868	902	5,770
Balance at December 31, 2014	¥6,829	¥227	¥(69)	¥6,988	¥1,343	¥30,310
Cumulative effect of changes in accounting principle						**138**
Restated balance at December 31, 2014	**¥6,829**	**¥227**	**¥(69)**	**¥6,988**	**¥1,343**	**¥30,448**
Dividend from surplus						**(633)**
Net loss						**(142)**
Purchase of treasury shares						**(271)**
Net changes of items other than shareholders' equity	**31**	**(99)**	**305**	**237**	**(345)**	**(107)**
Balance at December 31, 2015	**¥6,861**	**¥128**	**¥236**	**¥7,225**	**¥998**	**¥29,293**

See notes to consolidated financial statements.

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total
Balance at December 31, 2014	**$30,850**	**$33,075**	**$132,866**	**$(13,641)**	**$183,150**
Cumulative effect of changes in accounting principle			**1,150**		**1,150**
Restated balance at December 31, 2014	**$30,850**	**$33,075**	**$134,016**	**$(13,641)**	**$184,300**
Dividend from surplus			**(5,275)**		**(5,275)**
Net loss			**(1,183)**		**(1,183)**
Purchase of treasury shares				**(2,258)**	**(2,258)**
Net changes of items other than shareholders' equity					
Balance at December 31, 2015	**$30,850**	**$33,075**	**$127,550**	**$(15,908)**	**$175,575**

	Thousands of U.S. dollars					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Minority interests	Total net assets
Balance at December 31, 2014	**$56,908**	**$1,891**	**$(575)**	**$58,233**	**$11,191**	**$252,583**
Cumulative effect of changes in accounting principle						**1,150**
Restated balance at December 31, 2014	**$56,908**	**$1,891**	**$(575)**	**$58,233**	**$11,191**	**$253,733**
Dividend from surplus						**(5,275)**
Net loss						**(1,183)**
Purchase of treasury shares						**(2,258)**
Net changes of items other than shareholders' equity	**258**	**(825)**	**2,541**	**1,975**	**(2,875)**	**(891)**
Balance at December 31, 2015	**$57,175**	**$1,066**	**$1,966**	**$60,208**	**$8,316**	**$244,108**

CONSOLIDATED STATEMENTS OF CASH FLOWS

CAC Holdings Corporation

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2015**	2014	**2015**
Operating activities			
Income before income taxes and minority interests	**¥761**	¥4,199	**$6,341**
Depreciation	**778**	805	**6,483**
Amortization of goodwill	**208**	206	**1,733**
Share of (profit) loss of entities accounted for using equity method	**(2)**	(1)	**(16)**
Loss (gain) on change in equity interest	**–**	(2)	**–**
Loss (gain) on valuation of investment securities	**5**	–	**41**
Impairment loss	**653**	–	**5,441**
Loss on business of subsidiary	**736**	–	**6,133**
Increase (decrease) in net defined benefit liability	**34**	(138)	**283**
Increase (decrease) in provision for directors' retirement benefits	**19**	2	**158**
Increase (decrease) in provision for bonuses	**23**	7	**191**
Increase (decrease) in allowance for doubtful accounts	**437**	33	**3,641**
Interest and dividend income	**(238)**	(187)	**(1,983)**
Interest expenses	**360**	354	**3,000**
Loss (gain) on sale of investment securities	**(1,067)**	(1,218)	**(8,891)**
Loss (gain) on sale of shares of subsidiaries and associates	**(15)**	–	**(125)**
Decrease (increase) in notes and accounts receivable - trade	**(1,435)**	(1,163)	**(11,958)**
Decrease (increase) in inventories	**(607)**	128	**(5,058)**
Decrease (increase) in other current assets	**219**	103	**1,825**
Increase (decrease) in notes and accounts payable - trade	**10**	355	**83**
Increase (decrease) in accrued expenses	**64**	77	**533**
Increase (decrease) in other current liabilities	**(211)**	464	**(1,758)**
Decrease (increase) in other non-current assets	**(48)**	20	**(400)**
Increase (decrease) in other non-current liabilities	**30**	(20)	**250**
Other, net	**(38)**	84	**(316)**
	679	4,113	**5,658**
Interest and dividend income received	**239**	187	**1,991**
Interest expenses paid	**(337)**	(368)	**(2,808)**
Income taxes paid	**(1,353)**	(1,603)	**(11,275)**
Income taxes refund	**1**	1	**8**
Net cash provided by (used in) operating activities	**(770)**	2,331	**(6,416)**

(Continued)

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	**2015**	2014	**2015**
Investing activities			
Payments in time deposits	**¥(311)**	¥(426)	**$(2,591)**
Proceeds from withdrawal of time deposits	**311**	404	**2,591**
Purchase of property and equipment	**(236)**	(685)	**(1,966)**
Purchase of intangible assets	**(941)**	(794)	**(7,841)**
Purchase of securities	**(4,000)**	(6,000)	**(33,333)**
Proceeds from redemption of securities	**4,500**	5,800	**37,500**
Purchase of investment securities	**(1,457)**	(193)	**(12,141)**
Proceeds from sale of investment securities	**1,265**	1,922	**10,541**
Payments for guarantee deposits	**(126)**	(354)	**(1,050)**
Proceeds from collection of guarantee deposits	**0**	213	**0**
Proceeds from sale of shares of subsidiaries and associates	**41**	–	**341**
Purchase of shares of subsidiaries and associates	**(335)**	–	**(2,791)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(1,475)**	(949)	**(12,291)**
Proceeds from withdrawal of deposits	**–**	1,493	**–**
Other, net	**3**	1	**25**
Net cash provided by (used in) investing activities	**(2,760)**	432	**(23,000)**
Financing activities			
Increase (decrease) in short-term loans payable	**653**	(164)	**5,441**
Proceeds from long-term loans payable	**1**	525	**8**
Repayments of long-term loans payable	**(44)**	(571)	**(366)**
Redemption of bonds	**(300)**	(300)	**(2,500)**
Repayments of lease obligations	**(190)**	(239)	**(1,583)**
Proceeds from share issuance to minority shareholders	**–**	11	**–**
Purchase of treasury shares	**(271)**	–	**(2,258)**
Cash dividends paid	**(633)**	(637)	**(5,275)**
Cash dividends paid to minority shareholders	**(11)**	(12)	**(91)**
Net cash provided by (used in) financing activities	**(796)**	(1,388)	**(6,633)**
Effect of exchange rate change on cash and cash equivalents	**(27)**	130	**(225)**
Net increase (decrease) in cash and cash equivalents	**(4,355)**	1,506	**(36,291)**
Cash and cash equivalents at beginning of year	**13,456**	11,949	**112,133**
Cash and cash equivalents at end of year (Note 19)	**¥9,101**	¥13,456	**$75,841**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CAC Holdings Corporation

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of CAC Holdings Corporation (the "Company") and consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan (the "FIEA"). Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan.

In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

As permitted by the FIEA, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetical computation only, at the rate of ¥120=U.S.$1, the approximate rate of exchange at December 31, 2015. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements as of and for the year ended December 31, 2015 include the accounts of the Company and its 26 (23 in 2014) significant subsidiaries.

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in one (one in 2014) associated company is accounted for by the equity method, Investments in the remaining associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The fiscal periods of two consolidated subsidiaries end at the end of March. In preparing these consolidated financial statements, preliminary financial statements as of December 31 or September 30 are used to consolidate. For the preliminary financial statements as of September 30, necessary adjustments are made in the consolidation process concerning significant transactions that occurred for the period from October 1 to December 31.

All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid instruments with maturity of three months or less when purchased to be cash equivalents.

(c) Securities

All investment securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

(d) Inventories

Inventories ("Merchandise and finished goods" and "Work in process") are stated at the lower of the cost determined by specific identification method or the net selling value.

(e) Property and equipment (except for leased assets)

Property and equipment is stated at cost. For the Company and its consolidated domestic subsidiaries, depreciation is principally computed by the declining balance method. As for assets held by the consolidated overseas subsidiaries and buildings acquired after March 31, 1998, depreciation is principally computed by the straight-line method.

The useful lives are as follows:

Buildings and structures	10 to 47 years
Machinery and vehicles	6 to 15 years
Others	3 to 30 years

(f) Software

Software for sale is amortized in the larger of either the amount computed based on the estimated sales volume or the straight-line method over the remaining effective life (mainly three years).

Software for internal use is amortized using the straight-line method over the estimated period of internal use (mainly five years).

(g) Leases

Leased assets under finance lease transactions which transfer ownership consist of mainly vehicles for internal use, computers and related equipment. Depreciation of these leased assets is computed using the same method as that for owned property and equipment.

Leased assets under finance lease transactions which do not transfer ownership consist of mainly office equipment for customer service and internal use. Depreciation of these leased assets is computed using the straight-line method over the lease period with no residual value.

The Company accounts for finance lease transactions that had been in existence at December 31, 2008 and do not transfer ownership of the leased assets to the lessee as operating lease transactions.

(h) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to normal receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers experiencing financial difficulties.

(i) Provision for bonuses

The provision for bonuses to employees is provided for the payment of employees' bonuses based on estimate of future payments attributed to the fiscal year.

(j) Provision for loss on order received

For the software development contracts, the provision for loss on order received is provided based on estimated losses that are anticipated to occur from the next fiscal year, for any contract on which a loss is likely to be incurred as of the fiscal year-end and where the amount of such loss can be reasonably estimated.

(k) Provision for directors' retirement benefits

The provision for directors' retirement benefits is provided at the amount required to be paid if all directors had voluntarily terminated their services as of the balance sheet date.

(l) Pension and severance indemnities

The benefit formula method is used as the method of attributing expected benefits to periods through the balance sheet date in calculating the projected benefit obligation.

Actuarial gain or loss and prior service cost are recognized for each defined benefit plan over a period not exceeding the expected average remaining service years of the employees participating in the plan. Actuarial gain or loss are amortized using the straight-line method over a period not exceeding 10 years following the respective fiscal years when such gains or losses are recognized. Prior service cost is amortized using the straight-line method over a period not exceeding 10 years.

Unrecognized actuarial gain and loss and unrecognized past service cost, net of tax effect, are stated in "Remeasurements of defined benefit plans" under "Accumulated other comprehensive income".

(m) Recognition of revenues and costs of software development contracts

Revenues and costs of software development contracts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

(n) Translation of foreign currency transactions

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year-end, and resulting gains and losses are included in income.

The accounts of the overseas consolidated subsidiaries are translated into yen at the year-end exchange rates, except for net assets, which are translated at historical rates, and income statement items are translated into yen at average exchange rates during the year. Differences arising from the translations are stated under “Foreign currency translation adjustments” and “Minority interests” in the accompanying consolidated balance sheet.

(o) Amortization of goodwill

Goodwill is amortized over a period not exceeding 20 years, determined in consideration of the source of goodwill.

(p) Transactions are recorded exclusive of consumption taxes.

3. Changes in Accounting Policies and Presentation

(a) Accounting standard for retirement benefits

The Company has applied the main clauses of Section 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, issued on May 17, 2012) (hereinafter the “Accounting Standard”) and the main clauses of Section 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on March 26, 2015) (hereinafter the “Guidance”) effective from the year ended December 31, 2015. Consequently, the method of attributing expected benefit to periods was changed from the straight-line method to the benefit formula method. The method of determining the discount rate was also changed.

In accordance with the provisional treatment set out in Section 37 of the Accounting Standard, the amount of financial impact resulting from the change in the calculation method of retirement benefit obligations and service costs was added to, or deducted for, retained earnings as of January 1, 2015.

As a result of this change, defined benefit liability decreased by ¥214 million ($1,783 thousand) and retained earnings increased by ¥138 million ($1,150 thousand) as of January 1, 2015.

The effects on operating income, income before income taxes and minority interests, and segment information were immaterial for the year ended December 31, 2015.

(b) Change in presentation

Changes in presentation in the consolidated statements of cash flows are as follows:

(1) For the year ended December 31, 2015, increase (decrease) in allowance for doubtful accounts, which was previously included in other under net cash provided by (used in) operating activities, is presented as a separate line item since the amount became material. The consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, ¥118 million of other under net cash provided by (used in) operating activities shown on the financial statements for the year ended December 31, 2014 is reclassified to ¥33 million of increase (decrease) in allowance for doubtful accounts and ¥84 million of other.

(2) Increase in short-term loans payable and decrease in short-term loans payable under net cash provided by (used in) financing activities are presented on a net basis as increase (decrease) in short-term loans payable from the year ended December 31, 2015, due to their short-term turnover. The consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, ¥933 million of Increase in short-term loans payable and ¥(1,097) million of decrease in short-term loans payable under net cash provided by (used in) financing activities shown on the financial statements for the year ended December 31, 2014 are reclassified to ¥(164) million of increase (decrease) in short-term loans payable.

4. Accounting Standards Issued But Not Yet Applied

- “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013)
- “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013)
- “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013)
- “Revised Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, issued on September 13, 2013)
- “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on September 13, 2013)
- “Revised Guidance for Earnings Per Share” (ASBJ Guidance No. 4, issued on September 13, 2013)

(Overview)

Under these revised accounting standards and guidelines, the ASBJ amended accounting treatment for changes in a parent’s ownership interest in a subsidiary when the parent retains control over the subsidiary and acquisition-related costs on additional acquisition of subsidiaries’ shares. In addition, the presentation of net income, the appellation of “minority interests” (changed to “non-controlling interests”), and provision for determination of tentative accounting treatment were also amended.

(Date of application)

The Company will apply the revised standards and guidance except for provision for determination of tentative accounting treatment effective from the beginning of the year ending December 31, 2016.

Provision for determination of tentative accounting treatment is applied for business combinations effective on or after January 1, 2016.

(Effect of application)

The effect of application has not yet been determined.

➢ “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued on December 28, 2015)

(Overview)

The implementation Guidance continues to apply the framework used in the Auditing Committee Report No. 66 “Audit Treatment for Judgement of Recoverability of Deferred Assets” in which companies are grouped into five categories and assess the amounts of deferred tax assets based on such categories. However, necessary reviews on the following treatments are being implemented.

(i) Treatment for the entities who do not fulfill any of the criteria for (Category 1) to (Category 5).

(ii) Criteria for (Categories 2) and (Category 3).

(iii) Treatment of unscheduled deductible temporary differences for the entities in (Category 2)

(iv) Treatment for the period in which a reasonable estimate is possible for the taxable income before temporary differences for the entities in (Category 3)

(v) Treatments for the entities who satisfy (Category 4) criteria but are applicable to (Category 2) or (Category 3).

(Date of application)

The Company will apply the implementation guidance effective from the beginning of the year ending December 31, 2017.

(Effect of application)

The Company is currently evaluating the effect of application.

5. Investment Securities

At December 31, 2015 and 2014, information with respect to available-for-sale securities for which market prices were available was summarized as follows:

	Millions of yen							
	2015				2014			
	Cost	Unrealized gain	Unrealized loss	Fair value	Cost	Unrealized gain	Unrealized loss	Fair value
Equity securities	**¥3,400**	**¥10,204**	**¥46**	**¥13,559**	¥3,113	¥10,545	¥15	¥13,643
Bonds	**500**	**–**	**108**	**391**	499	–	–	499
Other	**1,442**	**81**	**5**	**1,517**	4,881	84	3	4,962
Total	**¥5,343**	**¥10,285**	**¥161**	**¥15,467**	¥8,495	¥10,629	¥18	¥19,106

	Thousands of U.S. dollars			
	2015			
	Cost	Unrealized gain	Unrealized loss	Fair value
Equity securities	**$28,333**	**$85,033**	**$383**	**$112,991**
Bonds	**4,166**	**–**	**900**	**3,258**
Other	**12,016**	**675**	**41**	**12,641**
	$44,525	**$85,708**	**$1,341**	**$128,891**

The tables above do not include investment securities for which market prices were not available, in the total amount of ¥1,037 million ($8,641 thousand) and ¥ 626 million as of December 31, 2015 and 2014, respectively. Investments in shares of nonconsolidated subsidiaries and affiliates were ¥380 million ($3,166 thousand) and ¥ 42 million as of December 31, 2015 and 2014, respectively.

Proceeds from sales of securities classified as available-for-sale securities and gains or losses on such sales were summarized below.

	Millions of yen					
	2015			2014		
	Proceeds	Gains	Losses	Proceeds	Gains	Losses
Equity securities	**¥1,174**	**¥1,066**	**¥0**	¥1,420	¥1,218	¥–
Other	**97**	**4**	**3**	–	–	–
Total	**¥1,272**	**¥1,071**	**¥4**	¥1,420	¥1,218	¥–

	Thousands of U.S. dollars		
	2015		
	Proceeds	Gains	Losses
Equity securities	**$9,783**	**$8,883**	**$0**
Other	**808**	**33**	**25**
Total	**$10,600**	**$8,925**	**$33**

6. Financial Instruments

(a) Policy for financial instruments

As a policy, the Group raises necessary funds through bank loans or bond issues based on its investment plan, and invests temporary surplus fund primarily in very safe financial instruments. The Group uses derivatives only for the purpose of reducing foreign exchange risk and interest rate risk, and does not enter into derivatives for speculative purposes.

(b) Types of financial instruments and related risk and risk management

The Group manages its customer credit risk in relation to notes and accounts receivable-trade by periodically reviewing creditworthiness of main customers. The Group monitors due dates and outstanding balances by individual customer to ensure early identification and mitigation of potential risks of bad debts from customers who are having financial difficulties.

Investment securities consist of mainly the shares of common stock of other companies with which the Group has business relationships. To manage the credit risk of the issuers as well as market risk of investment securities, the Group also periodically reviews their fair value and financial status of the issuers. The Group also reviews the holding status of the issuers taking its business relationship into account.

Notes and accounts payables-trade have payment due dates within one year. The Group raises funds through long-term loans payable and bonds payable for capital investment and maintaining financial strength and stability. These loans and bonds payables are exposed to interest rate fluctuation risk. The Group manages its liquidity risk by preparing cash management plan on a timely basis and maintaining liquidity on hand.

(c) Fair value of financial instruments

The fair value of financial instruments is based on their market prices, if available. Where there is no market price available, fair value is reasonably estimated.

Carrying amount on the consolidated balance sheets as of December 31, 2015 and 2014 and estimated fair value and differences of financial instruments were as follows:

	Millions of yen					
	2015			2014		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	**¥8,983**	**¥8,983**	**¥–**	¥9,881	¥9,881	¥–
(2) Notes and accounts receivable - trade	**12,081**			10,612		
Allowance for doubtful accounts*	**(478)**			(60)		
	11,602	**11,602**	**–**	10,552	10,552	–
(3) Marketable and investment securities	**15,467**	**15,467**	**–**	19,106	19,106	–
Total	**¥36,054**	**¥36,054**	**¥–**	¥39,539	¥39,539	¥–
(1) Notes and accounts payable - trade	**¥3,907**	**¥3,907**	**¥–**	¥3,841	¥3,841	¥–
(2) Short-term loans payable	**2,705**	**2,705**	**–**	2,165	2,165	–
(3) Bonds payable (including current portion)	**300**	**300**	**–**	600	600	–
(4) Long-term loans payable (including current portion)	**2,529**	**2,536**	**7**	2,598	2,604	5
Total	**¥9,442**	**¥9,449**	**¥7**	¥9,205	¥9,211	¥5

(*) The amount excludes specific reserve for notes and accounts receivable-trade.

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	$74,858	$74,858	$–
(2) Notes and accounts receivable - trade	100,675		
Allowance for doubtful accounts*	(3,983)		
	96,683	96,683	–
(3) Marketable and investment securities	128,891	128,891	–
Total	$300,450	$300,450	$–
(1) Notes and accounts payable - trade	$32,558	$32,558	$–
(2) Short-term loans payable	22,541	22,541	–
(3) Bonds payable (including current portion)	2,500	2,500	–
(4) Long-term loans payable (including current portion)	21,075	21,133	58
Total	$78,683	$78,741	$58

Notes:

1. Valuation method of fair value of financial instruments and information on securities

Assets:

(1) Cash and deposits, (2) Notes and accounts receivable-trade

Since these items are settled in a short period of time, their carrying amount approximates fair value. The fair value of notes and accounts receivable-trade is determined by deducting specific reserve for each receivable, if any, since the amount of specific reserve is deemed as the amount of credit risk.

(3) Marketable and investment securities

The fair value of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for debt instruments. Fair value information for marketable and investment securities by holding purpose is included in Note 5.

Liabilities:

(1) Notes and accounts payable-trade, (2) Short-term loans payable

Since these items are settled in a short period of time, their carrying amount approximates fair value.

(3) Bonds payable (including current portion)

For bonds payable with floating interest rate, carrying value approximates the fair value since the floating rate reflect market interest rates in a short period of time and the Company's credit status has not been changed after the issuance of the bond. Thus, the carrying value is used as the fair value.

(4) Long-term loans payable (including current portion)

For long-term loans payable with floating interest rates, carrying value approximates the fair value since the floating rate reflect market interest rates in a short period of time. Thus, the carrying value is used as the fair value. For long-term loans payable with fixed interest rates, the fair value is based on the present value of the total of principal and interest discounted by the interest rate assumed for a similar new loan.

2. Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unlisted stock and other	**¥1,417**	¥668	**$11,808**

These securities are not included in (3) Marketable and investment securities in the table above, as there were no market prices available and it is extremely difficult to determine the fair value. The amount includes investments in limited partnerships.

3. Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen							
	2015				2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**¥8,983**	**¥–**	**¥–**	**¥–**	¥9,881	¥–	¥–	¥–
Notes and accounts receivable- trade	**11,512**	**568**	**–**	**–**	10,419	193	–	–
Available-for-sale securities with maturities	**1,108**	**–**	**–**	**500**	5,107	–	–	–
Total	**¥21,604**	**¥568**	**¥–**	**¥500**	¥25,408	¥193	¥–	¥–

	Thousands of U.S. dollars			
	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**$74,858**	**$–**	**$–**	**$–**
Notes and accounts receivable- trade	**95,933**	**4,733**	**–**	**–**
Available-for-sale securities with maturities	**9,233**	**–**	**–**	**4,166**
Total	**$180,033**	**$4,733**	**$–**	**$4,166**

7. Short-Term Loans Payable, Long-Term Loans Payable, Bonds Payable and Lease Obligations

Short-term debts as of December 31, 2015 and 2014 are summarized below.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Short-term loans payable (8.6% in 2015 and 11.7% in 2014)	**¥2,705**	¥2,165	**$22,541**
Current portion of long-term loans payable (2.0% in 2015 and 2.2% in 2014)	**2,065**	44	**17,208**
Current portion of lease obligations (2.7% in 2015 and 2014)	**193**	178	**1,608**
Current portion of 0.25% unsecured bonds, due in 2016	**300**	300	**2,500**

Long-term debts as of December 31, 2015 and 2014 are summarized below.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Long-term loans payable, due through 2020 (8.5% in 2015 and 2.2% in 2014)	**¥463**	¥2,553	**$3,858**
Lease obligations, due through 2024, (2.7% in 2015 and 2014)	**265**	260	**2,208**
0.25% unsecured bonds, due in 2016	**–**	300	**–**

In the tables above, the weighted average interest rates applicable to respective debt outstanding at December 31, 2015 and 2014 were stated.

The Company enters into a loan commitment line agreement with financial institutions as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Commitment line agreement	**¥6,000**	¥6,000	**$50,000**
Balance executed as loans	**–**	–	**–**
Unused line of credit	**¥6,000**	¥6,000	**$50,000**

The annual maturities of long-term loans payable subsequent to December 31, 2015 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
2016	**¥2,065**	**$17,208**
2017	**65**	**541**
2018	**65**	**541**
2019	**289**	**2,408**
2020	**42**	**350**
2021 and thereafter	**–**	**–**
	¥2,529	**$21,075**

The annual maturities of lease obligations subsequent to December 31, 2015 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
2016	**¥193**	**$1,608**
2017	**114**	**950**
2018	**70**	**583**
2019	**38**	**316**
2020	**19**	**158**
2021 and thereafter	**23**	**191**
	¥458	**$3,816**

8. Pledged Assets

Assets pledged as collateral for notes and accounts payable-trade of ¥545 million ($4,541 thousand) and ¥501 million, short-term loans payable of ¥2,354 million ($19,616 thousand) and ¥1,942 million, long-term loans payable of ¥35 million ($291 thousand) and ¥39 million at December 31, 2015 and 2014, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥79**	¥121	**$658**
Notes and accounts receivable – trade	**1,079**	1,375	**8,991**
Merchandise and finished goods	**651**	559	**5,425**
Other current assets	**105**	838	**875**
Machinery and vehicles	**15**	26	**125**
Other property and equipment	**309**	432	**2,575**
Guarantee deposits	**31**	25	**258**
Other investments and other assets	**484**	19	**4,033**
Total	**¥2,757**	¥3,397	**$22,975**

9. Income Taxes

(a) Major components of deferred tax assets and deferred tax liabilities as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Net defined benefit liability	**¥1,343**	¥1,533	**$11,191**
Provision for bonuses	**85**	96	**708**
Valuation loss on investment securities	**–**	95	**–**
Accrued enterprise taxes	**58**	78	**483**
Provision for loss on order received	**28**	0	**233**
Provision for directors' retirement benefits	**24**	24	**200**
Depreciation	**105**	62	**875**
Net operating loss	**257**	–	**2,141**
Other	**203**	174	**1,691**
Deferred tax assets, subtotal	**2,105**	2,065	**17,541**
Valuation allowance	**(293)**	(14)	**(2,441)**
Deferred tax assets, net	**¥1,812**	¥2,051	**$15,100**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**¥(3,184)**	¥(3,781)	**$(26,533)**
Other	**–**	(0)	**–**
Deferred tax liabilities, subtotal	**(3,184)**	(3,782)	**(26,533)**
Net deferred tax liabilities	**¥(1,371)**	¥(1,730)	**$(11,425)**

(b) Reconciliation between the statutory tax rate and effective tax rate reflected in the consolidated statement of income for the current fiscal year for the year ended December 31, 2015 was as follows:

	%
	2015
Statutory tax rate:	**35.6**
(Adjustments)	
Permanent difference – nontaxable	**(4.9)**
Permanent difference – nondeductible	**9.2**
Donation	**8.2**
Amortization of goodwill	**9.7**
Inhabitant tax on per capita basis	**1.6**
Increase in valuation allowance	**37.7**
Impairment loss on subsidiaries	**58.7**
Adjustment due to change in tax rate	**22.4**
Other	**(2.8)**
Effective tax rate	**175.4**

A reconciliation of the difference between the statutory tax rate and effective tax rate reflected in the consolidated statement of operations for the year ended December 31, 2014 has been omitted as the difference is less than 5% of the statutory tax rate.

The “Act on Partial Revision of the Income Tax Act” (Act No. 9 of 2015) and the “Act on Partial Revision of Local Tax Act” (Act No. 2 of 2015) were promulgated on March 31, 2015 and income tax rates will be reduced effective from years beginning on or after April 1, 2015. Accordingly, the normal effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 35.64% to 33.06% and 32.26% for the temporary differences expected to be realized or settled in the year beginning January 1, 2016 and from years beginning January 1, 2017, respectively. As a result, deferred tax liabilities, net of deferred tax assets, as of December 31, 2015 decreased by ¥179 million ($1,491 thousand) and income taxes-deferred and accumulated other comprehensive income increased by ¥174 million ($1,450 thousand) and ¥354 million ($2,950 thousand), respectively, as of and for the year ended December 31, 2015.

10. Pension and Severance Indemnities

The Company and its consolidated subsidiaries have several retirement benefit plans as summarized below.

- Defined benefit corporate pension plan and Lump-sum payment plan (two consolidated subsidiaries)
- Lump-sum payment plans (six consolidated subsidiaries)
- Defined contribution corporate pension plan (one consolidated subsidiary)
- Multiemployer plan such as Japan Computer Information Service Employees’ Pension Fund (three consolidated subsidiaries)
- Plan under Smaller Enterprise Retirement Allowance Mutual Aid Scheme (three consolidated subsidiaries)

Consolidated subsidiaries with the multiemployer plan (Japan Computer Information Service Employee’s Pension Fund) recognize the required contribution amount as retirement benefit expenses. Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses for lump-sum payment plans or the plan under Smaller Enterprise Retirement Allowance Mutual Aid Scheme.

Defined benefit plan

(a) The changes in projected benefit obligations, excluding those under the simplified method, for the years ended December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥6,411**	¥5,834	**$53,425**
Cumulative effects of changes in accounting policies	**(214)**	–	**(1,783)**
Restated balance at beginning of the year	**¥6,197**	¥5,834	**$51,641**
Service cost	**465**	382	**3,875**
Interest cost	**62**	58	**516**
Actuarial loss (gain)	**(471)**	297	**(3,925)**
Retirement benefits paid	**(266)**	(266)	**(2,216)**
Effects from business combination	**–**	108	**–**
Other	**(8)**	(3)	**(66)**
Balance at end of year	**¥5,978**	¥6,411	**$49,816**

(b) The changes in plan assets, excluding those under the simplified method, for the years ended December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥2,363**	¥1,719	**$19,691**
Expected return on plan assets	**59**	46	**491**
Actuarial gain	**18**	201	**150**
Contributions from the employer	**322**	539	**2,683**
Retirement benefits paid	**(149)**	(162)	**(1,241)**
Effects from business combination	**–**	32	**–**
Other	**(24)**	(13)	**(200)**
Balance at end of year	**¥2,589**	¥2,363	**$21,575**

(c) The changes in net defied benefit liability under the simplified method for the years ended December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥488**	¥453	**$4,066**
Retirement benefit expenses	**74**	75	**616**
Retirement benefits paid	**(54)**	(38)	**(450)**
Other	**(1)**	(1)	**(8)**
Balance at end of year	**¥506**	¥488	**$4,216**

(d) The reconciliation between the balances of projected benefit obligations and plan assets and net defied benefit liability recorded on the consolidated balance sheets as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded projected benefit obligation	**¥3,686**	¥3,655	**$30,716**
Plan assets at fair market value	**(2,589)**	(2,363)	**(21,575)**
	1,097	1,292	**9,141**
Unfunded retirement benefit liabilities	**2,798**	3,245	**23,316**
Net liability recorded on the consolidated balance sheet	**¥3,895**	¥4,537	**$32,458**
Net defined benefit liability	**¥3,895**	¥4,537	**$32,458**
Net defined benefit asset	**–**	–	**–**
Net liability recorded on the consolidated balance sheet	**¥3,895**	¥4,537	**$32,458**

(Note) The table includes the amount of plans under the simplified method.

(e) The components of retirement benefit expenses for the years ended December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥465**	¥382	**$3,875**
Interest cost	**62**	58	**516**
Expected return on plan assets	**(59)**	(46)	**(491)**
Amortization of actuarial loss	**(4)**	(18)	**(33)**
Amortization of prior service cost	**(1)**	(16)	**(8)**
Retirement benefit expenses under the simplified method	**74**	75	**616**
Total retirement benefit expenses	**¥536**	¥436	**$4,466**

(f) The components of remeasurements of defined benefit plans (before applicable tax effects) in other comprehensive income for the years ended December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Actuarial gain	**¥456**	¥–	**$3,800**
Total	**¥456**	¥–	**$3,800**

(g) The components of remeasurements of defined benefit plans (before applicable tax effects) in accumulated other comprehensive income as of December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrecognized actuarial gain (loss)	**¥348**	¥(107)	**$2,900**
Total	**¥348**	¥(107)	**$2,900**

(h) Components of plan assets as of December 31, 2015 and 2014 were as follows:

	2015	2014
Debt securities	**43%**	41%
Equity securities	**53%**	54%
Other	**4%**	5%
	100%	100%

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and the long-term rate of return derived from various components of the plan assets.

(i) The major assumptions used for the actuarial calculation for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Discount rates	**1.1%**	0.9%
Expected long-term rate of return on plan assets	**2.5%**	2.5%

Defined contribution benefit plan

The required contribution amount to the defined contribution benefit plan was ¥19 million ($158 thousand) and ¥19 million for the years ended December 31, 2015 and 2014.

Multiemployer plan

The required contribution amount to the multiemployer plan (Employee's Pension Fund) was ¥190 million ($1,583 thousand) and ¥291 million for the years ended December 31, 2015 and 2014. The following summarizes the plan assets of multiemployer plan.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Plan assets	**¥735,622**	¥627,857	**$6,130,183**
Total of actuarial liability and minimum actuarial reserve	**729,355**	640,038	**6,077,958**
Net	**¥6,266**	¥(12,180)	**$52,216**

This net difference indicates that the plan was over-funded in 2015 and under-funded in 2014.

The ratio of the Company's contribution to the plan as a whole was 0.99% and 1.26 % for the years ended December 31, 2015 and 2014.

11. Contingent liabilities

The right to claim for returning of guarantee deposits, in the amount of ¥755 million ($6,291 thousand), was transferred and deducted from the balance on the balance sheets. If any event that creates problems in returning the deposits from the property owners occurs, the Company may obligate to re-acquire the right to claim for returning of the guarantee deposits.

12. Net assets

Japanese companies are subject to the Companies Act of Japan (the "Act"). The significant provisions in the Act that affect financial and accounting matters are summarized below.

(a) Dividends

Under the Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the Company has prescribed so in its articles of incorporation. The Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury shares and treasury shares acquisition rights

The Act also provides for companies to purchase treasury shares and dispose of such treasury shares by resolution of the Board of Directors. The amount of treasury shares purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Act also provides that companies can purchase both treasury shares acquisition rights and treasury shares. Such treasury shares acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

(d) Number of shares

	Number of shares	
	2015	2014
Common stocks outstanding:		
At the beginning of the year	**21,541,400**	21,541,400
Changes during the year	**–**	–
At the end of the year	**21,541,400**	21,541,400
Treasury shares:		
At the beginning of the year	**1,634,043**	1,634,043
Purchase of treasury shares	**250,000**	–
At the end of the year	**1,884,043**	1,634,043

13. Selling, General and Administrative Expenses

The following summarizes the major items included in selling, general and administrative expenses for the years ended December 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Directors' remuneration	**¥524**	¥493	**$4,366**
Salaries and wages	**2,555**	2,064	**21,291**
Provision for bonus	**74**	53	**616**
Retirement benefit expenses	**152**	155	**1,266**
Provision for directors' retirement benefits	**2**	2	**16**
Provision for bad debts	**467**	42	**3,891**
Depreciation	**66**	53	**550**

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended December 31, 2015 and 2014 totaled ¥267 million ($2,225 thousand) and ¥218 million, respectively.

14. Loss on Disposition of Property and Equipment

Significant components of the loss on disposition of property and equipment for the years ended December 31, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Buildings and structures	**¥–**	¥2	**$–**
Removal cost	**–**	7	**–**
Other	**–**	2	**–**
Total	**¥–**	¥12	**$–**

15. Impairment Loss and Loss on Business of Subsidiary

For the purpose of assessing impairment, assets are grouped, mainly based on its business segment, at the smallest units independently generating cash flows.

For the year ended December 31, 2015, Accel Frontline Limited (the "AFL"), the Company's consolidated subsidiary in India, faced to critical financial conditions. After careful reviews of its results of operations and financial status, the Company recognized an impairment loss on goodwill for the AFL in the amount of ¥653 million ($5,441 thousand). In addition, the Company recognized the amount of uncollectible accounts receivable of the AFL as loss on business of subsidiary.

16. Comprehensive Income

The components of other comprehensive income for the years ended December 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Valuation difference on available-for-sale securities:			
Amount arising during the year	**¥585**	¥8,450	**$4,875**
Reclassification adjustments	**(1,068)**	(1,218)	**(8,900)**
Amount before tax effects	**(482)**	7,232	**(4,016)**
Tax effects	**514**	(2,577)	**4,283**
Valuation difference on available-for-sale securities	**31**	4,654	**258**
Foreign currency translation adjustments:			
Amount arising during the year	**(110)**	400	**(916)**
Reclassification adjustments	**(28)**	(11)	**(233)**
Amount before tax effects	**(139)**	389	**(1,158)**
Tax effects	**–**	–	**–**
Foreign currency translation adjustments	**(139)**	389	**(1,158)**
Remeasurements of defined benefit plans:			
Amount arising during the year	**489**	–	**4,075**
Reclassification adjustments	**(33)**	–	**(275)**
Amount before tax effects	**456**	–	**3,800**
Tax effects	**(150)**	–	**(1,250)**
Remeasurements of defined benefit plans	**305**	–	**2,541**
Total other comprehensive income	**¥197**	¥5,044	**$1,641**

17. Business Combinations

At the Board of Directors' meeting held on November 6, 2015, it was resolved that the Company would acquire 70% of outstanding shares of Sierra Solutions Pte. Ltd., IT company located in Singapore, and executed the share transfer agreement effective the said date.

The share transfer has completed on December 18, 2015 and the Company acquired more than half of its outstanding shares. Thus, Sierra Solutions Pte. Ltd. became a consolidated subsidiary of the Company.

(a) Overview

(1) Name and description of business

Acquired company:	Sierra Solutions Pte. Ltd.
Business description:	Consulting and technology service in the areas of SAP, healthcare, enterprise security and cloud solutions

(2) Objective of business combination

The Company, as its core business, provides IT services including construction and operation management of information systems, and pharmaceutical development support services for pharmaceutical companies. Under the current medium-term management strategy, in order to create a new growth opportunity with leveraging the expertise accumulated in these specialties, the Company has endeavored to develop new services and expand market shares in the social security field such as pension and nursing care and in the healthcare field for pharmaceutical companies and medical institutions.

Sierra Solutions Pte. Ltd., as a partner of SAP products, is a group providing consulting and technology implementation services in the areas of SAP for medical institutions mainly in Asia. The Company decided to acquire its shares and make it a subsidiary, considering that it allowed the Company to access to overseas medical institutions, new customer field for the Company, and acquire business expertise.

The Company intends to further expand businesses in the fields of social security and healthcare with making use of resources of Sierra Solutions Pte. Ltd.

(3) Date of business combination

October 1, 2015 (deemed acquisition date)

(4) Legal form of business combination

Cash acquisition of shares

(5) Company name after business combination

Sierra Solutions Pte. Ltd.

(6) Voting share acquired

Voting share held before business combination	–%
Voting share acquired through business combination	70.00%
Voting share held after the business combination	70.00%

(7) Grounds for determining acquiring company

The Company acquired shares in compensation for cash.

(b) Period of financial results of the acquired company included in the consolidated financial statements

None

(c) Acquisition cost and its breakdown

Compensation for acquisition	**¥1,514 million**	**($12,616 thousand)**
Direct expenses such as advisory fee, etc.	**¥214 million**	**($1,783 thousand)**
Acquisition cost	**¥1,728 million**	**($14,400 thousand)**

(d) Goodwill

(1) Amount of goodwill incurred	**¥1,423 million**	**($11,858 thousand)**

(2) Reason for goodwill

Additional future income-generating power expected to derive from business development going forward.

(3) Method and period of amortization

Straight-line method over 20 years

(e) Amounts of assets received and liabilities assumed on the day of business combination, and their breakdown

Please refer to Note 19. “Supplemental Cash flow information.”

(f) Description of contingent consideration as prescribed in the business combination contract and accounting policy to be applied

(1) Description of contingent consideration

If the Net Debt of the acquired company may exceed or fall short of certain amount as provided for by the said contract, the Company may obligate to make an additional payment or receive a refund.

(2) Accounting policy

As a policy, the Company recognizes the contingent consideration by increasing or decreasing the amount of goodwill.

18. Segment Information

(a) Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group’s reportable segments consist of the following three segments by service: “Business system design service,” “System operation management service” and “BPO/BTO service.”

(b) Method of calculating net sales, income, assets, liabilities and other items by reportable segment

Accounting policies of the reportable segments are consistent to those described in Note 2. “Summary of Significant Accounting Policies.”

(c) Net sales, income, assets, liabilities and other items by reportable segment

	Millions of yen					
	2015					
	Reportable segment					
	Business system design	System operation management	BPO/BTO	Total	Adjustments	Consolidated
Net sales						
Sales to third parties	**¥23,339**	**¥17,895**	**¥10,870**	**¥52,105**	**¥–**	**¥52,105**
Intersegment sales or transfers	**–**	**–**	**–**	**–**	**–**	**–**
Total	**¥23,339**	**¥17,895**	**¥10,870**	**¥52,105**	**¥–**	**¥52,105**
Segment income	**¥1,001**	**¥(187)**	**¥395**	**¥1,209**	**¥–**	**¥1,209**
Segment assets	**¥14,207**	**¥8,318**	**¥6,279**	**¥28,805**	**¥22,977**	**¥51,783**
Other item:						
Depreciation	**¥312**	**¥334**	**¥132**	**¥778**	**¥–**	**¥778**
Increase (decrease) in property and equipment and intangible assets	**720**	**219**	**237**	**1,177**	**–**	**1,177**

	Millions of yen					
	2014					
	Reportable segment					
	Business system design	System operation management	BPO/BTO	Total	Adjustments	Consolidated
Net sales						
Sales to third parties	¥21,535	¥18,127	¥10,368	¥50,031	¥–	¥50,031
Intersegment sales or transfers	–	–	–	–	–	–
Total	¥21,535	¥18,127	¥10,368	¥50,031	¥–	¥50,031
Segment income	¥1,684	¥443	¥1,062	¥3,191	¥–	¥3,191
Segment assets	¥13,044	¥8,330	¥5,890	¥27,265	¥26,121	¥53,387
Other item:						
Depreciation	¥304	¥388	¥112	¥805	¥–	¥805
Increase (decrease) in property and equipment and intangible assets	1,036	247	195	1,479	–	1,479

	Thousands of U.S. dollars					
	2015					
	Reportable segment					
	Business system design	System operation management	BPO/BTO	Total	Adjustments	Consolidated
Net sales						
Sales to third parties	**$194,491**	**$149,125**	**$90,583**	**$434,208**	**$–**	**$434,208**
Intersegment sales or transfers	**–**	**–**	**–**	**–**	**–**	**–**
Total	**$194,491**	**$149,125**	**$90,583**	**$434,208**	**$–**	**$434,208**
Segment income	**$8,341**	**$ (1,558)**	**$3,291**	**$10,075**	**$–**	**$10,075**
Segment assets	**$118,391**	**$69,316**	**$52,325**	**$240,041**	**$191,475**	**$431,525**
Other item:						
Depreciation	**$2,600**	**$2,783**	**$1,100**	**$6,483**	**$–**	**$6,483**
Increase (decrease) in property and equipment and intangible assets	**6,000**	**1,825**	**1,975**	**9,808**	**–**	**9,808**

Notes: 1. Adjustments for segment assets include corporate assets and the Company's excess funds such as cash and deposits.

2. Total of segment income agrees with operating income in the accompanying consolidated statements of operations.

(d) Information by geographical area

1) Net sales

Millions of yen							
2015				2014			
Japan	Asia	Other	Total	Japan	Asia	Other	Total
¥41,561	**¥8,721**	**¥1,822**	**¥52,105**	¥40,726	¥7,693	¥1,611	¥50,131

Thousands of U.S. dollars			
2015			
Japan	Asia	Other	Total
$346,341	**$72,675**	**$15,183**	**$434,208**

2) Property and equipment

Millions of yen							
2015				2014			
Japan	Asia	Other	Total	Japan	Asia	Other	Total
¥960	**¥907**	**¥15**	**¥1,883**	¥905	¥1,020	¥2	¥1,928

Thousands of U.S. dollars			
2015			
Japan	Asia	Other	Total
$8,000	**$7,558**	**$125**	**$15,691**

(e) Information about major customers

		Millions of yen		Thousands of U.S. dollars
	Related segment	**2015**	2014	**2015**
Astellas Pharma Inc.	Business system design System operation management BPO/BTO	**¥5,897**	¥6,920	**$49,141**

(f) Information on impairment loss by reportable segment

	Millions of yen					
	2015					
	Reportable segment					
	Business system design	System operation management	BPO/BTO	Total	Adjustments	Consolidated
Impairment loss	**¥–**	**¥–**	**¥–**	**¥–**	**¥653**	**¥653**

The amount was in related to Accel Frontline Limited. There was no impairment loss for the year ended December 31, 2014.

	Thousands of U.S. dollars					
	2015					
	Reportable segment					
	Business system design	System operation management	BPO/BTO	Total	Adjustments	Consolidated
Impairment loss	**$–**	**$–**	**$–**	**$–**	**$5,441**	**$5,441**

(g) Information on amortization and unamortized balance of goodwill by reportable segment

	Millions of yen					
	2015					
	Reportable segment					
	Business system design	System operation management	BPO/BTO	Total	Adjustments	Consolidated
Amortization	**¥32**	**¥81**	**¥94**	**¥208**	**¥–**	**¥208**
Unamortized balance	**1,485**	**326**	**1,251**	**3,064**	**–**	**3,064**

	Millions of yen					
	2014					
	Reportable segment					
	Business system design	System operation management	BPO/BTO	Total	Adjustments	Consolidated
Amortization	¥41	¥70	¥94	¥206	¥–	¥206
Unamortized balance	66	397	1,346	1,810	760	2,570

The amount was in related to Accel Frontline Limited. The amortization for the year ended December 31, 2014 was allocated to each reportable segment.

	Thousands of U.S. dollars					
	2015					
	Reportable segment					
	Business system design	System operation management	BPO/BTO	Total	Adjustments	Consolidated
Amortization	**$266**	**$675**	**$783**	**$1,733**	**$–**	**$1,733**
Unamortized balance	**12,375**	**2,716**	**10,425**	**25,533**	**–**	**25,533**

19. Supplemental Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows were reconciled to cash and deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥8,983**	¥9,881	**$74,858**
Time deposits with maturities of more than three months	**(390)**	(432)	**(3,250)**
Marketable securities included in cash and cash equivalents	**508**	4,007	**4,233**
Cash and cash equivalents	**¥9,101**	¥13,456	**$75,841**

The acquisition cost and net payments for assets and liabilities of Sierra Solutions Pte. Ltd. and its two subsidiaries acquired through a stock purchase for the year ended December 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Current assets	**¥500**	**$4,166**
Noncurrent assets	**99**	**825**
Goodwill	**1,423**	**11,858**
Current liabilities	**(163)**	**(1,358)**
Noncurrent liabilities	**(1)**	**(8)**
Minority interest	**(130)**	**(1,083)**
Acquisition cost	**1,728**	**14,400**
Amount of payable included in acquisition cost	**(22)**	**(183)**
Cash and cash equivalents	**(230)**	**(1,916)**
Payment for acquisition	**¥1,475**	**$12,291**

The acquisition cost and net payments for assets and liabilities of Accel Frontline Limited and its eight subsidiaries acquired through a stock purchase for the year ended December 31, 2014 were as follows:

	Millions of yen
	2014
Current assets	¥5,480
Noncurrent assets	699
Goodwill	740
Current liabilities	(4,225)
Noncurrent liabilities	(484)
Minority interest	(617)
Acquisition cost of stock	1,592
Cash and cash equivalents	(642)
Payment for acquisition	¥949

20. Related Party Transactions

For the year ended December 2015:

A transaction with its non-consolidated subsidiary which engages in investment in venture companies was as follows:

Classification	Name of the company	Location	Stated capital (Thousands of U.S. dollars)	Type of business	% of voting rights (owned)	Business relationship	Type of transaction	Transaction amount (Millions of yen) / (Thousands of U.S. dollars)	Account	Balance at the end of the period (Millions of yen) / (Thousands of U.S. dollars)
Subsidiary	CAC Venture Capital Manage-ment, Inc.	Nevada, U.S.	10	Investment in venture capital	100% (Direct)	Payment of capital	Capital contribution (Note 1)	¥327 ($2,725)	–	–

Note: 1. Capital contribution was made in accordance with the establishment of the non-consolidated subsidiary.

A transaction with a company, which the Company's director and her relatives held a majority of its voting rights, was as follows:

Classification	Name of the company	Location	Stated capital (Millions of yen)	Type of business	% of voting rights (owned)	Business relationship	Type of transaction	Transaction amount (Millions of yen) / (Thousands of U.S. dollars)	Account	Balance at the end of the period (Millions of yen) / (Thousands of U.S. dollars)
Director	People Focus Consulting Co., Ltd. (Note 1)	Shibuya, Tokyo	10	Consulting	–	Interlocking directorate	Outsourcing of internal training (Note 2)	¥22 ($183)	Accrued expenses	¥2 ($16)

Notes: 1. Yukiko Kuroda, a director of the Company, and her close relatives own a majority of the voting rights.

2. Terms and conditions are determined based on arm's-length transactions.

3. Consumption taxes are not included in the above transaction amount, but included in the balance at the end of the period.

For the year ended December 31, 2014:

There was no related party transaction to report for the year ended December 31, 2014.

21. Per Share Information

Per share information was as follows:

	Yen		U.S. dollars
	2015	2014	**2015**
Amounts per share:			
Net assets	**¥1,439.40**	¥1,455.06	**$11.99**
Net income (loss)	**(7.21)**	117.69	**(0.06)**
Cash dividends	**32.00**	32.00	**0.26**

Notes: 1. Diluted net income per share for the previous fiscal year was not presented since the Company had no outstanding residual shares. Diluted net income per share for the current fiscal year was not presented since the Company reported net loss and had no outstanding residual shares.

2. The basis for calculating net income (loss) per share was as follows:

	Millions of yen		Thousands of U.S. dollars
		2014	**2015**
Net income (loss)	**¥(142)**	¥2,343	**$(1,183)**
Amount not attributable to common shareholders	**–**	–	**–**
Net income (loss) attributable to common shareholders	**(142)**	2,343	**(1,183)**
Average number of common shares outstanding (share)	**19,757,425**	19,907,357	

22. Subsequent Event

(a) Transactions under common control

At the Board of Directors' meeting held on January 19, 2016, it was resolved that the Company's two consolidated subsidiaries, CAC Exicare Co., Ltd. and Clinical Trust, Co., Ltd., would merge and change its business name.

(1) Name and description of business

Name of business: Drug development support

Business description: Drug development support services including the following:

(i) Drug discovery/non-clinical, clinical development, pharmaceutical application, post-marketing product surveillance, safety information management and other

(ii) CRO business to support clinical development

(2) Date of business combination

April 1, 2016

(3) Legal form of business combination

Absorption-type merger with CAC Exicare Co., Ltd. as the surviving company.

(4) Company name after business combination

CAC Croit Corporation

(5) Overview of accounting treatment

This transaction will be accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on September 13, 2013) and the "Guidance on Accounting Standard for business combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013).

(b) Appropriation of retained earnings

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2015, were approved at the shareholders' meeting held on March 26, 2016.

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Cash dividends ¥16 ($0.13) per share	**¥318**	**$2,650**

Grant Thornton

Grant Thornton Taiyo LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CAC Holdings Corporation

We have audited the accompanying consolidated financial statements of CAC Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CAC Holdings Corporation and its consolidated subsidiaries as at December 31, 2015, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2015 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Grant Thornton Taiyo LLC

July 28, 2016

Tokyo, Japan

Member of Grant Thornton International Ltd

Corporate information

Corporate profile

Name	CAC Holdings Corporation
Head office	24-1, Hakozaki-cho, Nihonbashi, Chuo-ku, Tokyo103-0015, Japan Phone: +81-3-6667-8001
Representative	Akihiko Sako, President and CEO
Founded	August 8, 1966

Capital	¥3,702 million
Consolidates sales	¥52,105 million (for the fiscal year ended December 31, 2015)
Number of group employees	5,202 (as of December 31, 2015)
Main services offered	Formulation of the CAC Group's business strategy and business administration of the group
Main financing banks	Sumitomo Mitsui Banking Corporation, Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Mitsubishi UFJ Trust and Banking, and Sumitomo Mitsui Trust Bank

CAC Group

CAC Corporation

Location Chuo-ku, Tokyo, Japan

Main services Systems development and integration, systems operation and management, and BPO/BTO services

CAC Croit Corporation

Location Chuo-ku, Tokyo, Japan

Main services CRO (pharmaceutical BTO) services and IT services

ARK Systems Co., Ltd.

Location Chuo-ku, Tokyo, Japan

Main services System planning, construction, and operation management

CAC Knowledge Co., Ltd.

Location Chuo-ku, Tokyo, Japan

Main services System development, maintenance, and operation management and packaged software development and sales

CAC ORBIS CORPORATION

Location Nishi-ku, Osaka-shi, Osaka, Japan

Main services System consulting services, software planning and development, and systems maintenance and operation

CAC MARUHA NICHIRO SYSTEMS CORPORATION

Location Chuo-ku, Tokyo, Japan

Main services System development, maintenance, and operation

Hitec Systems Corporation

Location Shimonoseki-shi, Yamaguchi, Japan

Main services Systems development, maintenance and operation, and packaged software development and sales

kizasi Company, Inc.

Location Chuo-ku, Tokyo, Japan

Main services Development and provision of basic Internet technologies

CAC AMERICA CORPORATION [CAC AMERICA]

Location New York, United States

Main services Business system design, system operation management, and BPO/BTO services

CAC EUROPE LIMITED [CAC EUROPE]

Location London, United Kingdom

Main services Systems consulting and system integration

CAC SHANGHAI CORPORATION

Location Shanghai, China

Main services System integration and software development

GoldenTech Computer Technology (Suzhou) Co., Ltd.

Location Suzhou, China

Main services System development and software development

CAC India Private Limited [CAC India]

Location Mumbai, India

Main services System development and operation management, and BPO/BTO services

Accel Frontline Limited

Location Chennai, India

Main services IT infrastructure services, software services, and warranty management services

Sierra Solutions Pte. Ltd.

Location Singapore

Main services Consulting and IT services for the healthcare industry, aimed primarily at medical institutions

Corporate history

1966	Computer Applications Co., Ltd. (CAC) is established as one of Japan's first independent software companies.
1971	CAC invests in Nippon System Service Co., Ltd. (SSK). SSK changes its business focus to outsourcing services.
1973	System Utility Co., Ltd. (SUC), a facility management company, is established as a wholly owned subsidiary.
1986	Formally enter the system consulting business.
1988	Certified as "System Integrator" by the first "Registration and Certification of System Integrator" of the Ministry of International Trade and Industry (MITI).
1989	CAC AMERICA CORPORATION, a wholly owned US subsidiary, is established in New York, United States.
1990	CAC EUROPE LIMITED, a wholly owned subsidiary, is established in London, United Kingdom.
1994	CAC, SSK, and SUC merges to form CAC Co., Ltd.
1995	Certified as "Provider of Special Systems Operation Services" by the first "Certification of Provider of Special Systems Operation Services" of MITI.
1996	Enter the business for integrated management services targeting distributed systems.
1999	Listed on the OTC market.
2000	Acquire all the shares of ARK Systems Co., Ltd., effectively making the company a subsidiary. CAC Shanghai Corporation is established in Shanghai, China. Listed on the First Section of the Tokyo Stock Exchange.
2002	Acquire shares of GoldenTech Computer Technology (Suzhou) Co., Ltd., making the company a subsidiary. Acquire the shares of YUASA KNOWLEDGE INDUSTRY Co., Ltd., making the company a subsidiary and renaming it CAC Knowledge Co., Ltd.
2003	Acquire shares of ORBIS CORPORATION (presently CAC ORBIS CORPORATION), making the company a subsidiary. Acquire shares of MARUHA SYSTEMS CORPORATION (presently CAC MARUHA NICHIRO SYSTEMS CORPORATION), making the company a subsidiary.
2005	Relocate the head office to Hakozaki-cho, Nihonbashi, Chuo-ku, Tokyo
2006	Acquire shares of Arm Systex Co., Ltd., making the company and Arm Co., Ltd. subsidiaries.
2007	kizasi Company, Inc. is established. Acquire all the shares of Medical Ecology Co., Ltd. (later renamed CAC ClinIT Co., Ltd.), making the company a subsidiary.
2009	Acquire shares of clinical trust Co., Ltd., making the company a subsidiary.
2010	Merger of CAC ClinIT Co., Ltd., Arm Systex Co., Ltd., and Arm Co., Ltd. CAC India Private Limited is established in Mumbai, India.
2012	CAC EXICARE Corporation is established through a company split.
2014	Acquire shares of Accel Frontline Limited, making the company a subsidiary. Change to a holding company structure, as a result of which CAC Co., Ltd. is renamed CAC Holdings Corporation. At the same time, CAC Corporation is established through a company split and takes over the operations of CAC Co., Ltd.
2015	Acquire shares of Sierra Solutions Pte. Ltd., making the company a subsidiary.
2016	CAC Croit Corporation is established through the merger of CAC EXICARE Corporation and clinical trust Co., Ltd.

Stock information

General Information (as of December 31, 2015)

Number of Shares Authorized	**86,284,000**
Number of Shares Issued and Outstanding	**21,541,400**
Unit Share	**100 shares**
Number of Shareholders	**5,197**
Fiscal Year End	**December 31**
General Shareholders Meeting	**End of March**
Registration Deadline for Dividend Payment	**Year-end: December 31** **Interim: June 30**
Administrator of the Register of Shareholders	**Mitsubishi UFJ Trust and Banking Corporation** **4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan**
Stock Exchange Listing	**Tokyo Stock Exchange, 1st Section** (Date of Listing: October, 2000) (Securities Code: 4725)

Primary Shareholders (as of December 31, 2015)

Name of Shareholders	Number of Shares held (Thousands)	Percentage of Total Issued Shares
SHOGAKUKAN Inc.	**3,512**	**16.30%**
Astellas Pharma Inc.	**1,077**	**5.00%**
The Master Trust Bank of Japan, Ltd. (Trust account)	**959**	**4.45%**
Japan Trustee Services Bank, Ltd. (Trust account)	**764**	**3.54%**
CAC Employee Shareholding Association	**693**	**3.22%**
Kirin Holdings Company, Limited	**531**	**2.46%**
Sumitomo Mitsui Banking Corporation	**484**	**2.24%**
TOYO TIRE & RUBBER CO., LTD.	**289**	**1.34%**
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	**260**	**1.21%**
BNYML - NON TREATY ACCOUNT	**244**	**1.13%**

* Treasury stocks (1,884 thousand shares as of December 31, 2015) are not included in the above.

Breakdown of Shareholding by Investor Type (as of December 31, 2015)

Investor Type	Number of Shareholders	Number of Shares held (Thousands)	Percentage of Total Issued Shares
Japanese Financial Institutions	**25**	**3,894**	**18.08%**
Japanese Securities Companies	**26**	**280**	**1.30%**
Other Japanese Companies	**43**	**6,590**	**30.60%**
Foreign Companies, etc.	**70**	**2,670**	**12.40%**
Japanese Individuals and Others	**5,033**	**8,105**	**37.62%**
Total	**5,197**	**21,541**	**100.00%**

* Treasury stocks (1,884 thousand shares as of December 31, 2015) are included in “Japanese Individuals and Others.”

Editorial policy

This is the first time the CAC Group has compiled the CAC Report. The aim of this report to ensure the value-creation initiatives of the CAC Group are understood by a wide range of stakeholders, primarily by investors who view matters from a long-term perspective.

Scope of reporting

•Reporting period: January 1, 2015 to December 31, 2015
(activities in January 2016 and thereafter are also included in some sections.)
•Subject organizations: CAC Holdings Corporation and 26 CAC Group companies

Caution concerning forward-looking statements

This report contains descriptions of plans for the future and forecasts and prospects of the strategies and business results of CAC Holdings Corporation and CAC Group companies. These descriptions are based on judgments that were made based on currently available information. Please note that our actual business results may differ materially from these initial forecasts due to various external factors.

CAC Holdings Corporation

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