

Corporate governance

Basic approach to corporate governance

At the CAC Group, we have established the Basic Policy on Corporate Governance to fulfill our social responsibilities for our shareholders and various other stakeholders (including our customers, business partners, society and employees) and achieve the medium- and long-term improvement in our corporate value in accordance with our Corporate Philosophy and our Credo. Under this basic policy, we continue striving to strengthen our corporate governance.

Corporate Philosophy of the CAC Group

Creating new value on a global level with the use of the latest ICT

Our Credo

1. Take pride in being part of a creative and resourceful engineering enterprise.
2. Act with integrity as a leading contributor to society.
3. Embrace challenges without fear of making mistakes.
4. Seek fulfillment working as members of a team who value one another.
5. Respect all stakeholders and deal with them in good faith.

Basic structure of governance and management execution system

At the CAC Group, we have been strengthening governance aiming for open management with an emphasis on the transparency of management. In 2003, we set up the Management Advisory Board and began to take initiatives for obtaining advice and recommendations about corporate governance from external specialists. In 2005, we made the change to a management system that includes outside directors. Currently (as of March 27, 2018), our Board of Directors

consists of eight directors, three of whom are outside directors (two men and one woman). All of the outside directors are independent officers. In addition, two of our directors are foreign nationals due to the expansion of our global business. In 2014, we made the switch to a pure holding company structure, thereby establishing a system under which the formulation of business strategies for the entire group and the business administration of group companies are carried out faster than ever before.

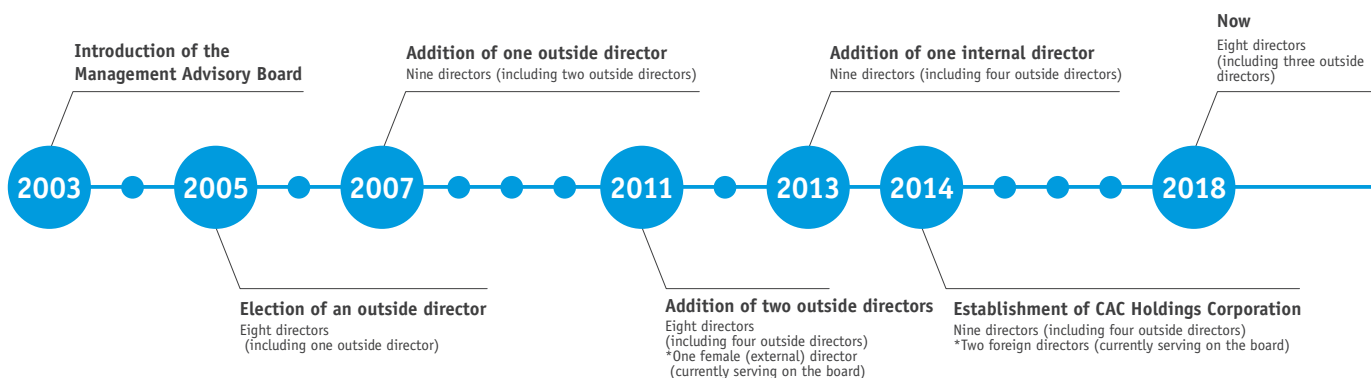
Board of Directors

The Board of Directors meets regularly every month and as needed. Important matters are submitted for discussion at the Board of Directors, and the status of operations is reported as needed. We have also set up a Management Meeting as a place for deliberating and making final decisions on important management matters related to consolidated subsidiaries and affiliates.

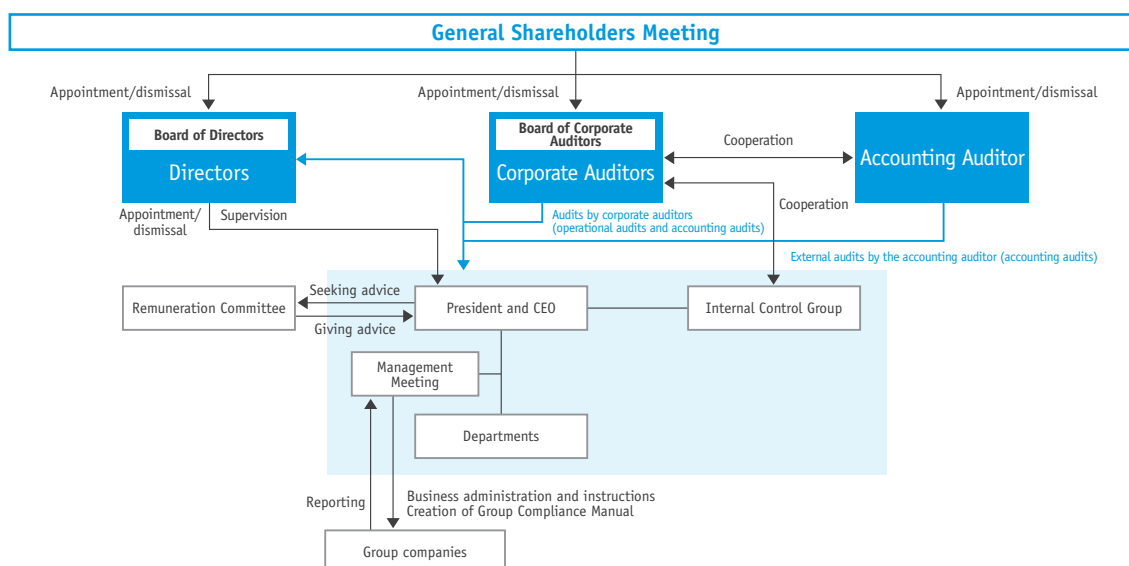
Board of Corporate Auditors

Our Board of Corporate Auditors consists of four corporate auditors, two of whom are outside corporate auditors. They meet regularly every month and as needed to hold discussions aimed at ensuring the adequacy and appropriateness of decisions made by the Board of Directors, and the manner in which each director performs his or her operations. Corporate auditors actively participate in Management Meetings in addition to Board of Directors Meetings to properly monitor the performance of operations by directors.

Reinforcement of the governance system



Corporate governance system chart



Remuneration Committee

The amount of remuneration and other similar benefits for each director is determined through a comprehensive evaluation of the roles and degree of contribution each director makes by the Board of Directors, making sure the range does not exceed the upper limit approved at the General Shareholders Meeting. The amount of remuneration for corporate auditors is determined through discussion by corporate auditors, comprehensively taking into account factors such as whether each corporate auditor is a full-time or part-time corporate auditor and

the distribution of auditing operations among corporate auditors, while making sure the range does not exceed the upper limit approved at the General Shareholders Meeting.

The Remuneration Committee, which is chaired by an outside director (Mr. Michitaka Hirose), was established as an advisory committee for the purpose of examining the adequacy of remuneration for directors and other executives.

Amount of remuneration for officers in FY2017

Position	Number of officers	Total amount of remuneration in millions of yen	Breakdown	Upper limit of the amount
Directors (outside directors)	10 ⁽⁴⁾	155 ⁽¹⁸⁾	Base remuneration: ¥128 million Bonus: ¥27 million (Only base remuneration was paid to outside directors)	Up to ¥240 million per year
Corporate auditors (outside corporate auditors)	6 ^{(3)*}	43 ⁽⁹⁾	Base remuneration only	Up to ¥4 million per month
Total	16⁽⁷⁾	199⁽²⁷⁾		

Notes: 1. The upper limit of the amount of remuneration for directors, which is 240 million yen per year (excluding the amount of employee salaries), was approved at the 40th Annual General Shareholders Meeting held on March 30, 2006.

2. The upper limit of the amount of remuneration for corporate auditors, which is 4 million yen per month, was approved at an extraordinary General Shareholders Meeting held on December 11, 1997.

3. At the 42nd Annual General Shareholders Meeting held on March 27, 2008, the abolition of officers' resignation bonuses was approved. It was also decided that the amount to be paid as of the time of the abolition should be paid, and that the payment should be made at the time each director or corporate auditor resigns.

*The total number of corporate auditors to whom remuneration was paid is six (including a total of three outside corporate auditors) because a full-time corporate auditor and an outside corporate auditor resigned and new auditors were appointed as their successors in March 2017.

Management team

(As of March 27, 2018)

Directors



Chairman of the Board of Directors
Toshio Shimada

Nov. 1997 : Joins the Company
Mar. 2002 : Director and Senior Vice President, Corporate Planning Dept., the Company
Mar. 2004 : President and CEO, the Company
Jan. 2011 : Representative Director and Chairman of the Board of Directors, the Company
Jun. 2011 : Vice Chairman, Japan Information Technology Services Industry Association (current position)
Mar. 2015 : Director and Chairman of the Board of Directors, the Company (current position)



President and CEO
Akihiko Sako

Apr. 1983 : Joins the Company
Mar. 2000 : Executive Officer and General Manager, 1st Section, Financial System Dept., SI Div., the Company
Mar. 2005 : Director, Executive Officer and Senior Vice President, Corporate Div., the Company
Jan. 2011 : President and CEO, the Company (current position)
Apr. 2014 : President and CEO, CAC Corporation



Director (in charge of CAC Corporation)
Ryota Nishimori

Apr. 1994 : Joins the Company
Jan. 2009 : Executive Officer and Deputy Head of Financial Business Unit, the Company
Jan. 2011 : Director & President & TREASURER, CAC AMERICA CORPORATION
Mar. 2016 : Director, CAC Corporation (current position)
Jan. 2018 : President and CEO, CAC Corporation (current position)



Director (in charge of China)
Bin Cheng

Jul. 1992 : Joins CAC AMERICA CORPORATION
Apr. 2000 : Joins the Company
May. 2000 : Director & President, CAC PACIFIC CORPORATION
Jul. 2000 : Director & President, CAC SHANGHAI CORPORATION (current position)
Apr. 2014 : Director, the Company (current position)



Director (in charge of India)
Malcolm F Mehta

Jun. 2010 : Joins the Company
Oct. 2010 : President, CAC India Private Limited (current position)
Apr. 2014 : Director, the Company (current position)
Jul. 2014 : Executive Director, Accel Frontline Limited
Jul. 2017 : Chairman and Chief Executive Officer, Accel Frontline Limited (current position)



Outside Director
Michitaka Hirose

May 1999: Professor of Engineering, Graduate School of Engineering, The University of Tokyo
Jul. 1999: Professor, Research Center for Advanced Science and Technology, The University of Tokyo
Apr. 2006: Professor of Mechano-Informatics, Graduate School of Information Science and Technology, The University of Tokyo (current position)
Mar. 2011: Director, the Company (current position)

*The Company has designated Mr. Michitaka Hirose as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.



Outside Director
Yukiko Kuroda

Jan. 1991 : Representative Director, People Focus Consulting Co., Ltd.
Mar. 2011 : Director, the Company (current position)
Apr. 2012 : Founder and Director, People Focus Consulting Co., Ltd. (current position)
Jun. 2013 : External Director, Marubeni Corporation
Jun. 2015 : Outside Director, Mitsui Chemicals, Inc. (current position)

*The Company has designated Ms. Yukiko Kuroda as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.



Outside Director
Tokihiko Mori

Jan. 1996: Director, Japan GE Co., Ltd.
Dec. 1999: Asia-Pacific Technology Director, Plastics Business, General Electric Company
Jul. 2006: Representative Director, Change Management Consulting Co., Ltd. (current position)
Jul. 2017: Adviser, Nihon M&A Center Inc. (current position)
Mar. 2018 : Director, the Company (current position)

*The Company has designated Mr. Tokihiko Mori as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

Skill set

Name	Status of attendance at Board of Directors' Meetings (fiscal year ended December 31, 2017)	Status of attendance at Board of Corporate Auditors' Meetings (fiscal year ended December 31, 2017)	Number of years of service	Experience				
				Business management	Personnel affairs/organizational development	Law	Product development/marketing	Technologies
Michitaka Hirose	Outside Director Attended 17 of 17 meetings	—	7					●
Yukiko Kuroda	Outside Director Attended 16 of 17 meetings	—	7	●	●			
Tokihiko Mori	Outside Director Newly appointed	—	—	●	●		●	
Kotaro Ishii	Outside Corporate Auditor Attended 15 of 17 meetings	Attended 9 of 11 meetings	3	●	●		●	
Hirokazu Honda	Outside Corporate Auditor Attended 13 of 13 meetings*	Attended 9 of 9 meetings*	1			●		

*The figure indicates the number of meetings that were held after he was appointed.

The table above shows the main skills of each person.

Auditors



Full-Time Corporate Auditor Akinobu Matsumura

Oct. 2000 : Joins the Company
 Apr. 2001 : Executive Officer, Senior Vice President, Internet Business Promotion Div., COE Control Div., the Company
 Mar. 2005 : Director and Executive Officer, Head of Outsourcing Business Unit, the Company
 Mar. 2011 : Full-Time Corporate Auditor, the Company (current position)



Full-Time Corporate Auditor Masaaki Yoshida

Oct. 2005 : Joins the Company
 Jan. 2012 : Vice President, Corporate Div. and General Manager of Corporate Planning Dept. of the same division, the Company
 Apr. 2014 : General Manager, Corporate Control Dept., the Company
 Jan. 2015 : General Manager, Corporate Dept., the Company
 Mar. 2017 : Full-Time Corporate Auditor, the Company (current position)



Outside Corporate Auditor Kotaro Ishii

Apr. 1984 : Joins The Boston Consulting Group
 Jan. 1986 : Participates in the foundation of Corporate Directions, Inc.
 Mar. 1993 : Director and Partner, Corporate Directions, Inc.
 Mar. 2003 : Representative Director, Corporate Directions, Inc. (current position)
 Mar. 2015 : Corporate Auditor, the Company (current position)



Outside Corporate Auditor Hirokazu Honda

Apr. 1997 : Registered as a lawyer and joins the Abe, Ikubo & Katayama law office
 Mar. 2004 : Registered as a lawyer in the State of New York, the United States
 Aug. 2004 : Partner of the Abe, Ikubo & Katayama law office (current position)
 Jun. 2015 : Senior Director, International Association for the Protection of Intellectual Property of Japan (current position)
 Mar. 2017 : Corporate Auditor, the Company (current position)

*The Company has designated Mr. Kotaro Ishii as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

*The Company has designated Mr. Hirokazu Honda as an independent officer in accordance with the stipulations of the Tokyo Stock Exchange, Inc.

Voice of outside corporate auditor



Enhancing the portfolio of the CAC Group in all directions, including human resources and businesses.

Outside Corporate Auditor

Kotaro Ishii Appointed in 2015

I was assigned to the position of outside corporate auditor of CAC Holdings in March 2015 after having worked solely as a consultant for 33 years. I am now in my fourth year as an outside corporate auditor of the Company. Before I took up this position, I interviewed more than ten officers and general managers of the Company to obtain a picture of it in person. What I found through the interviews was the fact that the CAC Group had been growing as an independent software company, building a solid customer base by taking advantage of its sincere attitude with which it ensures that it fulfills its corporate customers' requests. However, because the overall IT industry is about to change, that advantage is likely to turn into a disadvantage. If the CAC Group can be compared to a ship, it is a container vessel that sails slowly in the ocean. While stability is an important element for a company, it is speed that will be required in the coming era. What is required of the CAC Group at present is the ability to act promptly. At Meetings of the Board of Corporate Auditors, which consists of two full-time corporate auditors and two outside auditors, we have lively discussions about the measures to take toward the new era, with Mr. Honda, the other outside corporate

auditor, giving opinions mainly about legal affairs while I give frank opinions about management strategies. It must also be noted that CAC Holdings began to appoint multiple outside directors at a relatively early stage. By attending Meetings of the Board of Directors as well as those of the Board of Corporate Auditors, I would like to confirm the importance of the role of each and accelerate the decision-making process while working to integrate the Group. I believe that the top priority issue of the CAC Group is not how to change the large ship, which the Group is at present, but to create another ship -- that is, a state-of-the-art high-speed vessel that can respond to the changes of the times. This is because we need to get ready to take a variety of measures in this era, when it is difficult to identify the appropriate speed although we know which direction to go in. We should also keep adjusting the ratio of the cargoes loaded onto the two vessels to maintain a good balance between them as we continue to sail. This applies not only to new businesses and new domains, but also to human resources. What is needed in this era, which does not comprise ordinary times, is a manager with a strong spirit and leadership. Mr. Sako, who

had been serving concurrently as a president of an operating company, began to serve solely as the president and CEO of CAC Holdings in FY2018. This reflects his determination to change the company. I ask that our stakeholders understand this as the first step taken by CAC Holdings to become what it should be like. In addition, the revision of the Corporate Governance Code is also a significant issue for the CAC Group, which keeps changing. The Corporate Governance Code is aimed at controlling the top management of foreign companies who get out of control. If it is applied as is, it may be a ball and chain for Japanese companies, which attach importance to risk prevention. We need to have even deeper discussions to develop the optimal governance system for the CAC Group. The CAC Group has financial strength and strong potential. The presence of issues is the evidence that the Group keeps moving. If the issues are solved, the Group is likely to improve accordingly. I will therefore continue to fulfill my duties by saying whatever I believe is good for the Group, as many times as I need to, even if the management team members are ashamed to hear it, and checking whether they overlook anything in deciding on the direction of strategies.

Compliance/Risk management

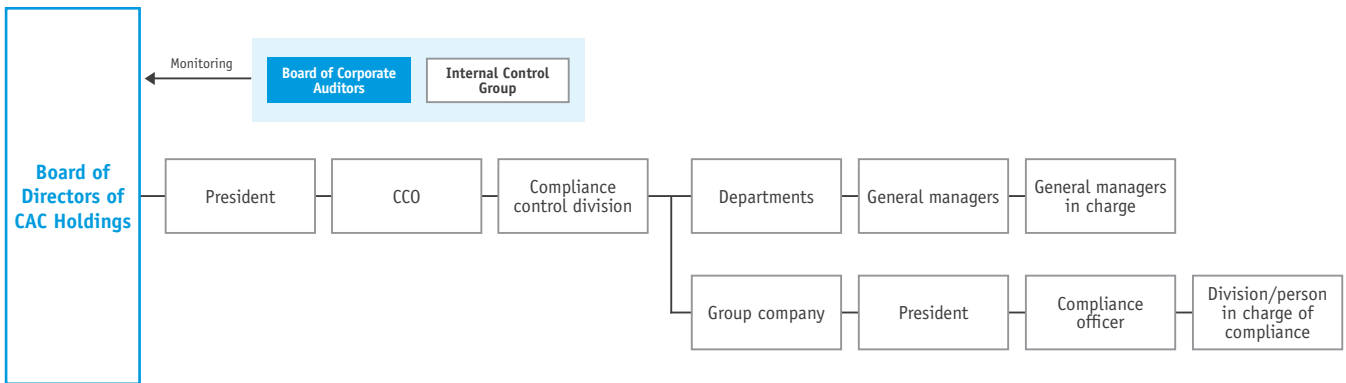
At the CAC Group, we believe that the strong awareness of our corporate social and public responsibilities and the actions we take to strengthen social understanding and trust leads to our sustainable development. To increase our sense of morality and our sincerity as a corporate entity, we have established our policies and systems on compliance and risk management and are striving to maintain these policies and systems.

Compliance

At the CAC Group, we define compliance as “increasing our sense of morality and our sincerity as a corporate entity by complying strictly with laws, regulations, rules and social norms.” Based on Our Credo, we have formulated the Basic Guidelines for Business Conduct for Compliance of the overall Group. We have made it our basic compliance policy to establish a system for promoting compliance and to take actions to promote compliance. In our system for promoting compliance, we have established a compliance control division, which is a division in charge of legal compliance, under the Chief Compliance Officer (CCO), who is appointed by the Board of Directors. The CCO supervises the compliance control division, which engages in activities related to

compliance, including planning, training, supervision and improvements. We have also introduced the Compliance Helpline System (a whistle-blowing system), which permits employees of the CAC Group to respond appropriately to compliance violations or potential compliance violations that they discover. We operate this system both within and outside the Group. As our basic policy for eliminating anti-social forces, we at the CAC Group will not be involved at all with any forces or groups that threaten social order and safety, will firmly reject demands from such forces or groups, and will not undertake any trade with any companies, groups or individuals related to such forces or groups.

CAC Group’s system for promoting compliance



Risk management

In business activities, a company faces not only risks generated in its external business environment but also internal risks that exist within the company. The CAC Group needs to handle these risks appropriately to maintain and keep improving its corporate value. At the CAC Group, we have established the Risk Management Principles as basic rules on risk management. The Risk Management Principles clarify the guiding principle, action

guidelines, and risks to manage (such as risks related to disaster, employment, information security, project management and compliance), along with the system to promote the management of these risks. As the system for promoting the appropriate identification, assessment and handling of risks, we have established the risk management division under the Chief Risk Officer (CRO).