

# 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.

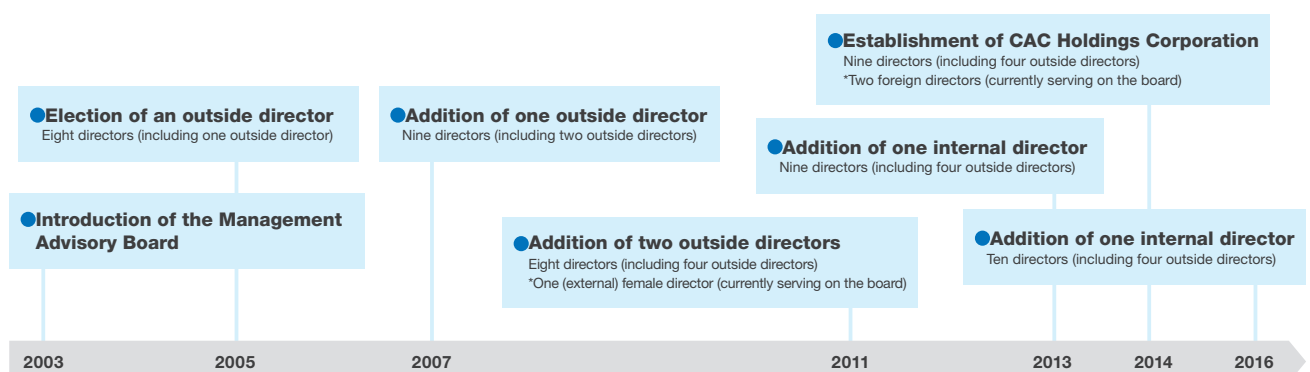
## Board of Directors

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.

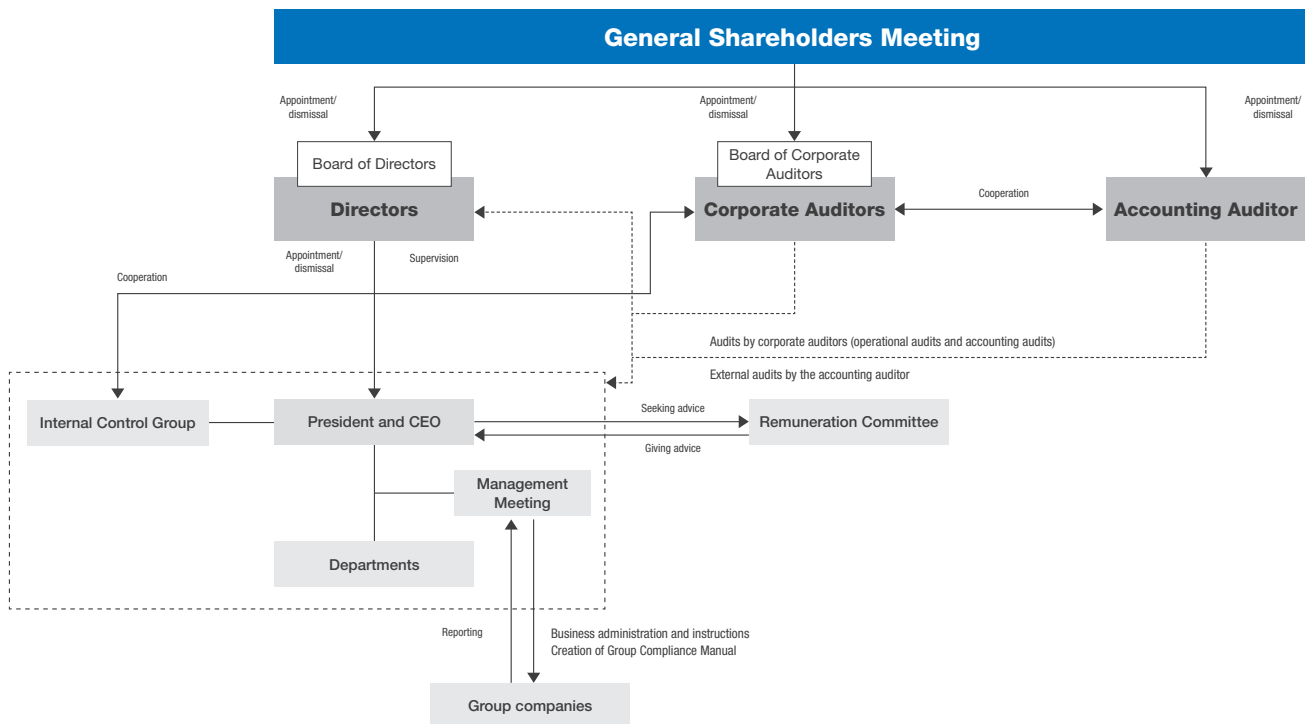
## Board of Corporate Auditors

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 <sup>(4)</sup>	151 <sup>(18)</sup>	Base remuneration: ¥126 million Bonus: ¥24 million <small>(Only base remuneration was paid to outside directors)</small>	Up to ¥240 million per year
Corporate auditors (outside corporate auditors)	5 <sup>(3)*</sup>	44 <sup>(9)</sup>	Base remuneration only	Up to ¥4 million per month
<b>Total</b>	<b>14<sup>(7)</sup></b>	<b>195<sup>(27)</sup></b>		

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)



### Morihiro Fujitani

Outside Corporate Auditor

Apr. 1992 : Starts his career as a lawyer  
 Nov. 1994 : Opens Morihiro 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. Morihiro 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.