

Business overview by segment



Domestic IT business

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

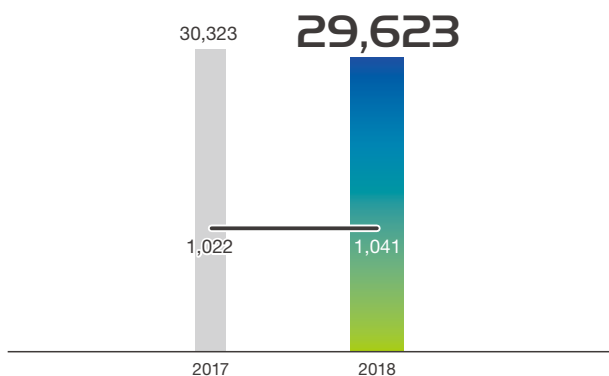


Major affiliates

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

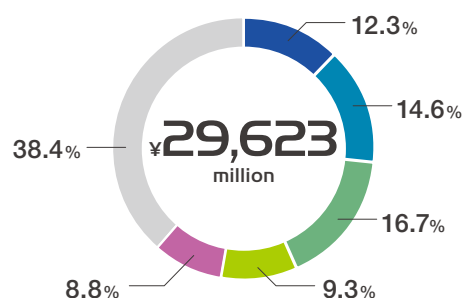
Net sales and operating income

■ 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

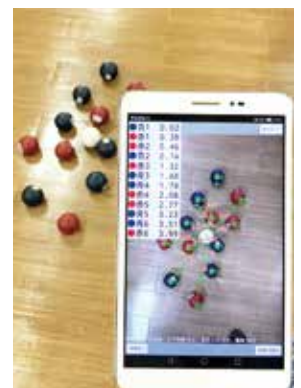


Social contribution through business

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

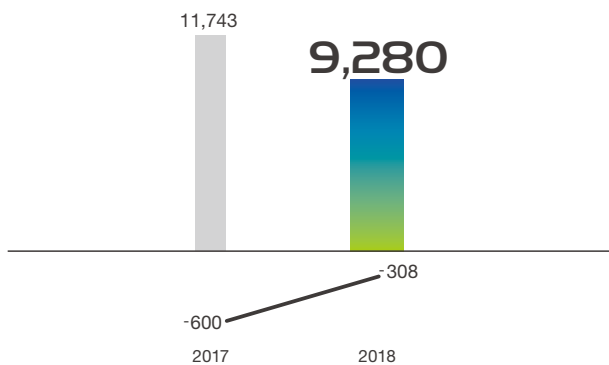


Major affiliates

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

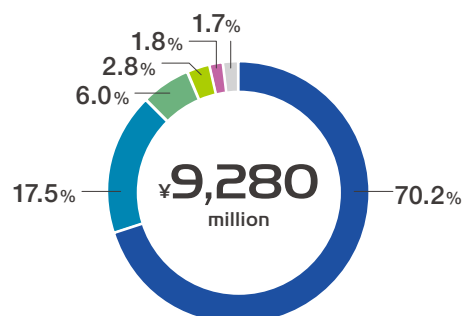
Net sales and operating income

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.

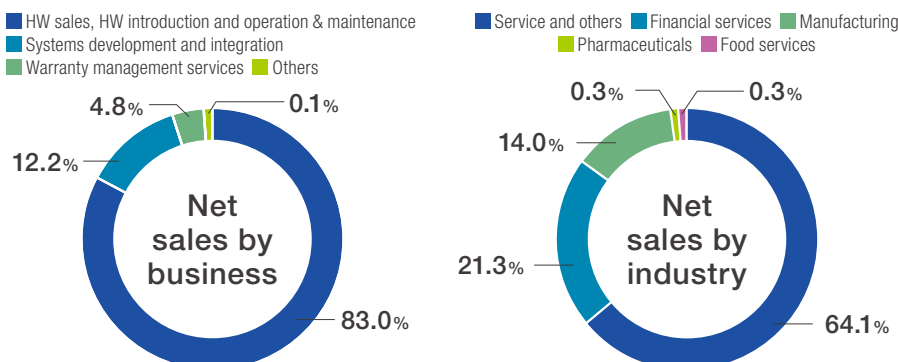
At present, we provide services mainly in India, China, the United States, and the United Kingdom. Net sales of overseas IT business account for around 20% of the total net sales of the CAC Group, and employees engaged in this business constitute roughly 60% of the group's total. As such, overseas IT 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?

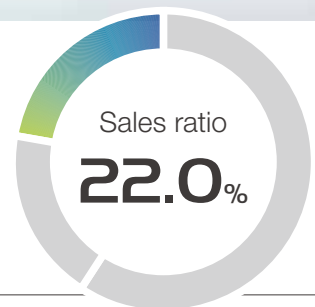
Inspirisys Solutions Limited is our subsidiary in India, and plays a central role in our overseas IT business. Headquartered in Chennai, the fourth largest city in India, Inspirisys Solutions is a corporate group that has a total of six subsidiaries in India, the United Arab Emirates, the United States, 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

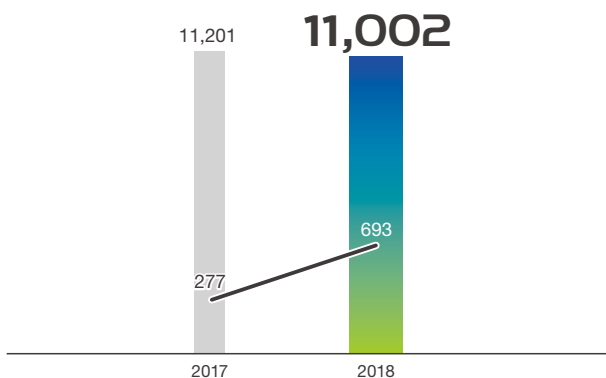


Major affiliates

CAC Croit Corporation

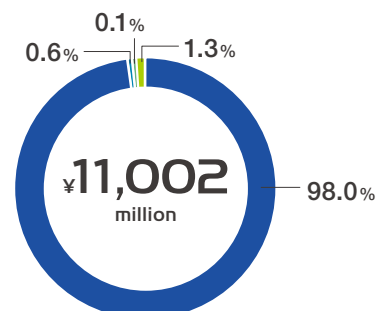
Net sales and operating income

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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

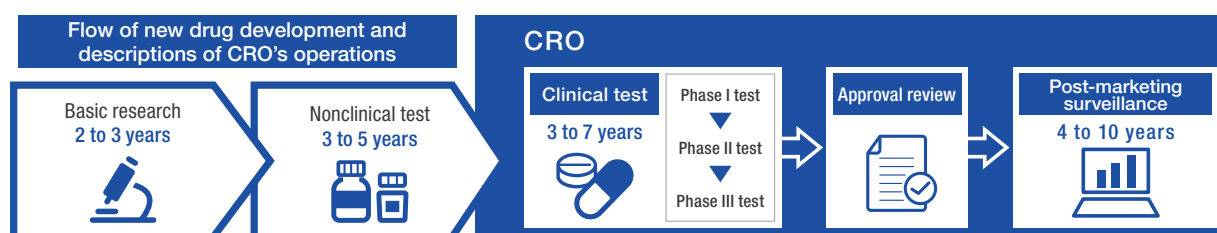
Our strength lies in services combining CRO and IT

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.