



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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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.

[Overview of Financial Results]

We announced a revised forecast as soon as an extraordinary gain emerged last December. The financial results are roughly as forecasted at that time.

Net sales dropped following the business reorganization and income figures rose after a turnaround in CRO and the sell-off of loss-making subsidiaries. Details are as follows.

[Net sales]

Net sales fell by ¥3,300 million to a level below the ¥5,000 million mark.

- The sale of two subsidiaries* in 2017 had a negative impact of ¥1,250 million.

(* Sierra Solutions Pte. Ltd. in Singapore and Accel Systems & Technologies Pte. Ltd. (ASTL), which is a subsidiary of our subsidiary in India)

- Net sales fell ¥1,200 million in overseas IT, excluding the two companies sold off. The Indian subsidiary, now named Inspirisys Solutions Limited (ISL), was responsible for ¥1,000 million of the decline in sales. Nearly half of this amount, ¥500 million, is due to foreign exchange fluctuations, and the remaining amount of ¥500 million derives from a decrease in Indian rupees.

Apart from that, the subsidiary based in the United States saw its sales fall.

- Sales dropped ¥700 million in domestic IT. A subsidiary experienced a considerable ¥900 million decline in sales from major customers.
- Sales contracted slightly in CRO as well.

[Gross profit]

- The greatest profit growth, ¥540 million, was attained in CRO (CAC Croit Corporation). The remediation of relatively unprofitable projects had an effect of raising profit by ¥500 million. Apart from that, cost cuts contributed.

- Following the sales decline, gross profit also fell in overseas and domestic IT.

- In overseas IT, gross profit fell by around ¥300 million, due mainly to the sale of the two subsidiaries.

[SG&A expenses]

- SG&A expenses decreased ¥500 million. It is attributable mainly to a decrease in the expenses of the two companies that were sold off.

[Operating income]

- Operating income increased to twice the level reached in the preceding year, although it is still unsatisfactory.

- An increase of more than ¥400 million was attained in CRO and a rise of ¥250 million resulted from the sale of two companies. Operating income in domestic and overseas IT remained largely flat.

[Non-operating income and losses]

- A non-operating loss was posted. That partly reflects a decline in dividends posted as a non-operating income and a growth in foreign exchange losses posted as a non-operating loss.

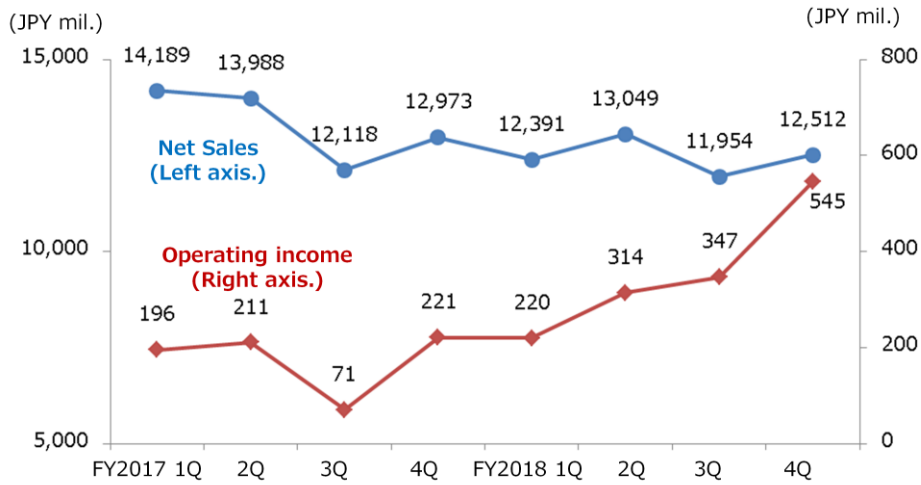
[Other]

- Extraordinary income soared ¥500 million. A year-on-year increase of ¥1,700 million resulting from the sell-off of investment securities was partly offset by a negative impact of approximately ¥1,100 million following the disappearance of the gain on sales of associates posted for 2017.

- Extraordinary losses also expanded. For 2017, a ¥1,200 million amortization of goodwill of a subsidiary was posted. For 2018, a ¥2,000 million impairment loss of pension package was recorded.

- As a consequence, net income stood at ¥1,300 million.

Transition of Consolidated Results by Quarter



Recent quarterly sales trend shows that sales are on a slight downward trend.

Operating income is rising steadily. However, we are fully aware that this figure is still poor. For the fourth quarter, the figure exceeded ¥500 million.

For 2019, we are thinking of setting a plan on the basis of generating sales of around ¥500 million per 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%

From 2018 onwards, new business segments of domestic IT, overseas IT and CRO apply.

Net sales fell sharply in all three segments. Especially in overseas IT, the sale of two companies and the decline at the subsidiary in India constituted major factors.

Operating income turned around and grew in all segments.

In overseas IT, the figure was still negative at ¥300 million. For 2019, it will turn positive, including the performance in China and India. Overseas IT has been a segment that weighs down the income level, but it is expected to turn profitable in the future.

From 2019, we will operate the business in five separate domains into which the domestic IT and overseas IT segments are subdivided. Explanations on this will be given later with Slide 13. In the future, we aim to announce separate figures for each of the domains. However, we will be announcing figures in the three segments of domestic IT, overseas IT and CRO, given that some operations are associated with more than one domain.

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.

[Financial services]

The contraction in sales from a large bank had a considerable negative impact. We have long been providing services for the overseas systems. Our services for next-generation systems peaked in 2017 and began to decline in 2018. Sales from the large bank fell to nearly half the level reached in the preceding year. Net sales from all accounts in the financial services industry slid ¥1,100 million.

[Service]

Sales from trading companies, our primary customers, dropped ¥900 million. Other negative factors include the sale of companies responsible for a fall of ¥900 million and the subsidiary in India for ¥1,000 million.

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 and the order backlog increased in overseas IT while they fell significantly in CRO.

Orders received in overseas IT showed a massive leap after the subsidiary in India won a project.

In the fourth quarter, it gained a project relating to governmental offices in Dubai, making a roughly ¥1,100 million contribution to sales. While many of the orders we receive pertain to hardware, we see orders increasing in India. That was a great help to the sales increase.

In CRO, the order backlog dropped substantially, to ¥6,000 million. Since there are small orders seasonally, the situation until the first half, from January to June, is foreseeable but this figure raises concern. Our sales team was revamped in July 2018. The amount of orders we will receive in the future will be significant.

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.

In the pharmaceuticals industry, the sales slide in CRO was such that net sales from this sector dropped sharply.

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

Our Goals

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

After the lapse of one year under the medium-term strategy commenced in 2018, we revised this strategy with an eye towards the remaining three years.

The slide shows an overview. In recognition of the challenges, the first three challenges shown have not been changed. We are fully aware of a major change in the DX market and its needs. The final challenge, namely aggressiveness in governance, is what we increased our awareness of in the past twelve months and what we think we should address under the medium-term strategy. So, we added the aim of maximizing shareholder value. You may find this goal too common to mention, but we decided to bother to include it in our medium-term strategy.

Renewal of Medium-Term Strategy

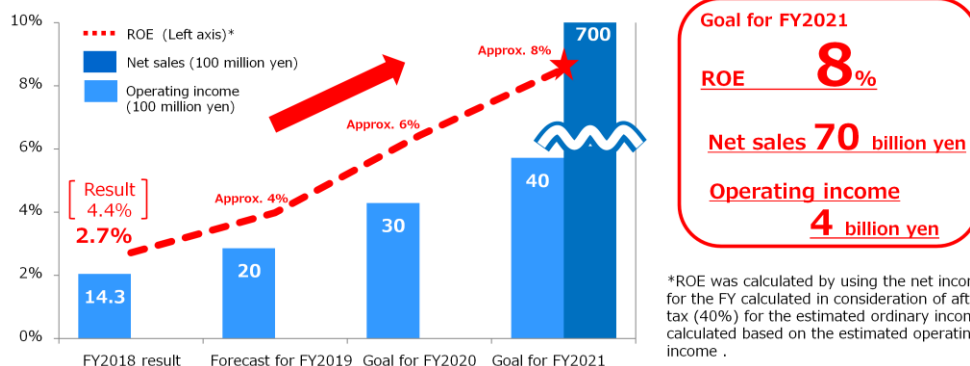
2018

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.



In 2018, as the first year under the medium-term strategy, we worked hard on expanding the business. We made a positive investment and disposed of unprofitable packages and other assets for the future.

We set a target of attaining net sales of ¥70 billion and operating income of ¥4 billion for 2021. In addition, we set an ROE target of 8% with a view to increasing capital efficiency.

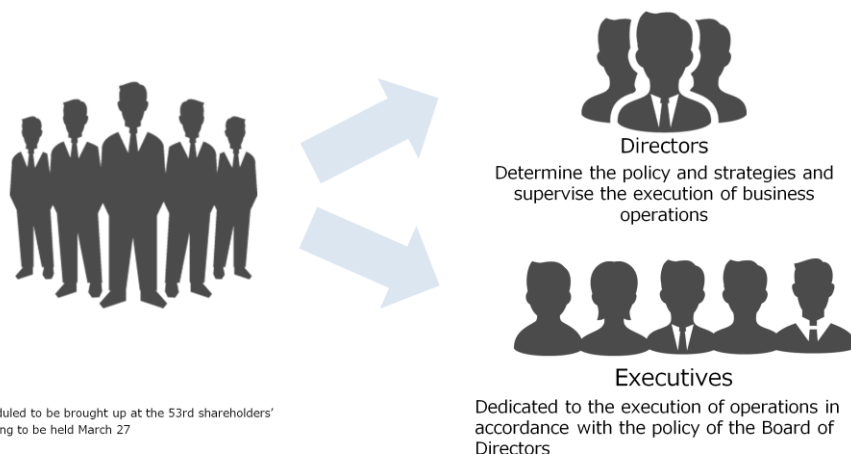
For 2018, ROE stood at 4.4%. However, this takes into account net income raised by extraordinary gains. ROE calculated from ordinary income is 2.7%, which is below 3%.

We have set a goal of achieving ROE at 8% in 2021.

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.*



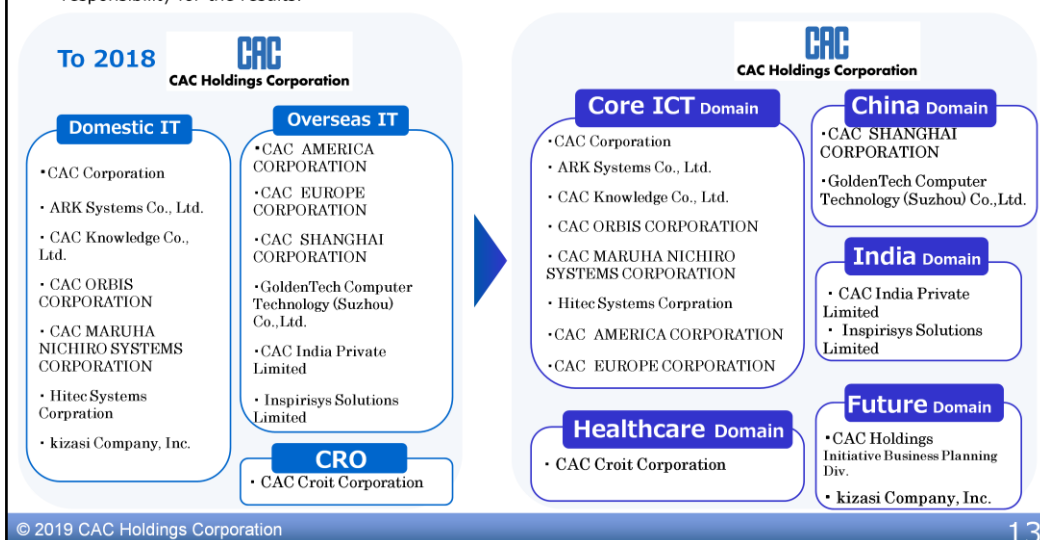
We are planning to propose two inside directors and three outside directors for 2019 to the General Meeting of Shareholders. In the Board of Directors, outside directors will have a majority.

The three current directors will retire and be appointed as executive officers. The Board will be run with a clear distinction from executive officers. This change is intended to allow the delegation of executive authority and to ensure quick decision-making.

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.



13

In the past structure portrayed on the left, all subsidiaries were at the same level, under the control of CAC Holdings. From this year, they will be divided into five domains.

In the Core ICT domain, five IT subsidiaries in Japan and two overseas subsidiaries closely related to CAC Corporation are placed under the control of CAC Corporation, which serves as an intermediate parent company.

China and India are promising domains for IT and other businesses in view of their future economic growth. We will work to establish ourselves locally as we seek to develop the business.

CRO is transformed into the Healthcare domain.

The Future Planning Department in CAC Holdings has engaged in capital and business alliances and with mergers and acquisitions.

Such operations are now clearly defined as falling under the Future domain.

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

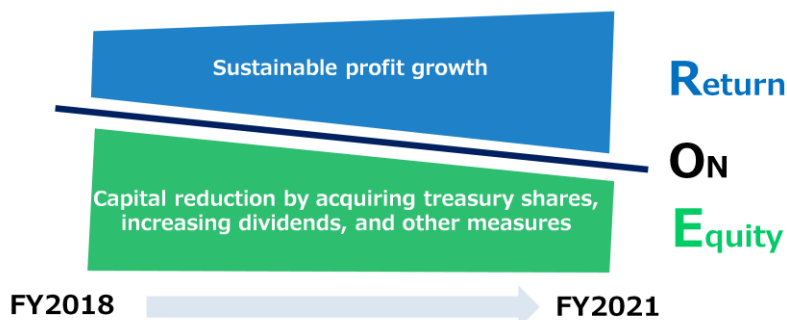
This slide portrays several key actions in individual domains.

The India domain is seeing fluctuations in figures. Sales declined whereas profit grew. It is working to shift from low-value businesses such as hardware sales to services. If this shift is accomplished within this year, its performance figures will turn around.

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.



We will work to fulfill a target on return, the numerator in return on equity, specifically operating income, of ¥2 billion in 2019 and ¥3 or 4 billion in 2020. In parallel, we will work to curtail equity, the denominator in return on equity. Slide 19 will explain the details.

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

This program is designed to step up sharing of shareholder value and to give some executives and officers an incentive to share a common direction in running businesses.

Ⅲ. Results Forecasts for FY2019 and Return to Shareholders

Results Forecasts for FY2019

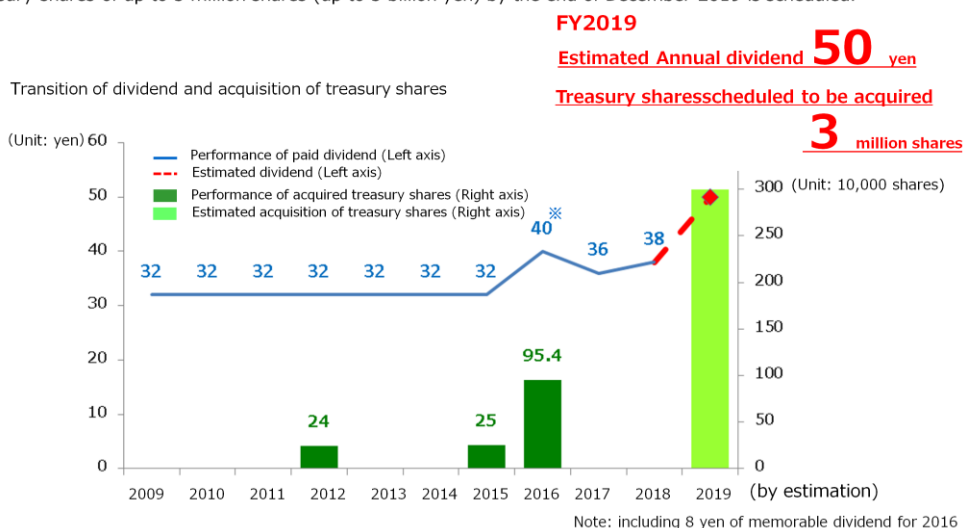
(JPY mil.)			
	FY2018 Result	FY2019 Forecasts	YoY
Net sales	49,906	52,000	+4.2%
Operating income	1,426	2,000	+40.2%
(profit margin)	2.9%	3.8%	
Ordinary income	1,368	1,900	+38.9%
(profit margin)	2.7%	3.7%	
Net income	1,319	1,350	+2.3%
(profit margin)	2.6%	2.6%	
(JPY yen)			
Dividend	38	50	+12

We have set a net sales target of ¥52 billion yen and an operating income target of ¥2 billion.

For a more aggressive return of profits to shareholders, we will increase dividends to 50 yen per share.

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.



Earlier today, concurrently with the financial results, we announced our dividend forecast for 2019 and a purchase of treasury shares.

The purchase aims to acquire three million treasury shares for the current fiscal year for two purposes. One is to heighten capital efficiency, and the other is to return profits actively.

At present, we hold around 20 million issued shares, including approximately 2 million treasury shares, which make up about 10%. This year, we aim to acquire three million shares among the nearly 18 million on the market.

The blue line represents the trend in dividends. We continued to steadily pay dividends of 32 yen per share. For 2016, we paid dividends of 40 yen per share to commemorate the 50th anniversary of our founding. Subsequently, our dividends increased gradually: 36 yen per share in 2017 and 38 yen in 2018. We will be paying dividends of 50 yen per share for 2019.

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

Segment	Category	Description of Release
Domestic IT	AI	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.
	R P A	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.
	Blockchain	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.
	AI	PIZZA HUT JAPAN LTD. Employs Kokoro Sensor of CAC for Taste AI Analysis CM (November 28, 2018) Kokoro 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.
	AI	CAC begins providing Kokoro Sensor for Training, an Application for Expression Training by AI (December 6, 2018) CAC begins providing an expression training application called Kokoro 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.

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.

Boccia Measure

Measure distances between the jack and color balls with a camera of your device.



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Question and Answer

Q. What progress has been made in your initiatives such as investment in future businesses?

(e.g. progress in digital technology and perceived response to your actions)

=> A. We operate a business concerning artificial intelligence for emotion recognition in Japan and in China.

It has yet to generate major sales but healthy progress is made in China.

The venture capital investment destination has not yet announced its financial results in Japan. Net investment in the United States produced a small positive figure . There has been no major change in synergy with domestic investment destinations.