

# **Briefing on Results for the 1<sup>st</sup> half FY2018**

– January to June 2018 –

August 10, 2018

**CAC Holdings Corporation**

I . Overview of Financial Results for  
the 1<sup>st</sup> half FY2018

II . Initiatives of CAC Group

# I . Overview of Financial Results for the 1<sup>st</sup> half FY2018

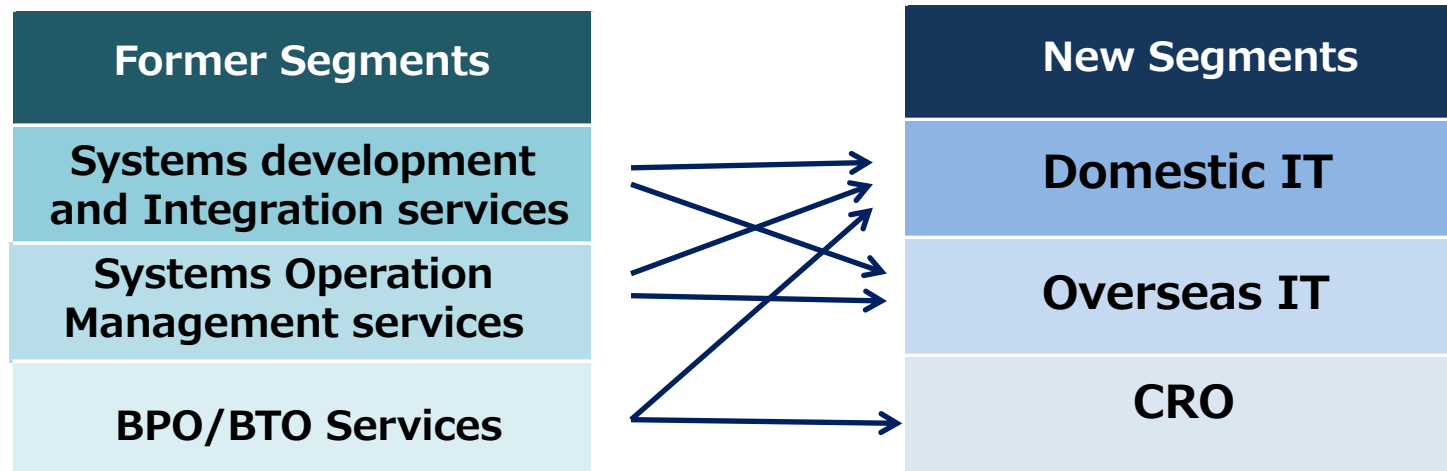
# Overview of Consolidated Results (Year on Year)

	1st half FY2017	1st half FY2018	YoY Change		(JPY mil.)
			Amount	%	
Net Sales	28,177	25,440	(2,737)	(9.7%)	
Gross profit	5,462	5,077	(385)	(7.0%)	
(profit margin)	19.4%	20.0%	0.6pt		
SG & A	5,056	4,542	(513)	(10.2%)	
Operating income	406	534	+128	+31.6%	
(profit margin)	1.4%	2.1%	0.7pt		
Ordinary income	321	477	+155	+48.4%	
(profit margin)	1.1%	1.9%	0.7pt		
Extraordinary income	1,161	360	(800)	(68.9%)	
Extraordinary losses	153	161	+7	+4.8%	
Net income	550	283	(266)	(48.4%)	
(profit margin)	2.0%	1.1%	(0.8pt)		

- Net sales decreased around 10%, mainly due to the impact of sales of overseas subsidiaries and a fall in sales to major accounts in Japan.
- Operating income and ordinary income increased thanks primarily to the recovery of profit in the CRO business.
- Net income decreased as a result of a decline in gain on sales of investment securities.

# Change of the Reportable Segments

CAC Holdings changed its reportable segments in FY2018 before commencing the medium-term strategy.



## Overview of New Segments

<b>Domestic IT</b>	IT and related services, personnel BPO service, etc. provided by domestic subsidiaries
<b>Overseas IT</b>	IT and related services, etc. provided by overseas subsidiaries
<b>CRO</b>	Contract and proxy services for clinical testing and operations after the launch of pharmaceuticals provided to pharmaceutical companies

# Net Sales and Operating Income by Segment (Consolidated)

(JPY mil.)

## Net sales

	1st half FY2017			1st half FY2018			YoY change	
	Amount	vs Total		Amount	vs Total		Amount	%
Domestic IT	15,387	54.6%		14,362	56.5%		(1,025)	(6.7%)
Overseas IT	7,328	26.0%		5,412	21.3%		(1,915)	(26.1%)
CRO	5,461	19.4%		5,665	22.2%		+203	+3.7%
Total	28,177	100.0%		25,440	100.0%		(2,737)	(9.7%)

## Operating income

	1st half FY2017			1st half FY2018			YoY change	
	Amount	vs Total		Amount	vs Total		Amount	%
Domestic IT	542	3.5%		282	2.0%		(260)	(48.0%)
Overseas IT	(146)	-		(186)	-		(40)	-
CRO	10	0.2%		439	7.8%		+428	+4,184.9%
Total	406	1.4%		534	2.1%		+128	+31.6%

※ Net sales represent those for external customers.

# Net Sales by Industry (Consolidated)

(JPY mil)

	1st half FY2017		1st half FY2018		YoY change	
	Amount	vs Total	Amount	vs Total	Amount	%
Financial services	4,120	14.6%	3,440	13.5%	(680)	(16.5%)
Trust banks	2,074	7.4%	2,013	7.9%	(61)	(3.0%)
Pharmaceuticals	7,909	28.1%	8,148	32.0%	+238	+3.0%
Food services	1,709	6.1%	1,356	5.3%	(352)	(20.6%)
Manufacturing	1,574	5.6%	1,749	6.9%	+175	+11.1%
Service and others	10,788	38.2%	8,731	34.4%	(2,056)	(19.1%)
Total	28,177	100.0%	25,440	100.0%	(2,737)	(9.7%)

※ Net sales represent those for external customers.

# Orders Received and Order Backlog (Consolidated)

## Orders Received

(JPY mil)

	1st half FY2017	1st half FY2018	YoY change	
			Amount	%
Domestic IT	15,724	14,747	(977)	(6.2%)
Overseas IT	6,846	5,503	(1,342)	(19.6%)
CRO	5,834	5,614	(220)	(3.8%)
Total	28,405	25,865	(2,540)	(8.9%)

## Order Backlog

	1st half FY2017	1st half FY2018	YoY change	
			Amount	%
Domestic IT	7,379	7,127	(252)	(3.4%)
Overseas IT	1,773	1,330	(442)	(25.0%)
CRO	7,982	7,643	(338)	(4.2%)
Total	17,135	16,101	(1,033)	(6.0%)

※ Orders Received and Order Backlog represent those for external customers.



# Orders Received by Industry (Consolidated)

(JPY mil.)

	1st half FY2017	1st half FY2018	YoY change	
			Amount	%
Financial services	4,127	3,746	(380)	(9.2%)
Trust banks	1,934	2,016	+82	+4.2%
Pharmaceuticals	8,570	8,038	(532)	(6.2%)
Food services	1,825	1,578	(247)	(13.5%)
Manufacturing	1,488	1,744	+256	+17.2%
Service and others	10,458	8,740	(1,718)	(16.4%)
Total	28,405	25,865	(2,540)	(8.9%)

※ Orders Received represent those for external customers.

# Results Forecasts for FY2018

(JPY mil.)

	1st half FY2018 Results	FY2018 Forecasts	FY2017 Results
Net sales	25,440	54,000	53,268
Operating income	534	1,600	698
(profit margin)	2.1%	3.0%	1.3%
Ordinary income	477	1,500	717
(profit margin)	1.9%	2.8%	1.3%
Net income	283	1,100	1,100
(profit margin)	1.1%	2.0%	2.1%

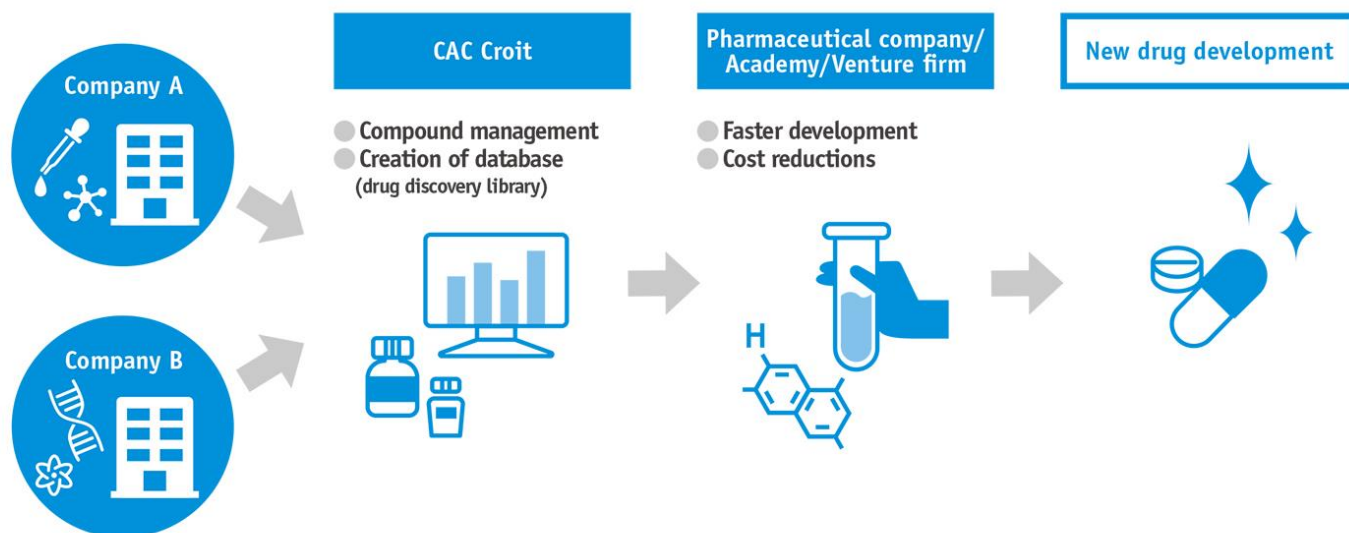
2018 Dividends	JPY19 for the end of 1 <sup>st</sup> half FY2018	Forecast JPY19 for the end of FY2018
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## II . Initiatives of the CAC Group

# Strengthening Existing Business: Expansion of CRO Peripheral Businesses

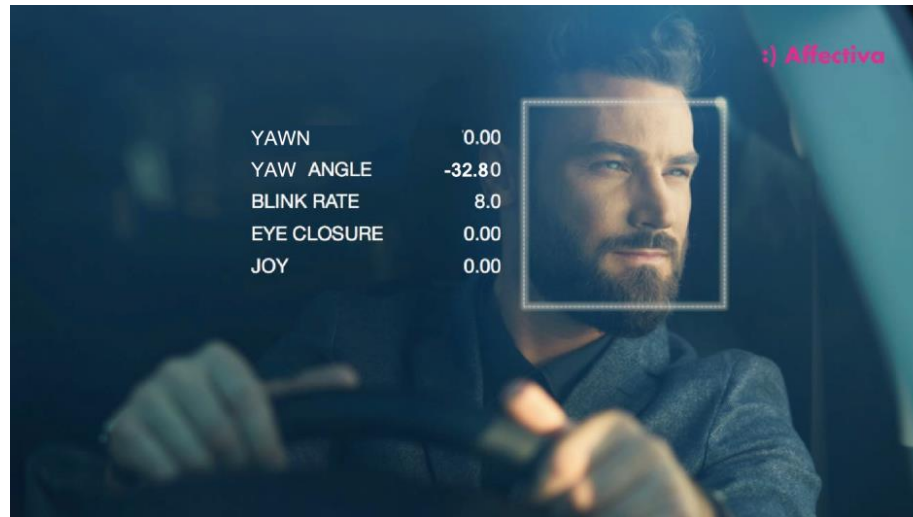
## ■ Launching compound sharing library business

- Business in which we collect and maintain compounds and information for pharmaceutical search research held individually by pharmaceutical companies and create databases
- The databases are used jointly by pharmaceutical companies, academic institutions, bio-venture companies, etc.
- It is expected to help significantly reduce the time required for new medicine development and costs and contribute to new medicine development.



## ■ Development of business that uses emotion AI

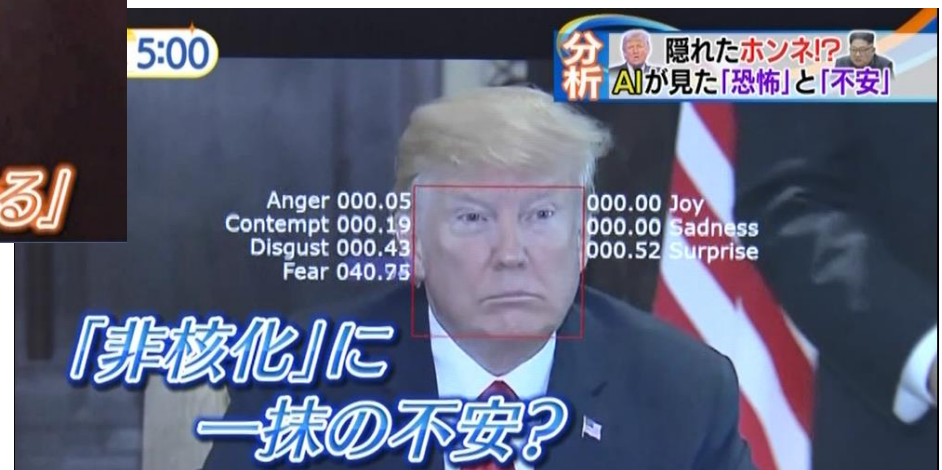
The *Automotive AI* service was launched following *Kokoro Sensor*, which was announced in February this year.



- In-vehicle sensing AI that analyzes the emotions of people traveling in a car in real time
- Expected to be used in the development of next-generation driver monitoring systems and comfortable autonomous cars

# Strengthening Existing Business: Use of Digital Technology (Example)

- *Yugata Satellite*, a news program on TV Tokyo, used *Kokoro Sensor* to analyze the US-North Korea summit.
- The news readers and guests in the program deduced the inner feelings of the two leaders based on the result of the analysis undertaken by *Kokoro Sensor*.



# Creation and Expansion of New Business Areas

## ■ Collaborating with Chinese venture capital company to grow the inbound tourism business

- CAC signed a basic agreement for the inbound tourism business with Tongcheng Zhongchuang, a Chinese venture capital company.
- We will discover promising startups from the networks of Tongcheng Zhongchuang and invest in and cooperate with them.





# Strengthening and Revitalizing the CAC Group

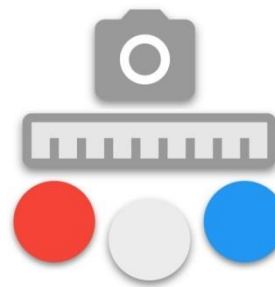


## ■ Hiring Shun Sato, a bocchia player

- Support Shun Sato and help promote the sport of bocchia
- Create a sense of unity in the CAC Group

## ■ Distribution of bocchia-related apps

Commenced the distribution of Bocchia Major, an Android app for automatically measuring the distance between bocchia balls, on Google Play





# Reference: Key News in the First Half of FY2018 (1/3)

Jan. 11, 2018	<p><b>CAC Established a CVC Fund for Domestic Companies: Creation of a CVC Fund with a Total Value of 3 Billion Yen as Part of CAC's Efforts to Develop New Businesses</b></p> <p>CAC Holdings founded CAC Capital Co., Ltd., an investment company with the aim of investing in startups in Japan for the purpose of creating new businesses, and funded the establishment of a corporate venture capital (CVC) fund with a total value of 3 billion yen. Based on this, the company aims to make more flexible investments and build partnerships with startups at an early stage for the creation of new businesses.</p>
Feb. 1, 2018	<p><b>CAC Launched the Delivery of <i>Kokoro Sensor</i>, a Video Analysis Service Using Emotion Recognition AI: Emotion Analysis Made Easy With Only a Video in Hand</b></p> <p>CAC began providing <i>Kokoro Sensor</i> (Ver.1.0), a video analysis service that uses emotion recognition AI to analyze people's expressions and turns the emotions detected into numerical data. <i>Kokoro Sensor</i> is an original service developed by CAC by applying Emotion Artificial Intelligence provided by Affectiva, Inc. to an emotion recognition platform. It allows the use of video data prepared by the users as a new solution for problem solving in a range of studies, product development, customer satisfaction surveys, etc.</p>
Mar. 19, 2018	<p><b>CAC Croit Launched Compound Sharing Library Business (<i>QualityLead</i>)</b></p> <p>The compound sharing library business developed by CAC Croit was selected for the Advanced Research and Development Programs for Medical Innovation of the Japan Agency for Medical Research and Development, and the project commenced. Through this project, the company will help improve the domestic drug development system and contribute to providing innovative pharmaceuticals originating in Japan.</p>

## Reference: Key News in the First Half of FY2018 (2/3)

Mar. 23, 2018	<p><b>CAC Holdings Enters the Inbound Tourism Business: the First Round Investment in <i>Tourcandy</i>, Providing Restaurant Reservation and Payment Services for Foreign Visitors to Japan</b></p> <p>CAC Holdings invested in tourcandy Inc., a company operating Xunwei, which provides restaurant reservation and payment services for foreign visitors to Japan. This is part of CAC Holdings' efforts to create an inbound tourism business, one of the key strategies laid out in the company's medium-term strategy "Determination 21," which commenced in the current fiscal year. In addition to the capital alliance, the company plans to provide support such as system development and user acquisition through CAC Shanghai and the growth of partner restaurants and assist with tourcandy's business expansion.</p>
Apr. 2, 2018	<p><b>A Top Athlete Joins the CAC Group: Boccia Player Shun Sato is Employed by the Group</b></p> <p>The CAC Group has recruited Shun Sato, a player of boccia, a sport for disabled people. This is one of the Group's promotion and support activities for boccia, in which the Group has been engaging since 2016. By supporting Shun Sato's sporting activities, the Group aims to increase its promotion and support for boccia and raise its sense of unity as a group while cheering for Shun Sato.</p>
Apr. 9, 2018	<p><b>CAC Holdings Cooperates with Chinese Venture Capital to Expand Inbound Tourism Business</b></p> <p>CAC Holdings signed a basic agreement with Suzhou Tongcheng Zhongchuang Incubator Service Co., Ltd. ("Tongcheng Zhongchuang"), a Chinese venture capital company, for collaboration in an inbound tourism business. Through this collaboration, CAC Holdings will find promising startups in inbound tourism from the networks of Tongcheng Zhongchuang and invest in and cooperate with them, with the aim of promoting and expanding the inbound tourism business of the CAC Group.</p>

# Reference: Key News in the First Half of FY2018 (3/3)

Jun. 13, 2018	<b>CAC Launches Pharmaceutical Data Solution Using AWS Service Group</b> By using the group of services provided by Amazon Web Services (“AWS”), CAC started providing a pharmaceutical data solution that will enable the collective search of a range of pharmaceutical information provided by pharmaceutical companies.
Jul. 30, 2018	<b>CAC Croit Starts Introducing Robotic Process Automation (“RPA”) in Contract Business</b> CAC Croit introduced RPA in the pharmacovigilance operation (“PV operation”) of a large Japanese new drug manufacturer and achieved a significant reduction in work time. The application of RPA this time was limited to a small part of the individual case safety reporting (ICSR) process in the PV operation. The company already plans to apply it to the automatic data entry of safety databases, file management and a range of other processes.
Aug. 1, 2018	<b>CAC Begins Providing Automotive AI That Uses Emotion Recognition AI: For the Real-Time Analysis of Automobile Passengers’ Emotions by Collecting Images and Sound</b> CAC began providing Automotive AI, in-vehicle sensing AI that allows the emotion analysis of people traveling in a car in real time. The use of Automotive AI enables the development of an environment that is safer and more comfortable for the driver and passengers. It is also expected to be applied to the development of next-generation driver monitoring systems, comfortable autonomous cars, and totally new car-travel experiences based on the reactions of passengers.



## CAC Holdings Corporation

The CAC Group supports the promotion and development of boccia, a sport for disabled people.



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