

# Briefing on Results for Fiscal Year 2019

– January to December 2019 –

February 14, 2020

**CAC Holdings Corporation**

I . Overview of Financial Results  
for FY2019

II . Revision of Medium-Term Strategy  
for FY2021

III . Forecasts for FY2020

# I . Overview of Financial Results for FY2019

# Overview of Consolidated Results (Year on Year)

(JPY mil.)

	FY2018	FY2019	YoY Change	
			Amount	%
<b>Net sales</b>	49,906	50,683	+776	+1.6%
<b>Gross profit</b>	10,481	10,558	+76	+0.7%
(profit margin)	21.0%	20.8%	(0.2)pt	
<b>SG &amp; A</b>	9,054	9,243	+188	+2.1%
<b>Operating income</b>	1,426	1,314	(112)	(7.9%)
(profit margin)	2.9%	2.6%	(0.3)pt	
<b>Ordinary income</b>	1,368	1,257	(110)	(8.1%)
(profit margin)	2.7%	2.5%	(0.3)pt	
<b>Extraordinary income</b>	3,479	5,300	+1,820	+52.3%
<b>Extraordinary losses</b>	2,496	3,199	+702	+28.1%
<b>Net income</b>	1,319	1,500	+180	+13.7%
(profit margin)	2.6%	3.0%	0.3pt	

- ✓ Net sales were almost unchanged year on year due to a huge sales plunge in the CRO business despite growth attained by the domestic and overseas IT businesses.
- ✓ Operating income and ordinary income dropped, affected by the major fall in the CRO business and M&A expenses incurred.
- ✓ Extraordinary income resulted from the gain on sales of investment securities, while extraordinary losses resulting from the liquidation of unprofitable businesses and the revision of the valuation of assets owned.

# Net Sales and Operating Income by Segment (Consolidated)

Net sales

(JPY mil.)

	FY2018		FY2019		YoY	
	Amount	vs Total	Amount	vs Total	Amount	%
Domestic IT	29,623	59.4%	31,653	62.5%	+2,030	+6.9%
Overseas IT	9,280	18.6%	10,461	20.6%	+1,181	+12.7%
CRO	11,002	22.0%	8,568	16.9%	(2,434)	(22.1%)
Total	49,906	100.0%	50,683	100.0%	+776	+1.6%

Display sales to external customers.

Operating income

	FY2018		FY2019		YoY	
	Amount	vs Total	Amount	vs Total	Amount	%
Domestic IT	1,041	3.5%	1,640	5.2%	+598	+57.4%
Overseas IT	(308)	-	(46)	-	+262	-
CRO	693	6.3%	(278)	-	(972)	-
Total	1,426	2.9%	1,314	2.6%	(112)	(7.9%)

- ✓ The domestic IT business achieved healthy performance amid strong IT demand from its existing customers.
- ✓ The overseas IT business attained profitability in existing projects. However, the operating loss remained negative due to M&A expenses.
- ✓ In the CRO business, net sales and operating income tumbled after the end of a large project, the contraction of projects and weakness in terms of orders received.

# Net Sales by Industry (Consolidated)

(JPY mil.)

	FY2018		FY2019		YoY	
	Amount	vs Total	Amount	vs Total	Amount	%
Financial services	6,107	12.3%	5,621	11.1%	(486)	(8.0%)
Trust banks	4,359	8.7%	5,623	11.1%	+1,263	+29.0%
Phamaceuticals	16,116	32.3%	14,190	28.0%	(1,926)	(12.0%)
Food services	2,852	5.7%	2,956	5.8%	+103	+3.6%
Manufacturing	3,762	7.5%	4,280	8.4%	+518	+13.8%
Service and others	16,707	33.5%	18,010	35.5%	+1,302	+7.8%
Total	49,906	100.0%	50,683	100.0%	+776	+1.6%

- Trust banks: Grew substantially following a rise in sales to major customers in the domestic IT business.
- Pharmaceuticals: Increased in the domestic IT business but fell significantly in the CRO business.
- Manufacturing: Surged, chiefly following sales growth in the domestic IT business and the contribution of new consolidation with Mitrais.
- Service and others: Up, mainly in the overseas IT business.

# Orders and Order Backlog by Segment (Consolidated)

Orders Received		(JPY mil.)		
	FY2018	FY2019	YoY	
			Amount	%
Domestic IT	29,588	32,332	+2,744	+9.3%
Overseas IT	11,206	10,060	(1,145)	(10.2%)
CRO	9,376	8,406	(970)	(10.3%)
Total	50,171	50,799	+628	+1.3%

Order Backlog				
	FY2018	FY2019	YoY	
			Amount	%
Domestic IT	6,706	7,385	+678	+10.1%
Overseas IT	3,166	3,548	+381	+12.1%
CRO	6,068	5,906	(161)	(2.7%)
Total	15,941	16,840	+898	+5.6%

- ✓ The domestic IT business received steady orders.
- ✓ Orders received in the overseas IT segment dropped significantly. Despite the contribution of new consolidation, there was a reactionary fall from the large order received in India at the end of 2018. The order backlog rose year on year due to the effect of consolidation.

# Orders received by Industry (Consolidated)

Orders Received		(JPY mil.)		
	FY2018	FY2019	YoY	
			Amount	%
Financial services	6,608	5,811	(796)	(12.1%)
Trust banks	4,209	6,198	+1,988	+47.2%
Pharmaceuticals	14,257	14,156	(100)	(0.7%)
Food services	2,804	2,903	+99	+3.6%
Manufacturing	3,828	4,555	+727	+19.0%
Service and others	18,464	17,173	(1,290)	(7.0%)
Total	50,171	50,799	+628	+1.3%

Display orders received to external customers.

Financial services: Decreased, mainly in the domestic IT business.

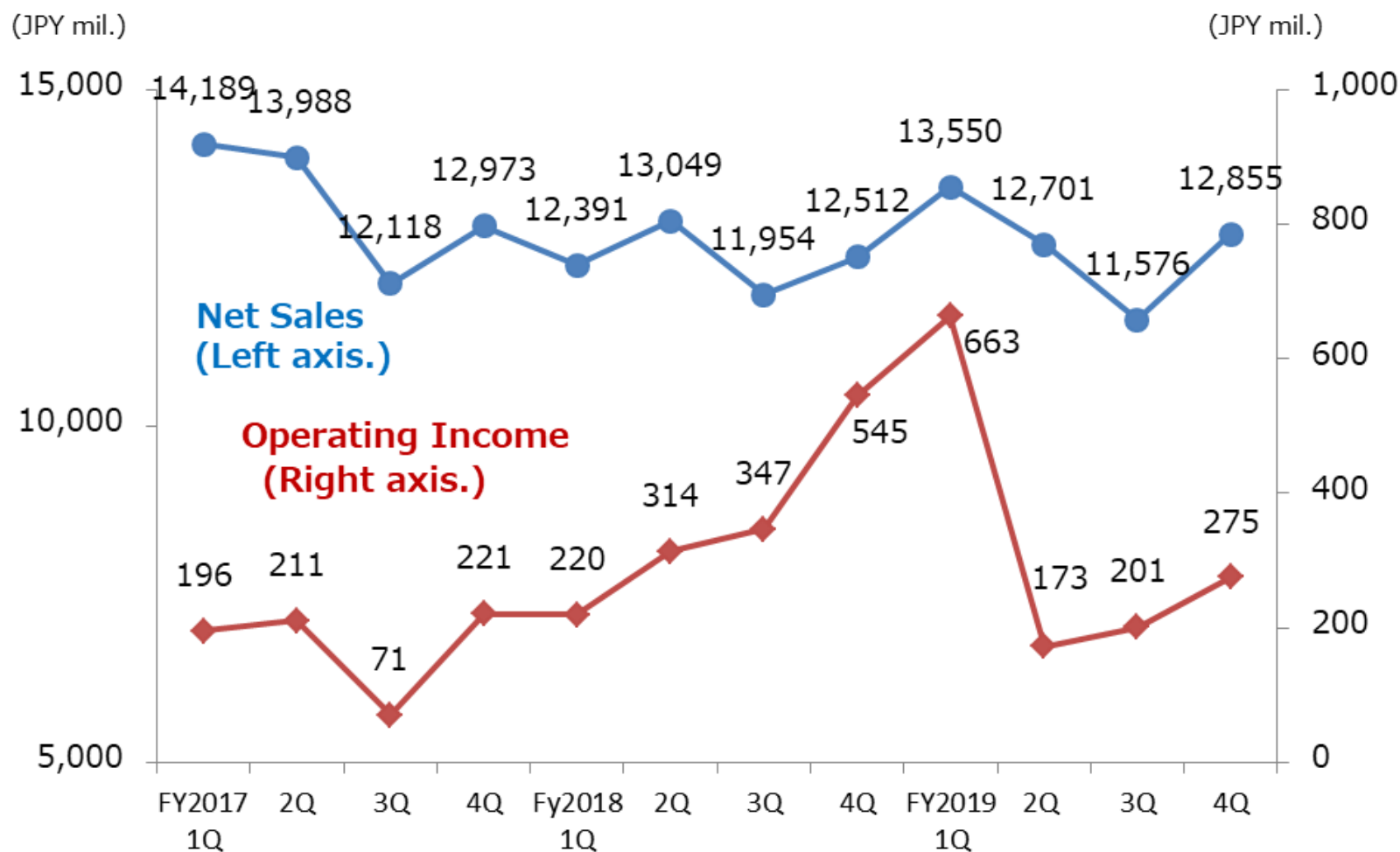
Trust banks: Jumped significantly following growth in the domestic IT business.

Manufacturing: Grew in the domestic and overseas IT businesses.

Service and others: Showed a massive reactionary fall from the large order received by the subsidiary in India despite the contribution of new consolidation. Those in the domestic IT business remained flat.



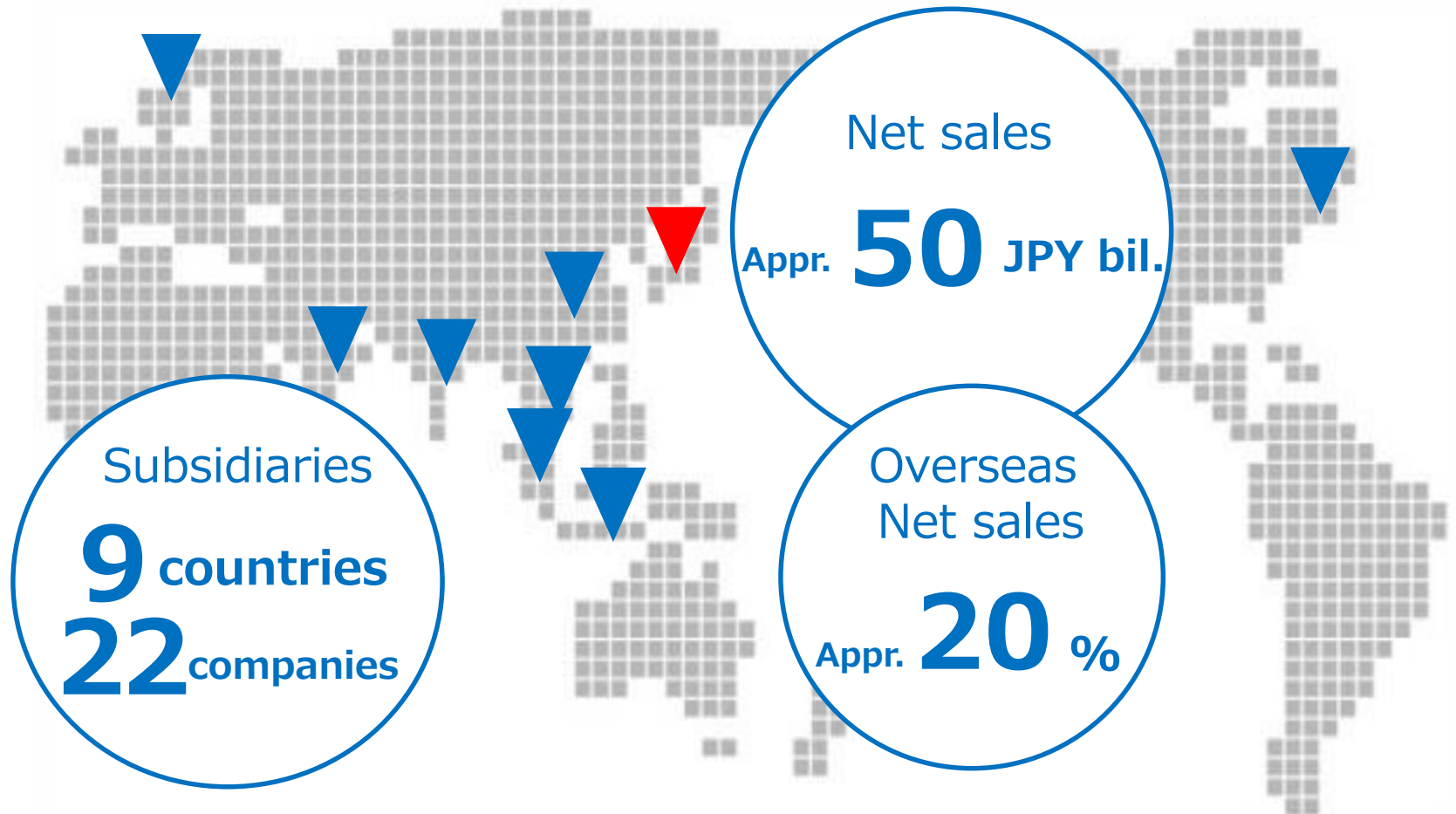
# Transition of Consolidated Results by Quarter



## II . Revision of Medium-Term Strategy for FY2021

# Outline of the CAC Group

Roll out IT & healthcare services in Japan and overseas



# Medium-Term Strategy (Determination21)

## Aiming to be a corporate group that is able to respond to digital transformation (DX)

### Basic Policy (from FY2019)

- Strengthening corporate governance by separating management and execution
- Seeking the mobile implementation of business by achieving consistency between execution structures and business domains
- Improving capital efficiency and increasing returns to shareholders

#### Goal for FY2021

ROE **8%**

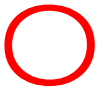
Net sales **70** billion yen

Operating income **4** billion yen

# Progress to Medium-Term Strategy (Determination21)

## Improving profitability of existing businesses

- Domestic IT: Profitability improved as planned
- Overseas IT: Profitability enhancement delayed
- CRO: Profit decreased considerably due to a massive fall in sales



## Creating and expanding new businesses

- Investment in companies with growth potential:  
Investing in firms with digital technologies
- M&A: Only one case concerning Mitrais Pte. Ltd., which engages in agile development



# Actions Towards FY2021

## Construct a high-revenue model

Increase the profitability of the overseas IT business, which contributes a growing portion of the Group's net sales

India: Accelerate business restructuring and revisions to business models

China: Boost sales in the Chinese domestic market

ASEAN: Cultivate and expand new markets on the basis of agile development

## Step up investment and financial strategies

Develop investment and financial strategies and strengthen their implementation at the dedicated organization that has recently been launched

- Make the most use of the Group's assets and cash with a view to contributing to the Group's revenue
- Enlarge new business domains through mergers and acquisitions and other actions that are helpful to medium- and long-term business model reforms

\* Details will be explained at the results briefing for the first half of FY2020.

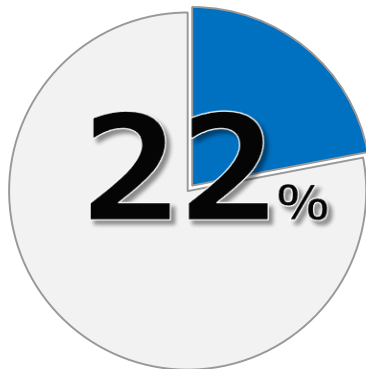
## Press ahead intensively with initiatives for digital transformation (DX)

Offer proper and sustainable services in the age of DX

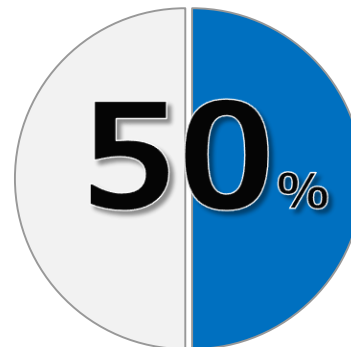
- Accelerate agile development
- Step up the model of co-creation with customers
- Integrate the CRO business with digital technologies in the Group to offer digital healthcare services

Share of digital projects in the Group's net sales

Results for FY2019



Goal for FY2021



# Revision to Target Values for FY2021

## Before the revision

Target values

Net sales **70** billion yen

Operating income **4** billion yen

ROE **8**%

## After the revision

Target values

Net sales **55** billion yen

Operating income **3** billion yen

**plus extra**  
from investment  
and financial  
strategies

ROE **8**%



# Consolidated target figures (by segment)

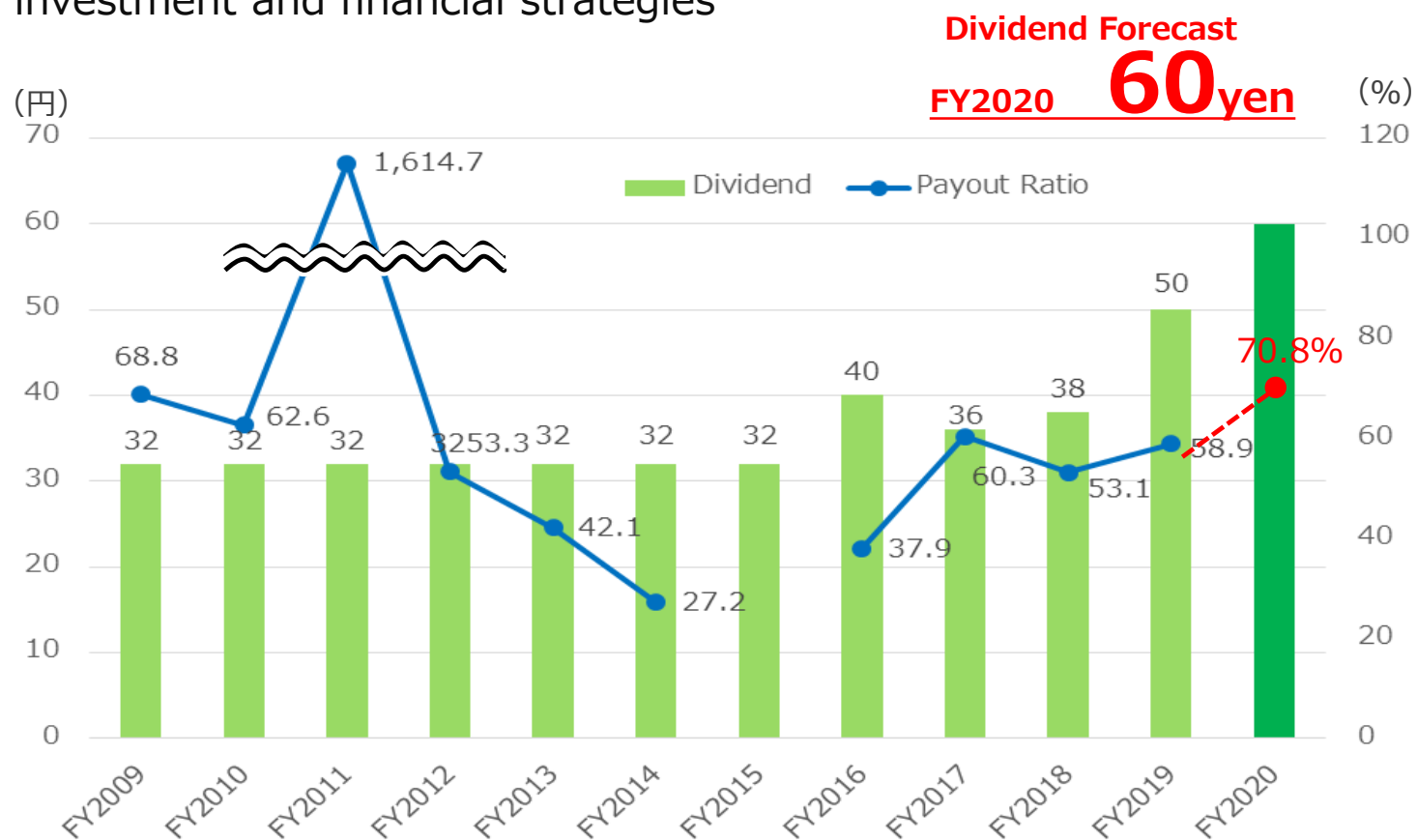
(JPY mil.)

		FY2019 Result	FY2020 Forecast	FY2021 Goal
Domestic	Net Sales	<b>317</b>	<b>320</b>	<b>330</b>
IT	Operating Income	<b>16</b>	<b>14</b>	<b>17</b>
	VS Total	5.2%	4.4%	5.2%
Overseas	Net Sales	<b>105</b>	<b>130</b>	<b>140</b>
IT	Operating Income	<b>(0)</b>	<b>5</b>	<b>8</b>
	VS Total	(0.4%)	3.3%	5.0%
CRO	Net Sales	<b>86</b>	<b>70</b>	<b>80</b>
	Operating Income	<b>(3)</b>	<b>1</b>	<b>5</b>
	VS Total	(3.3%)	1.4%	6.3%
<b>Total</b>	<b>Net Sales</b>	<b>508</b>	<b>520</b>	<b>550</b>
	<b>Operating Income</b>	<b>13</b>	<b>20</b>	<b>30</b>
	<b>VS Total</b>	<b>2.6%</b>	<b>3.8%</b>	<b>5.5%</b>
<b>ROE</b>		<b>5.6%</b>	<b>6%</b>	<b>8%</b>

\* The ROE figure for FY2021 has been calculated using net income and other data reflecting forecasted ordinary income estimated from the forecasted operating income and the deduction of tax (32%).

# Dividend Policy for FY2020

- ✓ Increase capital efficiency and continue to positively return profits to shareholders
- ✓ Increase the dividend for FY2020 by 10 yen per share, to 60 yen per share
- ✓ Study specific measures for future returns to shareholders in the framework of investment and financial strategies



## III. Forecasts for FY2020

# Results Forecasts for FY2020

(JPY mil.)

	FY2019 Result	FY2020 Forecasts	YoY
<b>Net sales</b>	50,683	52,000	+2.6%
<b>Operating income</b>	1,314	2,000	+52.1%
(profit margin)	2.6%	3.8%	
<b>Ordinary income</b>	1,257	1,900	+51.1%
(profit margin)	2.5%	3.7%	
<b>Net income</b>	1,500	1,400	(6.7%)
(profit margin)	3.0%	2.7%	

# Results Forecasts by segment for FY2020

Net sales

(JPY mil.)

	FY2019		FY2020 Forecasts		YoY	
	amount	vs Total	amount	vs Total	amount	%
Domestic IT	31,653	62.5%	32,000	61.5%	+346	+1.1%
Overseas IT	10,461	20.6%	13,000	25.0%	+2,538	+24.3%
CRO	8,568	16.9%	7,000	13.5%	(1,568)	(18.3%)
Total	50,683	100.0%	52,000	100.0%	+1,316	+2.6%

Operating income

	FY2019		FY2020 Forecasts		YoY	
	amount	vs Total	amount	vs Total	amount	%
Domestic IT	1,640	5.2%	1,400	4.4%	(240)	(14.6%)
Overseas IT	(46)	-	500	3.8%	+546	-
CRO	(278)	-	100	1.4%	+378	-
Total	1,314	2.6%	2,000	3.8%	+685	+52.1%

## Reference: Major News in the Second Half of the Fiscal Year (1/3)

Aug. 20, 2019	<p><b>CAC commences collaboration with Dotmatics in drug development informatics.</b></p> <p>CAC signs a sales agent agreement with Dotmatics Limited (hereinafter “Dotmatics”), which engages in drug development informatics, to embark on a collaboration in drug development research by pharmaceutical companies. Dotmatics’ research assistance software package for pharmaceutical and chemical industries covers all the research operations for drug creation. The deal allows CAC to offer a one-stop service including license sales of Dotmatics’ products, product introduction, support for computerized system validation (CSV) and operation and maintenance support. CAC will thus help pharmaceutical companies to further streamline their research activities in the area of drug development.</p>
Aug. 22, 2019	<p><b>CAC signs IoT partnership agreement with HMS Industrial Networks.</b> - Accelerating development of IoT solutions for manufacturers -</p> <p>CAC signs a partnership agreement in IoT-related areas with HMS Industrial Networks K.K. (hereinafter “HMS”), which holds communication and IoT solutions for the monitoring and control of manufacturing and control devices for the manufacturing and food industries. Amid the shift towards IoT- and AI-based smart factories to cover personnel shortages, HMS’ products and technologies are very important. In the future, CAC will work with HMS to disseminate IoT solutions.</p>
Sep. 4, 2019	<p><b>CAC signs Training Associate agreement with UiPath to launch new courses for RPA promoters.</b></p> <p>CAC signs a Training Associate agreement with UiPath K.K. (hereinafter “UiPath”) to launch UiPath one-day training courses for robotic process automation (RPA) promoters in late September. As a reseller recognized by UiPath, CAC will offer courses that help corporate personnel for UiPath introduction to acquire knowledge and skills in design and development in a bid to bolster the introduction of UiPath.</p>

## Reference: Major News in the Second Half of the Fiscal Year (2/3)

Sep. 12, 2019	<p>CAC signs sales agent agreement with Brains Technology for <i>Neuron</i> enterprise search engine.</p> <p>- Supporting the improvement of knowledge workers' productivity -</p> <p>CAC signs a sales agent agreement with Brains Technology, Inc. for its <i>Neuron</i> enterprise search engine. <i>Neuron</i> allows users to search information scattered throughout the company as a result of the diversification of collaboration tools and the advancement of digitalization and to retrieve the necessary information with a view to boosting the intellectual creativity of knowledge workers.</p>
Sep. 28, 2019	<p>CAC holds 3rd CAC Cup Inter-School Boccia Tournament.</p> <p>- With the participation of 110 people including players and assistants -</p> <p>The CAC Group organizes the 3rd CAC Cup Inter-School Boccia Tournament at the Sumida City Gymnasium. The number of participants from schools for special needs education in Tokyo is higher than in the previous tournament. They display a high level of performance in the competition. In addition, numerous events attended by all participants liven up the tournament.</p>
Oct. 3, 2019	<p>CAC signs sales agent agreement for CyberLink's products in AI facial recognition.</p> <p>- Endeavoring to offer health management services based on individual identification and personal identification services -</p> <p>CAC signs a sales agent agreement with CyberLink Corporation for its <i>FaceMe</i> AI facial recognition engine. CAC will combine the <i>FaceMe</i> with its existing products based on face images, such as the <i>Affectiva</i> human perception AI, the <i>Rhythmiru</i> heart rate estimation software, and other image recognition technologies in an effort to develop and offer highly valuable products and services to users.</p>

## Reference: Major News in the Second Half of the Fiscal Year (3/3)

Oct. 28, 2019	<p>CAC jointly develops smile training app based on emotion recognition AI with Recruit Staffing.</p> <p>- Smile training service for temporary staff launched by Recruit Staffing on Mon., Oct. 28 -</p> <p>CAC and Recruit Staffing Co., Ltd. (hereinafter “RS”) jointly develop an application by customizing <i>Kokoro Sensor for Training</i>, an app for facial expression training based on CAC’s emotion recognition AI. RS launches a smile training service for temporary staff with the use of the newly created app.</p>
Nov. 16, 2019	<p>CAC Croit to offer prototype of document assessment support system for pharmaceutical manufacturers.</p> <p>CAC Croit develops a document assessment support system designed to help assessment personnel with judgments by applying machine learning and other digital technologies to the peer review process in pharmacovigilance service and by accumulating the expertise of experienced professionals. With a view to its commercial release in spring 2020, CAC Croit offers a prototype free of charge in a bid to provide better products. As an alternative to the advanced knowledge and experience required in peer reviews of documents, this system is expected to streamline the process and resolve the problem of securing personnel.</p>
Nov. 14, 2019	<p>CAC acquires AWS Financial Services Competency certification.</p> <p>CAC acquires Financial Services Competency certification under the AWS competency program run by Amazon Web Services, Inc. (hereinafter “AWS”) in recognition of its track record in the introduction of AWS services to financial institutions and technological capabilities. CAC is the third consulting partner with the certification under the AWS Partner Network in Japan.</p>



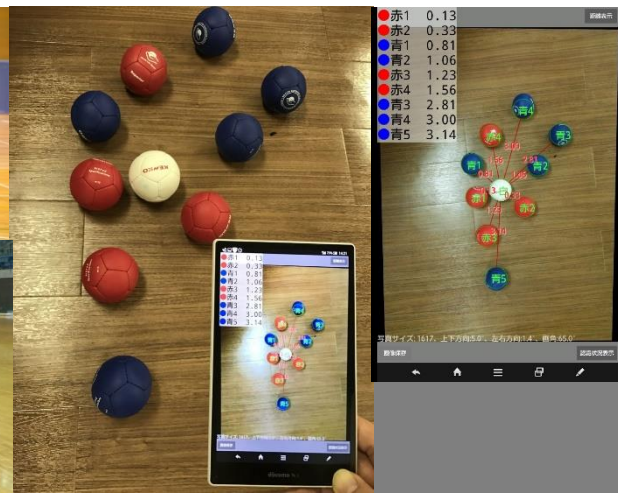


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CAC Group helps disseminate and develop Boccia, a sport for the disabled.