

Briefing on Results for Fiscal Year 2018

– January to December 2018 –

February 14, 2019

CAC Holdings Corporation

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FY2018

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for FY2019

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Return to Shareholders

I . Overview of Financial Results for FY2018

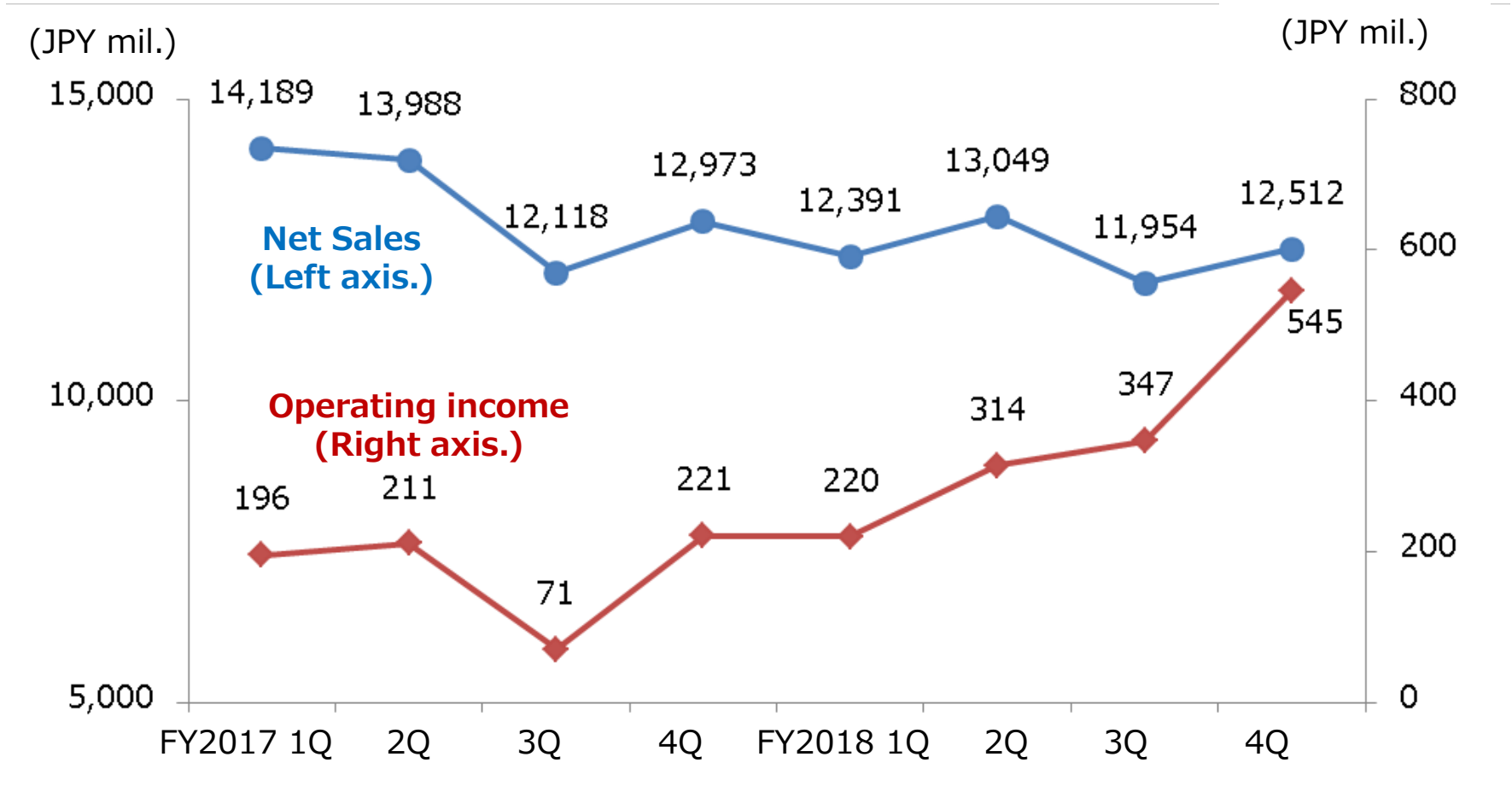
Overview of Consolidated Results (Year on Year)

(JPY mil.)

	FY2017	FY2018	YoY Change	
			Amount	%
Net sales	53,268	49,906	(3,362)	(6.3%)
Gross profit	10,272	10,481	+209	+2.0%
(profit margin)	19.3%	21.0%	1.7pt	
SG & A	9,573	9,054	(518)	(5.4%)
Operating income	698	1,426	+728	+104.3%
(profit margin)	1.3%	2.9%	1.5pt	
Ordinary income	717	1,368	+650	+90.6%
(profit margin)	1.3%	2.7%	1.4pt	
Extraordinary income	2,949	3,479	+529	+18.0%
Extraordinary losses	1,545	2,496	+951	+61.5%
Net income	1,100	1,319	+218	+19.9%
(profit margin)	2.1%	2.6%	0.6pt	

- Net sales declined due to the impact of business restructuring and the sales decline of overseas subsidiaries.
- Profit increased thanks mainly to the recovery of the CRO business and the selling of subsidiaries in deficit.

Transition of Consolidated Results by Quarter



Net Sales and Operating Income by Segment (Consolidated)

(JPY mil.)

Net sales

	FY2017		FY2018		YoY	
	Amount	VS Total	Amount	VS Total	Amount	%
Domestic IT	30,323	56.9%	29,623	59.4%	(699)	(2.3%)
Overseas IT	11,743	22.1%	9,280	18.6%	(2,463)	(21.0%)
CRO	11,201	21.0%	11,002	22.0%	(198)	(1.8%)
Total	53,268	100.0%	49,906	100.0%	(3,362)	(6.3%)

Display sales to external customers.

Operating income

	FY2017		FY2018		YoY	
	Amount	VS Total	Amount	VS Total	Amount	%
Domestic IT	1,022	3.4%	1,041	3.5%	+19	+1.9%
Overseas IT	(600)	-	(308)	-	+292	-
CRO	277	2.5%	693	6.3%	+416	+150.3%
Total	698	1.3%	1,426	2.9%	+728	+104.3%

Net Sales by Industry (Consolidated)

(JPY mil.)

	FY2017		FY2018		YoY	
	Amount	vs Total	Amount	vs Total	Amount	%
Financial services	7,253	13.7%	6,107	12.3%	(1,145)	(15.8%)
Trust banks	4,060	7.6%	4,359	8.7%	+299	+7.4%
Phamaceuticals	16,268	30.5%	16,116	32.3%	(151)	(0.9%)
Food services	3,105	5.8%	2,852	5.7%	(252)	(8.1%)
Manufacturing	3,360	6.3%	3,762	7.5%	+401	+12.0%
Service and others	19,221	36.1%	16,707	33.5%	(2,513)	(13.1%)
Total	53,268	100.0%	49,906	100.0%	(3,362)	(6.3%)

Display sales to external customers.

Orders and Order Backlog by Segment (Consolidated)

(JPY mil.)

Orders Received

	FY2017	FY2018	YoY	
			Amount	%
Domestic IT	30,023	29,588	(434)	(1.4%)
Overseas IT	10,838	11,206	368	+3.4%
CRO	11,286	9,376	(1,910)	(16.9%)
Total	52,147	50,171	(1,976)	(3.8%)

Order Backlog

	FY2017	FY2018	YoY	
			Amount	%
Domestic IT	6,742	6,706	(35)	(0.5%)
Overseas IT	1,349	3,166	+1,816	+134.6%
CRO	7,694	6,068	(1,626)	(21.1%)
Total	15,786	15,941	+155	+1.0%

Display Orders received and order backlog to external customers.

Orders received by Industry (Consolidated)

Orders Received

(JPY Mil.)


	FY2017	FY2018	YoY	
			Amount	%
Financial services	7,037	6,608	(429)	(6.1%)
Trust banks	3,912	4,209	+296	+7.6%
Phamaceuticals	16,513	14,257	(2,256)	(13.7%)
Food services	2,909	2,804	(105)	(3.6%)
Manufacturing	3,301	3,828	+526	+15.9%
Service and others	18,472	18,464	(8)	(0.0%)
Total	52,147	50,171	(1,976)	(3.8%)

Display Orders received to external customers.

Ⅱ . Medium-Term Strategy and Plans for FY2019

Overview of Medium-Term Strategy

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
 - Increased awareness of “aggressive” governance for the improvement of sustainable corporate value
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Our Goals

- To develop into a corporate group that is able to respond to these major changes above
- To maximize shareholder value

Renewal of Medium-Term Strategy

2018

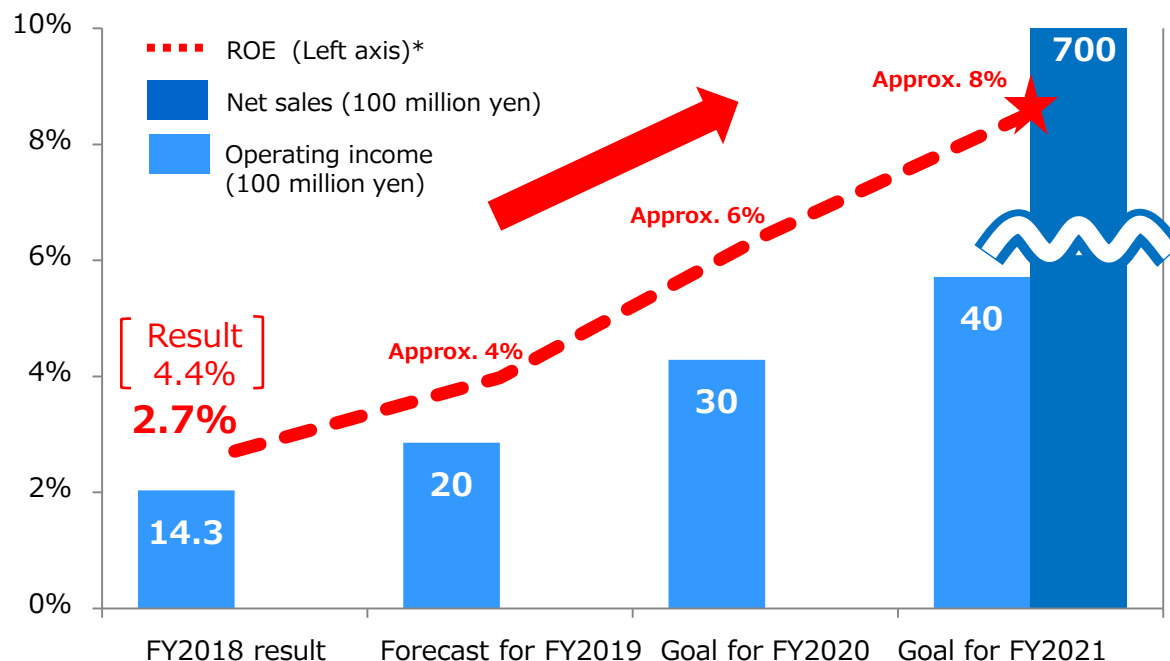
The measures were developed focusing on the expansion of our business, the most important matter for the first year.

At the same time, we made efforts to brush up our medium-term strategy.

2019

By adding **Maximization of shareholder value** to the concept for our medium-term strategy, the basic policy (measures) has been developed, including strengthening corporate governance and increasing capital efficiency.

8% of ROE has been set as the index for the goal for FY2021.



Goal for FY2021

ROE 8%

Net sales 70 billion yen

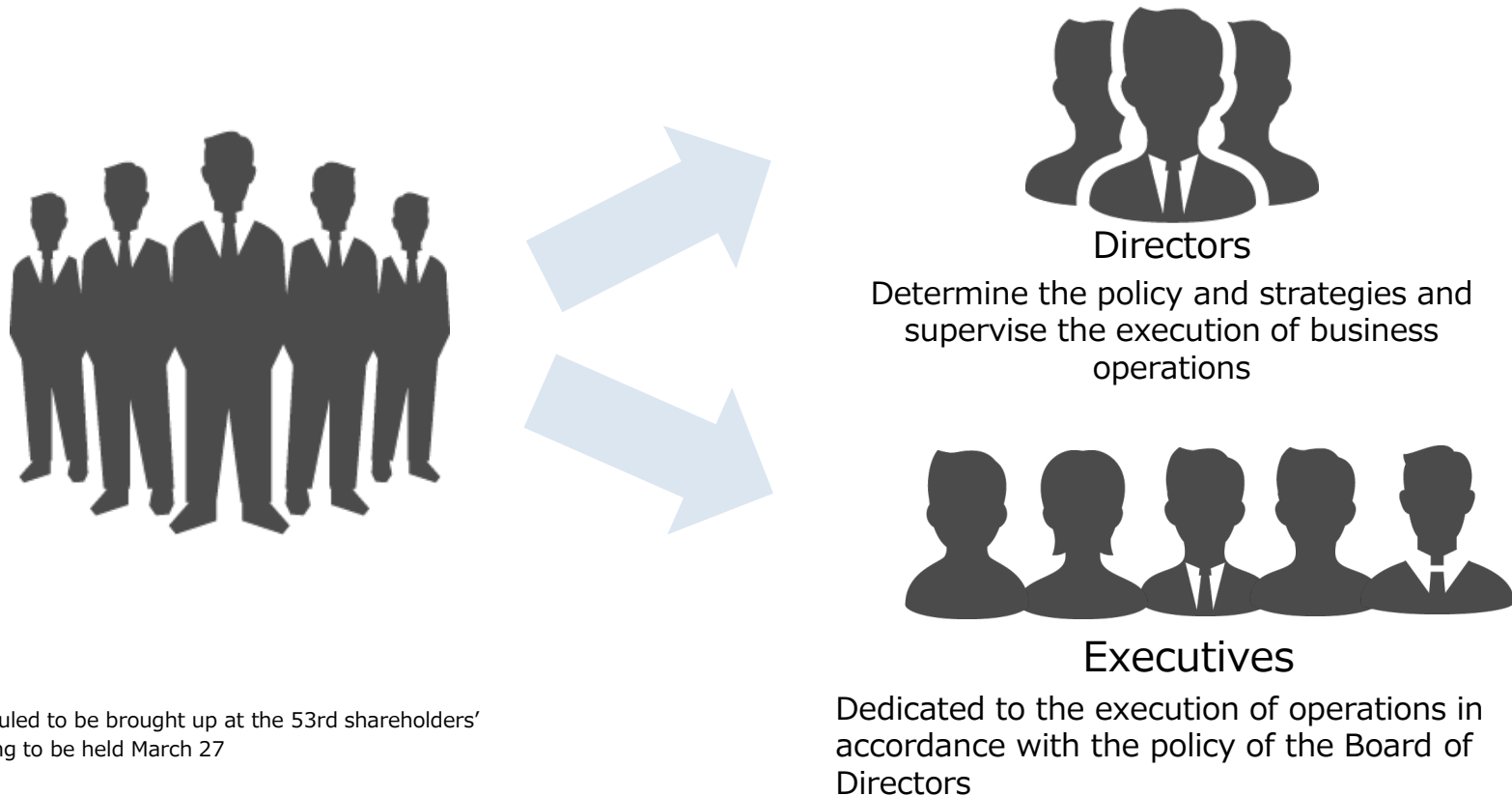
Operating income 4 billion yen

*ROE was calculated by using the net income for the FY calculated in consideration of after tax (40%) for the estimated ordinary income calculated based on the estimated operating income .

Medium-Term Strategy: Basic Policy

1. Strengthening Governance by Separating Management and Execution

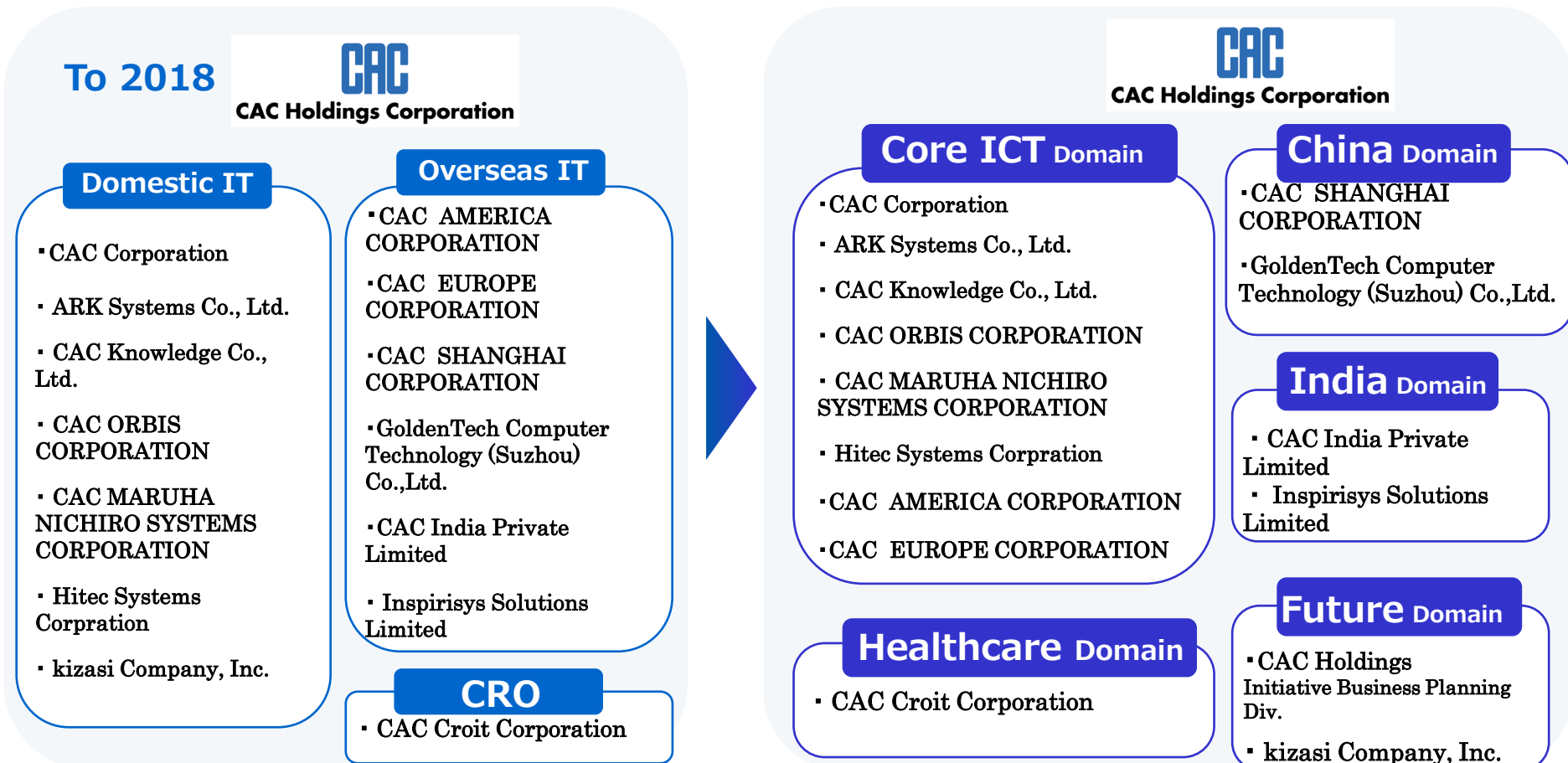
- Aiming at strengthening corporate governance and more speedy management, the decision-making and supervising functions of the management are to be separated from the operation execution function.
- To further strengthen governance and achieve more active discussions, we are scheduled to implement a system including two directors and three outside directors for FY2019.*



Medium-Term Strategy: Basic Policy

2. Mobile Implementation of Business by More Speedy Decision Making

- The existing business is to be divided into four segments, and five business domains are to be established, including one new business.
- An executive who is responsible for each domain is assigned to pursue the growth of and clarify the responsibility for the results.



Medium-Term Strategy: Basic Policy

2. Mobile Implementation of Business Through Faster Decision Making

Key initiatives for each business domain

1 Core ICT domain

- Acceleration of initiatives for digital transformation
- Provision of mobile and flexible services through the unification of strategies and systems for the same service and for the same customer

2 China domain

- Strengthening the sales force and the diversification of service menus for the digital business
- Investment in local startup businesses

3 India domain

- Shifting of existing business to service
- Separation of unprofitable business and restoration of low-profit business

4 Healthcare domain

- Improvement of productivity and service quality by continuously using AI and RPA
- Expansion of order taking by reviewing the sales system and processes
- Promotion of peripheral businesses and creation of new businesses

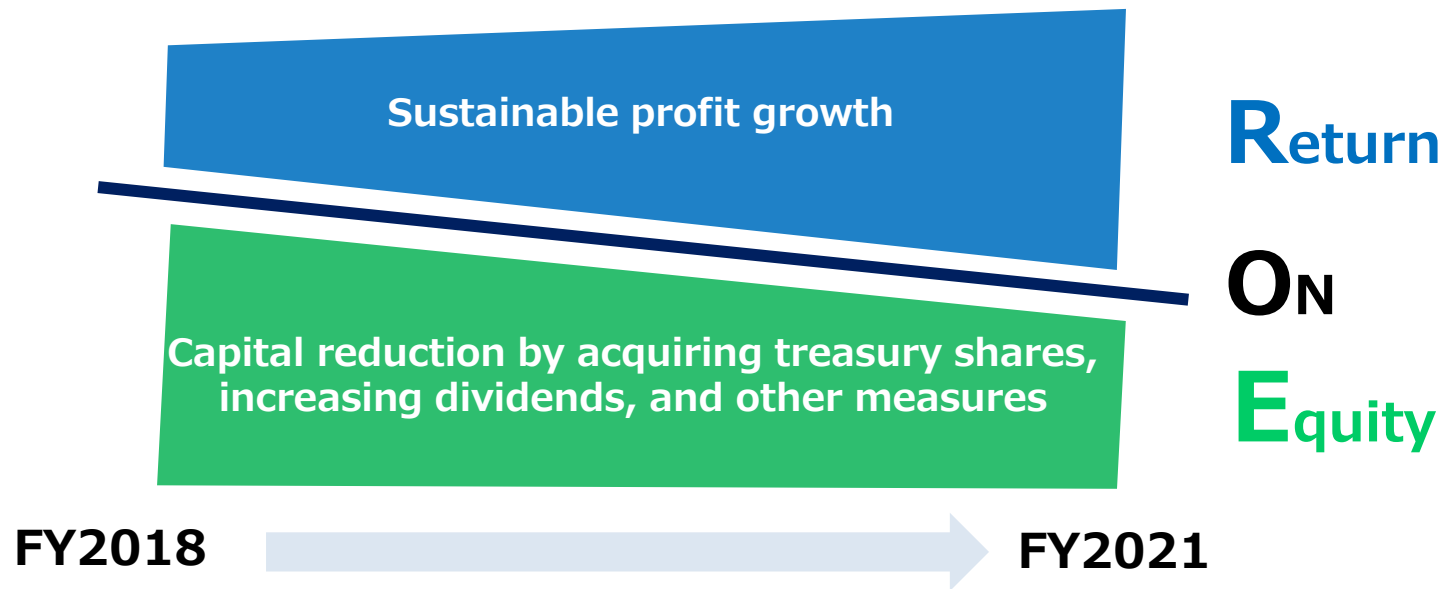
5 Future domain

- M&A and partnerships with companies that are expected to grow
- Continue investment in startup companies that can be business partners

Medium-Term Strategy: Basic Policy

3. Improvement of Capital Efficiency and Strengthening of Return to Shareholders

By combining sustainable profit growth, the stable and continuous provision of dividends, the proactive acquisition of treasury shares, and other measures, we aim to improve our corporate value by improving our capital efficiency and returning profit to the shareholders.



Medium-Term Strategy: Basic Policy

4. Promotion of Value Sharing with Shareholders

- By **introducing the share-based payment system** by which part of the compensation is paid in the form of shares, we provide incentives for sustainably improving our corporate value and further sharing value with shareholders.
- In addition, we will perform IR activities for further information sharing.

Overview of transfer-restricted share-based payment system

Subject	Our company's directors and others excluding outside directors (including employees of specific subsidiaries)
Total amount imparted to directors	5,000 shares/year
Timing and allocation	Determined by the Board of Directors
Transfer restriction	3 to 5 years from the date of allocation

III. Results Forecasts for FY2019 and Return to Shareholders

Results Forecasts for FY2019

(JPY mil.)

	FY2018 Result	FY2019 Forecasts	YoY
Net sales	49,906	52,000	+4.2%
Operating income	1,426	2,000	+40.2%
(profit margin)	2.9%	3.8%	
Ordinary income	1,368	1,900	+38.9%
(profit margin)	2.7%	3.7%	
Net income	1,319	1,350	+2.3%
(profit margin)	2.6%	2.6%	

(JPY yen)

Dividend	38	50	+12
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Measures for Returns to Stockholders (FY2019)

To promote the improvement of capital efficiency and positive returns to stockholders, 50 yen per stock has been set as the estimated dividend for FY2019, an increase of 12 yen from the previous FY, and the acquisition of treasury shares of up to 3 million shares (up to 3 billion yen) by the end of December 2019 is scheduled.

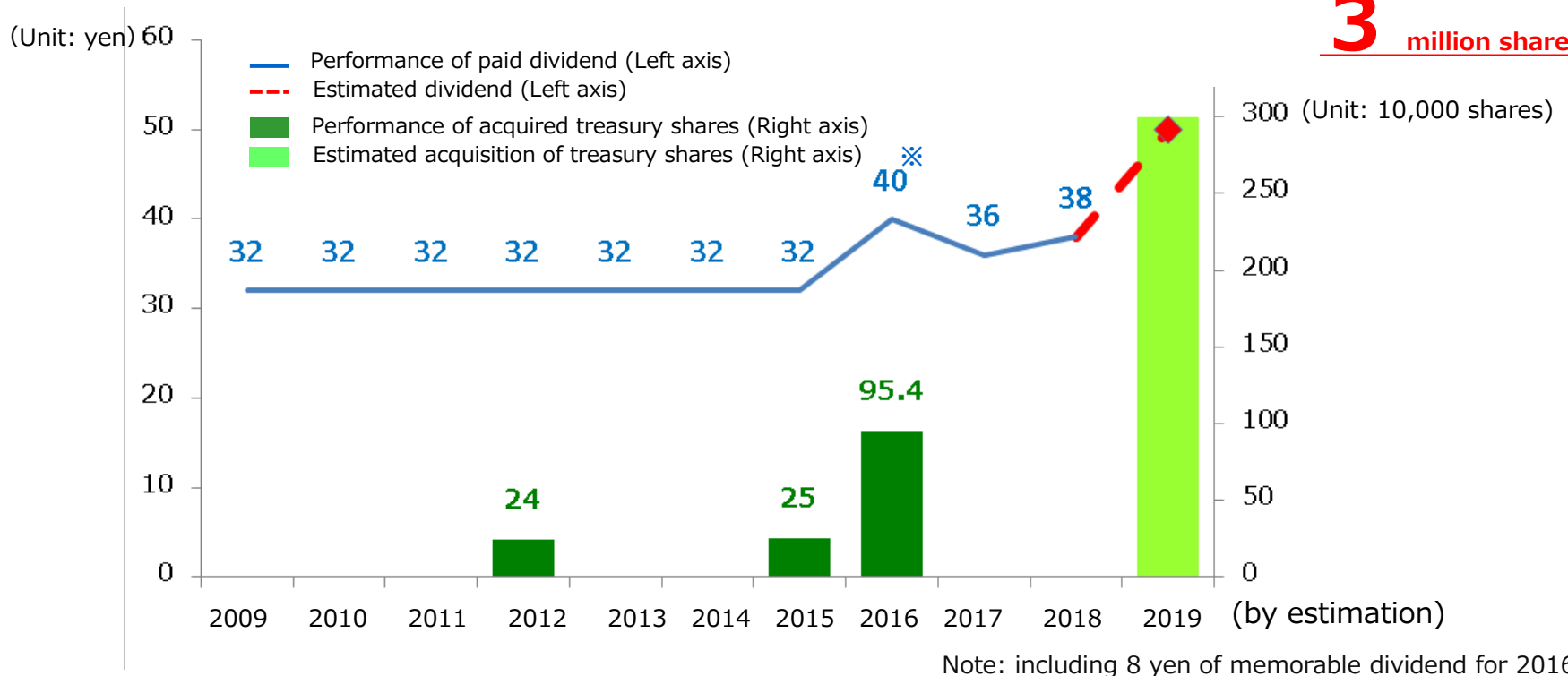
FY2019

Estimated Annual dividend 50 yen

Treasury shares scheduled to be acquired

3 million shares

Transition of dividend and acquisition of treasury shares



Reference: Major News in the Second Half of the Fiscal Year (1/2)

Segment	Category	Description of Release
Domestic IT	AI	<p>CAC Begins Providing Automotive AI Capable of Real-time Emotion Analysis of Automobile Passengers by Emotion Recognition AI (August 1, 2018) CAC begins providing Automotive AI, an in-vehicle sensing AI capable of the real-time emotion analysis of automobile passengers. This product is expected to be used for the development of a next-generation driver monitoring system and the development of comfortable self-drive vehicles.</p>
	R P A	<p>CAC Begins Providing a RPA Tool UiPath (August 23, 2018) CAC has concluded a RPA platform reseller contract that is effective within Japan with UiPath, a subsidiary in Japan of the U.S. company UiPath, a major manufacturer of Robotic Process Automation (RPA) products, and has begun providing UiPath, a RPA tool of UiPath, starting from August 2018.</p>
	Blockchain	<p>Aioi Nissay Dowa Insurance Co., Ltd., Soramitsu Co., Ltd., and CAC Conduct Demonstration of Smart Contract Insurance Using Block Chain Technology (November 15, 2018) CAC has conducted a demonstration of smart contract insurance using the blockchain technology Hyperleader Iroha in collaboration with Aioi Nissay Dowa Insurance Co., Ltd. and Soramitsu Co., Ltd. By developing damage insurance using blockchain technology and smart contracts, CAC aims to reduce the load of the procedures for applying insurance services and work for the payment of insurance fees.</p>
	AI	<p>PIZZA HUT JAPAN LTD. Employs <i>Kokoro</i> Sensor of CAC for Taste AI Analysis CM (November 28, 2018) <i>Kokoro</i> Sensor, a product developed by CAC, is employed in the Taste AI analysis CM of PIZZA HUT JAPAN LTD., which is the first in this category, as a tool for “visualizing the taste” by analyzing the expression on the face of a person eating food.</p>
	AI	<p>CAC begins providing <i>Kokoro</i> Sensor for Training, an Application for Expression Training by AI (December 6, 2018) CAC begins providing an expression training application called <i>Kokoro</i> Sensor for Training, which improves the communication skills of sales representatives and salespersons by using emotion recognition AI technology. This product is effective not only at improving the communication skills of individuals, but also at improving the person-to-person communication skills of the entire organization by using it in in-house training and periodical training.</p>

Reference: Major News in the Second Half of the Fiscal Year (1/2)

Segment	Category	Description of Release
Domestic IT	B P O	CAC Opens New Location, BPO Center, in Nagasaki (December 27, 2018) CAC is opening Nagasaki BPO Center (provisional name) at Nagasaki BizPORT in Nagasaki City to expand its BPO business, in or around July 2019. The Center will take comprehensive orders of contracts for business processing operations including operations in human resources, general affairs, accounting, and other departments of customer companies.
C R O	R P A	CAC Croit Starts Introducing Robotic Process Automation (“RPA”) in Contract Business (July 30, 2018) In the operation for managing safety information regarding medicine, CAC Croit has been successful in significantly reducing the operation time for a major Japanese new drug manufacturer by using RPA. CAC is applying the RPA applied this time in other diverse processes.
	Business collaboration	CAC Croit Forms a Business Collaboration with Beagle to Shorten the Development Term of New Drugs and Reduce Costs (September 5, 2018) CAC Croit and Beagle Co., Ltd. have agreed to collaboratively develop the tools and services of both companies to improve the efficiency of processes from the collection of data of clinical tests and cases to the pharmaceutical application in the clinical test and research field.
C S R	Boccia	2nd CAC Cup Inter-School Boccia Tournament Held (September 29, 2018) On September 29, the 2nd CAC Cup Inter-School Boccia Tournament hosted by CAC Group was held in Mitaka City, Tokyo. Twenty teams from twelve schools including 80 athletes participated in this tournament. Boccia Measure, a product developed by CAC, was used to enliven this exciting event.
	Boccia	Shun Sato, a Boccia Athlete Belonging to CAC Holdings, Wins Third Prize in the 20th Japan Boccia Tournament (December 3, 2018) A Boccia Athlete employed by us won third prize in the BC2 Class in the 20th Japan Boccia Tournament held at the Fukushima Prefecture National Athletic Meet Memorial Gymnasium.



CAC Holdings Corporation

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



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