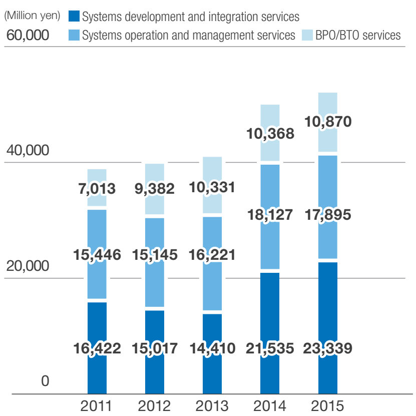
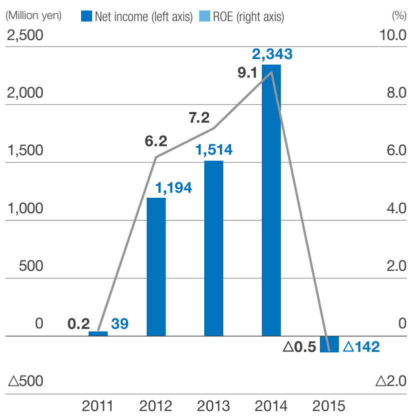
Financial highlights for the past 11 years

	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

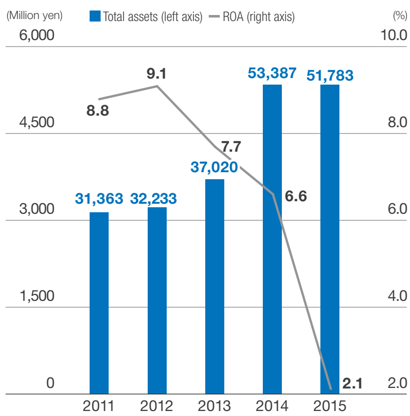
Net sales by segment



Net income/ROE

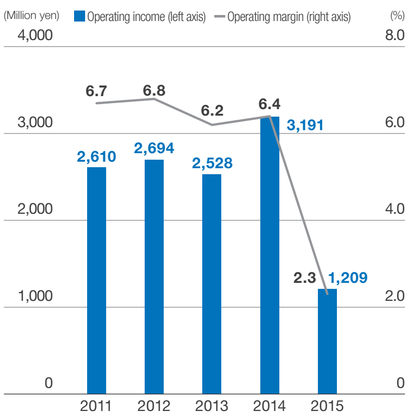


Total assets/ROA

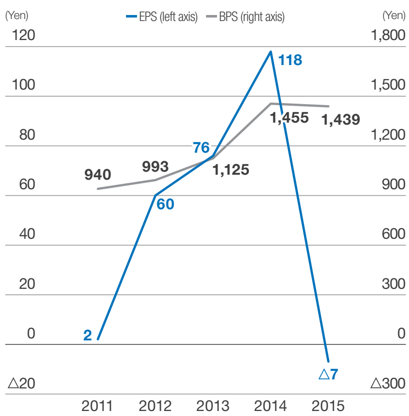


44th term FY2009	45th term FY2010	46th term FY2011	47th term FY2012	48th term FY2013	49th term FY2014	50th term FY2015
39,842	36,614	38,882	39,545	40,963	50,031	**52,105**
1,733	1,822	2,610	2,694	2,528	3,191	**1,209**
1,884	2,035	2,776	2,887	2,664	3,000	**1,080**
929	1,026	39	1,194	1,514	2,343	**△ 142**
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**

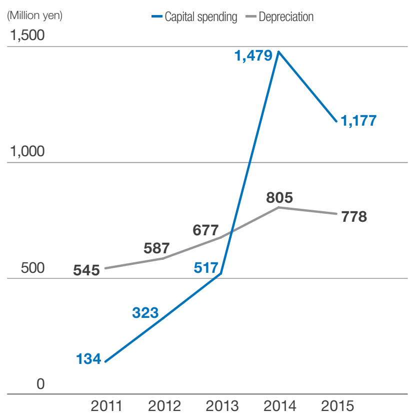
Operating income/Operating margin



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	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