

Briefing on Results for Fiscal Year 2017

– January to December 2017 –

February 14, 2018

CAC Holdings Corporation

- I. Overview of Financial Results for FY2017
- II. Results Forecasts for FY2018
- III. Overview of Medium-Term Strategy
(Determination 21)

I. Overview of Financial Results for FY2017

Overview of Consolidated Results (Year on Year)

Unit : million yen

	FY2016	FY2017	YoY Change	
			Amount	%
Net sales	52,521	53,268	747	+1.4%
Gross profit	10,479	10,272	(207)	(2.0%)
(profit margin)	20.0%	19.3%	(0.7pt)	
SG & A	9,277	9,573	295	+3.2%
Operating income	1,202	698	(503)	(41.9%)
(profit margin)	2.3%	1.3%	(1.0pt)	
Ordinary income	937	717	(219)	(23.4%)
(profit margin)	1.8%	1.3%	(0.4pt)	
Extraordinary income	3,701	2,949	(751)	(20.3%)
Extraordinary losses	693	1,545	+852	+122.9%
Net income	2,039	1,100	(938)	(46.0%)
(profit margin)	3.9%	2.1%	(1.8pt)	

- Net sales were flat year on year.
- Operating income declined significantly, due mainly to an operating loss at overseas subsidiaries and a fall in the profit margin in domestic IT.
- In extraordinary income, gain on sales of investment securities declined, and in extraordinary losses, impairment loss increased.

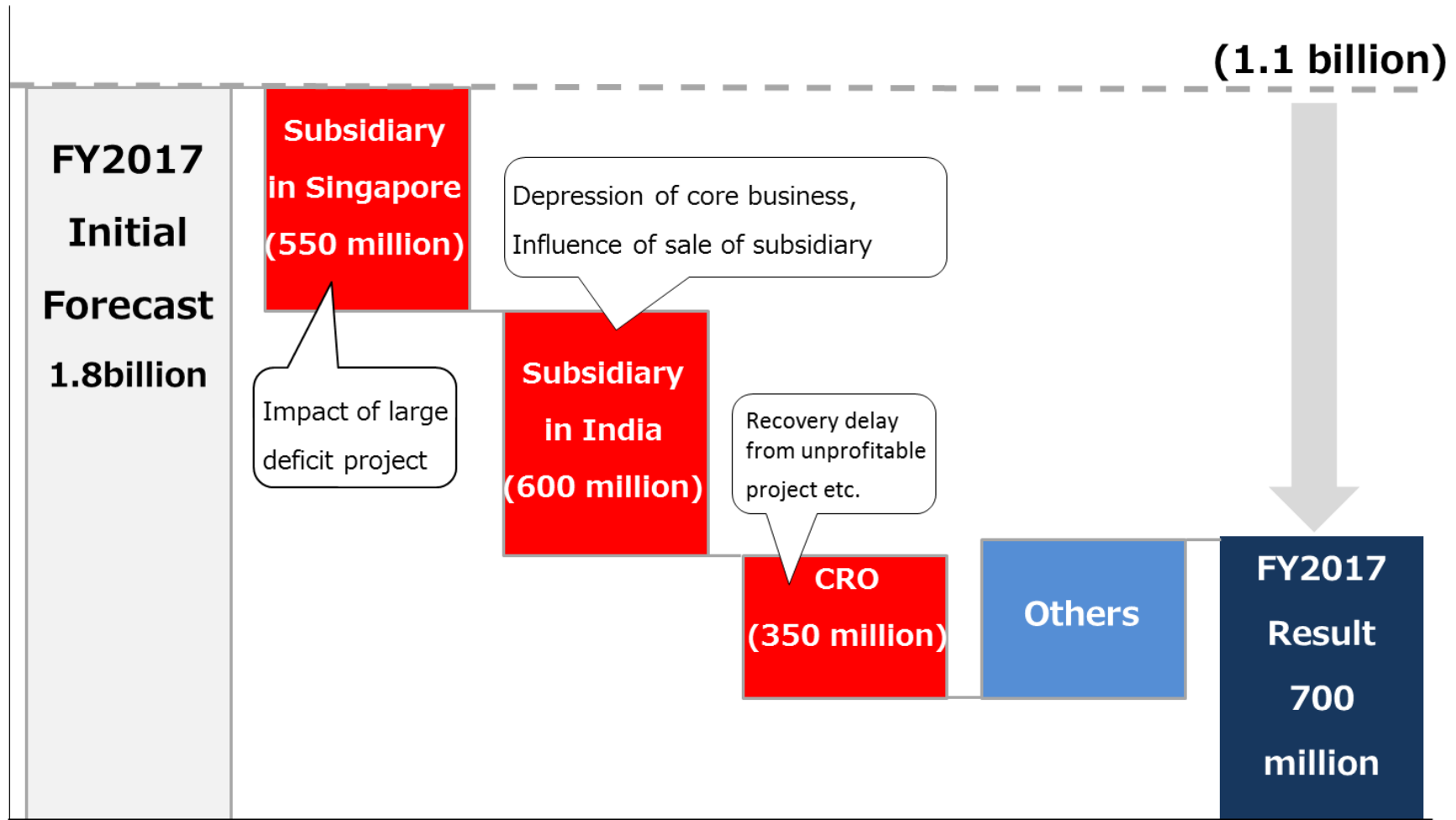
Comparison of Full-Year Results Forecasts

Unit: million Yen

	FY2017 Forecasts Revised	FY2017 Results	vs Forecasts	%	Initial Forecasts	VS Initial Forecasts
Net sales	53,000	53,268	+268	100.5%	54,000	(732)
Operating income	600	698	+98	116.4%	1,800	(1,102)
(profit margin)	1.1%	1.3%			3.3%	
Ordinary income	540	717	+177	133.0%	1,500	(783)
(profit margin)	1.0%	1.3%			2.8%	
Net income	1,100	1,100	+0	100.0%	1,100	+0
(profit margin)	2.1%	2.1%			2.0%	

※Net income refers to Profit attributable to owners of parent

Operating Income: Differences from Initial Forecast



Distribution of Net Sales and Operating Income

Overseas IT

Sales: 11.7 billion (+473 million)
Income: ▲532 million (▲450 million)

Domestic IT (including CAC)

Sales: 30.3 billion (▲159 million)
Income: 861 million (▲220 million)

CAC

CRO

Sales: 11.2 billion (+433 million)
Income: 368 million (+168 million)

Group

Sales: 53.2 billion (+747 million)
Income: 698 million (▲503 million)

- Figures in parentheses show year-on-year changes.
- Income refers to operating income.

Net Sales and Operating Income by Service (Consolidated)

Unit: million yen

Net sales

	FY2016		FY2017		YoY Change	
	Amount	vs Total	Amount	vs Total	Amount	%
Systems Development and Integration	22,764	43.3%	22,060	41.4%	(703)	(3.1%)
Systems Operation and Management	17,950	34.2%	18,879	35.4%	+928	+5.2%
BPO/BTO	11,807	22.5%	12,328	23.2%	+521	+4.4%
Total	52,521	100.0%	53,268	100.0%	+747	+1.4%

Operating income

	FY2016		FY2017		YoY Change	
	Amount	vs Total	Amount	vs Total	Amount	%
Systems Development and Integration	545	2.4%	(22)	—	(568)	—
Systems Operation and Management	279	1.6%	372	2.0%	+92	+33.3%
BPO/BTO	377	3.2%	348	2.8%	(28)	(7.5%)
Total	1,202	2.3%	698	1.3%	(503)	(41.9%)

Net Sales by Industry (Consolidated)

Unit: million yen

	FY2016		FY2017		YoY Change	
	Amount	vs Total	Amount	vs Total	Amount	%
Financial services	7,224	13.8%	7,253	13.6%	+28	+0.4%
Trust banks	4,237	8.1%	4,060	7.6%	(176)	(4.2%)
Phamaceuticals	17,067	32.5%	16,268	30.5%	(799)	(4.7%)
Food services	3,853	7.3%	3,105	5.8%	(748)	(19.4%)
Manufacturing	3,096	5.9%	3,360	6.3%	+263	+8.5%
Service and others	17,042	32.4%	19,221	36.2%	+2,179	+12.8%
Total	52,521	100.0%	53,268	100.0%	+747	+1.4%

Orders and Order Backlog (Consolidated)

Orders		Unit: million yen		
	FY2016	FY2017	YoY	
			Amount	%
Systems Development and Integration	22,017	20,884	(1,132)	(5.1%)
Systems Operation and Management	17,739	18,686	+947	+5.3%
BPO/BTO	11,171	12,576	+1,404	+12.6%
Finacial services	6,697	7,037	+339	+5.1%
Trust banks	4,352	3,912	(439)	(10.1%)
Pharmaceuticals	15,179	16,513	+1,334	+8.8%
Food services	3,411	2,909	(501)	(14.7%)
Manufacturing	3,249	3,301	+52	+1.6%
Service and others	18,038	18,472	+434	+2.4%
Total	50,928	52,147	+1,219	+2.4%
Backlog	16,907	15,786	(1,120)	(6.6%)

Consolidated Balance Sheets (B/S)

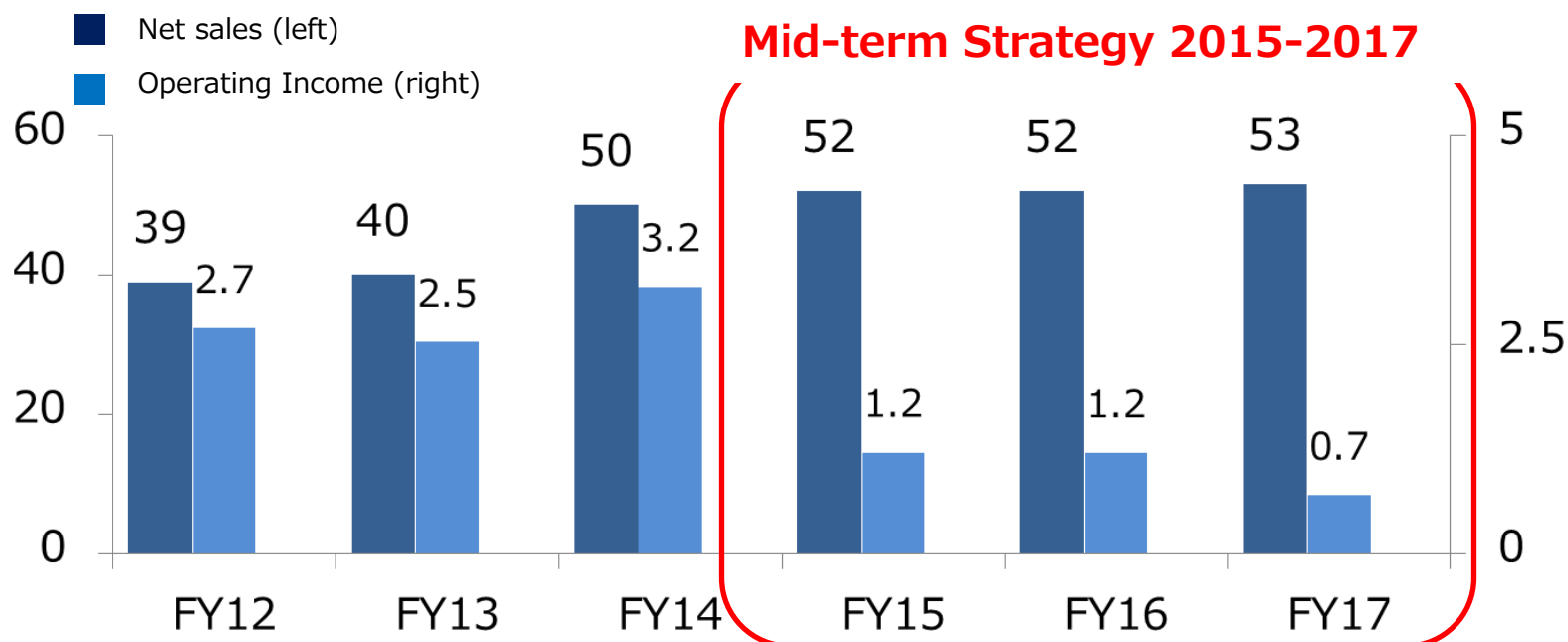
Unit: million yen

	As of December 31 2016	As of December 31 2017	YoY	Main factor
Current assets	26,468	24,084	(2,383)	Cash and deposits
Non-current assets	23,876	30,041	+6,165	
Property, plant and equipment	1,731	1,392	(338)	
Intangible assets	4,736	3,871	(864)	Goodwill
Investments and other assets	17,408	24,777	+7,369	Investment securities
Total assets	50,344	54,125	+3,781	
Liabilities	22,661	21,696	(964)	
Current liabilities	13,218	11,120	(2,098)	Notes and accounts payable - trade, Short-term loans payable
Non-current liabilities	9,442	10,576	+1,133	Long-term deferred tax (credit)
Net assets	27,683	32,429	+4,745	Net unrealized gains on securities
Liabilities and net assets	50,344	54,125	+3,781	

II. Results Forecasts for FY2018

Review of the Previous Medium-Term Strategy

(Unit: Billion Yen)



■ Factors for stagnant income ⇒ Poor performance of areas of focus (overseas and CRO)

2015 - 2016	Overseas business: Write-off of doubtful accounts receivable at a subsidiary in India. CRO business: Excess personnel due to a failure to receive an order for a monitoring project
2017	Overseas business: Failure of a large project at a subsidiary in Singapore Stagnation of development business at a subsidiary in India, etc. CRO business: Unprofitable operation of a large project

Results Forecasts for FY2018

Unit: million yen

	FY2017 Results	FY2018 Forecasts	YoY %
Net sales	53,268	54,000	+1.4%
Operating income	698	1,600	+129.1%
(profit margin)	1.3%	3.0%	
Ordinary income	717	1,500	+108.9%
(profit margin)	1.3%	2.8%	
Net income	1,100	1,100	(0.0%)
(profit margin)	2.1%	2.0%	
Dividends	36 yen	38 yen	+2 yen

Points for Improvement of Business Performance



Domestic IT business

- An increase in opportunities to receive orders associated with a new digital shift
- Strengthened project management



Overseas IT business

- Separation of unprofitable businesses
- Capturing of local demand



CRO business

- Comprehensive cost reductions
- Dissolution of low-profit projects



New businesses

- Investments based on the Medium-Term Strategy

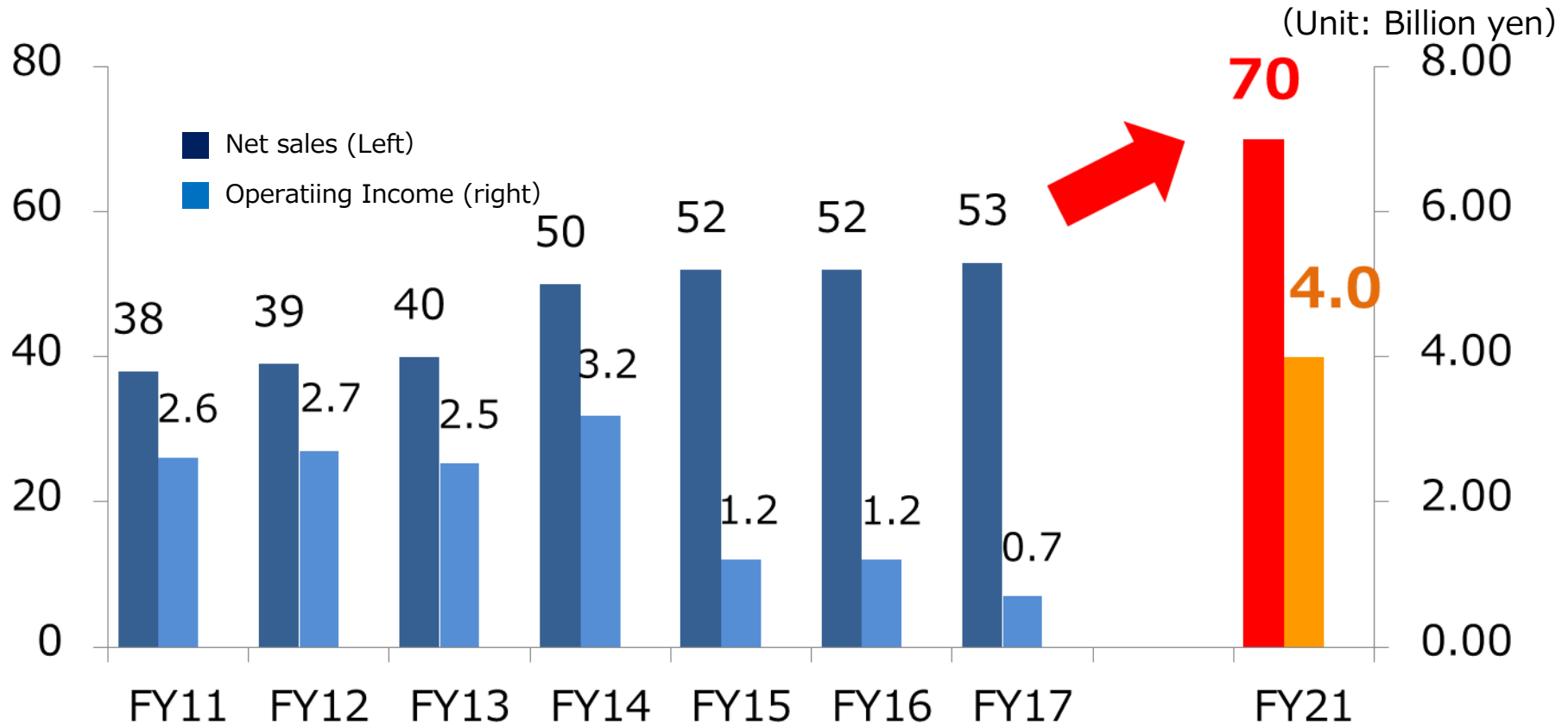
III. Overview of Medium-Term Strategy (Determination 21)

Recognition of challenges

- Rapid expansion and penetration of digital transformation
- Formation of the borderless and seamless global market
- Old-fashioned system integrators and outsourcers are likely to be eliminated

Aiming to develop into a corporate group that is able to respond to these major changes above

**FY2021 : Net sales 70 billion
operating income 4 billion**



Existing businesses

Net sales: 50 billion
Operating income:
2.5 billion

New businesses

Net sales: 20 billion
Operating income:
1.5 billion

Initiative 1: Improvement of Earnings Power in Existing Businesses

Domestic IT business

- New digital shift
- Reverse innovation
- Expansion of business territory

Overseas IT business

- Focus on India and China
- Business restructuring

CRO business

- Expansion of peripheral businesses
- Full-fledged operation in India and China
- Continued cost reduction measures

Common to all businesses

- Catching up and following up on digital technologies by establishing an R&D center in each of Japan, China and India as the foundation for each initiative
- Development and expansion of the investment business as a Group

Aim to record net sales of ¥50 billion and operating income of ¥2.5 billion by FY2021

Initiative 2: Creation and Expansion of New Business Domains

Investment in and M&A with companies that are expected to grow



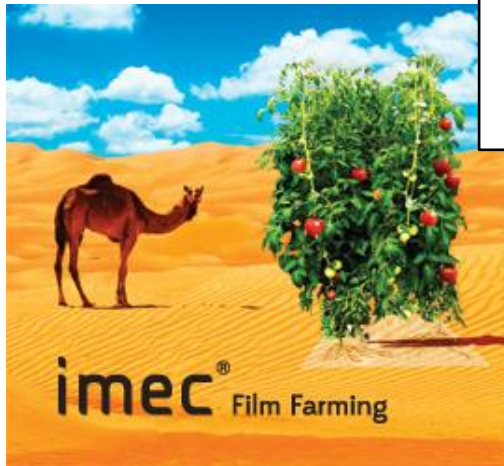
Aim to record net sales of ¥20 billion and operating income of ¥1.5 billion by FY2021

Examples: Creation and Expansion of New Business Domains

Medical tourism



Emotion recognition AI



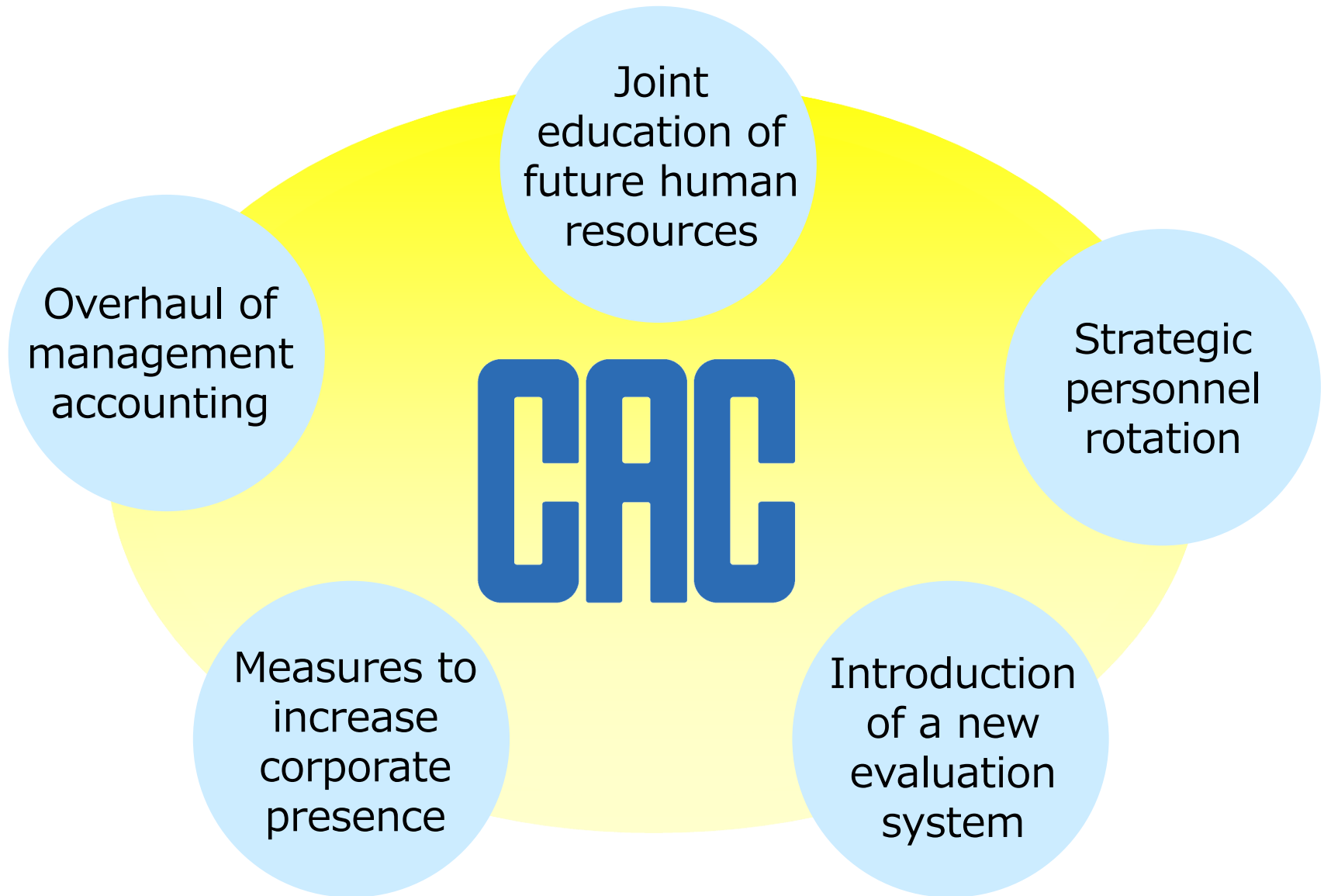
Film Farming

Inbound services



Jibo

Initiative 3: Strengthening and Revitalizing of the Group

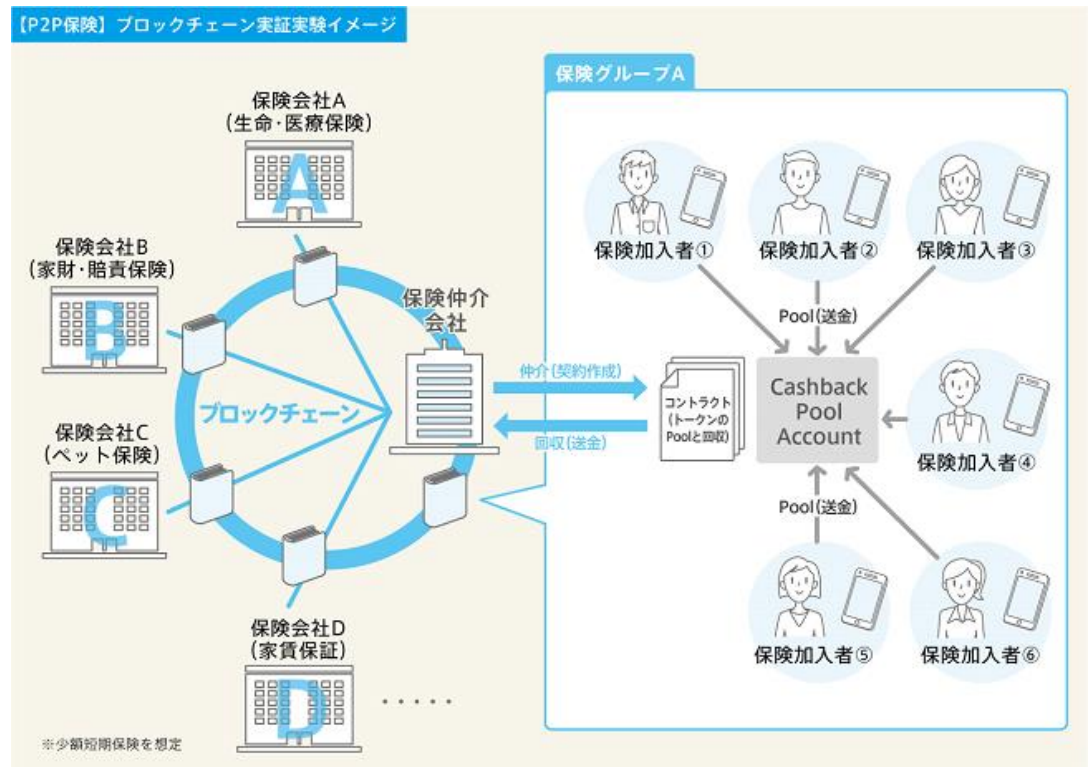


Appendix: Initiatives and Major News in the Second Half of FY2017

Acquisition of New Technologies and New Business Domains

Commencement of services using blockchain

- Cooperation with Toppan Printing
- Launched a demonstration experiment service that combines blockchain, AI and IoT
- Rolled out to other sectors in addition to financial institutions

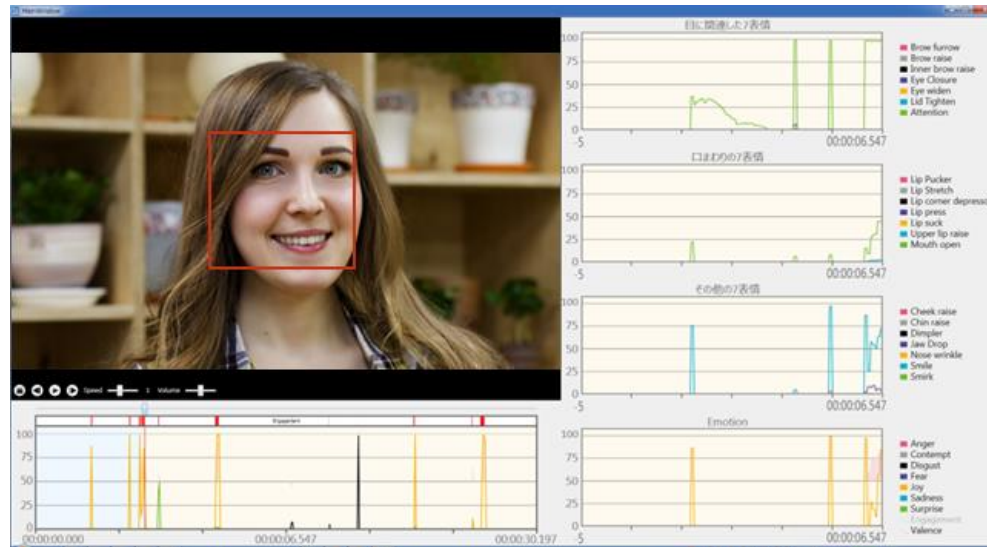


P2P Insurance:

A type of group insurance for sharing the insurance risk by connecting policyholders of the same kind of insurance.

Emotional-recognition AI: Began providing *Kokoro Sensor*, a video analysis service

- A video analysis service that is able to convert emotions into numerical data by analyzing the emotions of people appearing in video using emotion recognition AI
- Expected to be utilized for research, product development and customer satisfaction surveys, etc.



Initiation of CVC fund for domestic companies



- Initiated a standalone corporate venture capital fund that we operate on our own. The total amount of funds under management is planned to be ¥3 billion (maximum).
- Endeavor to create new businesses that will contribute to the medium- to long-term growth of the Group by investing in domestic companies with services that capture future social needs and with different business models.

Strengthening of the Global Collaboration System

Entry into the advanced drive-assistance system (ADAS) area based on cooperation between Japan and India

- Develop ADAS projects in Japan based on cooperation between CAC and AFL with a proven record in ADAS in India.
- Expand business by increasing the number of engineers in the future.



Activities for the dissemination and support of Boccia, a sport for the disabled

- Have supported Boccia since 2016 as part of our social contribution.
- Held the first CAC Cup, a friendly Boccia competition for students.
- Implemented a Boccia equipment donation project. Donated Boccia equipment to 14 groups.
- Certified as a Tokyo Metropolitan Sports Promotion Company, the same as last year, and also as a Sports Yell Company implemented by the Japan Sports Agency



Major News in the Second Half (1/2)

July 18, 2017	<p>Established the CAC Special Award with an investment fund of ¥50 million in the Startup World Cup 2018 – Selected one company from the finalists in the Japan preliminary round.</p> <p>CAC Holdings established the CAC Special Award in the Japan preliminary round of the Startup World Cup 2018 for the purpose of activating a startup ecosystem in Japan and promoting innovations. In the CAC Special Award, CAC Holdings selected Mebiol Inc., which develops film farming to produce safe and nutritious agricultural products, from 10 finalist companies and presented it with the investment fund of ¥50 million and accommodation expenses and an airline ticket to participate in the final contest held in Silicon Valley in 2018.</p>
August 29, 2017	<p>CAC began providing C-Wells, a health management support solution specializing in nursing-care companies.</p> <p>CAC began providing health management assessment as the first service of C-Wells, a health management support solution for companies in the nursing-care industry. This is a service for understanding the health management situation of an organization and discovering improvement points from local input based on the responses of its employees to assessment that takes the characteristics of the nursing-care industry into account. This service aims to contribute to the healthy development of the industry by improving productivity and reducing the turnover rate in the industry and contributing to the enhancement of enterprise value through the provision of this service.</p>

Major News in the Second Half (2/2)

<p>September 30, 2017</p>	<p>CAC Group hosted the first CAC Cup, a friendly competition of Boccia, a sport for the disabled, for students.</p> <p>For the purpose of further disseminating and supporting Boccia, a sport for the disabled, which CAC Group has implemented since 2016 as one of its social contribution activities, CAC Group hosted the CAC Cup, a friendly competition for students, at the Ariake Sports Center. Based on the experience that the Group has cultivated in volunteer activities, the employees of the Group designed and operated the CAC Cup on their own. Eleven teams from seven special schools in Tokyo participated in it. It provided students who work hard at Boccia practice with an opportunity to demonstrate the results of their daily training, improve their Boccia skills and etiquette through the competition and raise their awareness of the lifelong sport.</p>
<p>October 17, 2017</p>	<p>CAC and Toppan Printing cooperated in blockchain and built a system to support the implementation of PoC to promote the digital transformation of financial institutions by combining blockchain, AI and IoT.</p> <p>Jointly with Toppan Printing Co., Ltd., CAC built a system to support PoC (Proof of Concept, which is conducted to verify the feasibility of new theory and technology in the development of a new product or service or a large commercial project) by combining blockchain, AI and IoT. CAC began providing a PoC support service, which supports the realization of the digital reinvention of products and services with a total solution ranging from consulting to system development and result verification, to financial institutions in November 2017.</p>



CAC Holdings Corporation

CAC Group helps disseminate and develop Boccia, a sport for the disabled.



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