



# 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	%
<b>Net sales</b>	52,521	53,268	747	+1.4%
<b>Gross profit</b>	10,479	10,272	(207)	(2.0%)
(profit margin)	20.0%	19.3%	(0.7pt)	
<b>SG &amp; A</b>	9,277	9,573	295	+3.2%
<b>Operating income</b>	1,202	698	(503)	(41.9%)
(profit margin)	2.3%	1.3%	(1.0pt)	
<b>Ordinary income</b>	937	717	(219)	(23.4%)
(profit margin)	1.8%	1.3%	(0.4pt)	
<b>Extraordinary income</b>	3,701	2,949	(751)	(20.3%)
<b>Extraordinary losses</b>	693	1,545	+852	+122.9%
<b>Net income</b>	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.

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### (Net sales)

Net sales increased ¥700 million. However, given that the impact of exchange rates was nearly ¥700 million, we think that net sales were actually flat from the previous year.

(Gross profit) Gross profit declined despite the increase in net sales. Profit declined ¥350 million in overseas IT, and sales and profit decreased in domestic IT, including CAC, a subsidiary. As a result, gross profit declined by a little less than ¥200 million.

### (SG&A expenses)

SG&A expenses increased about ¥200 million in CAC Croit, which is CRO, mainly due to the impact of personnel expenses.

SG&A expenses also increased about ¥200 million at Accel Frontline, a subsidiary in India.

### (Operating income)

Operating income declined ¥450 million year on year due to an operating loss in overseas IT, and decreased ¥220 million year on year in domestic IT.

At CAC Croit (CRO), operating income increased about ¥170 million year on year.

In overseas IT, two companies, namely Accel Frontline in India and Sierra Solutions (already sold) in Singapore, pushed down income significantly, and this had an impact.

### (Extraordinary income)

In 2016, we recorded extraordinary income of ¥3.7 billion, but it was due to the sale of investment securities. In particular, Recruit Holdings conducted the secondary offering of its shares, and we proceeded with asset sale to capitalize on it.

While we also sold securities in the fiscal year under review, gain on sales was about ¥1.8 billion less than the previous year.

### (Extraordinary losses)

In 2016, expenses for business restructuring at Accel Frontline in India had an impact.

In 2017, we recorded an impairment loss of ¥1.3 billion at Sierra Solutions.

## Comparison of Full-Year Results Forecasts

Unit: million Yen

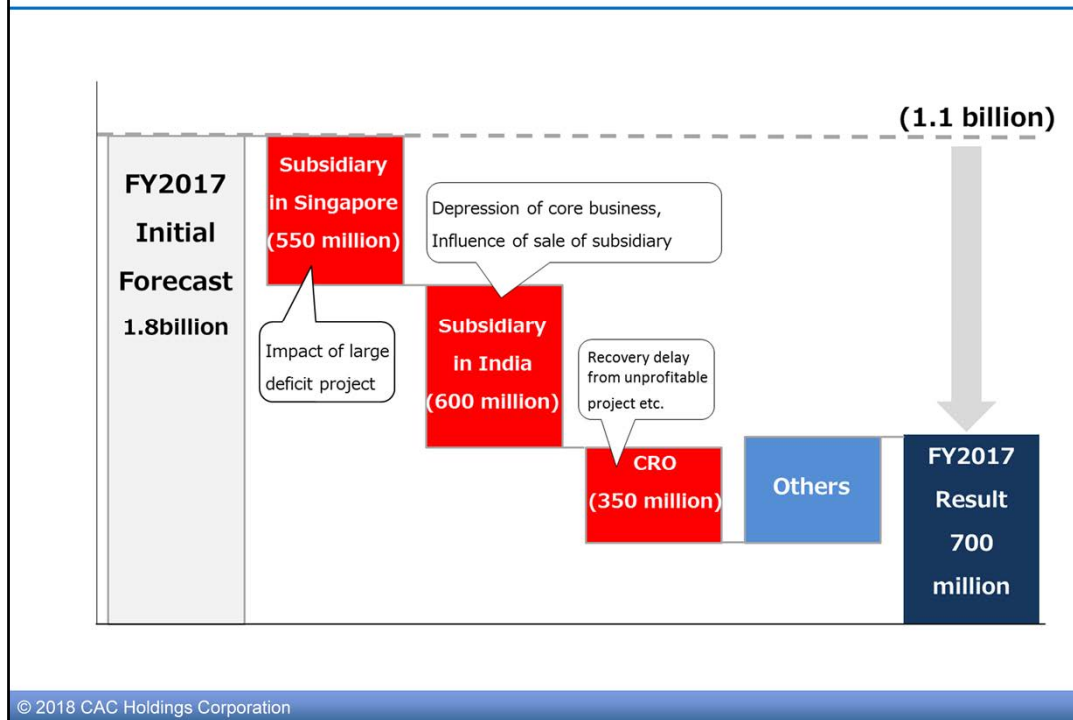
	FY2017 Forecasts Revised	FY2017 Results	vs Forecasts	%	Initial Forecasts	VS Initial Forecasts
Net sales	53,000	53,268	+268	100.5%	54,000	(732)
Operating income	600	698	+98	116.4%	1,800	(1,102)
(profit margin)	1.1%	1.3%			3.3%	
Ordinary income	540	717	+177	133.0%	1,500	(783)
(profit margin)	1.0%	1.3%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

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- Our full-year results forecasts have almost fallen within the revised values we announced on November 10, 2017.
- Although the amount of difference is less than ¥200 million, we have disclosed it in the “Notice of Differences Between Consolidated Results Forecasts and Actual Results for FY2017” published today because ordinary income was more than 30% greater than the forecast.

## Operating Income: Differences from Initial Forecast



Differences from initial forecast (announced on February 14, 2017)

(A subsidiary in Singapore (Sierra Solutions))

A large project for a state-run hospital in Thailand became unprofitable. At the beginning of the period, operating income of ¥200 million was expected in FY2017 because the project was planned to return to normal. However, the project remained unprofitable, and an operating loss of ¥300 million was recorded.

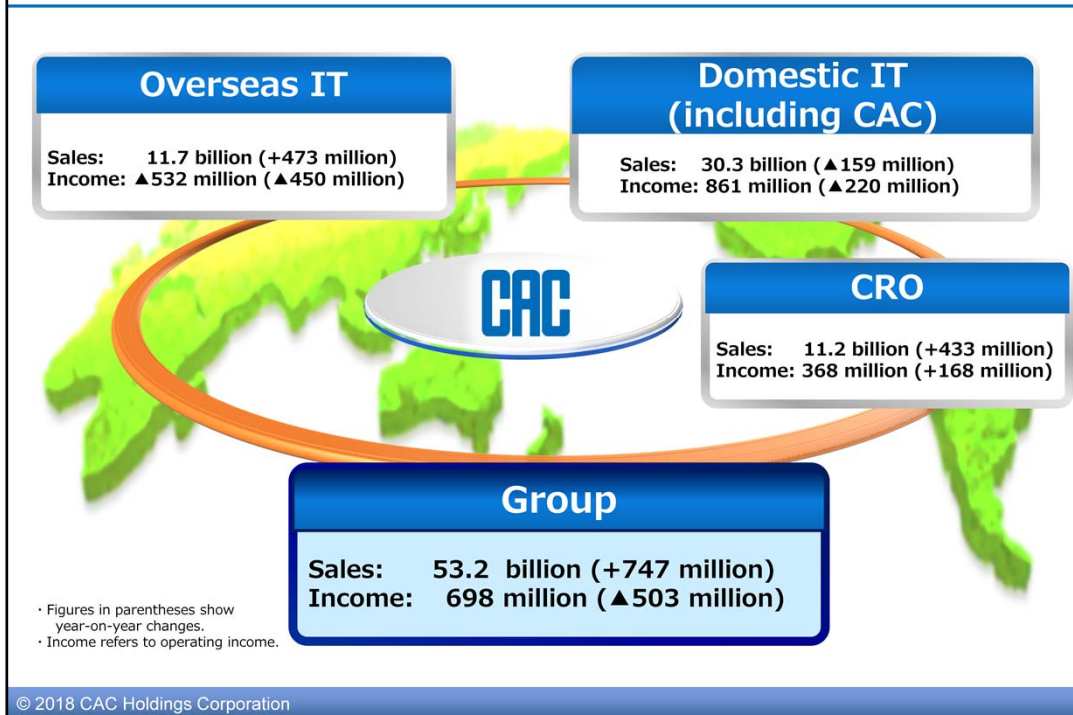
(A subsidiary in India (Accel Frontline))

At the beginning of the period, operating income of about ¥600 million was expected, but operating income came to almost zero due to the sluggish core business in India and the effect of the sale of a Singaporean subsidiary of Accel Frontline.

(CRO (CAC Croit))

Operating income declined from the initial forecast of ¥600 million to less than ¥300 million due to delay in the recovery of an unprofitable project.

## Distribution of Net Sales and Operating Income



In overseas IT, income declined due to the poor performance of Sierra Solutions and a delay in the recovery of Accel Frontline, and an operating loss was posted as a result.

## 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%)

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(Systems Development and integration)

Net sales: Net sales declined as a result of a fall in sales to pharmaceuticals in Japan.

Operating income: Domestic IT did not fare well, but the major factor for an operating loss in this segment was a decline in operating income by nearly ¥600 million year on year at two overseas subsidiaries.

Systems Development and integration are the core business in our commissioned development.  
Rebuilding this segment is a major strategic point.



## 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%

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### (Pharmaceuticals)

Sales declined ¥800 million year on year due to the effect of a significant fall in system projects for pharmaceutical companies in Japan.

### (Financial services)

Large projects for mega banks were restored to their normal state. Sales declined ¥400 million in Japan and increased more than ¥400 million overseas. As a result, sales increased year on year.

### (Food services)

Sales declined year on year due to a fall in sales to large customers in Japan.

### (Service)

Sales increased significantly, and overseas sales had a significant positive impact. Particularly sales to local carriers, customers of Accel Frontline in India, rose about ¥1.2 billion.

## Orders and Order Backlog (Consolidated)

Orders	FY2016	FY2017	Unit: million yen	
			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%
Financial 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%)

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- Orders received totaled ¥52.1 billion, an increase of ¥1.2 billion year on year.

The order backlog stood at ¥15.7 billion, a decrease of ¥1.1 billion year on year.

- Orders were strong, but the major factor for this was that there were many long-term orders (where the period from orders received to the recording of sales is extended).

In the fiscal year under review, orders were recorded as sales.

- By segment, orders received declined in system development and integration services, and the major factor for this was a decrease in orders received from pharmaceuticals and trust banks. Orders received from a single trust bank declined about ¥800 million.

Orders received increased in BPO/BTO services, and the major factor was growth in orders by ¥1.2 billion in CRO (pharmaceutical BTO).

- The decline in order backlog was mainly attributable to a fall in order backlog in overseas IT.

## Consolidated Balance Sheets (B/S)

Unit: million yen

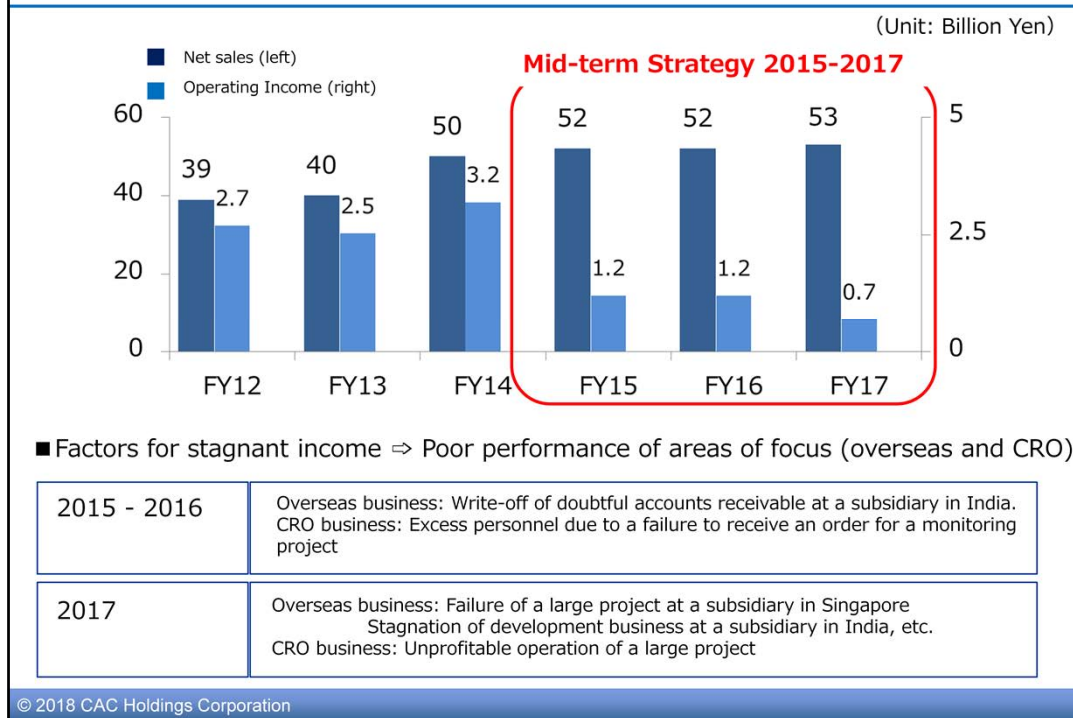
	As of December 31 2016	As of December 31 2017	YoY	Main factor
<b>Current assets</b>	26,468	24,084	(2,383)	Cash and deposits
<b>Non-current assets</b>	23,876	30,041	+6,165	
Property, plant and equipment	1,731	1,392	(338)	
Intangible assets	4,736	3,871	(864)	Goodwill
Investments and other assets	17,408	24,777	+7,369	Investment securities
<b>Total assets</b>	50,344	54,125	+3,781	
<b>Liabilities</b>	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)
<b>Net assets</b>	27,683	32,429	+4,745	Net unrealized gains on securities
<b>Liabilities and net assets</b>	50,344	54,125	+3,781	

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- The gain on the valuation of securities increased ¥4.1 billion due to a rise in share prices, and this was the major factor for the increase in net assets.

## II. Results Forecasts for FY2018

## Review of the Previous Medium-Term Strategy



- The previous medium-term strategy was to expand the business and business domains of the Group by investing in overseas and CRO.

→ While sales grew slightly, income was pressed down as a result.

- In 2015 and 2016, Accel Frontline, a subsidiary in India, recorded an operating loss.

An unprofitable project also arose in CRO in 2015, and operating income declined ¥700 million year on year.

- In 2017, Sierra Solutions, a subsidiary in Singapore, failed in a large project, etc.

Accel Frontline in India remained unable to make a profit due to stagnant business in India, in addition to the worsened business confidence in Dubai where its subsidiary is located.

CRO was recovering, but operations related to clinical trials continued to be unprofitable.

→ As a result, the areas of focus worked negatively.

## 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%	
<b>Dividends</b>	36 yen	38 yen	+2 yen

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Results forecasts for FY2018 are similar to those at the beginning of FY2017.  
Annual dividend is set at ¥38, an increase of ¥2 from the previous year.

## Points for Improvement of Business Performance

 <b>Domestic IT business</b>	<ul style="list-style-type: none"><li>• An increase in opportunities to receive orders associated with a new digital shift</li><li>• Strengthened project management</li></ul>
 <b>Overseas IT business</b>	<ul style="list-style-type: none"><li>• Separation of unprofitable businesses</li><li>• Capturing of local demand</li></ul>
 <b>CRO business</b>	<ul style="list-style-type: none"><li>• Comprehensive cost reductions</li><li>• Dissolution of low-profit projects</li></ul>
 <b>New businesses</b>	<ul style="list-style-type: none"><li>• Investments based on the Medium-Term Strategy</li></ul>

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(Domestic IT business)

- New digital shift: With a particular focus on efforts to capture demand for AWS (Amazon Web Services), a cloud service platform, we will revive income by increasing opportunities to receive orders.
- We will manage projects overall to prevent them from becoming unprofitable by strengthening their management.

(Overseas IT business)

- Because we have separated off (sold) Sierra Solutions, a subsidiary in Singapore, that recorded an operating loss in 2017, this was a factor for higher income.
- We are also considering the separation of unprofitable businesses at Accel Frontline in India.
- In India and China, because demand from companies and schools is strong, we will focus on receiving orders there.

(CRO business)

- CRO business faces the situation of excess personnel and no flexibility.
- We will implement thorough management of losses from non-performance and projects in an environment of excessive competition.
- We plan to resolve low profitability at an early stage.

→ We anticipate operating income of ¥1.3 billion in the three businesses above.

→ Remaining ¥300 million will be generated from new businesses.

### 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

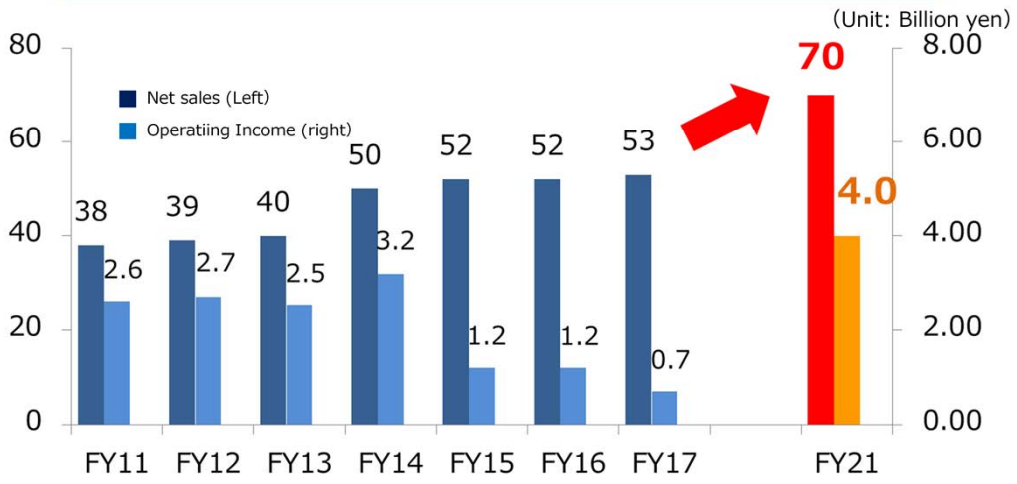
**Aiming to develop into a corporate group  
that is able to respond to these major  
changes above**

[As described on the slide]

# Numerical Targets



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



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Target numbers are as indicated on the slide.

### Existing businesses

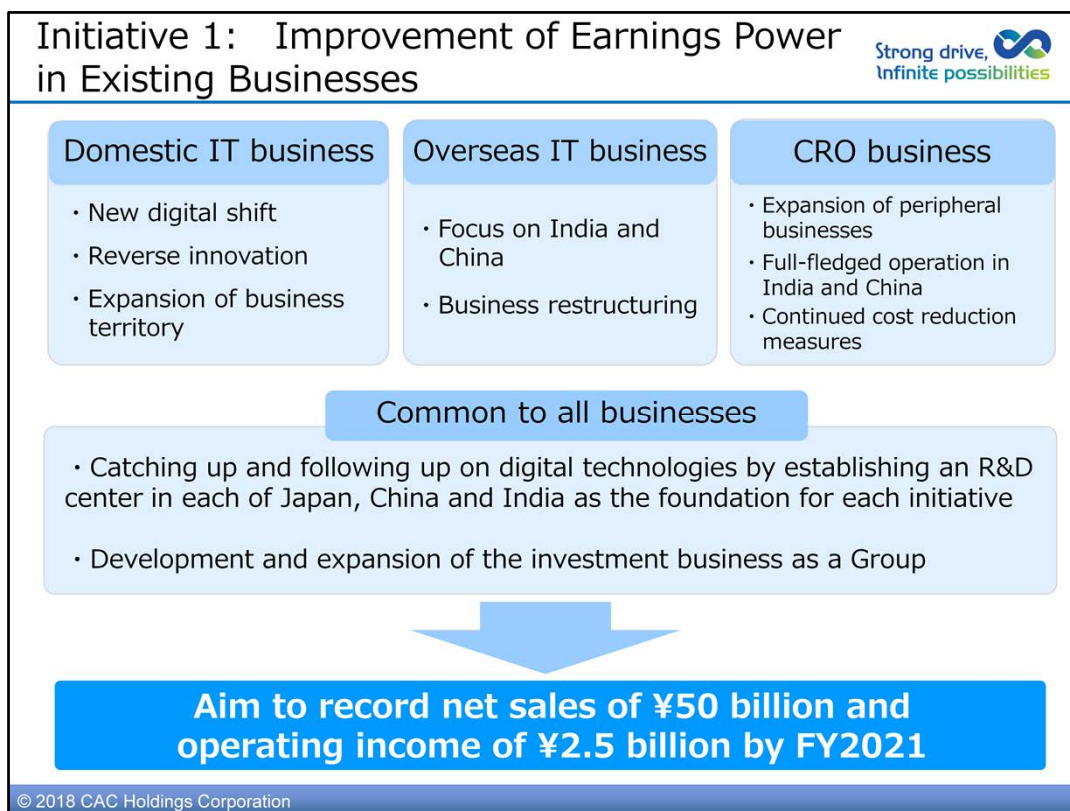
**Net sales: 50 billion**  
**Operating income:**  
**2.5 billion**

### New businesses

**Net sales: 20 billion**  
**Operating income:**  
**1.5 billion**

### Breakdown of target numbers

- Existing businesses refer to businesses of the Group companies as of the end of 2017.  
We expect that their net sales will in fact decline to ¥50 billion.  
We aim to revive their operating income to ¥2.5 billion.
- New businesses refer to businesses planned by a specialized unit of CAC Holdings called the Innovative Business Planning Department, including M&A, business and capital alliances and an industry-academia partnership. We will grow them into businesses with net sales of ¥20 billion and operating income of ¥1.5 billion.



(Domestic IT business)

- In reverse innovation, we will bring solutions provided by overseas subsidiaries into Japan to develop them in Japan. Currently, we are providing Japanese customers with services such as the technology of Accel Frontline in India for autonomous driving support systems, which we provide to auto parts makers in Japan.
- As for the expansion of our business territory, we will focus on expanding in western Japan, in particular.

(Overseas IT business)

- We have our sights set on the huge market in India and China.
- As for business restructuring, we will think about implementing separation, acquisition and consolidation, etc.

(CRO business)

- Peripheral businesses refer to those which we will newly create as an extension of existing businesses, such as clinical trial-related operations and pharmacovigilance operations. They include, for example, a contract for chemical compound management based on the support of the Ministry of Health, Labour and Welfare.
- We have assigned 40 employees to the CRO team in China. We will also increase the CRO staff in India.

(Common to all businesses)

- At the R&D center, more promising developments are emerging in China and India, rather than in Japan. Several interesting ideas have been emerging free from existing businesses. Because some show signs of success, we will continue to expand them.

## Initiative 2: Creation and Expansion of New Business Domains

Strong drive,  
Infinite possibilities

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**

[As described on the slide]

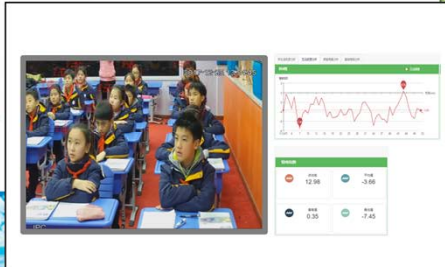
## Examples: Creation and Expansion of New Business Domains

Strong drive,  
Infinite possibilities

### Medical tourism



Film Farming



Emotion recognition  
AI

### Inbound services



Jibo

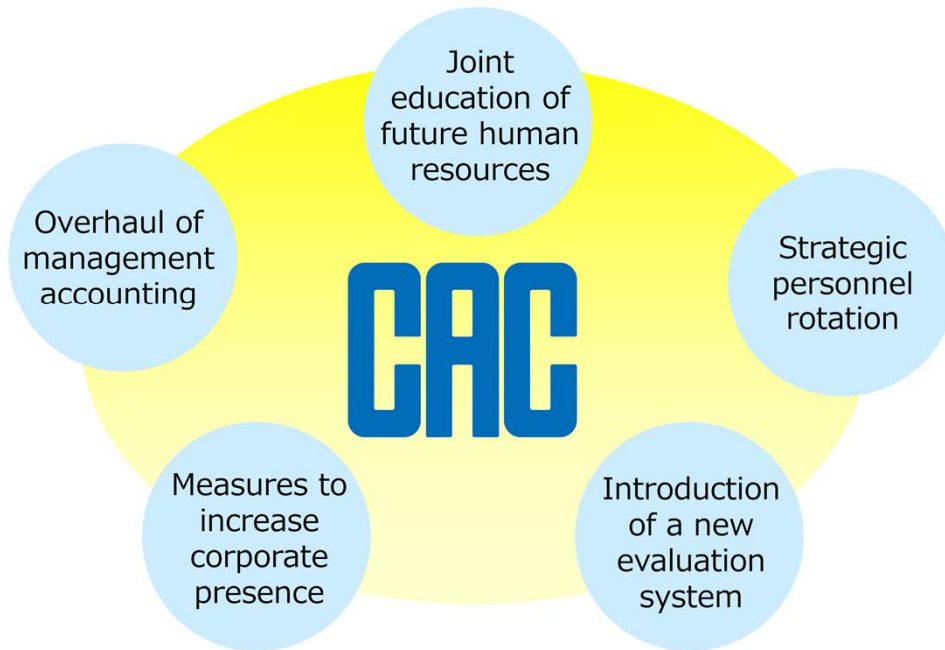
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- In China, emotional-recognition AI is used to evaluate teachers by recording classes at school and understanding students from their expressions.
- In inbound services, we are thinking about creating a service in cooperation with a medical corporation that will enable Chinese tourists to reserve medical tourism on a booking site they use when they come to Japan.



## Initiative 3: Strengthening and Revitalizing of the Group

Strong drive,  
Infinite possibilities



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We will implement the joint education of human resources and strategic rotation as the entire Group.

We will also work on measures to increase corporate presence to enhance the corporate value of the entire Group as a listed holding company.

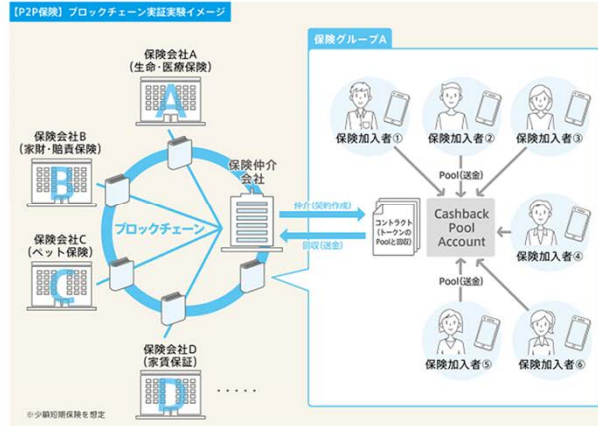
Appendix: Initiatives and  
Major News in the  
Second Half of FY2017



## 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

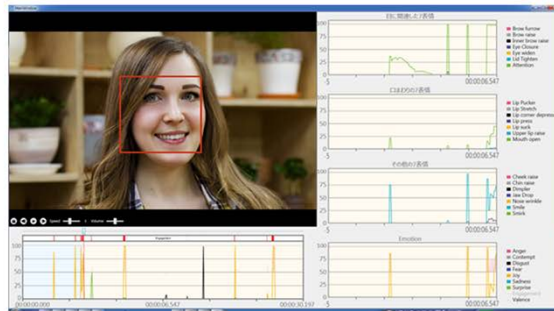


P2P Insurance:  
A type of group insurance for sharing the insurance risk by connecting policyholders of the same kind of insurance.

## Acquisition of New Technologies and New Business Domains

### 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.



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AFL: Accel Frontline, a subsidiary in India

## CSR Activities

### **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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