

# 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

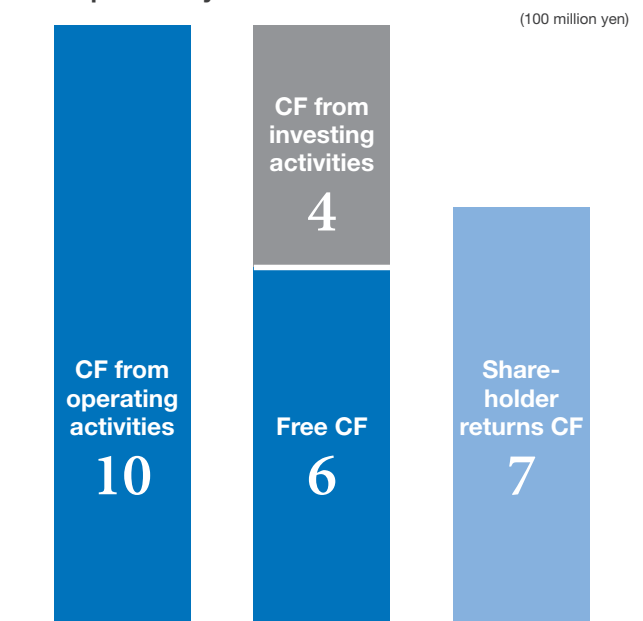
## Cash flows

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 4,355 million 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



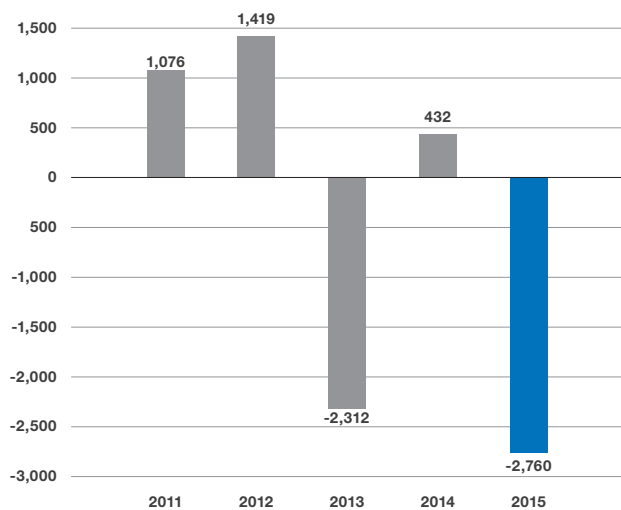
## Investments

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)



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

### 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

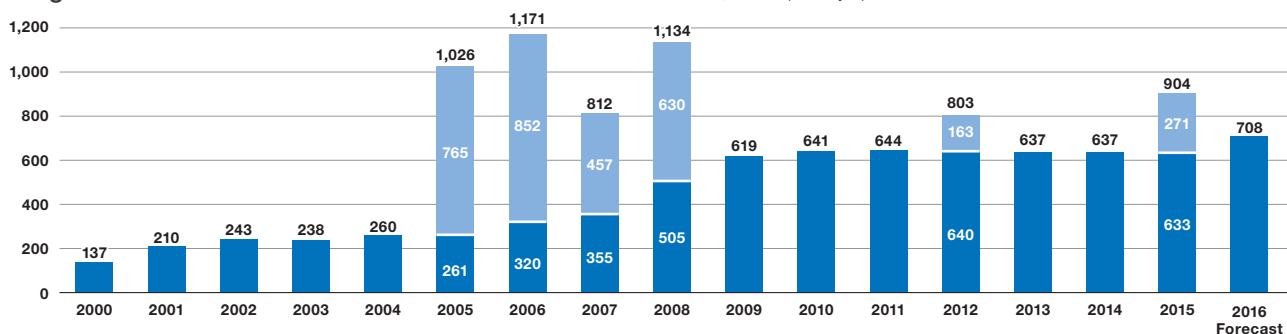
Investment in Jibo, Inc. which develops family robots

Amount of investment: ¥200 million

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 (Million yen)



# 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

Pursuing new mainstream technologies  
Tackling challenges in new business domains

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

Increasing added value of BPO  
All in AZAREA

- 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

Utilizing global support system centering on Asia  
Improving corporate capabilities through group-wide strategies

- 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

