

**CAC Holdings Corporation**

# **CAC REPORT** 2019

Fiscal year ended December 31, 2018





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

Our mission is to continually create new value through advanced ICT. Against a backdrop of globalization, and with an increasingly diverse range of values, we understand the needs of the market and are determined to create new services that will change the world. That is our goal here at the CAC Group.



CAC Holdings Corporation

# CAC REPORT 2019

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Foundation period

Growth period

# We continue growing by tackling various challenges.

The history of the CAC Group's growth is also a history of challenges.

Never fearing failure, we have tackled challenges in new areas.

We will try to create further corporate value while making a full-scale entry on the global stage.

1966

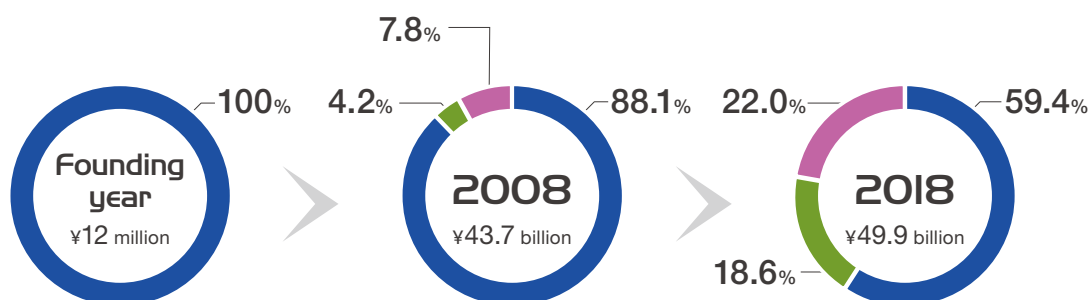
Computer Applications Co., Ltd.  
is established as an independent  
software company.

Net sales Operating income ROE

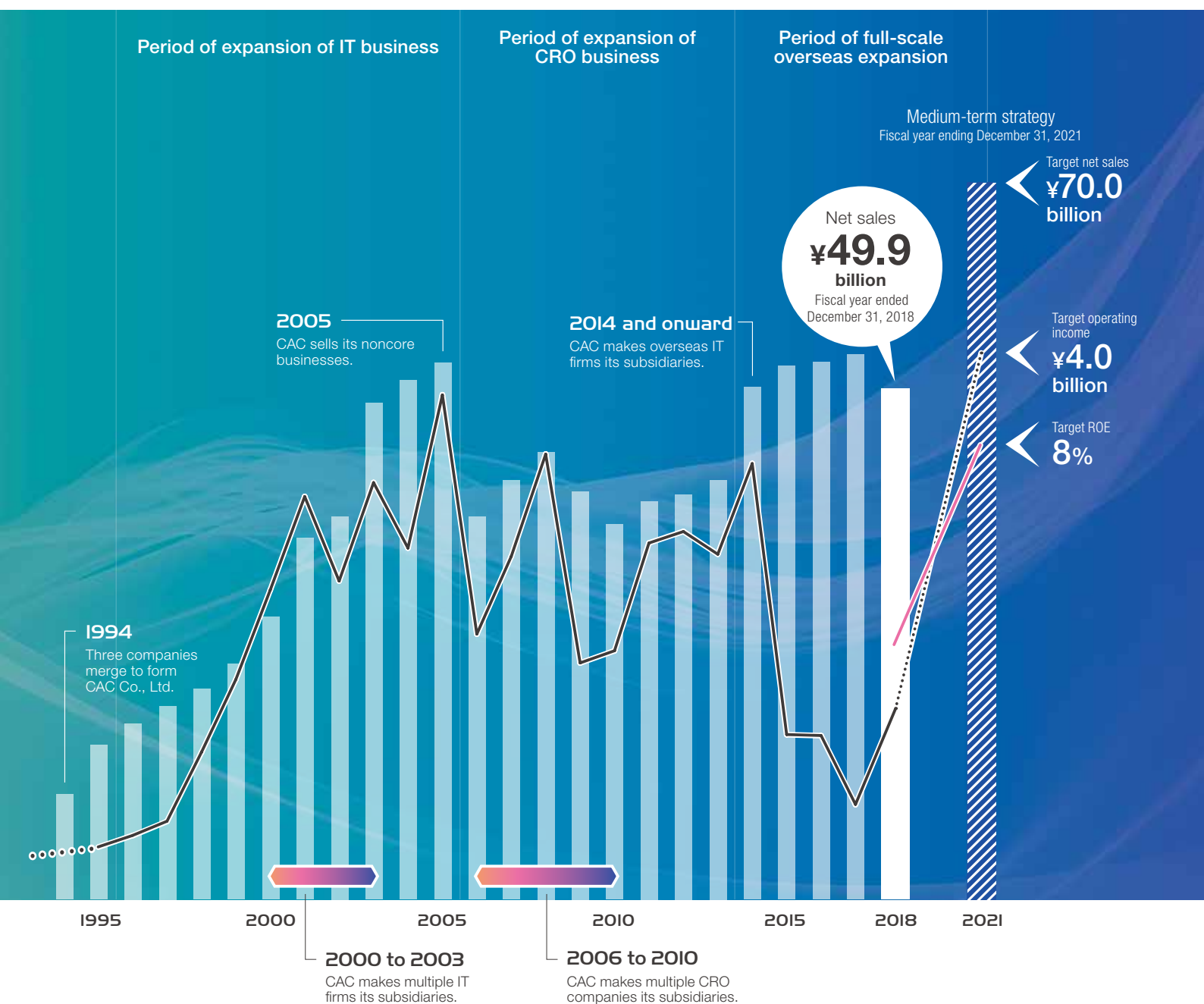
1966 1970 1975 1980 1985 1990

Net sales  
by segment

Domestic IT  
Overseas IT  
CRO

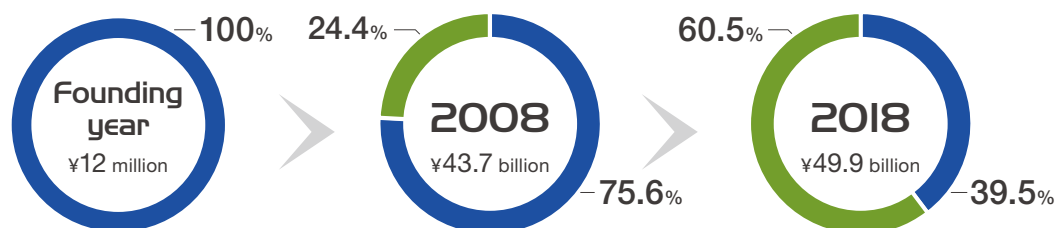




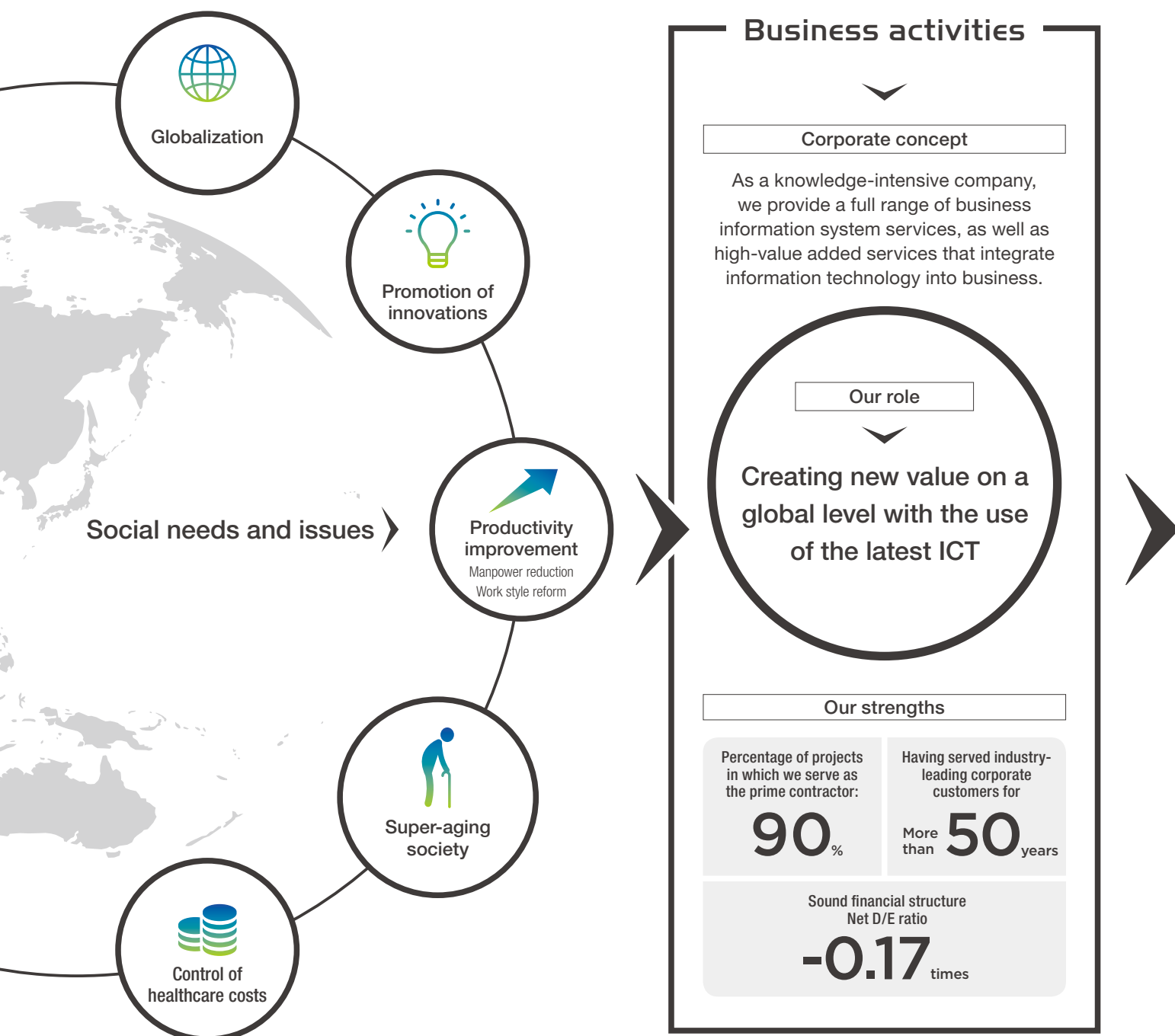


Net sales of CAC Corporation as the core operating company and other CAC Group companies

■ CAC Corporation  
■ Other CAC Group companies



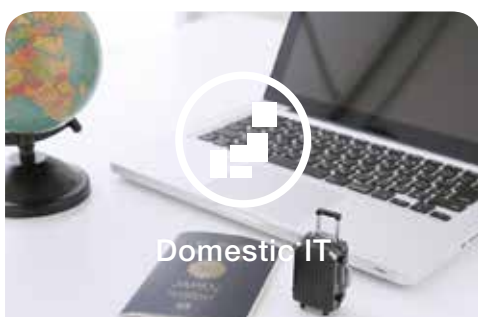
## CAC Group's value creation and outcomes



## OUTPUT

Products and services

### IT services



Domestic IT



Overseas IT

### Healthcare services



CRO

## OUTCOME

Values we create

### Social value



Contributing to customers' business reforms



Efficient support for pharmaceutical development

### Economic value

Medium-term strategy

# Determination 21

2018 ▶ 2021

Strong drive,   
Infinite possibilities

Targets (Fiscal year ending December 31, 2021)

ROE

8%

Net sales

¥70.0 billion

Operating income

¥4.0 billion

# Three key points of the CAC Group

We have summarized our unique strengths into three key points to have the CAC Group understood better.

## 1 An IT and healthcare service provider that has been changing in response to needs of the times

The CAC Group is an independent pioneer that was founded at the dawn of the software industry in Japan.

Our core businesses include overseas IT and CRO businesses.

We are pursuing initiatives in the latest technologies, such as AI, IoT, and blockchain.

We are prime contractor who develops and provides the optimal systems for users.

Prime contract rate

Approx.  
**90%**

\* At CAC Corporation

Percentage of sales of overseas IT and CRO businesses

**40.6%**

## 2 Early start of growth through mergers and acquisitions (M&A)

2014-

### Overseas

Investment in overseas IT companies

2006-

### BPO/BTO

Investments, business acquisitions, and business integration in CRO as a growth field

2000-

### IT system

Acquisition of IT affiliates as systems divisions of companies such as Maruha Nichiro Corporation and YUASA TRADING CO., LTD. and converting them into subsidiaries of the CAC Group

1994

### Merger of three companies

Merger of Computer Applications Co., Ltd., a systems development and integration company, with two CAC Group companies, Nippon System Service Co., Ltd. (SSK) and System Utility Co., Ltd. (SUC)

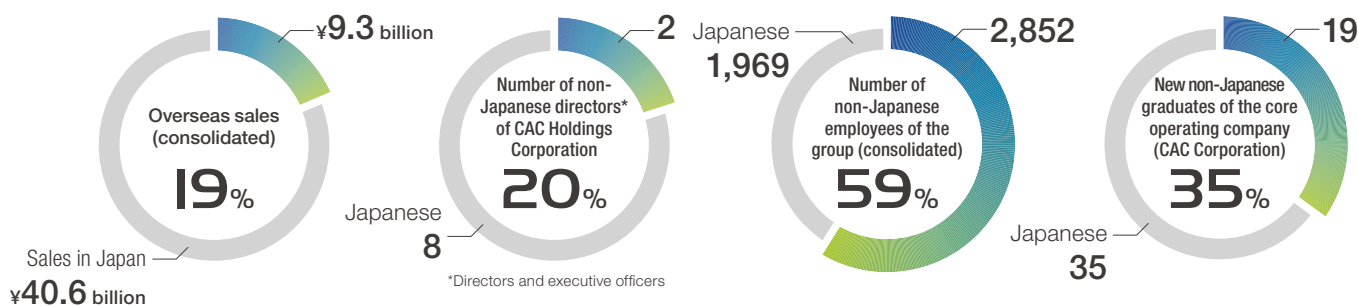


### 3 Overseas markets as growth frontiers

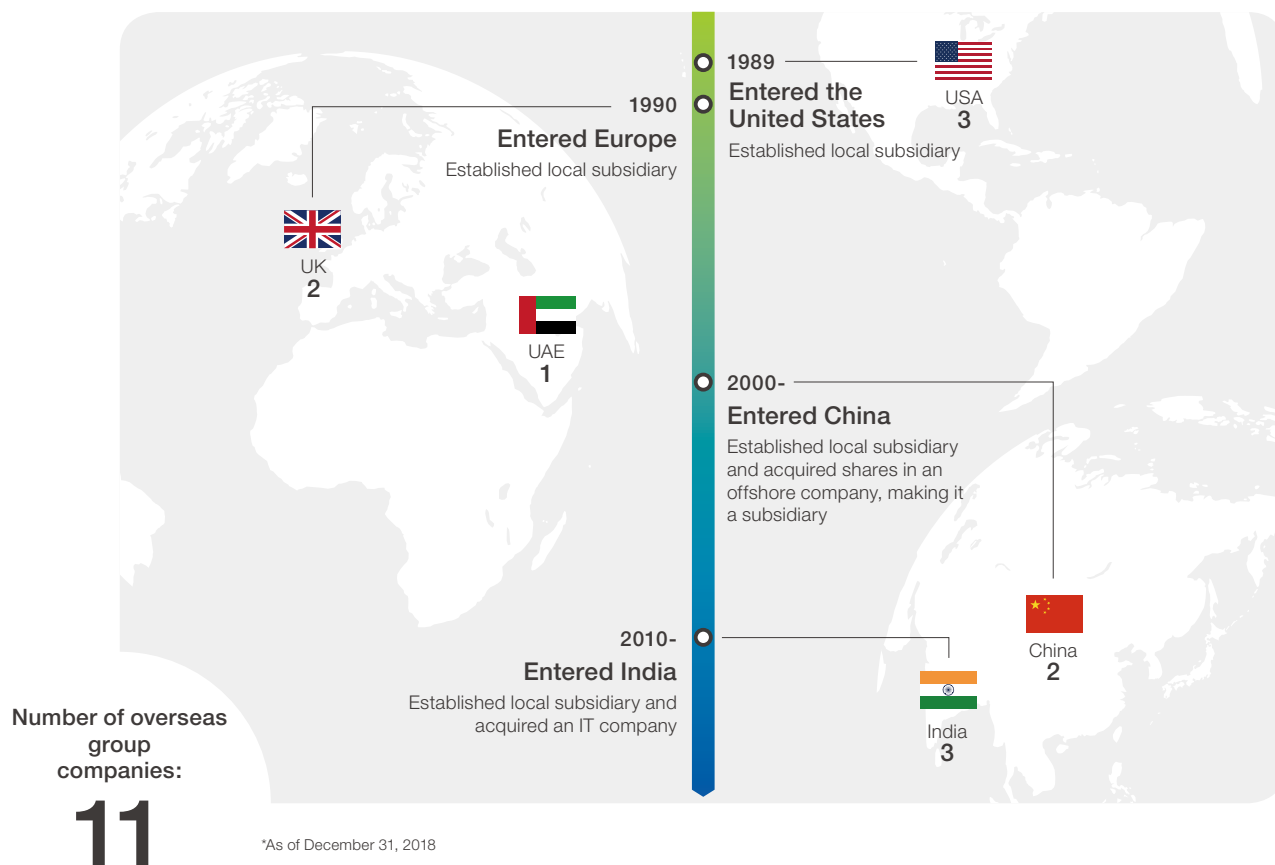
The CAC Group expanded overseas before other Japanese companies, starting with the establishment of its local subsidiary in Taiwan in 1978.

In recent years, we have been increasing the percentage of overseas operations through initiatives such as aggressive M&A as part of our efforts to respond to global demand.

We will continue our efforts to expand our business in each country and accelerate our globalization.



#### Overseas business locations/ History of overseas expansion





### **In FY2018, we secured an increase in profit by eliminating unprofitable projects and achieving appropriate cost.**

My name is Akihiko Sako, the president and CEO of CAC Holdings Corporation. First, I would like to express my sincere gratitude to our shareholders for their ongoing support. The CAC Group aims to be a corporate group that can survive in an era that will change even more rapidly with AI, IoT, and other cutting-edge technologies. We have therefore braced ourselves for FY2018 as the first year of our new medium-term strategy, *Determination 21*.

As a result, while net sales of the overall group declined, we achieved a significant improvement in profits, which increased year on year. What contributed to the profit improvement in particular was the contract research organization (CRO) business. CAC Croit Corporation, our subsidiary which operates the CRO business, began to take steps two years ago to improve its earnings capabilities, including the elimination of unprofitable projects and cost appropriation. For example, the company reviewed its

contracts with pharmaceutical companies concerning costs that were mostly assumed by the company, including expenses for collecting clinical trial data that were generated unexpectedly and losses from downtime generated due to the absence of participants. As a result, the company could build an environment that reliably generates profits.

In addition, in the domestic IT business, we achieved the previous year's levels of net sales and profit as well. Overseas IT business saw a decline in net sales, but its deficit decreased, resulting in an increase in profits overall. There are two reasons for the decline in sales from overseas IT business. The first is the sale of two overseas subsidiaries associated with the restructuring of overseas businesses. The sale of the two subsidiaries resulted in the loss of their sales, which had a significant impact on the result. The other reason is a decline in sales at CAC AMERICA CORPORATION, our subsidiary in the United States, attributable to the absence of the special demand that it enjoyed in the year before last.

On the other hand, because we split off unprofitable businesses, we were able to narrow the losses on our overseas IT business. We increased profitability through our



We will promote globalization  
and aim to be a corporate  
group that is capable of  
creating new industries.

Akihiko SAKO  
President and CEO

internal reforms, such as the sale of companies with large losses and a fundamental review of the businesses of our subsidiary in India, including the business process. This has convinced me that the reforms we have advanced will be the catalyst for further positive changes in FY2019.

### **The growth driver in FY2019 is the overseas and domestic IT business.**

Over the last several years, we have developed the medium-term strategies of the CAC Group by assuming that what we have been regarding as our mainstay work will decrease. This is because we believed that the rapidly expanding digital transformation (DX) will lead to a shift from the previous method, with which we dispatched system engineers (SEs) to companies and spent a great deal of time developing a system of each company, to an era when packages or cloud systems are used without relying on human labor. However, even though AI and other cutting-edge technologies have begun to be used, the labor, skills, and knowledge of SEs are essential for introducing those technologies. As a result, the shortage of SEs has remained serious. Of course,

the skills required of us have been changing, but we believe that demand for SEs will remain strong.

However, we must continue to manage the company in FY2019 with a sense of crisis, instead of being satisfied with the current conditions. We believe that, while the time when this industry will be eliminated due to DX has been postponed somewhat, the fact that it will be eliminated will remain unchanged. Accordingly, in FY2019, we will continue to aggressively promote new business development, and we expect that initiatives to bolster profitability at our subsidiaries in India and Dubai will prove effective, contributing greatly to our performance in overseas IT business, which we have been promoting over the past several years. Our business environment in India has been favorable, with demand for system development and operations remaining strong. Our business in this field, the structure of which is being streamlined and transformed into one that makes it easier to generate profits, should be one of our leading forces in 2019. We also receive a lot of inquiries about our domestic IT business, which remained flat in 2018. We expect that this domestic IT business and overseas IT business in India and other countries will be our growth drivers in 2019.

# Medium-term strategy Determination 21

2018 ▶ 2021

## Basic Policy

- |   |  |
|---|--|
| <p><b>1</b> Strengthening governance by separating management and execution</p> <p><b>3</b> Improvement of capital efficiency and strengthening of return to shareholders</p> | <p><b>2</b> Mobile implementation of business with prompt decision-making</p> <p><b>4</b> Promotion of value sharing with shareholders</p> |
|---|--|

## Remaking our medium-term strategy into one that is stronger and clearer

In response to these changes in the business environment, we have reviewed our medium-term strategy, Determination 21 (2018-2021). Because one year had passed since we developed the plan, we believed that it was the best time to perceive the current reality correctly and clarify the strategy for achieving our targets in the remaining three years. At the same time, concerning our measures for maximizing shareholder value, which we have been weighing heavily, we can finally move to the stage of making improvements because rebuilding our overseas subsidiaries, our top priority issue, has concluded.

First, we added ROE at 8% as our new target. ROE is the most reliable indicator of a company's efforts by comprehensively considering shareholder returns, capital efficiency improvement, growth strategy, and other factors. We will make full efforts to achieve the target of ROE of 8%, not to mention net sales of 70.0 billion yen and operating income of 4.0 billion yen in FY2021. To improve capital efficiency, we will either try to improve shareholder returns through measures such as the large-scale acquisition of treasury stock and significant dividend increase, or else we will actively promote M&A.

We have also established a system for strengthening governance by separating management and execution. This is aimed at strengthening our sales capabilities and

maximizing sales and profits, thereby improving our corporate value and achieving sustainable growth. For this purpose, we have reduced the number of directors from eight to five and then replaced the management team members. We have also changed the number of outside directors to three, while that of internal directors is two, thereby fulfilling the management function. At the same time, we transferred the three persons, who resigned from the position of director, to the position of executive officers in the Core ICT, China, and India Domains. Meanwhile, we have appointed executive officers in the Healthcare Domain and the Future Domain, which is in charge of M&A, among other operations. We have thus enabled executive officers to be committed to supervising the five business domains. I believe that this will clarify the roles of our directors and executive officers and allow them to consistently fulfill those roles. In addition, we have transferred decision-making authority to executive officers to enable them to make decisions promptly and execute businesses flexibly. I believe that, with these changes, we have now established a system that allows us to move ahead quickly with overseas projects in India, China, and other countries, not to mention projects in Japan.

We have also reviewed the compensation plan for our directors and introduced a restricted stock program. I believe that this has allowed our directors to share value with shareholders and manage the company with an awareness of the price of the company's shares.



### Improvement of shareholder returns with the acquisition of treasury stock, dividend increase, and aggressive M&A

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First, we will continue to conduct M&A aggressively. In FY2019, we officially added the Future Domain, which implements M&A and creates new businesses from among the businesses of our investment portfolio, to our business domains and have also clarified target values. We are planning M&A by targeting various candidate companies in Japan and other countries, with a focus on companies and business sectors that are expected to produce synergies with our businesses in the digital field, which are our core businesses, while also taking a broad perspective.

In addition, we expect the dividend in FY2019 to increase 12 yen from the previous fiscal year, to 50 yen. We are planning to implement a large-scale acquisition of treasury stock, with an upper limit of 3.0 million shares or 3.0 billion yen, within FY2019. Basically, we will retire the acquired stock to increase the profit per share.

### Stay tuned for more changes and development at CAC Group

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We are in an era of rapid progress in digitalization, which makes it difficult to predict what will happen to the business

environment from a long-term perspective. However, the CAC Group works in the digital field, the very field that will change the world so dramatically. We will continue to lead the digitalization of our corporate customers by riding the wave of evolution ahead of other companies and finding a firm position on that wave. We will also have to be capable of creating new industries on our own.

For the CAC Group, the key to being able to create new industries is, without doubt, *globalization*. Therefore, the CAC Group entered Europe and the United States at an early stage. Now we are promoting business expansion in India, Middle East, and China as well. With a view to further globalization, we have been increasing non-Japanese employees in Japan and other countries in the last ten years or so, thereby promoting globalization in the aspect of human resources, while also providing language education to our employees. It is for globalization that we have implemented M&A by attaching greater importance to overseas companies than those in Japan. I feel this has allowed the CAC Group to change into a globally conscious corporate group.

As a corporate group that can continue growing over the long term, the CAC Group will keep changing and evolving flexibly while maintaining consistency. I respectfully ask our shareholders for their continued support.

Date of interview: Late March, 2019



# Medium-term strategy Determination 21

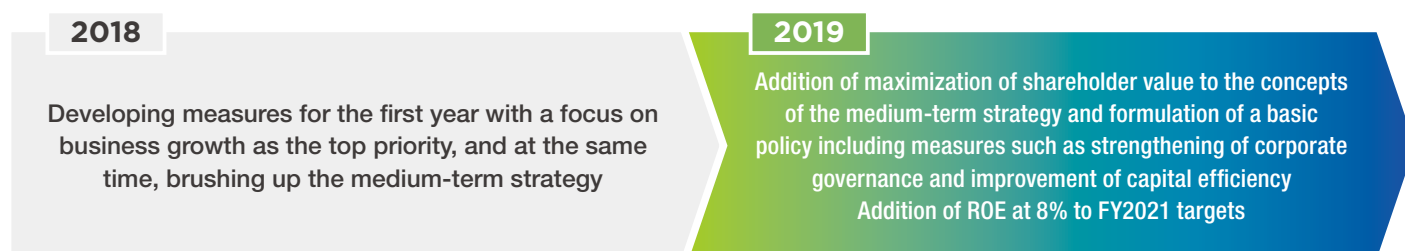
2018 ▶ 2021

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. The capabilities required of us as system integrators and outsourcers are also changing greatly. This has also raised expectations for governance to improve corporate value.

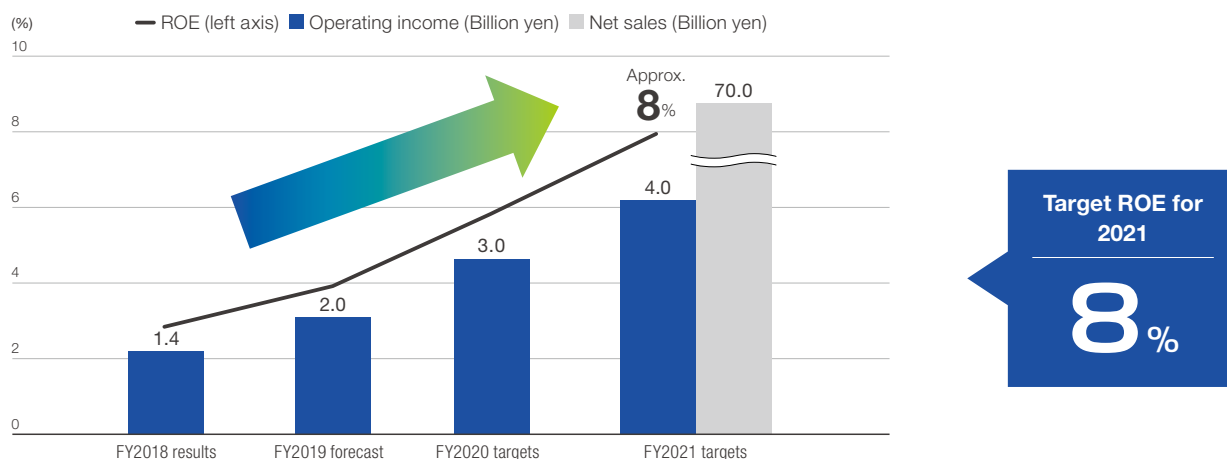
We aim to be a corporate group that continues to grow sustainably by consistently identifying social needs in this era of rapid change. For this purpose, we have developed a medium-term strategy (FY2018-FY2021) of the CAC Group and are striving to achieve targets under this strategy.

## Renewal of the medium-term strategy

A year after the formulation of the medium-term strategy, we reviewed it to reflect changes in the business environment. In addition to clarifying the strategy, we developed measures to further improve our corporate value, including those for strengthening governance and improving capital efficiency.



## FY2021 target values

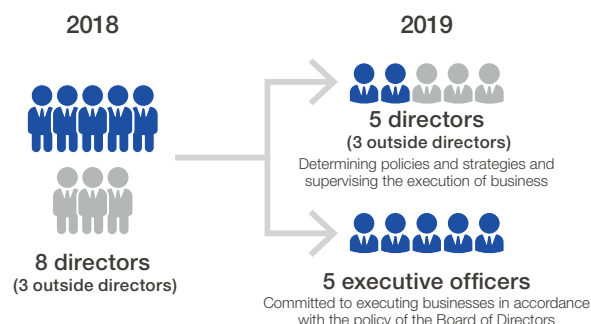


\*ROE was calculated by using the value for profit, which is based on forecast ordinary income calculated based on forecast operating income and deduction of tax (40%).

## Basic Policy

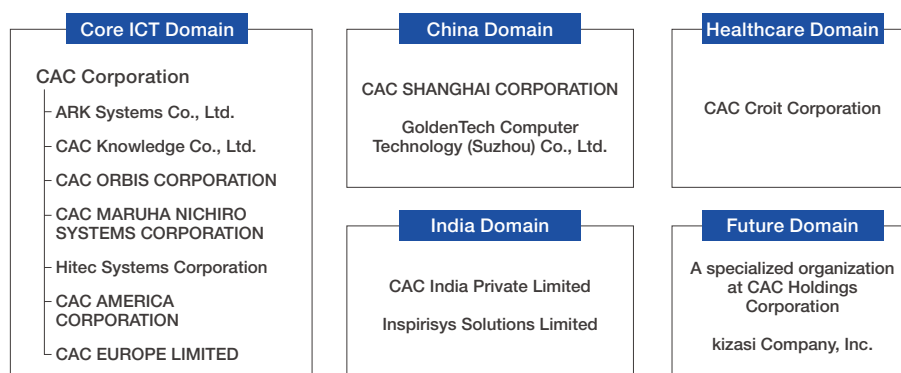
### 1 Strengthening governance by separating management and execution

- Separating the decision-making and supervising functions of management from the business execution function, aiming to strengthen corporate governance and enable agile management
- Changing the structure of the Board of Directors in FY2019 so that outside directors will constitute the majority, with two directors and three outside directors, to strengthen governance further and boost discussions



### 2 Mobile implementation of business with prompt decision-making

- Establishing five business domains in total by dividing the existing business into four domains and adding a new one
- Assigning an executive officer to be responsible for each domain, thereby pursuing growth of each domain and clarifying accountability for results



### 3 Improvement of capital efficiency and strengthening of return to shareholders

- Combining sustainable profit growth, stable and continuous provision of dividends, proactive acquisition of treasury stock, and other measures to improve capital efficiency and return profit to shareholders proactively, with an aim to improve corporate value



### 4 Promotion of value sharing with shareholders

- Introducing a restricted stock program, under which a part of remuneration is paid in the form of stock, thereby giving incentives for the sustainable improvement of our corporate value and further value sharing with shareholders
- Also implementing IR activities proactively to share information further

# 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.

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

Principles of the CAC Group's capital policy

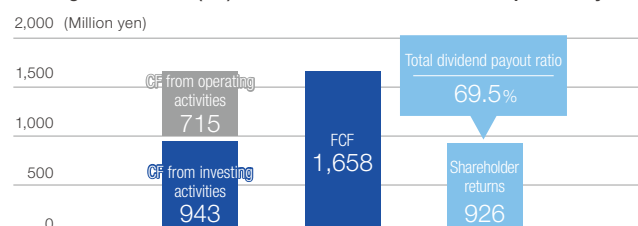
Providing comprehensive shareholder returns, including initiatives such as the acquisition of treasury stock, as well as consistently paying dividends

## Cash flows

With regard to our cash flows (CF) from operating activities in FY2018, we posted net cash provided by operating activities of 3,270 million yen (compared with net cash used in operating activities of 1,010 million yen in FY2017). This mainly reflected a gain on sales of investment securities of 3,470 million yen, which was offset by a profit before income taxes of 2,350 million yen, an impairment loss of 2,130 million yen, and a decrease in notes and accounts receivable trade of 1,520 million yen. Net cash provided by investing activities stood at 2,360 million yen (compared with net cash provided by investing activities of 300 million yen in FY2017). This was chiefly attributable to proceeds from sales of investment securities of 5,310 million yen, offsetting the purchase of investment securities of 2,900 million yen. Net cash used in financing activities stood at 2,310 million yen (compared with net cash used in financing activities at 2,190 million yen in FY2017). This was mainly due to payments from changes in ownership interests in subsidiaries of 850 million yen, cash dividends paid of 680 million yen, and a net decrease in short-term loans payable of 540 million yen. As a result, cash and cash equivalents at the end of FY2018 stood at 11,720

million yen, up 3,330 million yen from the end of FY2017. CF from investing activities changes significantly from year to year due to the acquisition of companies, the sales 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 900 million yen, and free cash flow (the difference between CF from operating activities and CF from investing activities; hereinafter, "FCF") is around 1,650 million yen. For the FCF of around 1,650 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 69.5%.

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

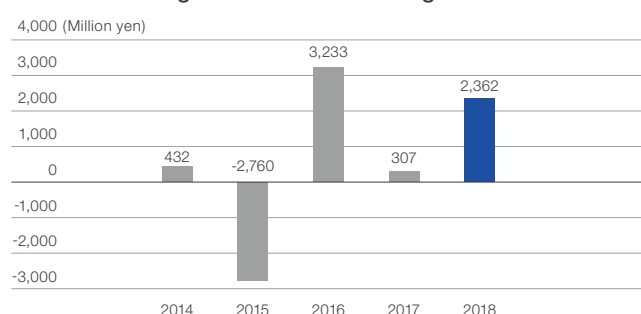


## Investments based on the medium-term strategy

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. Under the current medium-term strategy (Determination 21), we aim to create new businesses and technologies based on M&A and investments. We are working on M&A at a dedicated organization established within CAC Holdings, targeting companies that will

contribute to the business expansion in the Core ICT Domain, focused mainly on domestic IT business, or those that will enable the growth of local businesses in China or India. In addition, we invested around 1,100 million yen in FY2018 and approx. 500 million yen in FY2017 in startups that are deemed beneficial for our future growth, from domestic and overseas corporate venture capital funds.

### Changes in CF from investing activities



### Major investments made over the past three years

| 2016   | 2017   | 2018  |
|--|--|---|
| Investments in six companies including Affectiva, Inc., which has technologies in Emotion Artificial Intelligence<br>Total amount of investments: Approx. ¥500 million | Investments in five companies including Money Forward, a Fintech-related company, and Color Genomics, a provider of genetic analysis services<br>Total amount of investments: Approx. ¥500 million | Investments in 11 companies, including QC Ware, which is specialized in quantum computer software, and Monstar Lab, which engages in businesses of music services, mobile games, and application development<br>Total amount of investments: Approx. ¥1,100 million |

## Measures for improving shareholder value based on the medium-term strategy

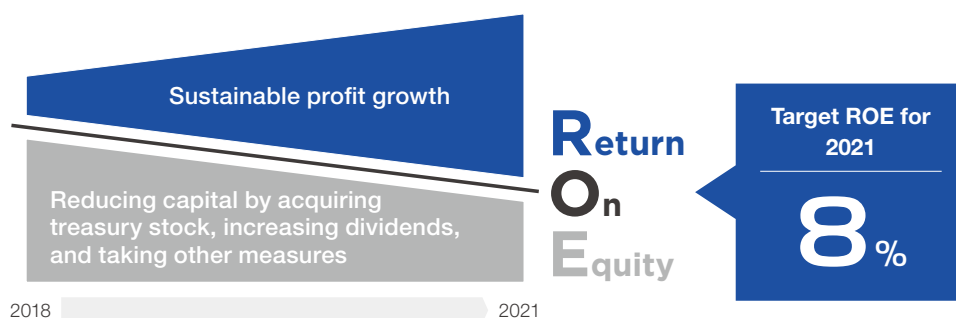
### Improvement of capital efficiency and strengthening of return to shareholders

In FY2019, we added “maximization of shareholder value” to the concepts of the medium-term strategy and included measures for improving capital efficiency and strengthening returns to shareholders in the basic policy. In relation to this, we have set ROE at 8% as a new numerical target under the medium-term strategy, in addition to the existing targets of consolidated net sales at 70,000 million yen and operating income at 4,000 million yen.

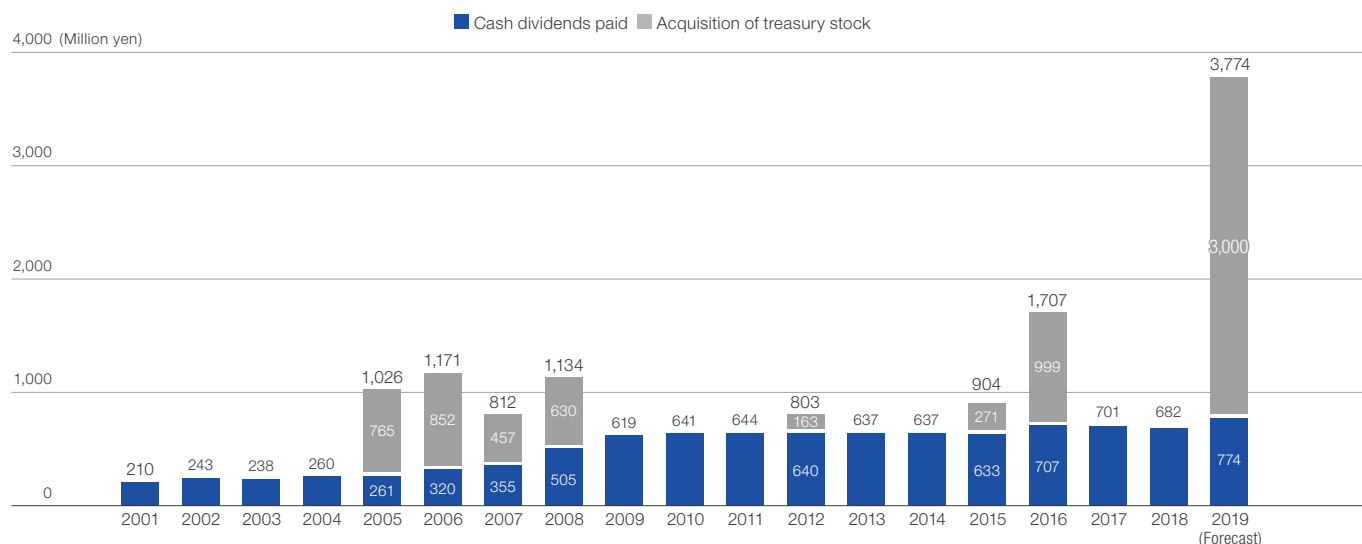
First, we will increase profits by achieving sustainable growth through our businesses. In addition, we will combine the stable, proactive payment of dividends, the proactive

acquisition of treasury stock, and other measures, to improve capital efficiency and return profits to our shareholders.

To facilitate these measures, in FY2019, we are planning to acquire up to 3 million shares (or up to 3,000 million yen) of treasury stock by the end of the fiscal year (December 31, 2019). We are also planning to increase the forecast amount of our full-year dividend by 12 yen, to 50 yen per share. We will continue our efforts to improve capital efficiency and return profits to our shareholders proactively, aiming to achieve the target ROE of 8%.



### Changes in shareholder returns





# Domestic IT business

Our subsidiaries in Japan provide system development services, system operation and management services, human resource BPO services, and other services.

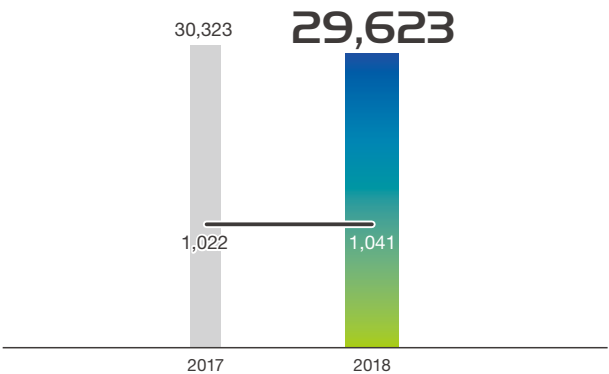


## Major affiliates

CAC Corporation, ARK Systems Co., Ltd., CAC Knowledge Co., Ltd., CAC ORBIS CORPORATION, CAC MARUHA NICHIRO SYSTEMS CORPORATION, kizasi Company, Inc., CEN Solutions Corporation

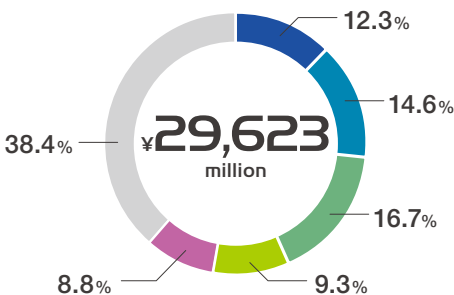
### Net sales and operating income

Net sales — Operating income (Million yen)



### Net sales by industry

Financial services Trust banks Pharmaceuticals Food services Manufacturing Service and others





## Business performance

In the fiscal year ended December 31, 2018, net sales from the overall domestic IT business remained at the level of the previous fiscal year, despite a significant decrease in sales from businesses for some main customers, reaching 29,623 million yen. By industry, net sales in the service industry account for approximately 40%, followed by those in financial services and trust banks at around 30% and those in pharmaceuticals at around 15%. Because we have been engaged in this business since our foundation, the majority of sales are from customers with whom we have maintained business relationships for more than 25 years. Operating income remained almost unchanged from the previous year's level, at 1,041 million yen.

In the fiscal year ending December 31, 2019, we will master new digital technologies and provide services by applying those technologies, seeking to increase opportunities to win orders from both new and existing customers and to improve profit margins.

## Medium-term strategy

We will adopt new technologies from Japan and other countries and shift to services that use digital business, aiming to increase opportunities to win orders and improve profit margins.

We will also unify group companies' strategies and systems for the same clients and similar services, so as to provide services in an agile, flexible manner.

## Our strengths and features

### Providing optimized services as the prime contractor

We identify customer needs directly as their prime contractor and provide them with IT services that are optimized for their industries. Our main customers are major enterprises in various industries, with whom we have maintained business relationships for as long as about 50 years. Among them, we have an extensive track record in the fields of financial services (banks and trust banks) and pharmaceuticals.

### Shift to digital business

In digital transformation (DX), AI, IoT, and other new technologies bring changes to society. We are promoting a shift to digital business to powerfully support our customers' DX. We will continue to anticipate trends in technologies such as AI, cloud computing, and blockchain that is essential for financial transactions, and focus on those technologies, thereby differentiating ourselves from other companies.

## Promotion of RPA services

We are proactive in expanding our services of introducing Robotic Process Automation (RPA). RPA is a system that automates paperwork, other routine tasks, and repeated tasks to improve their efficiency.

In recent years, RPA has attracted attention as a response to labor shortages as well as a solution for workstyle reforms and appropriate work-life balance. At the CAC Group, we use multiple RPA tools to provide services of introducing RPA, which include not only the introduction of RPA reflecting customer needs but also services for operations and the expansion of the scope of application expected after introduction, which are necessary for maximizing the effect of introduction. The services are already used by many customers for various operations, regardless of industry, including payment and settlement operations at financial institutions, creation of various data and data input to order placement system by manufacturers, and settlement of expenses in service business.

### Service menu

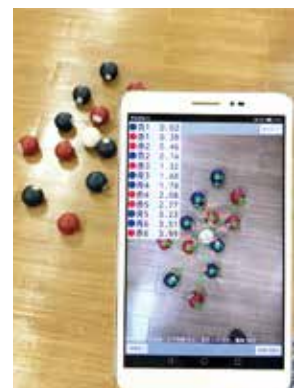


## Social contribution through business

### Development and distribution of an application that supports referees of Boccia, a sport for the disabled

At the CAC Group, we actively support Boccia, a sport for the disabled, as part of our social contribution activities. As one initiative, we have developed and distribute Boccia Measure, an Android app.

In a Boccia game, players throw balls (red or blue balls) and compete over how many of their balls they can place close to a target white ball (called the Jack). The work of the referee, who measures the distance between the Jack ball and each color ball, and the time required for measurement, are issues with this sport. Boccia Measure is an application that uses image processing technologies. Using the camera function of a smartphone or tablet, the user shoots the image of the target area from straight above it, and Boccia Measure automatically measures the distance between the Jack ball and each color ball in a few seconds, thereby helping determine the winner. Deep Learning is applied for measuring distances between balls, thereby improving the accuracy of measurement. Boccia Measure has been downloaded by more than 1,500 users from more than 20 countries.





# Overseas IT business

Provision of services including systems development and integration services, systems operation and management services, and maintenance services by our overseas subsidiaries

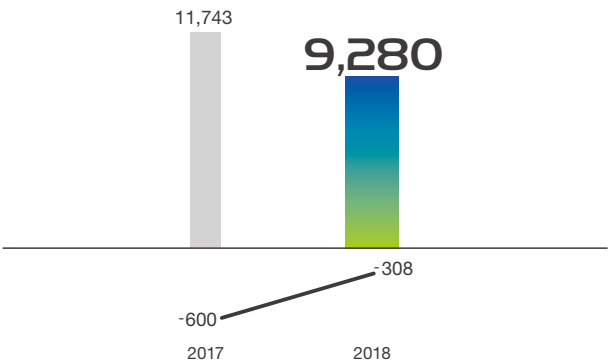


Major affiliates

CAC AMERICA CORPORATION, CAC EUROPE LIMITED, CAC SHANGHAI CORPORATION, CAC India Private Limited, Inspirisys Solutions Limited

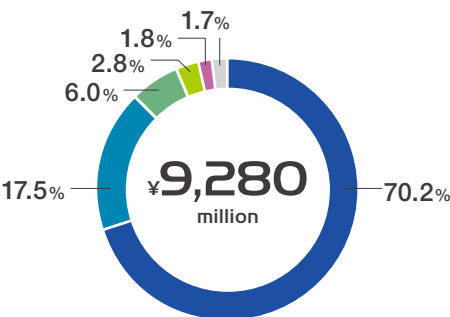
Net sales and operating income

Net sales — Operating income (Million yen)



Net sales by country

India USA China United Arab Emirates UK Others



## Business performance

In overseas IT business, we excluded two companies, including a subsidiary, from consolidation by transferring them in the fiscal year ended in December 31, 2017. This was aimed at eliminating unprofitable businesses and selecting and consolidating business domains. In the fiscal year ended December 31, 2018, net sales declined 21.0% year on year, to 9,280 million yen, due in part to a decline in net sales at our subsidiaries in India and the United States, in addition to the impact of the exclusion of the above two companies.

Looking at net sales by country, sales in India account for approximately 70%, followed by sales in the United States (approx. 18%), China (approx. 6%), the United Arab Emirates (approx. 3%, the majority of which is sales of the subsidiary of Inspirisys Solutions Limited, our subsidiary in India), and the United Kingdom (approx. 2%).

We posted an operating loss of 308 million yen, although it improved from the previous fiscal year, due in part to the transfer of subsidiaries. In the fiscal year ending December 31, 2019, we will strive to reconstruct marginal businesses, benefit from local demand, and promote other initiatives, aiming for further contribution to business performance.

## Medium-term strategy

In overseas IT business, we will focus on the markets of China and India where IT demand is great, and which are expected to continue to grow. In China, we will improve our sales capabilities in digital business and win local demand by diversifying our service menu. At the same time, we will invest in promising startups.

In India, we will review our existing businesses and specialize our ICT business further. At the same time, we will eliminate unprofitable businesses, reconstruct marginal businesses, and take other measures for business reorganization, aiming to achieve the stabilization and expansion of our business.

## Our strengths and features

### A growth field and a key target for our efforts

We began to establish local subsidiaries in Europe and the United States in the 1980s in response to the overseas expansion of our corporate customers. Since then, we have been providing system support for Japanese financial institutions and other corporate customers.

Since 2000, we have been expanding our overseas business through M&A involving IT companies in China, India, and other countries, in anticipation of growth in Asian countries.

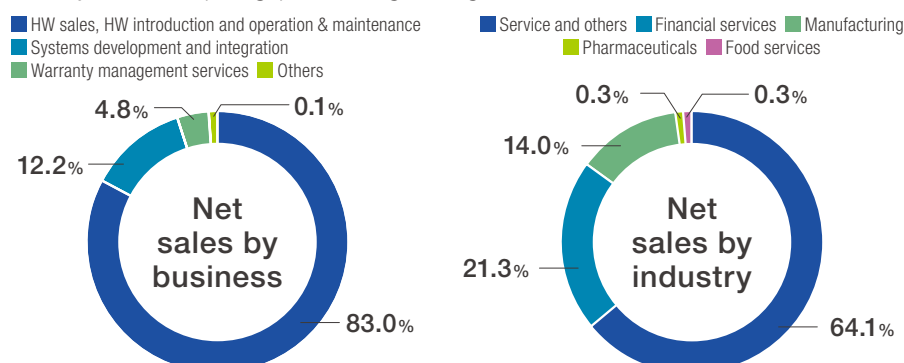
At present, we provide services mainly in India, China, the United States, and the United Kingdom. Net sales of overseas IT business account for around 20% of the total net sales of the CAC Group, and employees engaged in this business constitute roughly 60% of the group's total. As such, overseas IT business is one of the core businesses of the CAC Group. We will continue to aim for growth in this business by capturing local IT demand, mainly in India and China. We will also pursue M&A and similar initiatives as necessary, aiming to achieve further growth.

### Promotion of digital business

Our subsidiary in India has technologies related to advanced driver-assistance systems (ADAS), a growth field. The company is developing the Japanese market jointly with CAC Corporation. In addition, our subsidiary in China is working on a business that uses Affectiva, or emotion recognition AI. Features of this emotion recognition AI, which analyzes and quantifies people's facial expressions in still images and videos, are applied in various settings, including measuring the level of student understanding at educational institutions and analyzing suspicious persons at public facilities.

## What is Inspirisys Solutions Limited, our subsidiary in India?

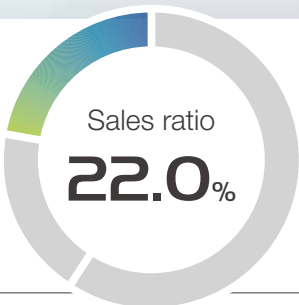
Inspirisys Solutions Limited is our subsidiary in India, and plays a central role in our overseas IT business. Headquartered in Chennai, the fourth largest city in India, Inspirisys Solutions is a corporate group that has a total of six subsidiaries in India, the United Arab Emirates, the United States, Japan, etc. It is also listed on Indian stock exchanges (Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.). Sales from hardware (HW) sales and HW introduction and operation & maintenance services account for approximately 80% of its total sales. Other businesses of the company include system building and product assurance services. By industry, the majority of its sales are from the information and telecommunication industry and other service industries, followed by banks and other financial services (20%) and manufacturing industry (approx. 14%). Recently, this company has been shifting from business models focused on hardware to highly profitable businesses including security, mobility, cloud computing, product engineering, and IoT.





# CRO business

Undertaking outsourced operations of conducting clinical trials (clinical development) upon drug development by a pharmaceutical company and operations after manufacturing and sales

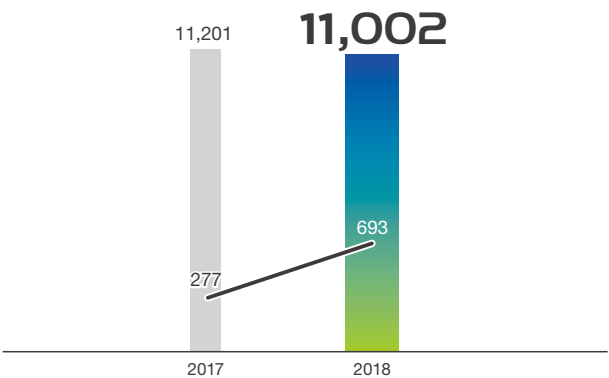


Major affiliates

CAC Croit Corporation

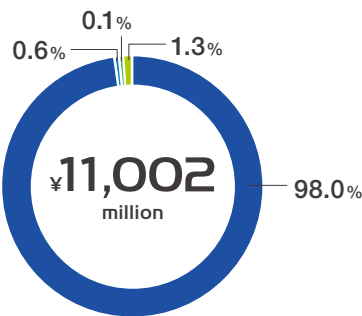
Net sales and operating income

Net sales — Operating income (Million yen)



Net sales by industry

Pharmaceuticals Food services  
Manufacturing Service and others





## Business performance

In the fiscal year ended December 31, 2018, initiatives to improve earnings power, including the elimination of unprofitable projects and cost improvement, have made progress in CRO business.

Net sales of this business declined slightly year on year, to 11,002 million yen. By industry, sales from pharmaceutical companies, our main customers, account for more than 90% of the total. However, we also have deals with other customers including universities, research facilities, and other institutions, as well as food companies.

Operating income increased significantly, to 693 million yen (up 150.3% year on year), thanks to these initiatives. In the fiscal year ending December 31, 2019, we will strive to win projects by improving our ability to win orders and improve productivity by continuing to utilize AI and RPA.

## Medium-term strategy

Changes in the environment surrounding pharmaceutical companies have led to the expansion of the CRO business, in which pharmaceutical companies are the outsourcers. Digital technologies are used as tools for promoting this business. In the CRO business of the CAC Group, we will also continue to use AI, RPA, and other digital technologies to improve the productivity and quality of services we provide.

In addition, we will review our sales structure and business process to win more orders. At the same time, we will develop businesses in surrounding areas, such as business related to the compound library-sharing program, and work to create new businesses, aiming to secure stable income and achieve growth of the business.

## Our strengths and features

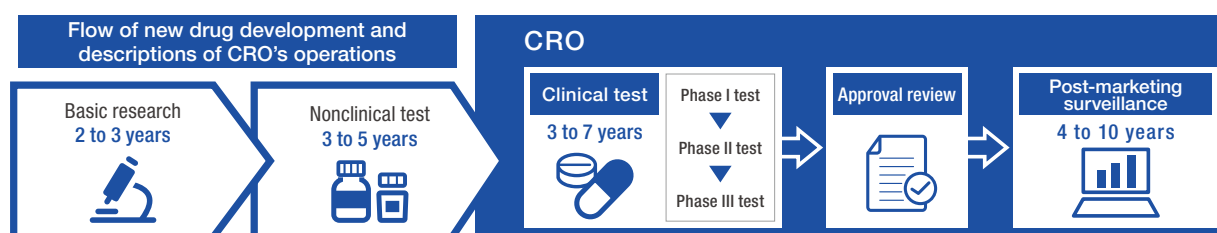
### Our strength lies in services combining CRO and IT

The CAC Group has long-term business relationships with pharmaceutical companies, in which we have mainly provided them with IT services. In this context, we began to undertake some of their operations related to clinical trials for developing pharmaceutical products (clinical development) that were outsourced from them. This is how our CRO business started. Therefore, our strength lies in our ability to provide CRO services efficiently by making use of IT in particular. We boast the most extensive track record in Japan in pharmacovigilance, in which we collect, analyze, and evaluate information about side effects of pharmaceutical products, and regulatory operations needed to obtain drug approval.

### Productivity improvement and expansion to businesses in the surrounding area

Because we started the CRO business as an IT company, we are proactive in expanding the business to real world data, including medical big data, which has attracted attention in recent years, in addition to utilizing AI, RPA, and other technologies for improving productivity. We are also working to expand businesses in the surrounding area, including business related to the compound library-sharing program.

### What is CRO?



CRO refers to undertaking outsourced operations of conducting clinical trials (clinical development) upon drug development and a range of operations in post-marketing surveillance by a pharmaceutical company. CAC Croit Corporation provides all CRO solutions including pharmacovigilance, data management, and statistical analysis.



Social contribution through business

## Maintaining, managing, and improving public health as a partner of pharmaceutical companies

In CRO business, we contribute to maintaining, managing, and improving public health as a partner of pharmaceutical companies.

The business related to the compound library-sharing program, which we are working on at present, is a service of consolidating the libraries of chemical compounds (compounds for pharmaceutical frontier research), which are owned and stored individually by pharmaceutical companies, in order to manage them using the facilities and platform provided by CAC Croit. The use of the consolidated compound libraries as shared libraries is widely promoted by targeting pharmaceutical companies, academics and bio-ventures.

The provision of the service of managing chemical compound libraries, which would require expensive equipment and high costs, contributes significantly to the progress of the drug discovery business and enables industry-industry and industry-government-academia collaborations. We promote this business with the aim of eventually reinforcing the drug discovery system in Japan and achieving the provision of innovative pharmaceutical products developed in Japan.



# 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, 2019), our Board of Directors consists of five Directors, three of whom are Outside Directors (two men and one woman). All of the Outside Directors are independent officers. 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.

In 2019, we separated management decision-making and supervising functions from executive functions for the purpose of further strengthening corporate governance. The Board of Directors determines management policies and strategies for the entire group and supervises business execution of the Executive Officers, while the Executive Officers focus on business execution in line with the policies determined by the Directors.

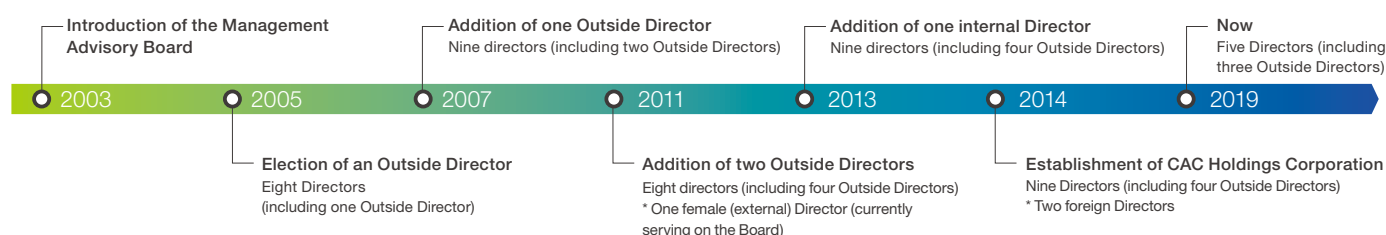
## Board of Directors

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.

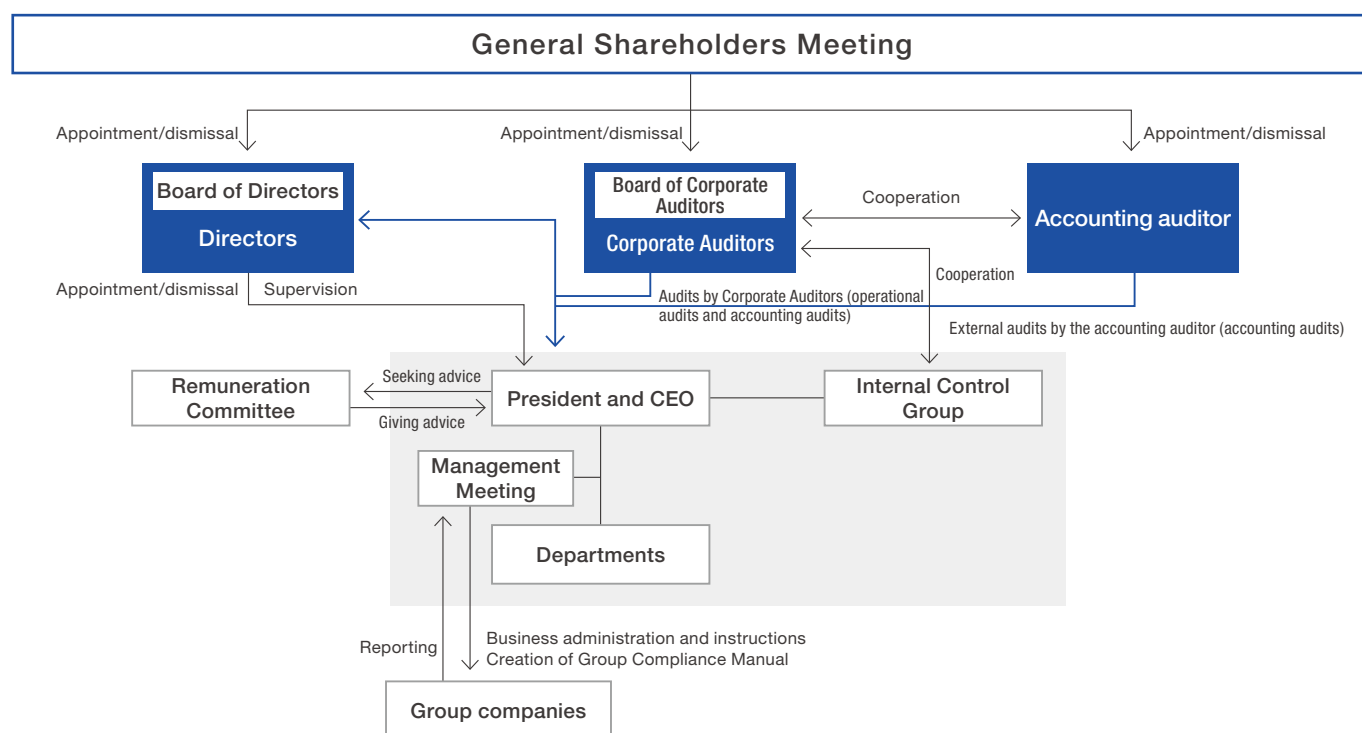
## Board of Corporate Auditors

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 duties. Corporate Auditors actively participate in Management Meetings in addition to the 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, etc. for Directors is determined by the Board of Directors on the basis of their contribution, etc. to the Company's business performance and strategies, by ensuring that the remuneration serves as an incentive for the medium- to long-term improvement of corporate value and that it does not exceed the upper limit resolved 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 deliberating on the fairness, transparency and objectiveness of remuneration for Directors, etc. Moreover, to promote value sharing with shareholders, the Company introduced a restricted stock program at the 53rd Annual General Shareholders Meeting held on March 27, 2019.

## Amount of remuneration for officers in FY2018

| Position   | Number of officers | Total amount of remuneration<br>in millions of yen | Breakdown  | Upper limit of the<br>amount   |
|--|--------------------|--|--|--------------------------------|
| Directors (Outside Directors)                      | 11 <sup>(5)*</sup> | 187 <sup>(15)</sup>                                | Base remuneration: ¥153 million<br>Bonus: ¥34 million<br>(Only base remuneration was paid to<br>Outside Directors) | Up to ¥240 million per<br>year |
| Corporate Auditors (Outside<br>Corporate Auditors) | 4 <sup>(2)</sup>   | 43 <sup>(9)</sup>                                  | Base remuneration only   | Up to ¥4 million per<br>month  |
| Total  | 15 <sup>(7)</sup>  | 230 <sup>(24)</sup>                                |  |                                |

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 Directors to whom remuneration was paid is eleven (including five Outside Directors) because one Director and two Outside Directors resigned and one new Outside Director was appointed in March 2018.

## Corporate governance

### Management team (As of March 27, 2019)

#### Directors/Auditors



President and CEO  
**Akihiko Sako**  
Date of birth:  
June 15, 1960

Mr. Sako joined the Company in 1983. Starting in 1989, he worked on the establishment of the subsidiary in the United States and promoted local system development projects, etc. After returning to Japan, he served as General Manager of the 1st Section of Financial System Department, Senior Vice President of Corporate Division, etc. In January 2011, he assumed the post of President and CEO of the Company.



Senior Managing Director  
**Togo Shimizu**  
Date of birth:  
September 28, 1956

Mr. Shimizu joined the Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.) in 1982. He held several positions in Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.), including General Manager of Career Development Division and Managing Executive Officer and deputy officer in charge of IT & Systems Group. In 2013, he served as Deputy President and Representative Director of Mizuho Information & Research Institute, Inc. In March 2019, he assumed the post of Senior Managing Director of the Company.



Outside Director  
**Michitaka Hirose**  
Date of birth:  
May 7, 1954

Mr. Hirose held the positions of Professor of Engineering at Graduate School of Engineering of The University of Tokyo and Professor at Research Center for Advanced Science and Technology of the university. He is currently Professor of Mechano-Informatics at Graduate School of Information Science and Technology of The University of Tokyo. Since March 2011, he serves as an Outside Director of the Company.

#### Major concurrent positions

Professor of Mechano-Informatics, Graduate School of Information Science and Technology, The University of Tokyo/Chairman of Association for Net Skills Promotion and Certification (an incorporated non-profit organization)



Outside Director  
**Yukiko Kuroda**  
Date of birth:  
September 24, 1963

Ms. Kuroda held the positions of Representative Director of People Focus Consulting Co., Ltd., an organizational development consulting and training firm, Director of Cicom Brains inc. and Outside Director of several companies. She has been serving as Outside Director of the Company since March 2011.

#### Major concurrent positions

Director/Founder, People Focus Consulting Co., Ltd./Outside Director, Mitsui Chemicals, Inc./Outside Director, Terumo Corporation/Outside Director, Seven Bank, Ltd.



Outside Director  
**Tokihiko Mori**  
Date of birth:  
July 17, 1952

Mr. Mori held several positions, including Director of GE Japan Corporation, Representative Director of Teradyne K.K., Representative Director of Riverside Partners Co., Ltd., a private equity firm, and Advisor of Nihon M&A Center Inc. He has been serving as Outside Director of the Company since March 2018.

#### Major concurrent positions

Representative Director, Change Management Consulting Co., Ltd./Outside Director, Nihon M&A Center Inc.



Corporate Auditor  
**Masaaki Yoshida**  
Date of birth:  
May 10, 1959

Mr. Yoshida joined Nippon Kangyo Kakumaru Securities Co., Ltd. (current Mizuho Securities Co., Ltd.) in 1990. After working as a security analyst, etc., he joined the Company in 2005. He has held several positions in the Company, including Vice President of Corporate Division and General Manager of Corporate Planning Department and General Manager of Corporate Division. He has been Corporate Auditor of the Company since March 2017.



Corporate Auditor  
**Kazuki Kawamata**  
Date of birth:  
September 17, 1962

Mr. Kawamata joined the Company in 1986 and has engaged in several system development projects, etc. for banks in and outside Japan. He held several positions, including General Manager of Financial System Business Unit, General Manager of Sales Division and Director and Managing Executive Officer of CAC Corporation. He has been serving as Corporate Auditor of the Company since March 2019.



Outside Corporate Auditor  
**Hirokazu Honda**  
Date of birth:  
May 5, 1970

Mr. Honda was registered as a lawyer and joined the Abe, Ikubo & Katayama Law Office in 1997. In 2004, he was registered as a lawyer in the State of New York, the United States. He became Partner of the Abe, Ikubo & Katayama Law Office (current position). He held positions of Outside Corporate Auditor and Outside Director of Uoriki Co., Ltd. He has been serving as Outside Corporate Auditor of the Company since March 2017.

#### Major concurrent positions

Partner of the Abe, Ikubo & Katayama Law Office/Senior Director, International Association for the Protection of Intellectual Property of Japan



Outside Corporate Auditor  
**Yuichi Ishino**  
Date of birth:  
March 13, 1968

Mr. Ishino has worked for the Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.), Booz Allen Hamilton Inc. (current PwC Consulting LLC) and other companies before he assumed the post of Representative Director (current position) of Ontrack Corporation, a management consulting firm. He has been serving as Outside Corporate Auditor of the Company since March 2019.

#### Major concurrent positions

Representative Director, Ontrack Corporation

## Skill set

| Name             |                        | Status of attendance<br>at Board of Directors'<br>Meetings<br>(fiscal year ended<br>December 31, 2018) | Status of attendance<br>at Board of Corporate<br>Auditors' Meetings<br>(fiscal year ended<br>December 31, 2018) | Number<br>of years of<br>service | Experience            |                    |                        |  |                                  |  |                                      |     |   |
|------------------|------------------------|--|---|----------------------------------|-----------------------|--------------------|------------------------|--|----------------------------------|--|--------------------------------------|-----|---|
|                  |                        |  |   |                                  | Industry<br>knowledge | Global<br>business | Business<br>management | Technology/<br>research and<br>development | Financial<br>affairs/<br>finance | Personnel<br>affairs/<br>organizational<br>development | Product<br>development/<br>marketing | Law |   |
| Akihiko Sako     |                        | Attended 17 of 17<br>meetings  | —   | 14                               | ●                     | ●                  | ●                      |  |                                  |  |                                      |     |   |
| Togo Shimizu     |                        | Newly appointed  | —   | —                                | ●                     | ●                  |                        |  |                                  | ●  |                                      |     |   |
| Michitaka Hirose | Independent<br>Officer | Attended 16 of 17<br>meetings  | —   | 8                                |                       |                    |                        | ●  |                                  |  |                                      |     |   |
| Yukiko Kuroda    | Independent<br>Officer | Attended 17 of 17<br>meetings  | —   | 8                                |                       |                    | ●                      |  |                                  | ●  |                                      |     |   |
| Tokihiko Mori    | Independent<br>Officer | Attended 13 of 13<br>meetings* <sup>2</sup>  | —   | 1                                |                       | ●                  | ●                      |  | ●                                | ●  | ●                                    |     |   |
| Masaaki Yoshida  |                        | Attended 17 of 17<br>meetings  | Attended 13 of 13<br>meetings   | 2                                | ●                     |                    |                        |  | ●                                |  |                                      |     |   |
| Kazuki Kawamata  |                        | Newly appointed  | Newly appointed   | —                                | ●                     |                    |                        |  |                                  |  |                                      |     |   |
| Hirokazu Honda   | Independent<br>Officer | Attended 15 of 17<br>meetings  | Attended 10 of 13<br>meetings   | 2                                |                       |                    |                        |  |                                  |  |                                      |     | ● |
| Yuichi Ishino    | Independent<br>Officer | Newly appointed  | Newly appointed   | —                                |                       |                    | ●                      |  | ●                                |  |                                      |     |   |

\*1 The table above shows core skills.

\*2 The figure indicates the number of meetings that were held after he was appointed.

## Executive Officer



Managing Executive Officer

**Ryota  
Nishimori**

(in charge of Core ICT  
Domain)

Managing Executive Officer

**Bin Cheng**  
(in charge of China  
Domain)

Managing Executive Officer

**Malcolm F  
Mehta**

(in charge of India  
Domain)

Executive Officer

**Hajimu Kato**  
(in charge of Healthcare  
Domain)

Executive Officer

**Koji Iketani**  
(in charge of Future  
Domain)

### Messages from an outside director and an outside corporate auditor



**I will advance shareholder-oriented management and improve the profit margin for maximizing our corporate value.**

Outside Director  
**Tokihiko Mori**  
Appointed in 2018

#### Increasing awareness for shareholders

I was appointed an outside director at CAC Holdings Corporation in March 2018, thanks to the Company's assessment of my management experience and my knowledge about M&A.

In a word, my impression of the CAC Group at the time of my appointment was independence and self-reliance. Employees appeared to be working in a way that was free and unrestrained as independent system integrators, too. However, I also felt that their awareness of shareholders was low, in spite of CAC Holdings' status as a listed company.

For that reason, I've been actively stating my opinions at board meetings, bearing in mind the enhancement of shareholder value. On the most recent occasion for medium-term strategy revisions, too, I made a number proposals from the viewpoint of shareholders based on my experience. I don't know if I could call it a result of these efforts, but I think the awareness of shareholders has begun to clearly change, as the numerical ROE target set for fiscal 2021, the final fiscal year for the medium-term strategy, indicates.

Value creators and vision are essential for continuously increasing corporate value. This is another issue. I feel the Board of Directors rarely discusses human resources development and work styles at present. I also think that greater preparations are necessary for discussing M&A and business investment projects. Changing all things at once is difficult, but I'm thinking about doing what I can so that things start changing, however slightly.

#### Improving profit margins as a starting point for enhancing corporate value

I also think increasing the operating margin is the important first step toward enhancing corporate value. I think in that way because operating margin and market capitalization are closely correlated. According to my provisional calculation, it would not be unusual for the value of CAC Holdings' shares to increase by a factor of about three, if the CAC Group simply achieves the average operating margin in the industry. When that happens, the motivation of employees rises, the degree of strategic freedom increases, and various initiatives become possible.

The Board of Directors is currently devoting many hours to the discussions of defensive governance. However, the Board's discussions of offensive governance is still far from sufficient. Defensive governance is designed to prevent scandals from taking place. In contrast, offensive governance is aimed at increasing returns. Personally, I would like to encourage reforms that increase the motivation to enhance shareholder value through offensive governance so that CAC Holdings can meet shareholders' expectations for long-term growth.

The CAC Group has the advantage of undertaking businesses with a focus on two independent, growth industries called IT and healthcare. The Group has abundant financial assets, too. The Group must be able to make rapid progress in the age of digital transformation if it can make the most of these strengths. I will play my role in this respect from my position as an outside director.



**I will stand behind new challenges by  
CAC Group companies and contribute to  
enhancing their corporate value.**

Outside Corporate Auditor  
**Hirokazu Honda**  
Appointed in 2017



### **Venturing to verbalize tacit understandings**

I've contributed my opinions and made my proposals in areas focused on legal affairs from my position as a lawyer since March 2017 when I took up my appointment as an outside corporate auditor at CAC Holdings Corporation.

My initial impression of the CAC Group was a group of companies that were undertaking a broad range of operations, including the mainstay CRO (pharmaceutical BTO) business and expanding operations in overseas markets such as India and China, in addition to the core businesses of systems development, integration and operation. I felt the picture of the Group was difficult to grasp because of this wide range of businesses. At the same time, the Group appeared to have considerable potential. I understand that the Board of Directors and the Board of Corporate Auditors are spending many hours on agenda items related to strategies at CAC Holdings. We could argue that this is how a holding company should be. However, information about agenda items submitted to the boards, such as preconditions and backgrounds, are omitted in some cases because that information is known to all people at CAC Holdings. In such cases, I confirm the validity of the omission from the perspective of a third party to make sure if that approach is really in the best interests of shareholders and investors. I sometimes propose carrying an agenda item over to the next meeting in cases where the information supplied is insufficient. Venturing to say something and leaving it in the minutes is important, too. I aim at voicing my opinions about things that weigh on my mind as much as I can, even if those things are regarded as tacit understandings.

### **Making the role of a holding company clearer**

On the latest occasion of revising the medium-term strategy for fiscal 2018 to fiscal 2021, we separated management decision-making and supervision functions from business execution functions as a means of strengthening our governance. We also changed the composition of directors from eight Board members, including five internal directors and three outside directors, to five Board members, including two internal directors and three outside directors. I think outside directors holding a majority will cause changes in agenda items and discussions at Board of Directors Meetings.

In addition, we began offering advance explanations to outside directors in 2019. Previously, they had only limited time to look over items for resolutions at board meetings. I expect this change will deepen the understanding these directors have about the details of resolutions and will help them engage in efficient and constructive discussions.

The complete separation of business administration and execution in 2019 required business executors to understand what the CAC Group is expected to offer in a speedier and more timely manner, and take steps to respond to that demand going forward. Meanwhile, management team members must administer the Board of Directors and the Board of Corporate Auditors by making CAC Holdings' roles as a holding company clearer.

With that in mind, I aim to contribute to enhancing the value of CAC Group companies by playing my role of supporting new challenges while studying management strategies and IT, in addition to continuing to perform the checking functions as a corporate auditor.

# 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

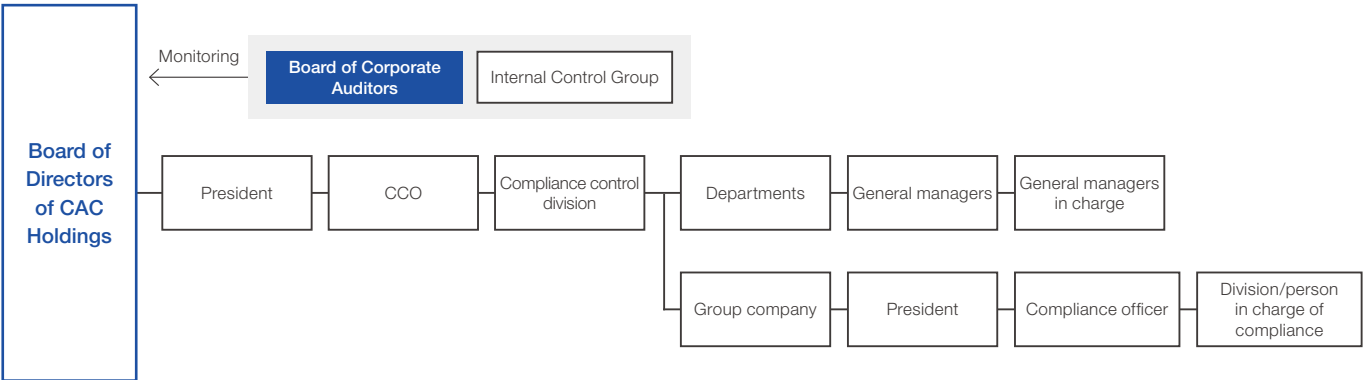
At the CAC Group, we define compliance as “increasing our sense of morality and our sincerity as a corporate entity by complying strictly with laws, regulations, rules and social norms.” Based on Our Credo, we have formulated the Basic Guidelines for Business Conduct for Compliance of the overall Group. 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).

## Initiatives for dealing with material risks (as of December 31, 2018)

Major risks that may have a significant impact on the Group's management and operating results are as follows.

Recognizing the possibility that such risks may materialize, the Group endeavors to prevent them from occurring and appropriately deals with them in the event that they do materialize.

|                      | Risks   | Impact on the Group  | Countermeasures   |
|----------------------|---|--|---|
| Business environment | Increasingly tough competitive environment              | Failure to acquire projects will lead to a loss from fewer working hours for personnel and a deterioration in profits from projects.   | <ul style="list-style-type: none"> <li>• Collection of information and monitoring regarding customers, market trends, competitors, etc.</li> <li>• Reinforcement of sales capabilities</li> </ul>   |
|                      | Dependence on specific customers and industrial sectors | Changes in IT investment and management environment of the specific customers and industrial sectors that make up the majority of the Group's sales will make the Group's business results highly volatile.              | <ul style="list-style-type: none"> <li>• Constant understanding of customer trends</li> <li>• Development of new customers</li> </ul>   |
|                      | Development of overseas business                        | Politics and the economy, foreign exchange movements, legal restrictions, commercial practice, social turmoil, etc. in each country exert an adverse influence over the Group's overseas business activities.            | <ul style="list-style-type: none"> <li>• Collection of information on politics, the economy, social situation, etc. of each country</li> <li>• Maintenance of systems that ensure smooth contact with overseas bases</li> </ul>   |
|                      | Corporate acquisition/ Capital contribution             | In the event that capital invested in acquired/portfolio companies is not recoverable or that additional costs are incurred, it will have an adverse impact on the Group's operating results, business development, etc. | <ul style="list-style-type: none"> <li>• Ensuring of preliminary examinations and reviews</li> <li>• Formation of standards for business acquisition and capital contribution and those for withdrawal</li> <li>• Strengthening of post-merger integration (PMI) process</li> </ul> |
| Business operation   | Value of assets held                                    | A decline in the value of investment securities and other assets held will have an adverse impact on the Group's operating results and financial situation.  | <ul style="list-style-type: none"> <li>• Monitoring of asset value</li> <li>• Prompt decision making on whether to continue holding the assets based on a policy on holding assets</li> </ul>   |
|                      | Securing and fostering of human resources               | Failure to secure and foster excellent human resources as planned will have an adverse impact on the Group's business promotion.   | <ul style="list-style-type: none"> <li>• Appropriate and effective hiring activities and human resources development</li> <li>• Improvement in corporate brands and creation of an attractive workplace</li> </ul>  |
| Technology           | Information security                                    | Loss, destruction, leakage, etc. of confidential information will lead to a decline in, or loss of, social confidence and/or liability for damages.  | <ul style="list-style-type: none"> <li>• Development of a policy, administrative procedures, etc. for information management</li> <li>• Training of all employees on information management</li> <li>• Security measures</li> </ul>   |
|                      | Unprofitable projects                                   | Excess time spent on development and work will raise the cost of sales ratio.  | <ul style="list-style-type: none"> <li>• Detailed examination of each project prior to receiving an order</li> <li>• Monitoring of each project by specialized departments</li> </ul>   |
|                      | Suspension of service                                   | System failure, natural disaster, etc. that disables the provision of systems operation and management services or human resources BPO services will have an adverse impact on the Group's operating results.            | <ul style="list-style-type: none"> <li>• Formation of a business continuity plan (BCP) and training and education</li> </ul>  |

# Initiatives for human resources

*Building foundations for implementation of the medium-term strategy*

The CAC Group has been making the shift to digital business in accordance with its medium-term strategy. We are working to construct a system for training personnel that are essential to completing the shift and to create an environment that allows every employee to gain an accurate understanding of the CAC Group's direction and to act on their own initiative.

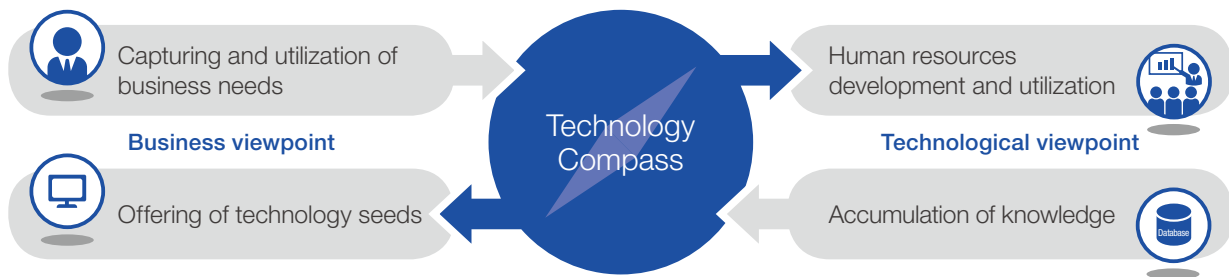
## Formulation of the Technology Compass

For the purpose of accomplishing the shift to digital business in accordance with the medium-term strategy, our core subsidiary CAC Corporation made a list of the required technology areas and developed the Technology Compass. This is a roadmap that closely specifies their definitions, statuses of current actions, future actions, examples,

business values and other areas.

It is also a framework that sets the future technological direction of the CAC Group, and based on this we will develop the necessary human resources. This helps individual employees to understand what technologies they should acquire and what actions they should take.

### Schematic of the Technology Compass



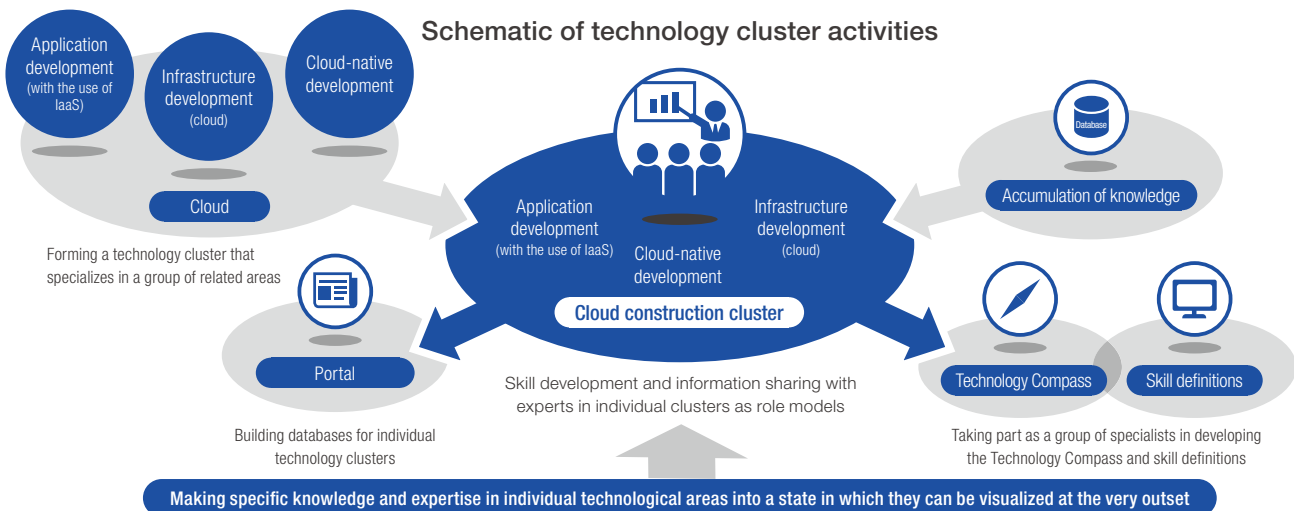
## Technology cluster activities

With respect to some of the technologies specified in the Technology Compass, personal learning alone is insufficient to attaining a level appropriate for customers. Consequently, we launched technology cluster activities in 2018. We form communities comprising personnel sharing the same technological orientations so that they will mutually provide the support necessary for skill acquisition. Individual personnel join clusters associated with the technological areas in which they wish to build up their skills. They help each other with skill

development so that all can hone their skills.

To facilitate the sharing of technology information in the company, separate technology clusters present technology information in their specialized areas in report meetings and on our internal portal, and also organize and accumulate that information. The circulation of technology information within the company and making it available whenever necessary will help advance the shift towards digital technologies on a company-wide level.

### Schematic of technology cluster activities





## Training for all CAC employees

In the first year of the medium-term strategy drawn up in January 2018, CAC carried out the CAC Training 2018 for all its employees. It lasted about half a year.

This training aimed to give individual employees accurate insight into CAC's direction and to prompt them to think about what they should do through their understanding of the business plans and strategies that they should follow. A program for collaboration with employees in different

departments strengthens ties among people in different sections and at different levels in the company and builds the foundations for executing the medium-term strategy. The training program allowed plenty of time for direct dialogue with the president and for listening to officers' talks. It helped employees better understand CAC's vision and the potential of new technologies being developed by different departments.



### Main subjects of discussions with the president

- CAC's strengths and future
- Reinforcement of sales capabilities
- CAC's technologies (Technology Compass and cluster activities)
- Work styles
- Actions towards global operations and more

## Making employees' wishes into reality

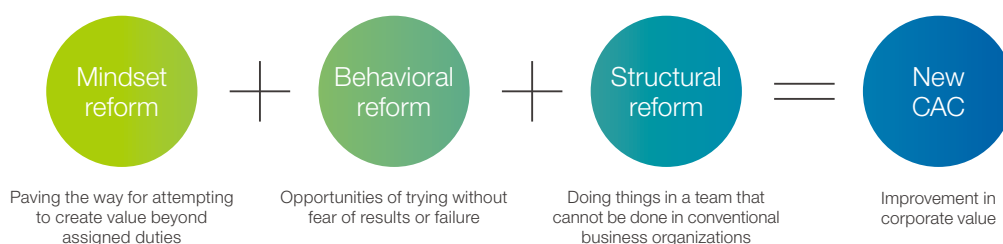
Actions are in progress that respond to employees' wishes discovered by a survey conducted after the CAC Training 2018. One example is the revision to the HR management system in April 2019 in response to requests for reconsideration of human resources development and appraisal. This revision was aimed at ensuring that individual employees' performance would be evaluated more objectively and closely.

In addition, we launched the CAC Challenge as an initiative that answers a call for corporate culture reform. It gives employees

the chance to propose their own ideas. They can propose any kind of action that will help increase CAC's corporate value and that will eventually make CAC a better company. For a proposal that is approved, one officer will be appointed as a supporter and funds and a team will be allocated so that the proposed action can be put into practice.

There are some actions that have already been put in place, including a program for a direct exchange between senior executives and employees and the independent development of an attendance management system.

### Overview of the CAC Challenge corporate culture reforms





# Relationship with society

## Actions for boccia

The CAC Group began promoting and supporting boccia, a sport for people with disabilities, in 2016. With the goals of making boccia a sport known to all and of increasing opportunities for people with disabilities to take part, the activities place an emphasis on employees' voluntary planning and implementation.

### Activities for promoting and supporting boccia



Participants in the CAC Cup

CAC Holdings is a gold partner of the Japan Boccia Association. Its activities include helping to organize competitions that take place in Japan, refereeing performed by qualified referees and hands-on experience events with promotional staff at various events. In addition, in 2017, it started donating boccia equipment to organizations that have difficulties purchasing it to ensure that more people would enjoy playing boccia.

In addition, the CAC Group sponsors the CAC Cup. This is a boccia competition among schools for special needs education located in Tokyo. The second tournament in this series took place in September 2018.

Around 80 players in 20 teams from 12 schools played exciting games.



Donation of boccia equipment

### Support for a leading player



Shun Sato

In April 2018, boccia player Shun Sato joined the CAC Group. He started playing boccia as a third grader. Since then, he has been achieved outstanding results in competitions in Japan and overseas. He was ranked third in the BC2 class in the 20th Japan Boccia Championship Tournament in December 2018. His potential was such that he was registered as a certified athlete by the Japan Boccia Association in 2017.

As an employee in the CAC Group, Mr. Sato actively participates in seminars and workshops to display his top-class techniques. That helps make the appeal of boccia known to public and facilitates growth and support.



Shun Sato



Boccia

which is a Paralympic sport, was invented in Europe for people with severe cerebral palsy and those with other equally severe disabilities that affect the functions of their limbs. Players compete to place their set of red and blue balls, six each, around a white ball called the jack ball (target ball). They throw or roll the balls or hit them with other balls to place them as close as possible to the jack ball. Players who are unable to throw the ball may use a ramp (assistive device) and take part in matches if they can tell their assistants where they wish to aim the ball.



## Development of an environment for spectators with the use of information technologies

CAC Corporation, as a CAC Group company, took advantage of its information technologies, which pertain to one of its business areas, to independently develop an Android app that automatically measures the distance between boccia balls. Under the name of Boccia Measure, it is available for free on Google Play.

Boccia Measure is an Android app designed to measure distances of color balls from the target ball called the jack ball, and to display images and data helpful to determining which player or team is the winner. After a photo is taken of the area around the jack from straight above it with the use of the camera feature of the Android device, it automatically measures the distance between proximate balls.



Boccia Measure

## Energizing the Group

These boccia-related activities have now gone beyond the framework of diffusion and support and produce an effect of energizing the CAC Group.

Boccia is a sport that anyone can enjoy and in which strategies are discussed as a team. It has a significant effect of promoting communication. The CAC Group benefits from this sport by introducing it to internal training for new employees and for all employees. That promotes friendship between trainees and helps the overall training proceed smoothly. Almost all employees in the Group now have experience playing boccia,

and sufficient knowledge to talk about its rules and appeal.

On the basis of the idea that employees will be able to better communicate the appeal of boccia after enjoying it by themselves, we launched a boccia society inside the company. It takes part in internal exercises, joint exercises with other companies' boccia societies for exchange and inclusive boccia competitions. Eight employees became registered referees with the Japan Boccia Association after developing a strong interest in the sport. Two of them served as referees in the 2018 Japan Boccia Championship Tournament.



Training for all employees



Tokyo Cup - an inclusive boccia competition



Employees serving as referees

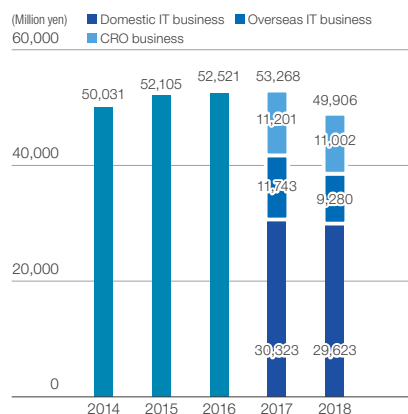


## Financial data

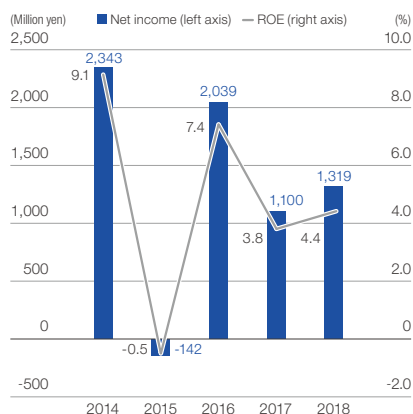
### Financial highlights for the past 11 years

|   | 43rd term<br>FY2008 | 44th term<br>FY2009 | 45th term<br>FY2010 | 46th term<br>FY2011 |
|---|---------------------|---------------------|---------------------|---------------------|
| Net sales (million yen)   | 43,701              | 39,842              | 36,614              | 38,882              |
| Operating income (million yen)                                    | 3,260               | 1,733               | 1,822               | 2,610               |
| Ordinary income (million yen)                                     | 3,491               | 1,884               | 2,035               | 2,776               |
| Profit attributable to owners of parent (million yen)             | 1,844               | 929                 | 1,026               | 39                  |
| Net assets (million yen)  | 18,708              | 19,773              | 20,316              | 19,294              |
| Total assets (million yen)  | 29,713              | 31,004              | 31,781              | 31,363              |
| Cash flows from operating activities (million yen)                | 2,666               | 687                 | 2,319               | (1,509)             |
| Cash flows from investing activities (million yen)                | (1,084)             | (2,300)             | 488                 | 1,076               |
| Cash flows from financing activities (million yen)                | (1,144)             | 705                 | (908)               | (407)               |
| Book value per share <BPS> (yen)                                  | 915.93              | 960.61              | 979.73              | 940.20              |
| Earnings per share <EPS> (yen)                                    | 91.12               | 46.49               | 51.09               | 1.98                |
| Return on equity <ROE> (%)  | 10.1                | 5.0                 | 5.3                 | 0.2                 |
| Return on assets <ROA> (%)  | 11.8                | 6.2                 | 6.5                 | 8.8                 |
| Equity ratio (%)  | 61.6                | 62.0                | 62.0                | 60.3                |
| Price-to-earnings ratio <PER> (times)                             | 8.5                 | 14.3                | 12.3                | 317.9               |
| * Based on the closing share price at the end of each fiscal year |                     |                     |                     |                     |
| Amount of dividend per share (yen)                                | 30.00               | 32.00               | 32.00               | 32.00               |
| Dividend payout ratio (%)   | 32.9                | 68.8                | 62.6                | 1,614.7             |
| Number of employees   | 1,998               | 2,150               | 2,070               | 2,057               |

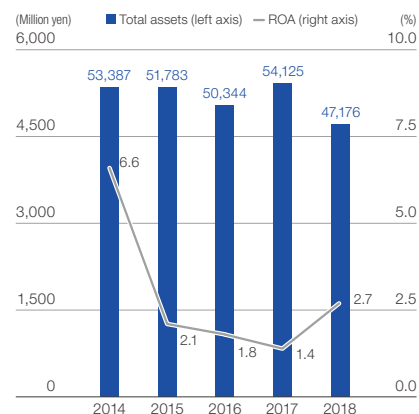
Net sales by segment



Net income/ROE

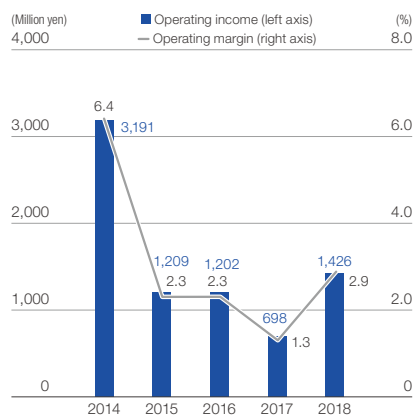


Total assets/ROA

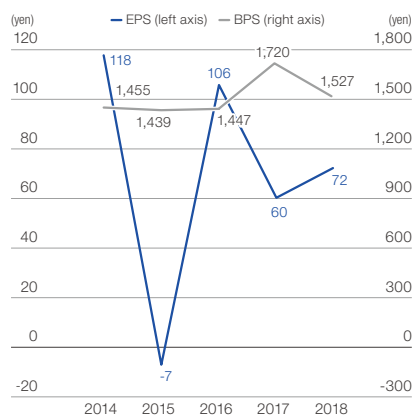


| 47th term<br>FY2012 | 48th term<br>FY2013 | 49th term<br>FY2014 | 50th term<br>FY2015 | 51st term<br>FY2016 | 52nd term<br>FY2017 | 53rd term<br>FY2018 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 39,545              | 40,963              | 50,031              | 52,105              | 52,521              | 53,268              | <b>49,906</b>       |
| 2,694               | 2,528               | 3,191               | 1,209               | 1,202               | 698                 | <b>1,426</b>        |
| 2,887               | 2,664               | 3,000               | 1,080               | 937                 | 717                 | <b>1,368</b>        |
| 1,194               | 1,514               | 2,343               | (142)               | 2,039               | 1,100               | <b>1,319</b>        |
| 20,200              | 22,833              | 30,310              | 29,293              | 27,683              | 32,429              | <b>28,857</b>       |
| 32,233              | 37,020              | 53,387              | 51,783              | 50,344              | 54,125              | <b>47,176</b>       |
| 3,077               | 2,100               | 2,331               | (770)               | 892                 | (1,014)             | <b>3,276</b>        |
| 1,419               | (2,312)             | 432                 | (2,760)             | 3,233               | 307                 | <b>2,362</b>        |
| (1,248)             | 989                 | (1,388)             | (796)               | (1,920)             | (2,196)             | <b>(2,310)</b>      |
| 993.35              | 1,124.81            | 1,455.06            | 1,439.40            | 1,447.09            | 1,720.38            | <b>1,527.13</b>     |
| 59.99               | 76.07               | 117.69              | (7.21)              | 105.54              | 59.69               | <b>71.57</b>        |
| 6.2                 | 7.2                 | 9.1                 | (0.5)               | 7.4                 | 3.8                 | <b>4.4</b>          |
| 9.1                 | 7.7                 | 6.6                 | 2.1                 | 1.8                 | 1.4                 | <b>2.7</b>          |
| 61.4                | 60.5                | 54.3                | 54.6                | 53.0                | 58.6                | <b>59.7</b>         |
| 11.4                | 12.1                | 10.0                | —                   | 8.4                 | 17.8                | <b>13.0</b>         |
| 32.00               | 32.00               | 32.00               | 32.00               | 40.00               | 36.00               | <b>38.00</b>        |
| 53.3                | 42.1                | 27.2                | —                   | 37.9                | 60.3                | <b>53.1</b>         |
| 2,166               | 2,239               | 4,833               | 5,202               | 5,711               | 5,364               | <b>4,821</b>        |

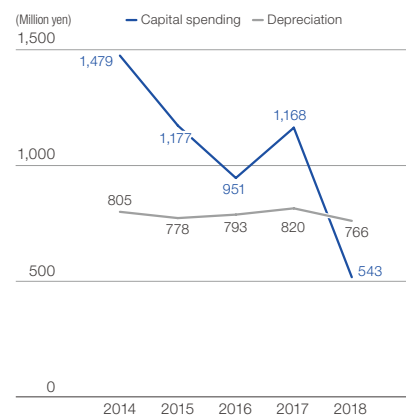
### Operating income/Operating margin



### EPS/BPS



### Capital spending/Depreciation





## Financial data

### CONSOLIDATED BALANCE SHEETS (Millions of yen)

| Assets                                | December 31, 2017 | December 31, 2018 |
|---------------------------------------|-------------------|-------------------|
| <b>Current assets:</b>                |                   |                   |
| Cash and deposits                     | 8,551             | 9,387             |
| Notes and accounts receivable - trade | 10,440            | 8,605             |
| Securities                            | 1,500             | 3,799             |
| Merchandise and finished goods        | 641               | 223               |
| Work in process                       | 527               | 577               |
| Supplies                              | 23                | 11                |
| Prepaid expenses                      | 903               | 823               |
| Deferred tax assets                   | 231               | 309               |
| Other                                 | 1,504             | 858               |
| Allowance for doubtful accounts       | (239)             | (323)             |
| Total current assets                  | 24,084            | 24,273            |
| <b>Non-current assets:</b>            |                   |                   |
| Property and equipment:               |                   |                   |
| Buildings and structures              | 620               | 567               |
| Machinery and vehicles                | 29                | 19                |
| Land                                  | 124               | 124               |
| Other                                 | 617               | 516               |
| Property and equipment, net           | 1,392             | 1,228             |
| Intangible assets                     |                   |                   |
| Software                              | 2,749             | 622               |
| Goodwill                              | 1,054             | 903               |
| Other                                 | 67                | 51                |
| Total intangible assets               | 3,871             | 1,577             |
| Investments and other assets:         |                   |                   |
| Investment securities                 | 20,788            | 17,222            |
| Long-term loans receivable            | 253               | 243               |
| Long-term prepaid expenses            | 237               | 309               |
| Guarantee deposits                    | 774               | 663               |
| Deferred tax assets                   | 1,519             | 646               |
| Other                                 | 1,347             | 1,276             |
| Allowance for doubtful accounts       | (142)             | (265)             |
| Total investments and other assets    | 24,777            | 20,097            |
| Total non-current assets              | 30,041            | 22,903            |
| <b>Total assets</b>                   | <b>54,125</b>     | <b>47,176</b>     |



| Liabilities   | December 31, 2017 | December 31, 2018 |
|---|-------------------|-------------------|
| <b>Current liabilities:</b>                           |                   |                   |
| Notes and accounts payable - trade                    | 3,431             | 2,928             |
| Short-term loans payable                              | 2,794             | 1,997             |
| Current portion of long-term loans payable            | 62                | 37                |
| Lease obligations                                     | 148               | 146               |
| Accrued expenses                                      | 1,547             | 1,440             |
| Income taxes payable                                  | 371               | 1,528             |
| Consumption taxes payable                             | 369               | 437               |
| Provision for bonuses                                 | 322               | 330               |
| Provision for loss on order received                  | 17                | 30                |
| Other   | 2,056             | 1,884             |
| Total current liabilities                             | 11,120            | 10,760            |
| <b>Non-current liabilities:</b>                       |                   |                   |
| Long-term loans payable                               | 2,084             | 2,016             |
| Lease obligations                                     | 330               | 282               |
| Provision for directors' retirement benefits          | 24                | 27                |
| Net defined benefit liability                         | 3,488             | 3,746             |
| Deferred tax liabilities                              | 4,528             | 1,332             |
| Other   | 119               | 153               |
| Total non-current liabilities                         | 10,576            | 7,558             |
| <b>Total liabilities</b>                              | <b>21,696</b>     | <b>18,319</b>     |
| <b>Net assets</b>                                     |                   |                   |
| <b>Shareholders' equity</b>                           |                   |                   |
| Common stock  | 3,702             | 3,702             |
| Capital surplus                                       | 3,725             | 3,725             |
| Retained earnings                                     | 16,773            | 16,474            |
| Treasury shares                                       | (2,909)           | (1,972)           |
| Total shareholders' equity                            | 21,291            | 21,929            |
| <b>Accumulated other comprehensive income:</b>        |                   |                   |
| Valuation difference on available-for-sale securities | 10,004            | 6,280             |
| Foreign currency translation adjustments              | (55)              | (72)              |
| Remeasurements of defined benefit plans               | 474               | 15                |
| Total accumulated other comprehensive income          | 10,423            | 6,223             |
| <b>Non-controlling interests</b>                      | <b>713</b>        | <b>704</b>        |
| <b>Total net assets</b>                               | <b>32,429</b>     | <b>28,857</b>     |
| <b>Total liabilities and net assets</b>               | <b>54,125</b>     | <b>47,176</b>     |

## Financial data

### CONSOLIDATED STATEMENTS OF OPERATIONS (Millions of yen)

|  | Year ended December 31,<br>2017 | Year ended December 31,<br>2018 |
|--|---------------------------------|---------------------------------|
| Net sales  | 53,268                          | 49,906                          |
| Cost of sales                                    | 42,996                          | 39,425                          |
| Gross profit                                     | 10,272                          | 10,481                          |
| Selling, general and administrative expenses     | 9,573                           | 9,054                           |
| Operating income                                 | 698                             | 1,426                           |
| Non-operating income                             | 441                             | 406                             |
| Non-operating expenses                           | 422                             | 465                             |
| Ordinary income                                  | 717                             | 1,368                           |
| Extraordinary income                             | 2,949                           | 3,479                           |
| Extraordinary losses                             | 1,545                           | 2,496                           |
| Profit before income taxes                       | 2,122                           | 2,351                           |
| Income taxes - Current                           | 808                             | 1,609                           |
| Income taxes - Deferred                          | 66                              | (585)                           |
| Total income taxes                               | 875                             | 1,023                           |
| Profit   | 1,246                           | 1,327                           |
| Profit attributable to non-controlling interests | 146                             | 7                               |
| Profit attributable to owners of parent          | 1,100                           | 1,319                           |

### CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions of yen)

|  | Year ended December 31,<br>2017 | Year ended December 31,<br>2018 |
|--|---------------------------------|---------------------------------|
| Operating activities                                 | (1,014)                         | 3,276                           |
| Investing activities                                 | 307                             | 2,362                           |
| Financing activities                                 | (2,196)                         | (2,310)                         |
| Net increase (decrease) in cash and cash equivalents | (2,878)                         | 3,336                           |
| Cash and cash equivalents at beginning of year       | 11,268                          | 8,389                           |
| Cash and cash equivalents at end of year             | 8,389                           | 11,725                          |

## Stock information

### General Information (as of December 31, 2018)

|   |   |
|---|---|
| Number of Shares Authorized                   | 86,284,000  |
| Number of Shares Issued and Outstanding       | 20,541,400  |
| Unit Share                                    | 100 shares  |
| Number of Shareholders                        | 4,886   |
| Fiscal Year End                               | December 31   |
| General Shareholders Meeting                  | End of March  |
| Registration Deadline for Dividend Payment    | Year-end: December 31<br>Interim: June 30   |
| Administrator of the Register of Shareholders | Mitsubishi UFJ Trust and Banking Corporation<br>4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan |
| Stock Exchange Listing                        | Tokyo Stock Exchange, 1st Section<br>(Date of Listing: October 2000) (Securities Code: 4725)      |

### Primary Shareholders (as of December 31, 2018)

| Name of Shareholders                                 | Number of Shares Held<br>(Thousands) | Percentage of Total Issued<br>Shares |
|--|--------------------------------------|--------------------------------------|
| SHOGAKUKAN Inc.                                      | 3,512                                | 17.09%                               |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 1,542                                | 7.50%                                |
| CAC Employee Shareholding Association                | 665                                  | 3.24%                                |
| Japan Trustee Services Bank, Ltd. (Trust account)    | 527                                  | 2.56%                                |
| Sumitomo Mitsui Banking Corporation                  | 484                                  | 2.35%                                |
| Mitsubishi Tanabe Pharma Corporation                 | 431                                  | 2.09%                                |
| Government of Norway                                 | 391                                  | 1.90%                                |
| Kimihiko Mizumoto                                    | 381                                  | 1.85%                                |
| BNYM AS AGT/CLTS NON TREATY JASDEC                   | 378                                  | 1.84%                                |
| KLab Inc.  | 300                                  | 1.46%                                |

\* Treasury stocks (2,106 thousand shares as of December 31, 2018) are not included in the above.

### Breakdown of Shareholding by Investor Type (as of December 31, 2018)

| Investor Type                   | Number of<br>Shareholders | Number of Shares Held<br>(Thousands) | Percentage of Total Issued<br>Shares |
|---------------------------------|---------------------------|--------------------------------------|--------------------------------------|
| Japanese Financial Institutions | 23                        | 4,129                                | 20.10%                               |
| Japanese Securities Companies   | 28                        | 161                                  | 0.79%                                |
| Other Japanese Companies        | 47                        | 5,927                                | 28.86%                               |
| Foreign Companies, etc.         | 77                        | 2,377                                | 11.57%                               |
| Japanese Individuals and Others | 4,711                     | 7,975                                | 38.68%                               |
| Total                           | 4,886                     | 20,541                               | 100.00%                              |

\* Treasury stocks (2,106 thousand shares as of December 31, 2018) are included in "Japanese Individuals and Others."

# Corporate information

## Corporate profile

|                       |   |
|-----------------------|---|
| <b>Name</b>           | CAC Holdings Corporation  |
| <b>Head office</b>    | 24-1, Nihonbashi-Hakozaki-cho, Chuo-ku, Tokyo 103-0015, Japan<br>Phone: +81-3-6667-8001 |
| <b>Representative</b> | Akihiko Sako, President and CEO   |
| <b>Founded</b>        | August 8, 1966  |

|  |  |
|--|--|
| <b>Capital</b>   | ¥3,702 million   |
| <b>Consolidates sales</b>                                  | ¥49,906 million (for the fiscal year ended December 31, 2018)  |
| <b>Number of group employees (as of December 31, 2018)</b> | 4,821  |
| <b>Main services offered</b>                               | Formulation of the CAC Group's business strategy and business administration of the group  |
| <b>Main financing banks</b>                                | Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, and Sumitomo Mitsui Trust Bank, Limited |

## CAC Group

### ■ CAC Corporation

|               |   |
|---------------|---|
| Location      | Chuo-ku, Tokyo, Japan   |
| Main services | Systems development and integration services<br>Systems operation and management services<br>BPO/BTO services |

### ■ CAC Croit Corporation

|               |  |
|---------------|--|
| Location      | Chuo-ku, Tokyo, Japan  |
| Main services | Drug development support service (as a contract research organization (CRO)) |

### ■ ARK Systems Co., Ltd.

|               |   |
|---------------|---|
| Location      | Chuo-ku, Tokyo, Japan   |
| Main services | Mainframe solutions<br>Open system solutions<br>Web-based system solutions<br>IT management solutions |

### ■ CAC Knowledge Co., Ltd.

|               |  |
|---------------|--|
| Location      | Chuo-ku, Tokyo, Japan  |
| Main services | System development, maintenance, and operation management<br>Packaged software development and sales |

### ■ CAC ORBIS CORPORATION

|               |   |
|---------------|---|
| Location      | Nishi-ku, Osaka-shi, Osaka, Japan   |
| Main services | System consulting services<br>Software planning and development<br>Specialized equipment (development of different kinds of hardware and software for factories)<br>Systems maintenance and operation |

### ■ CAC MARUHA NICHIRO SYSTEMS CORPORATION

|               |  |
|---------------|--|
| Location      | Chuo-ku, Tokyo, Japan  |
| Main services | System planning and design<br>Software development<br>System operation, maintenance and other services |

### ■ Hitec Systems Corporation

|               |   |
|---------------|---|
| Location      | Shimonoseki-shi, Yamaguchi, Japan   |
| Main services | Systems development, maintenance and operation<br>Packaged software development and sales |

### ■ kizasi Company, Inc.

|               |  |
|---------------|--|
| Location      | Chuo-ku, Tokyo, Japan                                    |
| Main services | Offering of technologies and information on the Internet |

### ■ CAC AMERICA CORPORATION [CAC AMERICA]

|               |   |
|---------------|---|
| Location      | New York, United States                                       |
| Main services | Systems consulting<br>System integration<br>Helpdesk services |

### ■ CAC EUROPE LIMITED [CAC EUROPE]

|               |  |
|---------------|--|
| Location      | London, United Kingdom                   |
| Main services | Systems consulting<br>System integration |

### ■ CAC SHANGHAI CORPORATION

|               |  |
|---------------|--|
| Location      | Shanghai, China  |
| Main services | Systems consulting<br>System integration<br>Offshore system development center (for Japan and for the United States)<br>System operation (helpdesk services and area services) |

### ■ GoldenTech Computer Technology (Suzhou) Co., Ltd.

|               |   |
|---------------|---|
| Location      | Suzhou, China   |
| Main services | System development<br>Contracted software development |

### ■ CAC India Private Limited [CAC India]

|               |   |
|---------------|---|
| Location      | Mumbai, India   |
| Main services | System development and operation management<br>BPO services |

### ■ Inspirisys Solutions Limited

|               |   |
|---------------|---|
| Location      | Chennai, India  |
| Main services | IT infrastructure services<br>Software services<br>Warranty management services |

## Corporate history

|      |   |   |  |
|------|---|---|--|
| 1966 | Computer Applications Co., Ltd. (CAC) is established as one of Japan's first independent software companies.  |   |  |
| 1971 | CAC invests in Nippon System Service Co., Ltd. (SSK). SSK changes its business focus to outsourcing services.   |   |  |
| 1973 | System Utility Co., Ltd. (SUC), a facility management company, is established as a wholly owned subsidiary.   |   |  |
| 1986 | Formally enter the system consulting business.  |   |  |
| 1988 | Certified as "System Integrator" by the first "Registration and Certification of System Integrator" of the Ministry of International Trade and Industry (MITI).   |   |  |
| 1989 | CAC AMERICA CORPORATION, a wholly owned subsidiary, is established in New York, United States.  |   |  |
| 1990 | CAC EUROPE LIMITED, a wholly owned subsidiary, is established in London, United Kingdom.  |   |  |
| 1994 | CAC, SSK, and SUC merge to form CAC Co., Ltd.   |   |  |
| 1995 | Certified as "Provider of Special Systems Operation Services" by the first "Certification of Provider of Special Systems Operation Services" of MITI.   |   |  |
| 1996 | Enter the business for integrated management services targeting distributed systems.  |   |  |
| 1999 | Listed on the OTC market.   |   |  |
| 2000 | Acquire all the shares of ARK Systems Co., Ltd., effectively making the company a subsidiary. CAC SHANGHAI CORPORATION is established in Shanghai, China. Listed on the First Section of the Tokyo Stock Exchange.                      |   |  |
| 2002 | Acquire shares of GoldenTech Computer Technology (Suzhou) Co., Ltd., making the company a subsidiary. Acquire the shares of YUASA KNOWLEDGE INDUSTRY Co., Ltd., making the company a subsidiary and renaming it CAC Knowledge Co., Ltd. |   |  |
| 2003 |   | Acquire shares of ORBIS CORPORATION (presently CAC ORBIS CORPORATION), making the company a subsidiary. Acquire shares of MARUHA SYSTEMS CORPORATION (presently CAC MARUHA NICHIRO SYSTEMS CORPORATION), making the company a subsidiary.   |  |
| 2005 |   | Relocate the head office to Nihonbashi-Hakozaki-cho, Chuo-ku, Tokyo.  |  |
| 2006 |   | Acquire shares of Arm Systex Co., Ltd., making the company and Arm Co., Ltd. subsidiaries.  |  |
| 2007 |   | kizasi Company, Inc. is established. Acquire all the shares of Medical Ecology Co., Ltd. (later renamed CAC ClinIT Co., Ltd.), making the company a subsidiary.   |  |
| 2009 |   | Acquire shares of clinical trust Co., Ltd., making the company a subsidiary.  |  |
| 2010 |   | Merger of CAC ClinIT Co., Ltd., Arm Systex Co., Ltd., and Arm Co., Ltd. CAC India Private Limited is established in Mumbai, India.  |  |
| 2012 |   | CAC EXICARE Corporation is established through a company split.   |  |
| 2014 |   | Acquire shares of Accel Frontline Limited (presently Inspirisys Solutions Limited), making the company a subsidiary. Change to a holding company structure, as a result of which CAC Co., Ltd. is renamed CAC Holdings Corporation. At the same time, CAC Corporation is established through a company split and takes over the operations of CAC Co., Ltd. |  |
| 2016 |   | CAC Croit Corporation is established through the merger of CAC EXICARE Corporation and clinical trust Co., Ltd.   |  |

## Editorial policy

The CAC Group began publishing the CAC REPORT in FY2015. The aim of this report is to ensure the value-creation initiatives of the CAC Group are understood by a wide range of stakeholders, primarily by investors who view matters from a long-term perspective.

### Scope of reporting

- Reporting period: January 1, 2018 to December 31, 2018 (activities in January 2019 and thereafter are also included in some sections.)
- Subject organizations: CAC Holdings Corporation and 20 CAC Group companies (as of December 31, 2018)

### Caution concerning forward-looking statements

This report contains descriptions of plans for the future and forecasts and prospects of the strategies and business results of CAC Holdings Corporation and CAC Group companies. These descriptions are based on judgements that were made based on currently available information. Please note that our actual business results may differ materially from these initial forecasts due to various external factors.





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