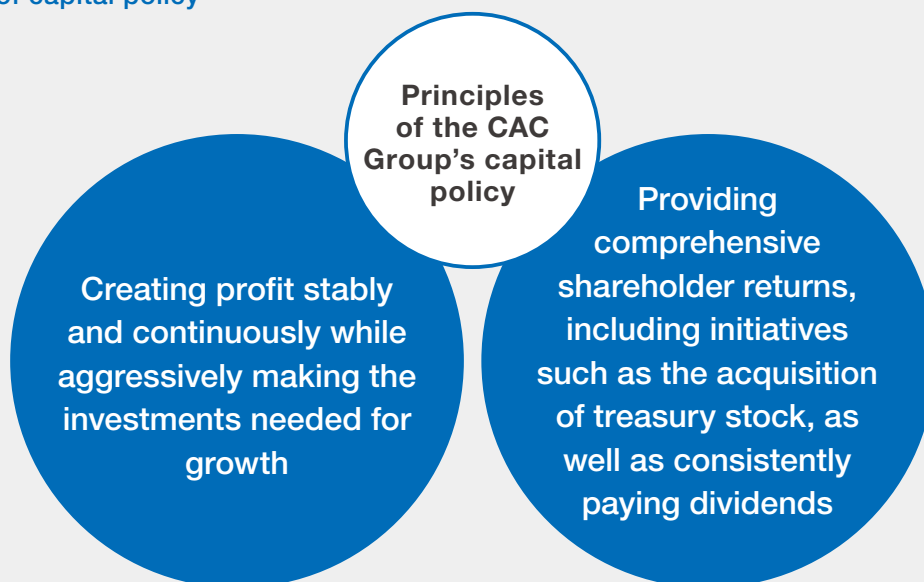


## We achieve growth and stable dividends.

### Principles of capital policy

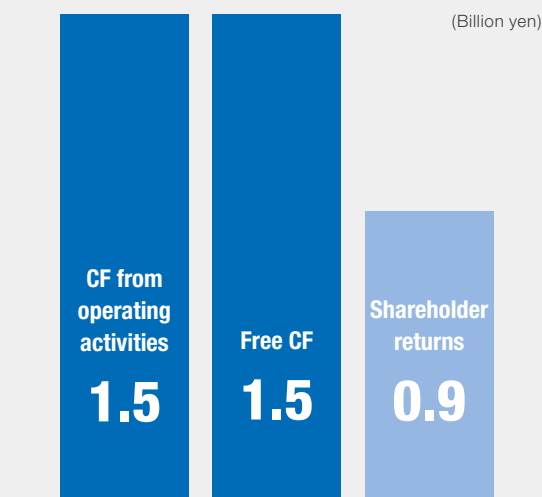


### Cash flows

Cash flows (CF) from operating activities for the fiscal year ended December 31, 2016 resulted in a net inflow of 892 million yen (compared to a net outflow of 770 million yen for the fiscal year ended December 31, 2015). There were inflows of 3,945 million yen as income before income taxes and minority interests, 1,532 million yen as a decrease in notes and accounts receivable, and 793 million yen as depreciation, while outflows included a gain on sale of investment securities of 3,701 million yen and income taxes paid of 1,424 million yen. CF from investing activities resulted in a net inflow of 3,233 million yen (compared to a net outflow of 2,760 million yen for the fiscal year ended December 31, 2015). There was an inflow of 5,967 million yen as proceeds from the sale of investment securities, which offset outflows including 1,421 million yen for the purchase of investment securities and 650 million yen for the purchase of intangible assets. CF from financing activities resulted in a net outflow of 1,920 million yen (compared to a net outflow of 796 million yen for the fiscal year ended December 31, 2015). This is attributed in part to outflows of 999 million yen for the acquisition of treasury stock and 707 million yen as cash dividends paid. As a result of the above, cash and cash equivalents at the end of December 2016 increased by 2,166 million yen from the end of December 2015, to 11,268 million yen.

CF from investing activities differs significantly among fiscal years, due in part to the acquisition of companies and the sale of investment securities. The average amount of CF from operating activities for the last five years and that of free CF are almost equivalent to each other, being as high as approximately 1.5 billion yen. We have returned approximately 0.9 billion yen to shareholders. This amount is more than 60% of the amount of free CF.

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



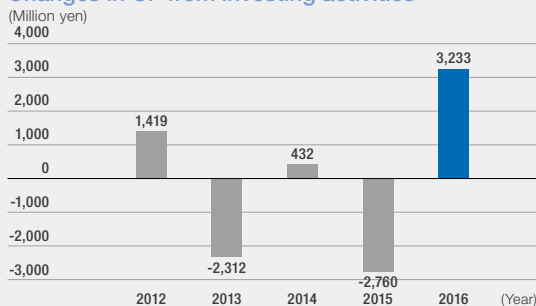
At the CAC Group, our financial strategy aims to deliver both investment for growth and stable shareholder returns. The following section provides an overview of our approach to finance.

### 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. In addition, we established a corporate venture fund in the United States in 2015 to pursue new technologies, and invested approximately 300 million yen for the fiscal year ended December 31, 2015 and approximately 500 million yen for the fiscal year ended December 31, 2016 in startup companies that we deemed beneficial for our future growth.

#### Changes in CF from investing activities



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

#### Major investments made over the past two years

<b>Fiscal year ended December 31, 2015</b>	<b>Acquisition of overseas IT companies</b> Amount of investment: ¥1,700 million Investments in two companies including Jibo, Inc., which develops family robots Total amount of investments: Approx. ¥300 million
<b>Fiscal year ended December 31, 2016</b>	Investments in six companies including Affectiva, Inc., which has technologies in Emotion Artificial Intelligence Total amount of investments: Approx. ¥500 million

comprehensive strengths and reinforce the business foundation of the group for sustainable growth. In the fiscal year ended December 31, 2016, we acquired 1,222,100 shares of treasury stock (5.67% of outstanding shares/approximately 999 million yen). In regards to dividends, we added a 50th anniversary dividend of 8 yen (full-year) to an ordinary (full-year) dividend of 32 yen, as a result of which we paid a full-year dividend of 40 yen per share. For the fiscal year ending December 31, 2017, we plan to pay an ordinary dividend of 36 yen per share for the full year, up 4 yen from the ordinary dividend paid in the previous fiscal year, in comprehensive consideration of cash on hand and other factors. 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

