

New medium-term strategy

Determination 21

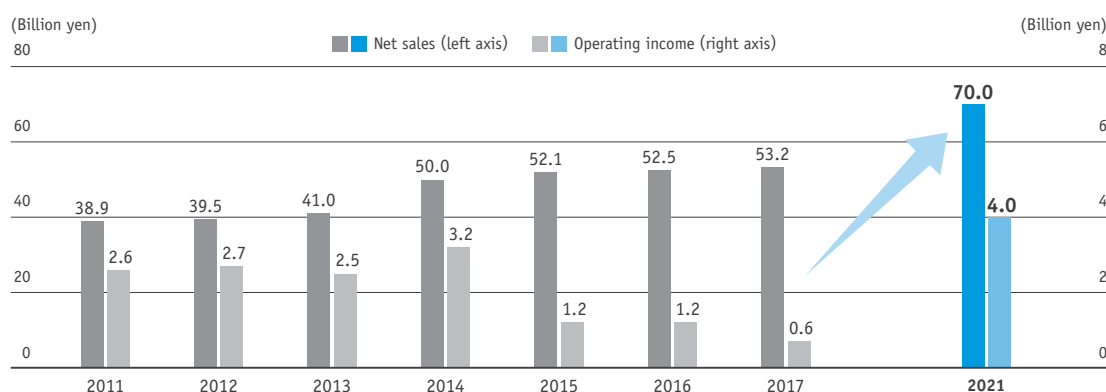
2018 ▶ 2021

We are seeing rapid waves of digital transformation (DX), in which AI, IoT, and other digital technologies are significantly changing the lives of individuals, corporate activities, and even society overall. This has completely changed the capabilities required of us as system integrators and outsourcers and created the possibility that companies without full knowledge of digital technologies will be eliminated. To respond to this rapid progress of DX without delay and grow sustainably as a corporate group, we have formulated the new medium-term strategy (FY2018-FY2021) of the CAC Group and are striving to achieve the targets under the strategy.

Review of the previous medium-term strategy

Achievements	Issues
<ol style="list-style-type: none"> Increase in the percentage of overseas operations (Overseas sales ratio increased to 22.0%) Globalization of human resources (Non-Japanese employees constitute 62.3%) Investment in new technologies (Some technologies, such as Emotion Artificial Intelligence from Affectiva, have been commercialized.) 	<ol style="list-style-type: none"> Continuous creation of business income Strengthening Group governance Responding to DX

Target values



Net sales

¥70.0 billion

Operating income

¥4.0 billion

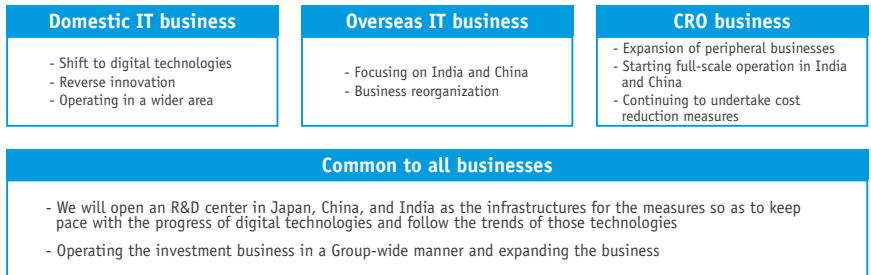
Existing businesses	New businesses
¥50.0 billion	¥20.0 billion

Existing businesses	New businesses
¥2.5 billion	¥1.5 billion

Three initiatives

1. Increasing the earning power of existing businesses

For our existing businesses, we will focus our efforts on improving their earning power. We aim to provide high value-added services by applying digital technologies. We will also carry out business reorganization and cost reductions.



FY2021 Aim to achieve sales of **¥50.0 billion** and operating income of **¥2.5 billion**

2. Creating and expanding new business domains

To create and expand new business domains, we will establish a dedicated department within CAC Holdings and aim to acquire new management resources by means of investment. We will strive to expand the CAC Group by carrying out investment and M&A of promising companies, targeting digital businesses with keywords such as “nursing care,” “agriculture” and “inbound,” with a focus on Asian countries includingw China and India.

Acquiring new management resources by means of investment



FY2021 Aim to achieve sales of **¥20.0 billion** and operating income of **¥1.5 billion**

3. Strengthening and revitalizing the Group

We will revitalize the CAC Group further through the joint training of future human resources and strategic personnel rotation, which we will implement across the entire Group. We will also renew our management accounting, introduce a new assessment system, and take other measures to strengthen the management of the Group. Further, we will strengthen our PR, IR and CSR activities with the aim of enhancing our corporate presence.



We achieve growth and stable dividends.

At the CAC Group, our financial strategy aims to deliver both investment for growth and stable shareholder returns. The following section provides an overview of our approach to finance.

Principles of the CAC Group's capital policy

Creating profit stably and continuously while aggressively making the investments needed for growth

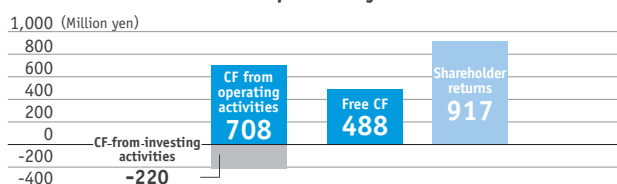
Providing comprehensive shareholder returns, including initiatives such as the acquisition of treasury stock, as well as consistently paying dividends

Cash flows

With regard to our cash flows (CF) from operating activities in FY2017, we posted net cash used in operating activities of 1,014 million yen (compared with net cash provided by operating activities of 892 million yen in FY2016). This mainly reflected a gain on sales of investment securities of 1,732 million yen, a gain on sales of shares of subsidiaries and associates of 1,177 million yen and income taxes paid of 2,366 million yen, offsetting profit before income taxes of 2,122 million yen, depreciation of 820 million yen and an impairment loss of 1,288 million. Concerning CF from investing activities, we posted net cash provided by investing activities of 307 million yen (compared with net cash provided by investing activities of 3,233 million yen in FY2016). This was chiefly attributable to proceeds from sales of investment securities of 4,026 million yen and proceeds from sales of shares of subsidiaries of 797 million yen, offsetting the purchase of investment securities of 2,931 million yen and the purchase of intangible assets of 994 million yen, among other expenditures. With regard to CF from financing activities, we posted net cash used in financing activities of 2,196 million yen (compared with net cash used in financing activities of 1,920 million yen in FY2016). This was mainly due to cash dividends paid of 701 million yen, payments from changes in ownership interests in subsidiaries of 518 million yen, and a net decrease in short-term loans payable of 482 million yen. As a result of the above, cash and cash equivalents at the end of FY2017 stood at 8,389 million yen, down 2,878 million yen from the end of FY2016.

CF from investing activities changes significantly from year to year due to the acquisition of companies, the purchase of investment securities and other activities. Looking at the average for the past five years, CF from operating activities stands at around 700 million yen, CF from investing activities is around -200 million yen, and free cash flow (the difference between CF from operating activities and CF from investing activities; hereinafter, "FCF") is around 500 million yen. For the FCF of around 500 million yen, we have provided around 900 million yen as the return of profits to shareholders. The average total dividend payout ratio for the five years is 66.9%.

Average cash flows (CF) and shareholder returns in the past five years

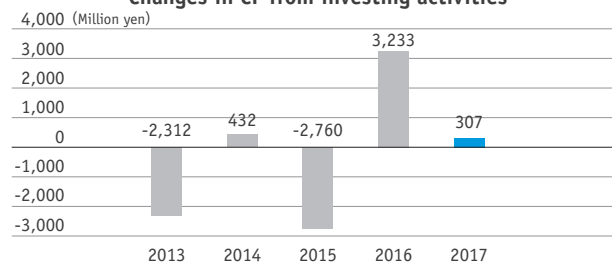


Investments

Since around the year 2000, the year when we were listed on the First Section of the Tokyo Stock Exchange, we have actively pursued growth initiatives through aggressive M&A. We continue to undertake M&A as a growth initiative while also implementing restructures and other measures.

In addition, we established a CVC fund in the United States in 2015, jointly with a venture capital in the country, to pursue new technologies, and invested around 500 million yen for the fiscal year ended December 31, 2016 and around 500 million yen for the fiscal year ended December 31, 2017 in startup companies that we deemed to be beneficial for our future growth. Further, in January 2018, we established a CVC fund, which we operate on our own, to make investments more flexibly and build partnerships with startups promptly. We have begun to invest in domestic companies that provide IT services in anticipation of future social needs, companies that have different business models from the CAC Group, and others.

Changes in CF from investing activities



Major investments made over the past three years

2015	Acquisition of overseas IT companies Amount of investment: ¥1,700 million Investments in two companies including Jibo, Inc., which develops family robots Total amount of investments: Approx. ¥300 million
2016	Investments in six companies including Affectiva, Inc., which has technologies in Emotion Artificial Intelligence Total amount of investments: Approx. ¥500 million
2017	Investment in five companies including Money Forward, a Fintech-related company, and Color Genomics, a provider of genetic analysis services Total amount of investments: Approx. ¥500 million

Investment plan based on the medium-term strategy

Under the new medium-term strategy that commenced in FY2018, we aim to create new businesses and technologies based on M&A, investments and capital contributions. We aim to achieve net sales of 20,000 million yen and operating income of 1,500 million yen in new businesses in the final year of the medium-term strategy. We have established a dedicated department within CAC Holdings where we are implementing the investment plan to achieve the target.

With regard to inbound business, which is one of our new businesses, we took a stake in tourcandy Inc., which operates the restaurant booking and payment service called Xunwei that is aimed at foreign tourists visiting Japan, in March 2018. We have also formed a business alliance with a Chinese venture capital to discover, invest in, and build alliances with startup companies related to inbound business. We are accelerating these and other initiatives.

Shareholder returns

We consider the return of profits to our shareholders to be an important business mission. We work under a basic policy of continuing to pay stable dividends by monitoring the consolidated dividend payout ratio, while at the same time striving to increase our earning power and build a sound financial structure. In addition, we will study and make treasury stock acquisitions when necessary as a part of our flexible capital policy and comprehensive measures for shareholder returns. With respect to internal reserves, we will invest in M&A for the growth of the Group, business development, human resources development, and research and development carried out from a medium- to long-term perspective, in addition to strengthening our financial structure. We will also work to improve productivity and our capabilities to ensure superior quality, as well as reinforce comprehensive strengths and reinforce the business foundation of the Group for sustainable growth.

In the fiscal year ended December 31, 2017, we paid a full-year dividend of 36 yen per share. In the fiscal year ending December 31, 2018, we plan to pay a full-year dividend of 38 yen per share, up 2 yen from the previous fiscal year. With regard to shareholder returns, we will continue to observe our basic policy of ensuring continuous, stable dividends and flexibly purchasing treasury stock.

Changes in shareholder returns

