

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

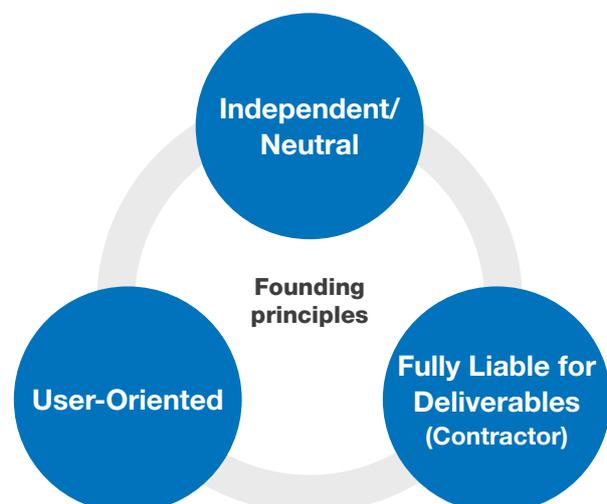
million yen, due to the increase of costs at Accel Frontline Limited (AFL), our consolidated overseas subsidiary, and the delay in the recovery of CRO (pharmaceutical BTO) services. We posted a net loss at 142 million yen due to the extraordinary loss related to AFL, and earnings per share (EPS) declined 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



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