



Fiscal year ended December 31, 2019

# **CAC REPORT**

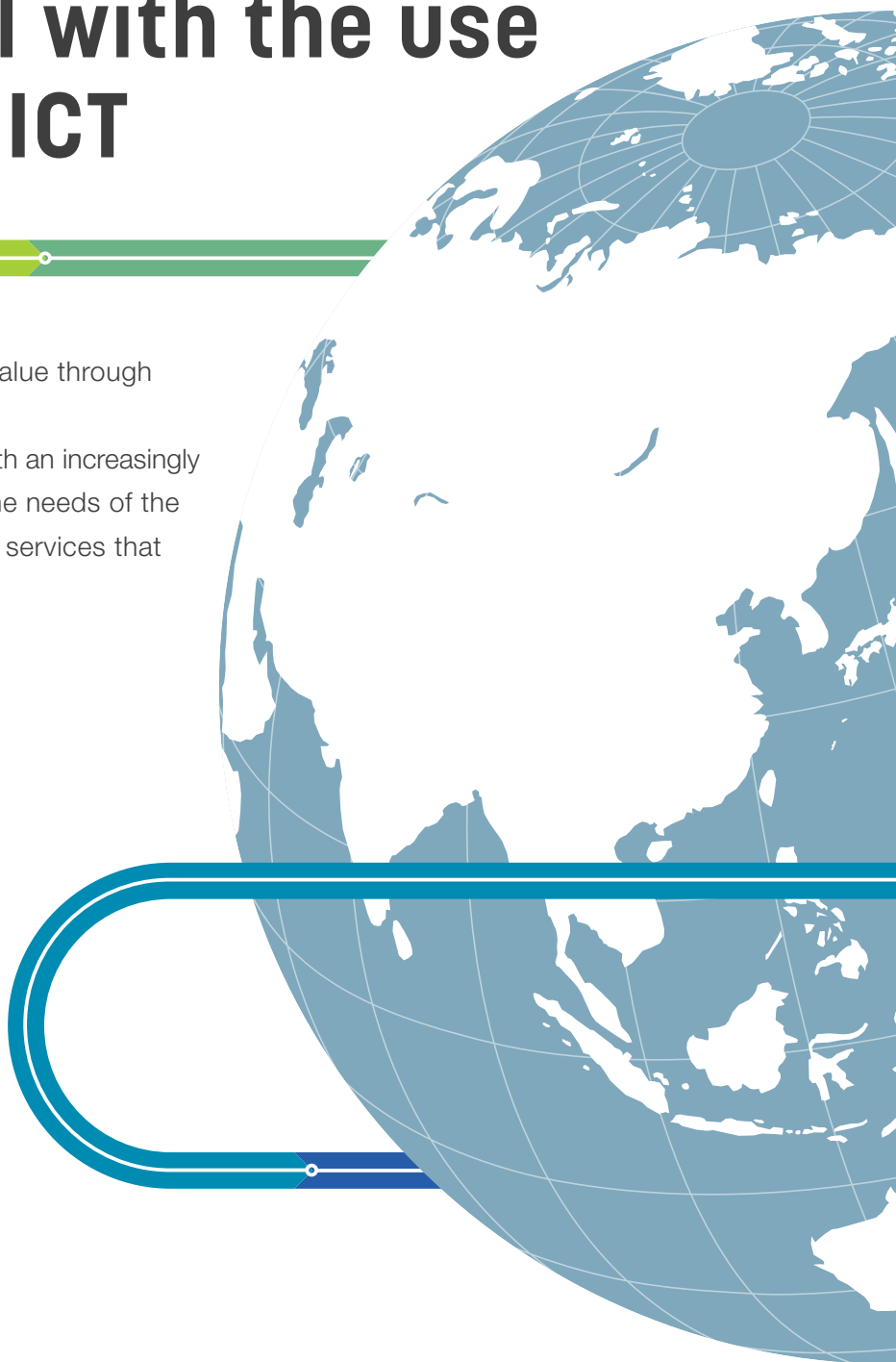
## 2020

# 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 2020**

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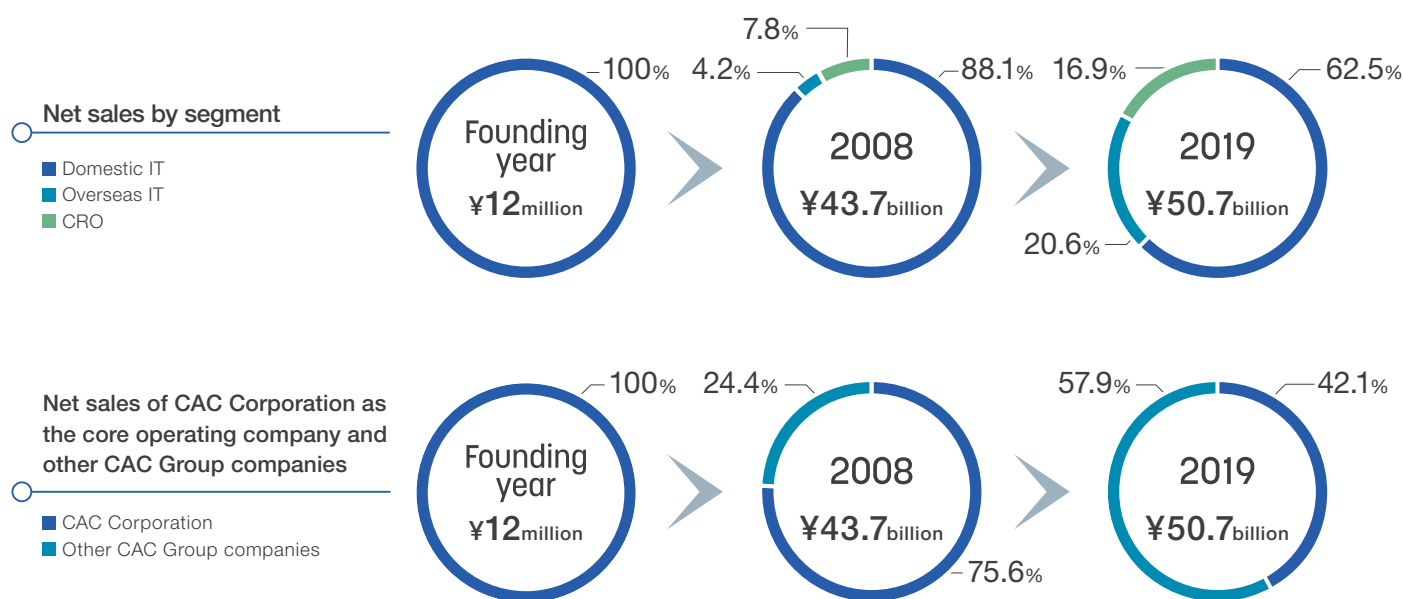
# We continue growing by tackling various challenges.

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

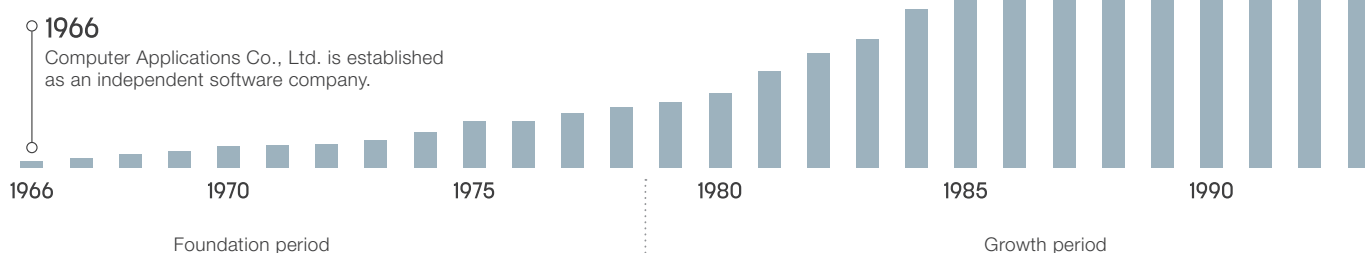
Never fearing failure, we have tackled challenges in new areas.

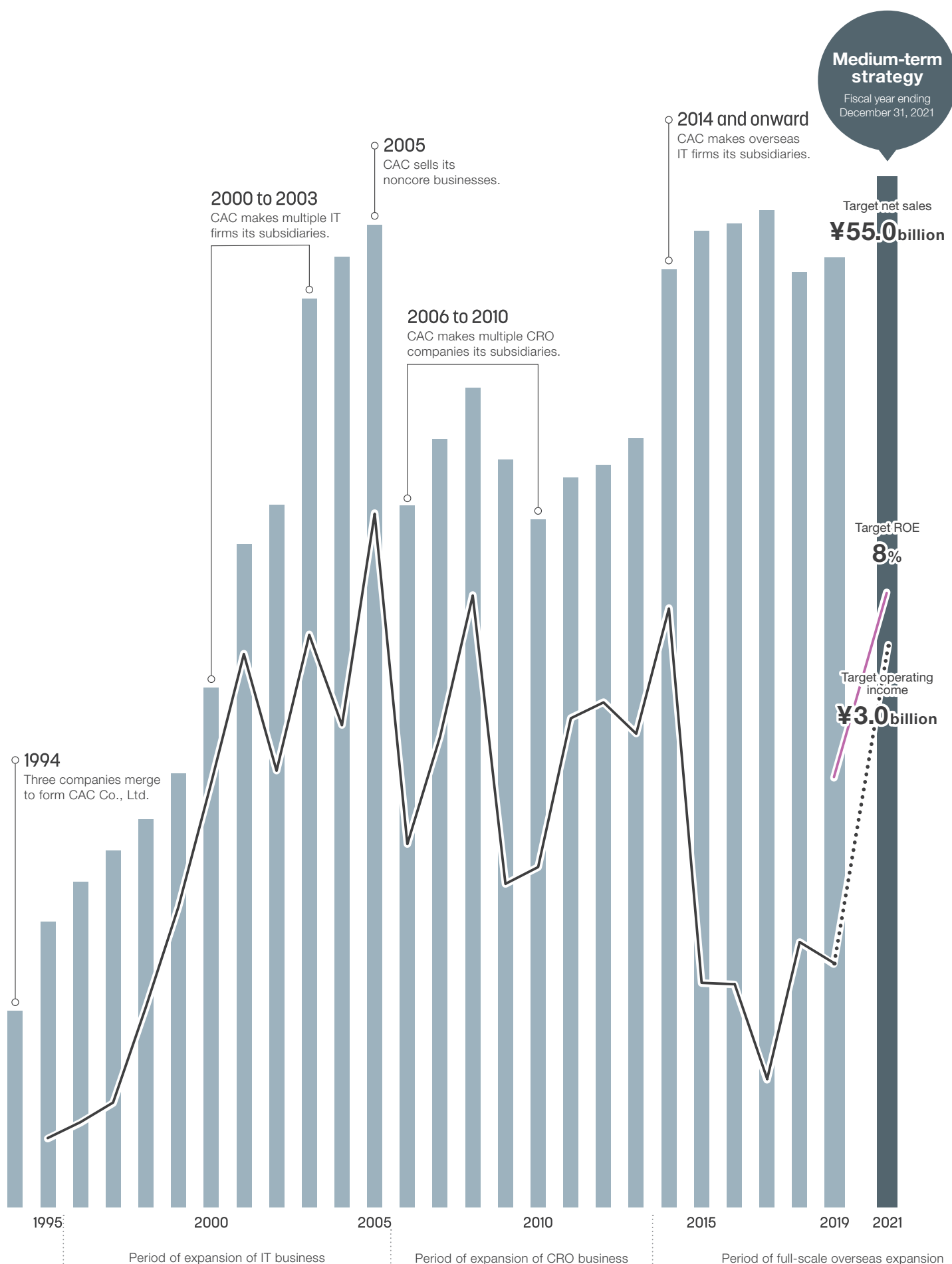
We will try to create further corporate value

while making a full-scale entry on the global stage.



■ Net sales — Operating income — ROE





# CAC Group's value creation and outcomes

## SOCIAL NEEDS AND ISSUES



## BUSINESS ACTIVITIES

### Corporate concept

As a knowledge-intensive company, we provide a full range of business information system services, as well as high-value added services that integrate information technology into business.



### Our role

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

### Our strengths

Percentage of projects in which we serve as the prime contractor:

**90%**

Having served industry-leading corporate customers for

**More than 50 years**

Sound financial structure Net D/E ratio

**-0.22 times**

## OUTPUT

Products and services

### IT services



### Healthcare services



## OUTCOMES

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

¥55.0 billion

Operating income

¥3.0 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.

point 01

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

37.5%

point 02

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

1

**Merger of three companies (1994)**

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)

2

**IT system (2000-)**

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

3

**BPO/BTO (2006-)**

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

4

**Overseas (2014-)**

Investment in overseas IT companies



## point 03

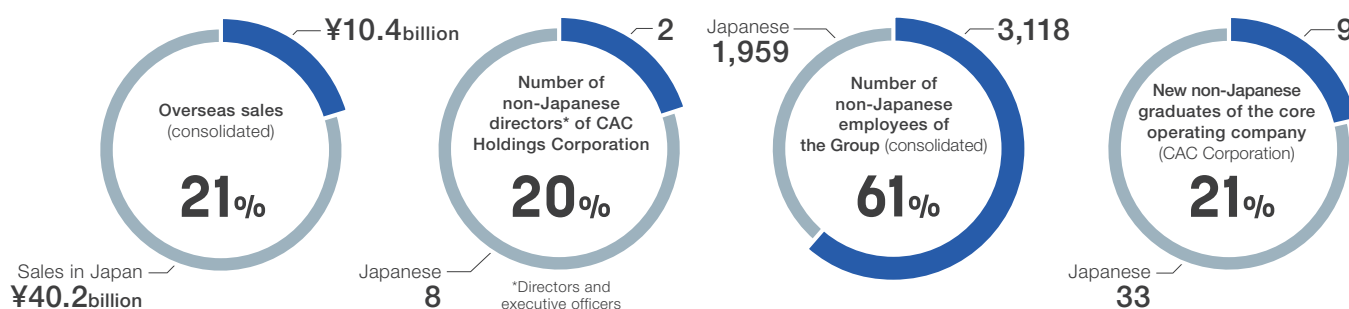
### Overseas markets as growth frontiers

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

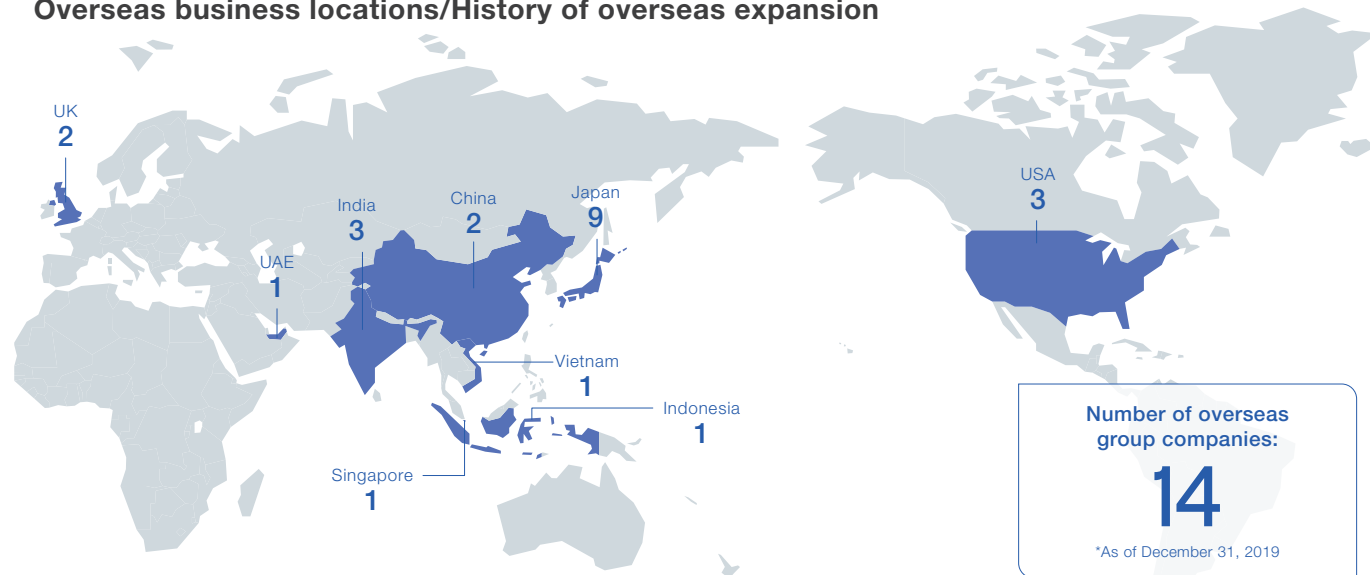
In recent years, we have been increasing the percentage of

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



\*Business locations of CAC Holdings and consolidated subsidiaries(As of December 31, 2019)





President and CEO

**Akihiko SAKO**

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 CEO message
 

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## The CAC Group will advance quickly and boldly to the next stage of its evolution through globalization and the establishment of new businesses.



### **In FY2019, we secured an increase in net sales through expansion of IT investment in Japan and overseas.**

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 is working together to transform into a corporate group which can meet the needs of “Digital Transformation (DX),” improving people’s lives through cutting-edge technologies, and we have adopted “Increasing the earning power of existing businesses” and “Creating and expanding new business domains” as key initiatives under of our medium-term strategy, Determination 21 (FY2018-FY2021).

In FY2019, which is the second year of the medium-term strategy, we worked on achieving sustainable profit growth and improving capital efficiency, whilst at the same time adding maximization of shareholder value to the concepts of the medium-term strategy and focusing on improving capital efficiency and returning profit to shareholders proactively.

As a result, in FY2019, we succeeded in securing growth in consolidated net sales, reflecting a continued solid performance in the domestic IT business and the posting of an operating income by an Indian subsidiary. However, the CRO business (services to support drug development), which had been performing strongly, faced tougher conditions than anticipated, resulting in decrease of consolidated profit. Looking at results by segment starting with the domestic IT segment, businesses were keen to invest in connection with work style reform and adoption of AI (artificial intelligence),

IoT (the Internet of Things) and RPA (Robotic Process Automation) for improving business process efficiency and productivity picked up pace and, with increased sales of pension management systems from trust banks also making a significant contribution, the segment posted growth in both sales and profit.

In the overseas IT business, the sales of an Indian subsidiary, which was expected to drive growth in FY2019, struggled, affected by the deterioration of India’s economy.

The Indian subsidiary can generate stable earnings because its main customers are government ministries and agencies and financial institutions. However, on the downside, it is directly affected by any deterioration in the economy.

Other compounding factors such as the recognition of impairment losses associated with support services for coal-related (mining) companies provided by Mitrais, an IT company with major business locations in Indonesia included in the scope of consolidation from the fourth quarter, and the allocation of corporate expenses caused the segment as a whole to post a small segment loss.

However, the fact that the Indian subsidiary posted an operating income despite the harsh business environment gave us a strong indication of the effectiveness of reforms initiated the year before last.

Meanwhile, in the CRO business, which drove profits higher in FY2018, we were unable to offset fixed costs because certain projects, which had generated stable earnings the last few years, were scaled back and because orders fell in the jostle to win orders with major foreign CROs, and segment operating income was far lower than anticipated.



Medium-term strategy

# Determination 21

2018 ▶ 2021

## Initiatives for FY2021

1

Establishing  
high-earning  
models

2

Strengthening  
investment and  
finance strategies

3

Strongly promoting  
steps for digital  
transformation

However, it is commonly assumed that integration of IT into the pharma industry will increase in the future, and we have actually been told by our customers that they have high expectations of the CAC Group as a CRO originating from an IT company. Consequently, we believe that, in FY2020, we must urgently achieve a return to profitability by striving to further reduce costs, including reducing the SG&A ratio to a level commensurate with sales, whilst keeping our sights set on future expansion.

**In FY2020, the overseas IT business will hold the key. We will aim to significantly increase both net sales and income.**

In FY2020, we currently believe that the domestic IT business, which is expected to see firm IT investment in the business sector, and the overseas IT business, which has undergone restructuring, will drive growth, though a high level of uncertainty remains.

Especially in the overseas IT business, we expect to post huge gains in both net sales and income due to the full-year contribution of Mitrais, which was made into a subsidiary in the fourth quarter of the previous fiscal year.

The overseas IT business is likely to account for an increasingly large proportion of consolidated net sales in the future, and we plan to bring about improvement in the income margin at the same time.

Mitrais is an IT company with annual net sales of around 2.0 billion yen and around 500 employees. Headquartered in Singapore, Mitrais employs most of its SEs at locations in Indonesia, operating as a system integrator specializing in agile development. Software has previously been developed using the waterfall methodology, which involves working towards completion of a product through the completion of processes in sequence. However, this methodology is time-consuming and not suited to the realization of original new products and services partly because of the time lag between needs at project initiation and needs at the time of completion.

This has given rise to the agile methodology, which is development in small teams, flexibly making adjustments as changes arise. Highly adaptable to changes and uncertainties, this methodology is tipped to become mainstream in the future.

In Japan's software industry, where more than 95% of software is currently developed using the waterfall methodology, the CAC Group has been quick to focus on agile development and aims to establish itself as a top runner in the agile development field. We will then increase the percentage of total IT sales accounted for by digital projects from the current level of 22% to 50% in FY2021 and will lay the foundations for providing high-earning, sustainable services in FY2021 and beyond.



We will also actively focus on investments in companies with growth potential and M&A to meet DX needs. We set up a specialist department in January 2020 to strengthen the creation and implementation of investment and finance strategies. With this department playing a central role, we aim to fully utilize Group assets and cash flows and aim to contribute to the CAC Group's earnings by branching out into new business models.

### **Review of medium-term strategy based on progress over past two years**

Based on changes in the business environment and progress made over the past two years, we recently made revisions to our FY2021 targets, lowering the net sales target from 70.0 billion yen to 55.0 billion yen and the operating income target from 4.0 billion yen to 3.0 billion yen.

Focusing on "Establishing high earning models" in overseas IT business and "Strongly promoting steps for digital transformation" i.e. providing sustainable services through agile development, etc. as indicated earlier, we will strive at all costs to enable the newly established specialist department to deliver extra sales growth by "Strengthening investment and finance strategies."

Our target ROE is still 8%, and we plan to keep up efforts to achieve this.

### **Continuing to return profits to shareholders proactively**

We plan to pay an annual dividend for FY2020 of 60 yen, which represents an increase of 10 yen. Throughout our entire history, we have never changed our dividend forecast. While economic conditions, including the COVID-19 pandemic, may force us to reconsider, we intend to continue returning profits to shareholders proactively and paying stable dividends.

A more specific shareholder return policy, including purchases of treasury shares and cancellation of treasury shares purchased previously, will also be examined by the newly established specialist department to strengthen investment and finance strategies in the future.

Meanwhile, we will continue to strengthen corporate governance by separating management from execution. In the fiscal year ending December 31, 2020, we have three internal directors and two outside directors, and we intend to continue flexibly changing our management structure according to circumstances in the future.

### **Giving employees first-hand experience of implementing SDGs through activities for promoting and supporting Boccia**

Are you familiar with Boccia?

Boccia is a sport designed for people with the most severe forms of disability but can be played by anyone, with or

without a disability. It is currently said to be practiced in more than 70 countries worldwide. Boccia was first adopted at the Seoul Paralympics in 1988 and is also expected to be hotly contested at the Tokyo Paralympics. As a Gold Partner of the Japan Boccia Association, the CAC Group supports the association and is also involved in activities for promoting and supporting Boccia, with employees helping to organize Boccia tournaments and sessions for hands-on experience of the sport.

Besides supporting Boccia, incorporation of the sport into in-house training has proven beneficial in various ways, with communication between employees improving and leading to better teamwork. In my view, the fact that many of our employees gain first-hand experience of the "coexistence of business and society" is an asset to the Group.

We intend to continue implementing groupwide activities for promoting and supporting Boccia in the future.



Directors playing Boccia

### **However challenging the operating environment, we will not ease up on globalization or expansion into new business domains.**

With the COVID-19 pandemic, our operating environment changes from one minute to the next, becoming increasingly difficult. However, at the same time, DX is racing ahead and is likely to accelerate more and more in the future. We must also push ahead with globalization at an even greater speed and build even stronger foundations as a corporate group that can continue growing over the long term.

I hope that our shareholders will continue to watch our progress strictly but kindly and will look forward to the next stage of the CAC Group's evolution.

I respectfully ask our shareholders for their continued support.

# 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 FY2019, we posted net cash provided by operating activities of 100 million yen (compared with net cash provided by operating activities of 3,280 million yen in FY2018).

This mainly reflected a gain on sales of investment securities of 5,150 million yen, which was offset by a profit before income taxes of 3,360 million yen, an impairment loss of 1,480 million yen, and an increase in provision for loss on business of subsidiaries and associates of 1,220 million yen. Net cash provided by investing activities stood at 3,520 million yen (compared with net cash provided by investing activities of 2,360 million yen in FY2018).

This was chiefly attributable to proceeds from sales of investment securities of 6,730 million yen, offsetting the purchase of shares of subsidiaries resulting in change in scope of consolidation of 1,870 million yen and purchase of property, plant and equipment of 1,280 million yen. Net cash used in financing activities stood at 6,320 million yen (compared with net cash used in financing activities of 2,310 million yen in FY2018).

This was mainly due to purchase of treasury shares of

3,000 million yen, payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (investment in venture capital, etc.) of 1,510 million yen, and cash dividends paid of 790 million yen.

As a result, cash and cash equivalents at the end of FY2019 stood at 8,980 million yen, down 2,750 million yen from the end of FY2018.

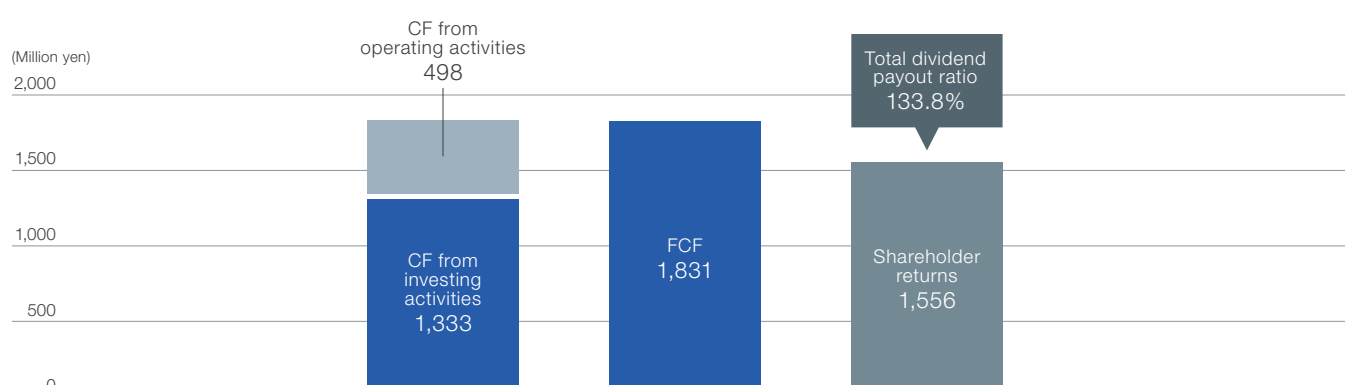
CF from investing activities changes significantly from year to year due to the acquisition of companies, the sales of investment securities and other activities.

Looking at the average for the past five years, CF from operating activities stands at around 500 million yen, CF from investing activities is around 1,300 million yen, and free cash flow (the difference between CF from operating activities and CF from investing activities; hereinafter, "FCF") is around 1,830 million yen.

For the FCF of around 1,830 million yen, we have provided around 1,560 million yen as the return of profits to shareholders.

The average total dividend payout ratio for the five years is 133.8%.

### 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 department established within CAC Holdings, primarily targeting companies that will contribute to expansion of the domestic IT business or those that will enable the growth of local businesses mainly in China, India and ASEAN. In October 2019, we acquired shares of Mitrais Pte. Ltd., which has a strong track record and know-how in agile

development, a methodology expected to become more widespread in Japan in the future, and made it into a subsidiary. (For more information about Mitrais Pte. Ltd., please refer to Page 18.)

In addition, we invested around 1,500 million yen in FY2019 and approx. 900 million yen in FY2018 in startups that are deemed beneficial for our future growth, from domestic and overseas corporate venture capital funds.

In FY2020, we established the Investment and Financial Strategy Division to strengthen creation of investment and finance strategies and implementation of these strategies, with a view to fully using Group assets and cash flows.

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

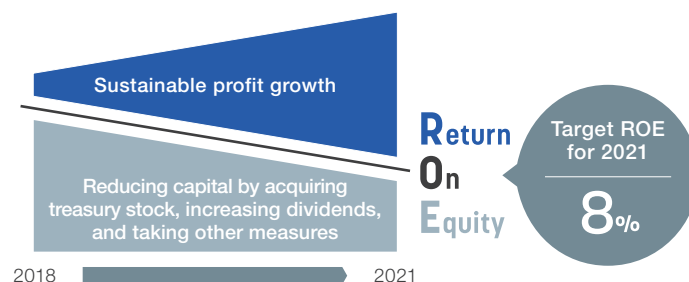
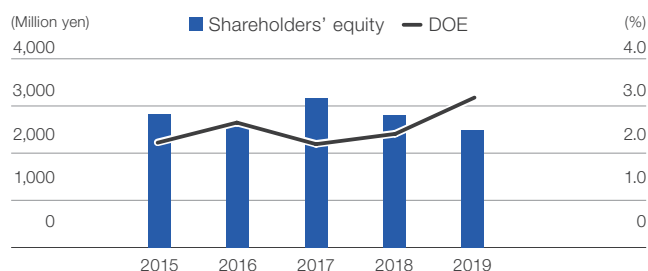
### Improvement of capital efficiency and strengthening of return to shareholders

From 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.

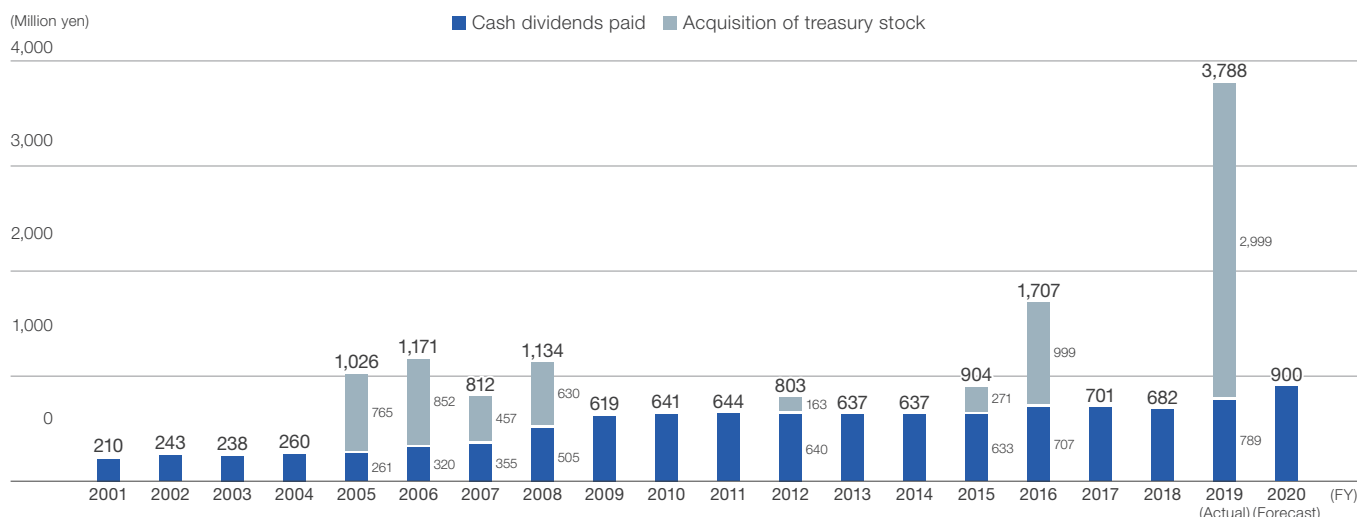
To facilitate these measures, we paid a dividend per share for FY2019 of 50 yen, representing an increase of

12 yen, and acquired around 2 million shares of treasury stock (3.0 billion yen). Meanwhile, Dividend on Equity (DOE) was 3.1% in FY2019, reflecting reduction in shareholders' equity.

We set our annual dividend forecast for FY2020 at 60 yen, which represents an increase of 10 yen. Moving forward, we will continue seeking improvement in capital efficiency and focus on returning profits to shareholders proactively, aiming to achieve our target ROE of 8%.



### Changes in shareholder returns





Sales ratio  
**62.5%**

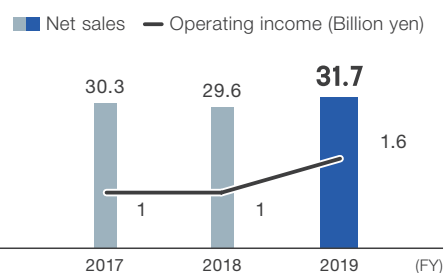
## Domestic IT business

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

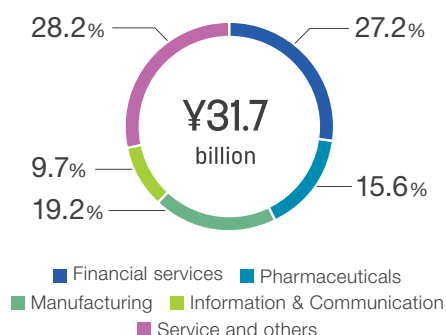
### Major affiliates

CAC Corporation, ARK Systems Co., Ltd.,  
CAC Knowledge Co., Ltd., CAC ORBIS CORPORATION,  
CAC MARUHA NICHIRO SYSTEMS CORPORATION

### Net sales and operating income



### Net sales by industry





## Constituent Companies and Business Activities

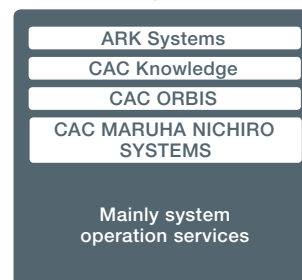
Our subsidiaries in Japan provide system development services, system operation services, business process outsourcing (BPO) services, and other services. The segment consists of a total of five companies: CAC, which dates back to the Group's foundation, and four IT affiliates of a company acquired in the early 2000s. CAC offers system development services, system operation services and BPO services, and accounts for approximately 70% of the domestic IT segment's total sales, with the remaining 30% generated by other group companies mainly through the provision of system operation services. We conduct business mainly in Tokyo and the surrounding area, but we also have business locations in Osaka. In addition, we established the Nagasaki BPO Center in Nagasaki, Nagasaki Prefecture as a nearshore business location for BPO services in July 2019.

The center currently provides human resource BPO services but will utilize the fact that it is in a location with low risk of large-scale natural disaster and also provide IT services in the future from the viewpoint of ensuring continuity of service provision.

### Company dating back to our foundation



### Other group companies



## Features and Medium-Term Strategy

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

We have also been strengthening approaches to new customers recently. As the transformation of society through new technologies such as AI and IoT known as digital transformation (DX) picks up pace, we are shifting towards digital business to help customers advance their DX goals. At the same time, we are also actively working on the development of new services and products using digital technologies.

## FY2019 Business Performance and FY2020 Forecast

In the fiscal year ended December 31, 2019, net sales increased by 6.9% year on year, to 31,653 million yen, reflecting capturing of IT demand of existing customers and firm sales to trust banks and pharmaceutical companies. Segment income rose by 57.4%, to 1,640 million yen mainly due to increased sales. In face of the COVID-19 pandemic, we continued business, encouraging employees to work from home and conduct businesses online. However, business performance in the fiscal year ending

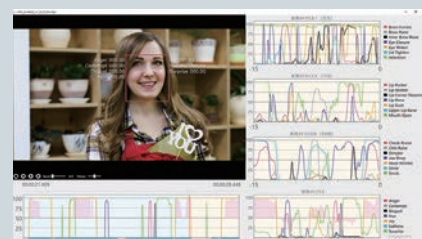
December 31, 2020 may be affected by factors such as slowdown in the acquisition of new projects which require complex explanations of new technologies and the development of new customers due to the tendency to avoid conducting face-to-face sales activities and signs of changes in investment trends among certain customers. Despite such uncertainties, in the fiscal year ending December 31, 2020, we will push ahead with the provision of services using new digital technologies whilst tapping in to customers' IT demand.

(As of June 2020)

**CSV** Creating Shared Value  
Contributing to Society through Business

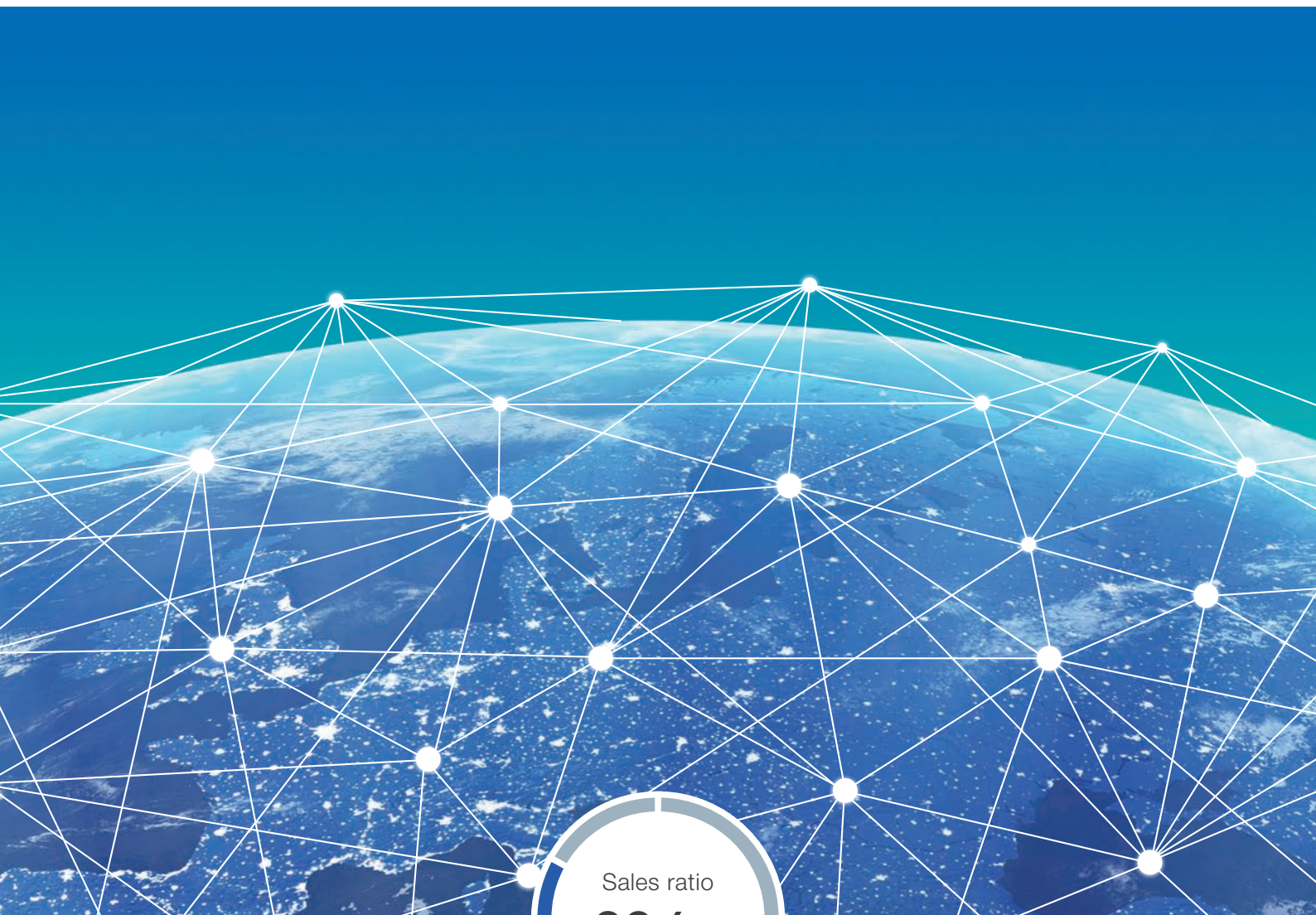
### Focusing on HCTech (Human Centered Technology)

CAC is also focusing on technologies such as blockchain and RPA to hasten the digital shift and, since 2016, has been developing products such as Kokoro Sensor, which incorporates emotion recognition AI technology for analyzing facial images captured using a camera to estimate emotions, and the facial expression training app Kokoro Sensor for Training, for provision to various sectors such as the educational and marketing sectors. Leveraging this strong track record and know-how in the field of AI-based image analysis, CAC proposed the concept of "HCTech — Utilization of IT for human observation, human resource management, and promotion of human health" in 2020 and has since been focusing on HCTech as a priority field. HCTech refers to the performance of hugely time-consuming specialist processes such as data analysis, data recognition and anomaly detection by AI in place of human beings and, it is technology which can be used in various industries and fields. We aim to continue being a group which keeps on growing by not only meeting customers' needs but also coming up with new services through collaborative creation with customers.



Emotion analysis using emotion recognition AI technology

Please also refer to the Sustainability Page (Page 29).



Sales ratio  
**20.6%**



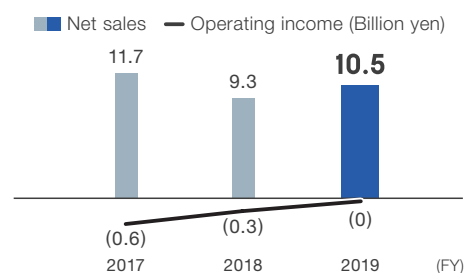
## Overseas IT business

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

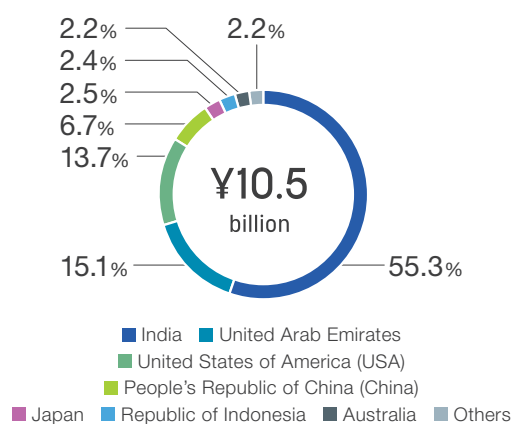
### Major affiliates

CAC AMERICA CORPORATION, CAC EUROPE LIMITED, CAC SHANGHAI CORPORATION, CAC India Private Limited, Inspirisys Solutions Limited, Mitrais Pte. Ltd.

### Net sales and operating income



### Net sales by country



## Constituent Companies and Business Activities

We have been focusing on overseas expansion since we established a subsidiary in Taiwan in 1978 ahead of our competitors.

With the overseas expansion of financial institutions and other customers in the 1980s, we established subsidiaries in the USA and the UK to meet demand for local customer support services.

Today, these companies continue to provide services, mainly local support services for Japanese companies, in collaboration with CAC.

From the early 2000s, we established and acquired



Providing services in collaboration with CAC, consisting mainly of support for overseas business locations of Japanese customers.



Assisting customers doing business in China and responsible for developing offshore development structure. Also focusing on providing services to Chinese companies recently.



Providing IT services in India and the surrounding region



Promoting development of the Indonesian market as well as agile development across the Group.

subsidiaries in China in response to entry to the Chinese market by our customers and for the development of an offshore development structure.

In the early 2010s, we anticipated growth of the IT market in Asia and established a local subsidiary in India and also acquired Inspirisys Solutions Limited (called Accel Frontline Limited at the time) to tap into local demand.

Inspirisys is a core company in the overseas IT business, offering IT services mainly in India.

In addition, we acquired Mitrais Pte. Ltd., which has business locations in Indonesia, in 2019.

## FY2019 Business Performance and FY2020 Forecast

In the fiscal year ended December 31, 2019, net sales increased 12.7%, to 10,461 million yen, and the segment posted a loss of 46 million yen (compared with a loss of 308 million yen the previous fiscal year).

The increase in net sales is largely attributable to inclusion of Mitrais in the scope of consolidation.

Income showed improvement due to the reduction of SG&A expenses through business restructuring focused on an Indian subsidiary, in addition to inclusion of Mitrais in the scope of consolidation.

The COVID-19 pandemic also inevitably resulted in the restriction of activity at companies in the overseas IT business segment. However, we continued business mainly by

encouraging employees to work from home.

However, the outlook is uncertain because India which is a business location of Inspirisys, a core company in the overseas IT business, has been under lockdown since late March 2020, leading to fewer opportunities to win new orders, and because economic activity has been on hold for a long time. We recognize that the business performance of other subsidiaries in the fiscal year ending December 31, 2020 will also inevitably be affected due to the difficulty of conducting sales activities which drive growth. Still, we will focus on structural reform whilst taking the safety and circumstances of employees into consideration.

(As of June 2020)

## Medium-Term Strategy

To promote steps for digital transformation (DX), we will strengthen DX-related initiatives at every Group company to increase projects. As distributors of our emotion recognition AI product Affdex in China, our Chinese subsidiaries will provide the product to the educational sector and various other customers.

Meanwhile, Mitrais has know-how and best practice in agile development methods which are effective for shortening system development time and are, therefore, expected to

become more widely used in the future.

Mitrais will work with our domestic IT business companies to promote and strengthen agile development methods within the Group, which will lead to the proposal of agile development to existing customers and the development of new customers by Group companies in Japan and other countries. We will also push ahead with development of the Indonesian market, aiming for further Group growth.

## Outline of Mitrais Pte. Ltd.



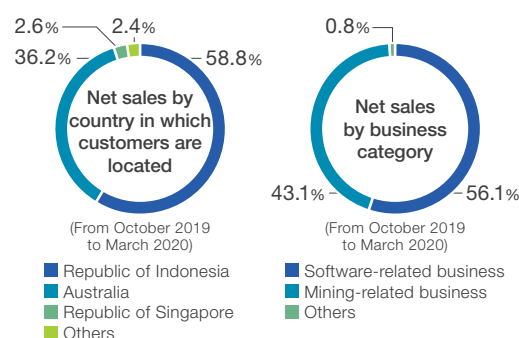
Mitrais Pte. Ltd. Bali Office

Mitrais, which joined the CAC Group in October 2019, has its largest business location in Bali, Indonesia, and provides IT services for the Indonesian and Australian markets.

Mitrais is engaged in software-related business, primarily system development and maintenance, and mining-related business, which includes the sale, installation and maintenance of software packages for mining companies, with software-related business accounting for just over 50% of sales and mining-related business for 40%.

In its software-related business, Mitrais employs SEs who are experts in the agile development methods that are now also being introduced in Japan for the DX era, and Mitrais has a strong track record and know-how in this field.

Mitrais plans to strengthen agile development business in the future and share its know-how with CAC Group companies.







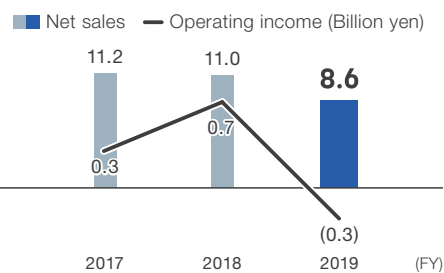
## CRO business

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

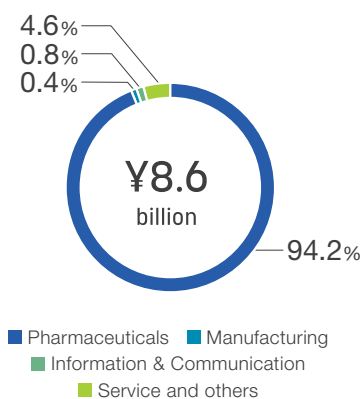
### Major affiliates

CAC Croit Corporation

### Net sales and operating income



### Net sales by industry



## Constituent Companies and Business Activities

The Group's CRO business started in the 1980s when CAC, which provided IT services to pharmaceutical companies, began to undertake some of their operations related to clinical trials for developing pharmaceutical products (clinical development) that were outsourced by them.

We have since continued to grow the business by making CRO companies into subsidiaries and strengthening our ability to provide services such as data management services and statistical analysis services.

In 2012, we spun the CRO business off from CAC as a separate company which is now called CAC Croit and is responsible for the CRO business.

## Our Strengths and Features

As a CRO company which started out as an IT company, our strength lies in our ability to provide CRO services efficiently by making use of IT in particular.

Consequently, our main services are not monitoring services, which are the main services of regular CROs, but rather services with high affinity with IT such as pharmacovigilance, where we collect, analyze, and evaluate information about side effects of pharmaceutical products, and regulatory operations needed to obtain drug approval.

We are also actively promoting the use of digital technologies such as AI and RPA to improve productivity and working to expand businesses in the surrounding area, including business related to the compound library-sharing program.

## FY2019 Business Performance and FY2020 Forecast

In the fiscal year ended December 31, 2019, net sales fell by 22.1% year on year, to 8,568 million yen mainly due to the end of large projects and reduction in projects.

The segment reported a loss of 278 million yen compared with segment income of 693 million yen in the previous fiscal year, reflecting the severe impact of decline in sales and an inability to absorb fixed costs despite efforts to reduce costs. With the deterioration of the segment's business performance since FY2019, we have been working to turn the business around

through structural reform and focusing on restoring profitability. However, the structural reform process has been delayed due mainly to measures to prevent the spread of COVID-19. Furthermore, the pharmaceutical companies which are the customers in this business have cancelled or postponed clinical trials, and we recognize that the segment's business performance will inevitably be affected. Accordingly, in the CRO business, our plan is to strive to minimize deterioration in earnings.

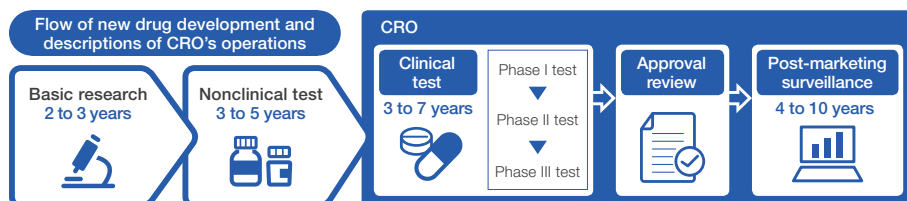
(As of June 2020)

## Medium-Term Strategy

In response to the transformation of society through new technologies such as AI and IoT known as digital transformation (DX), we will continue to use AI, RPA, and other digital technologies to improve the productivity and quality of services we provide.

We will also promote integration of health care with the CAC Group's digital technologies in preparation of the provision of digital healthcare services which are expected to grow in Japan and throughout the world in the future.

### 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 provides all CRO solutions including pharmacovigilance, data management, and statistical analysis.

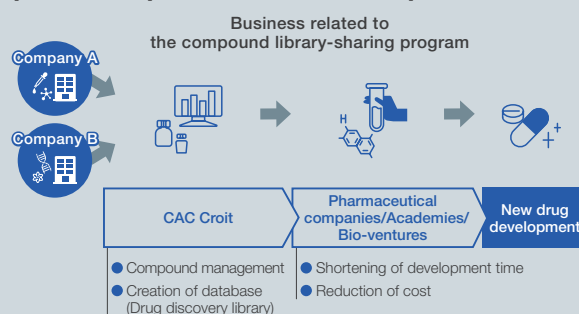
**CSV**

Creating  
Shared  
Value

Contributing to Society through Business

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

CAC Croit, which is responsible for the CRO business, contributes to maintaining, managing, and improving public health as a partner of pharmaceutical companies while harnessing the power of IT. The business related to the compound library-sharing program, which we are working on as healthcare business, is a service for consolidating the libraries of chemical compounds (compounds for pharmaceutical frontier research) and information owned and stored individually by pharmaceutical companies in the facilities and platform provided by CAC Croit, and promoting use of the consolidated compound libraries as shared libraries. We promote this business with the aim of helping to significantly shorten drug development time and reduce drug development costs and achieving the development and provision of innovative pharmaceutical products.



# Corporate governance

## Basic approach

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 24, 2020), our Board of Directors consists of five Directors, two of whom are Outside Directors (one man and one woman).

All of the Outside Directors are independent officers.

In 2014, we made the switch to a pure holding company structure to speed up the formulation of business strategies for the entire group and the business administration of group companies.

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.

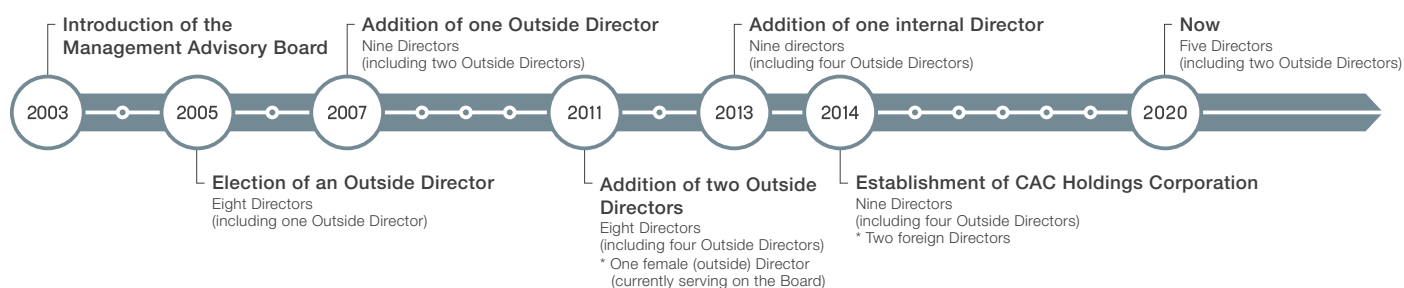
Important matters are submitted for discussion at the Board of Directors, and the status of operations is reported as needed. We have also set up a Management Meeting as a place for deliberating and making final decisions on important management matters related to consolidated subsidiaries and affiliates.

## Board of Corporate Auditors

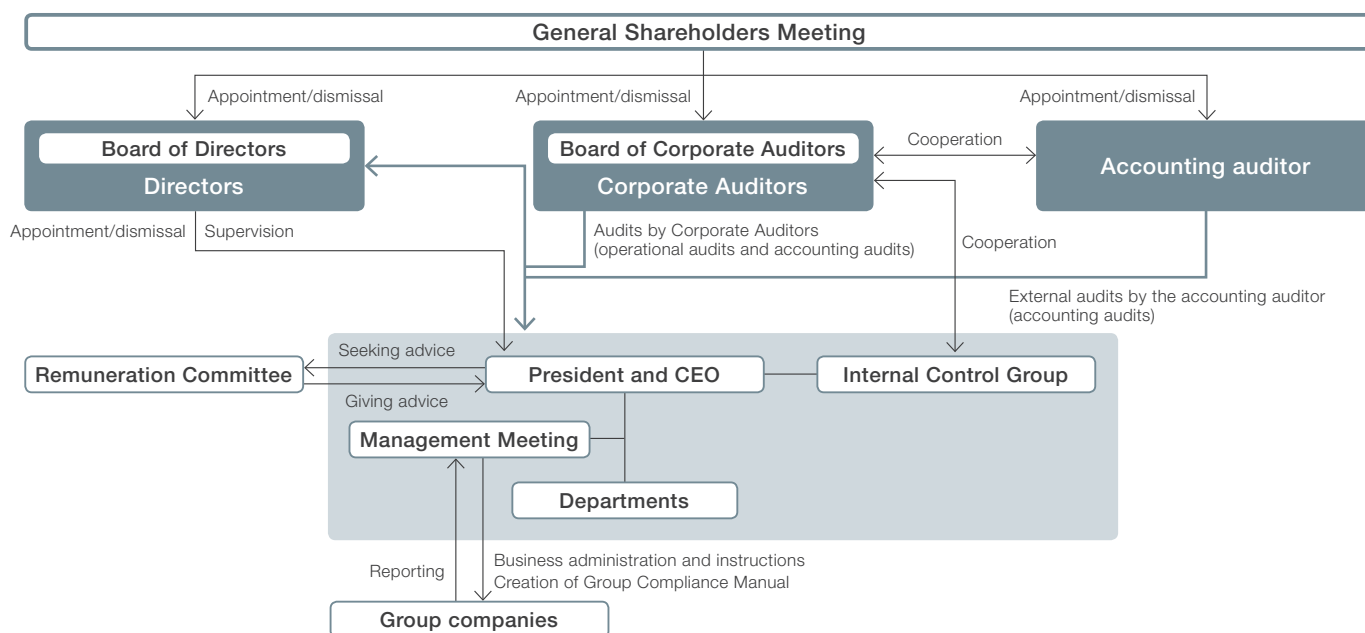
Our Board of Corporate Auditors consists of four Corporate Auditors, two of whom are Outside Corporate Auditors. They meet regularly every month and as needed to hold discussions aimed at ensuring the adequacy and appropriateness of decisions made by the Board of Directors, and the manner in which each Director performs his or her duties.

Corporate Auditors actively participate in Management Meetings and other important 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 within an upper limit resolved at the General Shareholders Meeting, to serve as an incentive for the medium- to long-term improvement of corporate value. The amount of remuneration, etc. 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 (Ms. Yukiko Kuroda), 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 FY2019

| Position  | Number of officers | Total amount of remuneration in millions of yen | Breakdown   | Upper limit of the amount   |
|---|--------------------|---|---|-----------------------------|
| Directors (Outside Directors)                   | 9 <sup>(3)*1</sup> | 162 <sup>(15)</sup>                             | Base remuneration: ¥100 million<br>Stock-based remuneration: ¥8 million<br>Bonus: ¥23 million<br>Resignation bonuses: ¥28 million<br>(Only base remuneration was paid to Outside Directors) | Up to ¥240 million per year |
| Corporate Auditors (Outside Corporate Auditors) | 6 <sup>(3)*2</sup> | 44 <sup>(9)</sup>                               | Base remuneration only  | Up to ¥4 million per month  |
| Total   | 15 <sup>(6)</sup>  | 206 <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.

4. The upper limit of monetary compensation claims to be paid to Directors (excluding Outside Directors) for the granting of restricted stock was approved at the 53rd Annual General Shareholders Meeting held on March 27, 2019, as an annual amount not exceeding 50 million yen (excluding the amount of employee salaries).

\*1 In March 2019, the total number of Directors was nine due to the resignation of four Directors and the election of one.

\*2 In March 2019, the total number of Corporate Auditors was six (including three Outside Corporate Auditors) due to the resignation of two Corporate Auditors (including one Outside Corporate Auditor) and the election of two (one of whom was an Outside Corporate Auditor).

# Management team (As of March 24, 2020)

## 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.



Director and Senior Managing Executive Officer  
**Ryota Nishimori**

Date of birth:  
December 18, 1967

Mr. Nishimori joined the Company in 1994. He was mainly engaged in system development projects for financial institutions both in Japan and overseas. After holding various posts including General Manager of the Corporate Planning Department, and Executive Officer and Deputy Head of Financial Business Unit at the Company, he held president-level and management-level posts at an overseas subsidiary. He was appointed President and CEO of CAC Corporation in 2018. He became Director of the Company in March 2020.

### Major concurrent positions

President and CEO of CAC Corporation



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 at Board of Directors' Meetings | Status of attendance at Board of Corporate Auditors' Meetings | Number of years of service | Experience         |                      |                 |                     |                           |  |                               |     |
|-----------------|---------------------|--|---|----------------------------|--------------------|----------------------|-----------------|---------------------|---------------------------|--|-------------------------------|-----|
|                 |                     | (fiscal year ended December 31, 2019)                | (fiscal year ended December 31, 2019)                         |                            | Industry knowledge | Technological trends | Global business | Business management | Financial affairs/finance | Personnel affairs/organizational development | Product development/marketing | Law |
| Akihiko Sako    |                     | Attended 17 of 17 meetings                           | —   | 15                         | ●                  |                      | ●               | ●                   |                           |  |                               |     |
| Togo Shimizu    |                     | Attended 13 of 13 meetings *1                        | —   | 1                          | ●                  |                      | ●               |                     |                           | ●  |                               |     |
| Ryota Nishimori |                     | Newly appointed                                      | —   | —                          |                    | ●                    | ●               | ●                   |                           |  |                               |     |
| Yukiko Kuroda   | Independent Officer | Attended 16 of 17 meetings                           | —   | 9                          |                    |                      |                 | ●                   |                           | ●  |                               |     |
| Tokihiko Mori   | Independent Officer | Attended 16 of 17 meetings                           | —   | 2                          |                    |                      | ●               | ●                   | ●                         | ●  | ●                             |     |
| Masaaki Yoshida |                     | Attended 17 of 17 meetings                           | Attended 15 of 15 meetings                                    | 3                          | ●                  |                      |                 |                     | ●                         |  |                               |     |
| Kazuki Kawamata |                     | Attended 13 of 13 meetings *2                        | Attended 11 of 11 meetings *2                                 | 1                          | ●                  | ●                    |                 |                     |                           |  |                               |     |
| Hirokazu Honda  | Independent Officer | Attended 17 of 17 meetings                           | Attended 15 of 15 meetings                                    | 3                          |                    |                      |                 |                     |                           |  |                               | ●   |
| Yuichi Ishino   | Independent Officer | Attended 11 of 13 meetings *2                        | Attended 10 of 11 meetings *2                                 | 1                          |                    |                      |                 | ●                   | ●                         |  |                               |     |

Notes: The table above shows core skills.

\*1 The figure indicates the number of meetings that were held after he was appointed Director.

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

## Executive Officer



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 corporate auditor

**I will contribute to enhancing the CAC Group's corporate value from a finance perspective.**



Outside  
corporate auditor

**Yuichi Ishino**

Appointed in 2019

### **We are now heading into an era which requires a “balance sheet head” and “real option management”**

I was appointed an outside corporate auditor at CAC Holdings Corporation in March 2019.

It has been a year since I took up office, and I am impressed by the CAC Group's open atmosphere — the freedom to be able to say what you want.

At meetings of the Board of Directors and the Board of Corporate Auditors, I make comments from the standpoint of a finance expert.

I sometimes talk about “PL head” and “BS head,” PL being profit and loss statement and BS being balance sheet, and I said we are now heading into an era in which we need our

balance sheet head on.

A “BS head” refers to the ability to consider both input (management resources) and output (operating income) and to attach importance to the question “what input is needed to produce output?”

Generally speaking, people with a “PL head” for “generating sales” and “generating profit by reducing costs” are actually more common but I believe that, at the very least, executives and senior management, as well as general manager class if possible, need to have this “BS head”.

I also remarked on the need for the clear documentation of “withdrawal criteria” for M&A and new businesses.

It is often said that Japanese companies are “bad at withdrawal” whereas the likes of Amazon are very good at it. This is what is known as “real option management” — Trying a new business out with withdrawal criteria in place and if the business doesn't work out, providing support and if the business still doesn't work out even with support, withdrawing whilst there is not much damage.

I believe that, in the hard times ahead, this “real option management” approach will be important.

### **What we need are “CAC Value” and “CAC Way”**

Also, over the past year, I have had the opportunity to ask various people about the CAC Group's “strengths”.

An answer I often hear at such times is that the Group has good customers.

However, this is, at the end of the day, an outcome and the underlying qualities which have laid these foundations are the “strengths”.

To be honest, I could not see the underlying qualities.

Perhaps, Group employees have an idea of what these qualities are but fail to share and spread them.

And so we must ask ourselves what do we need to do to share and spread these qualities, and I believe we need to define “CAC Value” and “CAC Way” setting out that “the CAC Group does work based on this set of values”.

I intend to use meetings of the Board of Directors and other meetings as opportunities to discuss this in the future.

I intend to continue contributing to the CAC Group's growth in the future as an Outside Corporate Auditor who doesn't read the room in a good sense, in other words, who questions the questionable and says what needs to be said.

## 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.

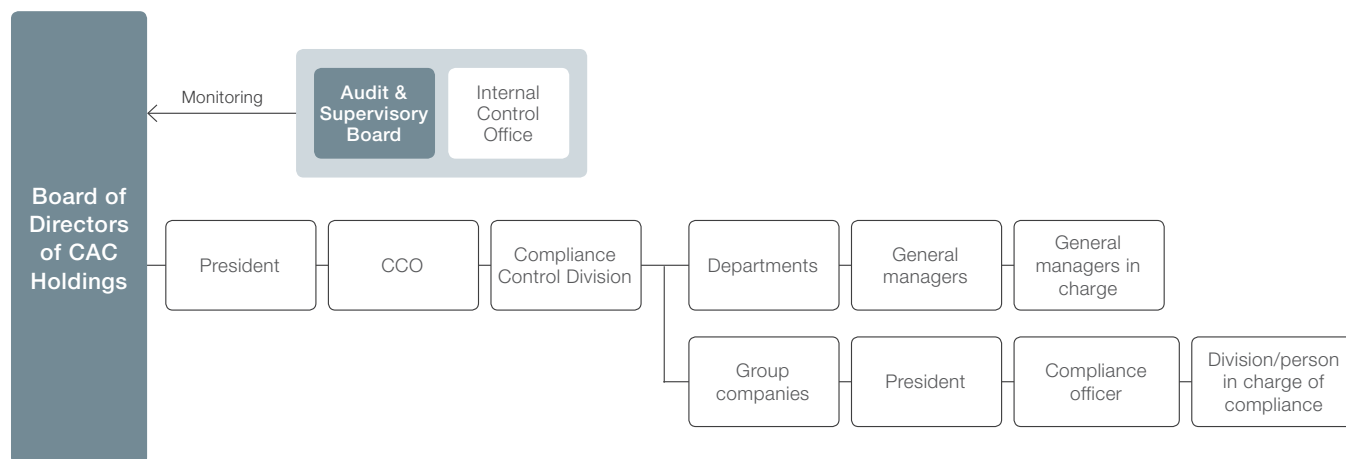
The CCO supervises the Compliance Control Division,

which engages in activities related to compliance, including planning, training, supervision and improvements.

We have also introduced the Compliance Helpline System (a whistleblowing 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, 2019)

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>  |

# CAC Group's Sustainability

As a global company and as a member of society, we recognize sustainability as a challenge we need to address on a group-wide basis, and we aim to contribute to the realization of a sustainable society by focusing on the SDGs.

## What are the SDGs?

The CAC Group's sustainability initiatives also contribute to achievement of the Sustainable Development Goals (SDGs) adopted by the UN in September 2015 by 2030.

The goals shown here have been selected from the 17 SDGs as the goals believed to be most applicable to the initiatives highlighted in this text.

## SUSTAINABLE DEVELOPMENT GOALS



### Technology and quality > P29

Relevant SDGs



- Development and provision of new services for the DX era

### Human resources > P31

Relevant SDGs



- Improvement of way of working through work style reform
- Initiatives to promote digital shift

### Social > P33

Relevant SDGs



- Activities for promoting and supporting boccia
- Support for education



## Technology and quality

The CAC Group implements initiatives to utilize new technologies and improve quality, aiming to become a sustainable company.

### Development and provision of new services for the DX era



We are pursuing the provision of value through new technologies in response to dramatic changes driven by DX.

### Focusing on “HCTech\*, — Utilization of IT for human observation, human resource management, and promotion of human health”

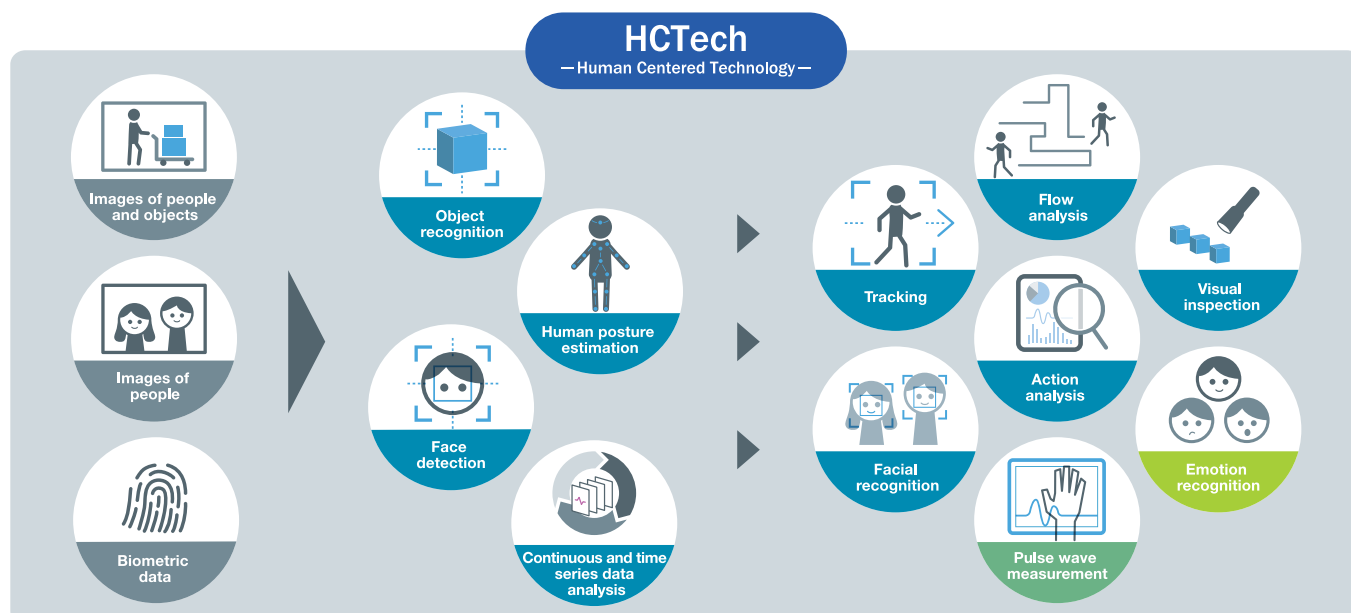
In response to digital transformation (DX), the Group is pushing ahead with the development of products and services utilizing DX-related technologies.

We are seeking to enhance our lineup of solutions using blockchain, IoT and cloud technologies and are also focusing on the development and provision of services which will help alleviate labor shortages and improve productivity through the performance of work by AI in place of humans.

Since 2016, CAC has been developing products such as Kokoro Sensor, which incorporates emotion recognition AI technology for analyzing facial images captured using a camera to estimate emotions, and the facial expression training app Kokoro Sensor for Training, which is provided to various sectors such as the educational and marketing sectors. Leveraging this strong track record and know-how in the field of AI-based image analysis, CAC proposed the concept of

“HCTech — Utilization of IT for human observation, human resource management, and promotion of human health” in 2020 and has since been focusing on HCTech as a priority field. HCTech refers to the detection of abnormal human posture or action, for example, falling down, and the performance of hugely time-consuming specialist processes such as data analysis and data recognition by AI in place of human beings, and it is technology which can be used in various industries and fields. We also intend to develop new solutions and services by combining HCTech not only with our own technologies but also with the technologies and business models of other companies. Japan’s declining birth rate and aging population are leading to social problem such as labor shortages. HCTech aims to help solve such issues through further technological advances whilst at the same time contributing to the CAC Group’s sustainable growth.

\*HCTech(Human Centered Technology)



Main technologies used by HCTech

## TOPICS

## Case Study

### Joint development of Mimamo. with Rhythmiru for reducing the risk of sleep-related infant deaths

There is a disease called Sudden Infant Death Syndrome or SIDS when a baby dies during sleep.

SIDS is reported to occur in about one of every 6000-7000 live births in Japan, making it the fourth most common cause of infant death.

Other sleep-related causes of infant death besides SIDS include asphyxia.

To protect babies from such sleep-related causes of death, childcare practitioners diligently check napping babies in their care every 5 to 10 minutes to make sure they are breathing and not sleeping on their front.

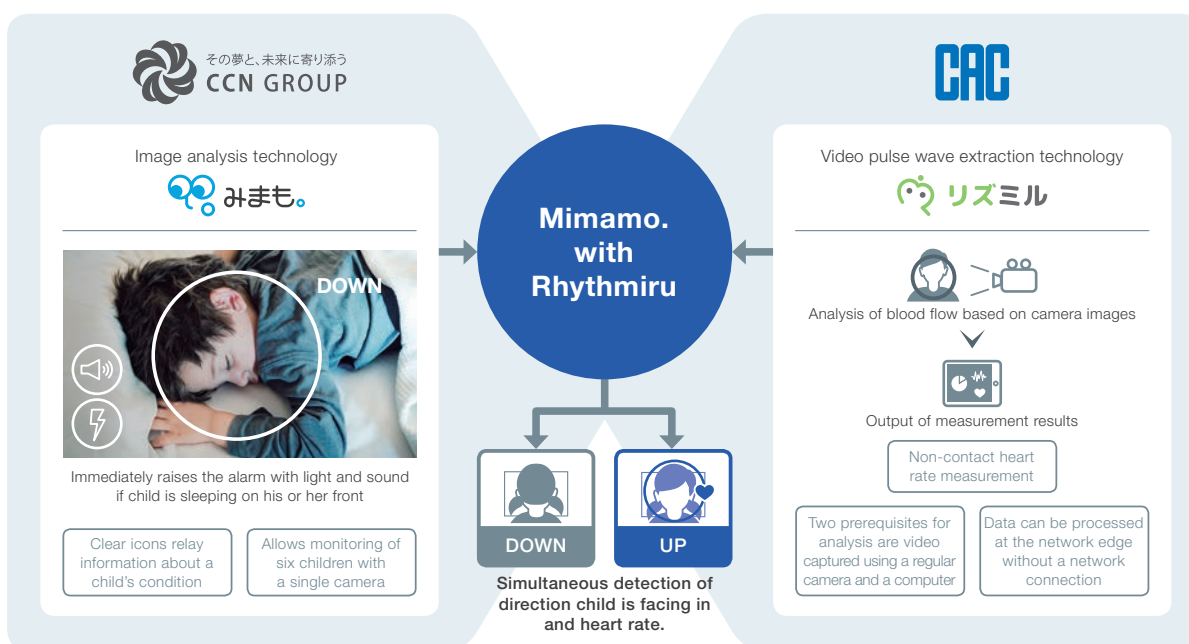
However, this places a tremendous physical and emotional burden on childcare practitioners who, against the backdrop of labor shortages, are responsible for more than one baby at a time and are simultaneously required to carry out a range of other duties.

To solve this issue, CAC co-developed Mimamo. with

Rhythmiru with CCN Group Corporation. Mimamo. with Rhythmiru combines CCN Group's Mimamo. service, which uses IoT technology to help monitor babies during afternoon naps based on camera images, with Rhythmiru, CAC's non-contact vital sensing software which uses video pulse wave extraction technology to measure the heart rate from camera images.

Mimamo. with Rhythmiru simultaneously checks whether a baby is sleeping on its front, which is believed to be a sleep-related cause of death, and the baby's heart rate, and promptly raises the alarm with light and sound in the event of a problem.

Besides reducing the risk of infant death at childcare facilities, CAC will continue to support childcare practitioners and reduce their workload whilst giving peace of mind to parents and guardians who leave babies in the care of these facilities.





Under its medium-term strategy, the CAC Group is promoting a shift towards digital business. We are establishing a framework for developing the human resources needed to promote this shift while at the same time focusing on creating an environment in which every employee is able to act spontaneously and intuitively based on a correct understanding of the direction in which the CAC Group is headed.

## Improvement of way of working through work style reform



The CAC Group is implementing work style reform with the aim of diversifying ways of working and continuing to conduct business in emergency situations.

### Diversification of ways of working through work style reform

CAC Holdings and CAC, which is the core operating company, began promoting the systemization of workflows, the utilization of teleconferencing and the accompanying shift towards paperless operation in 2011 and built a teleworking environment and system that allow people to work anytime, anywhere and with anyone in 2012. This has resulted in the introduction of a free-address system (which allows employees to work anywhere in the office) to the floors of sales and administrative departments. It also permits employees to work from home, diversifying working patterns to suit individual circumstances and lifestyles.

As a result of this initiative, CAC was selected for the Telework Pioneer 100 by the Ministry of Internal Affairs and Communications in 2016.



A free-address floor

### Continuation of business in emergency situations

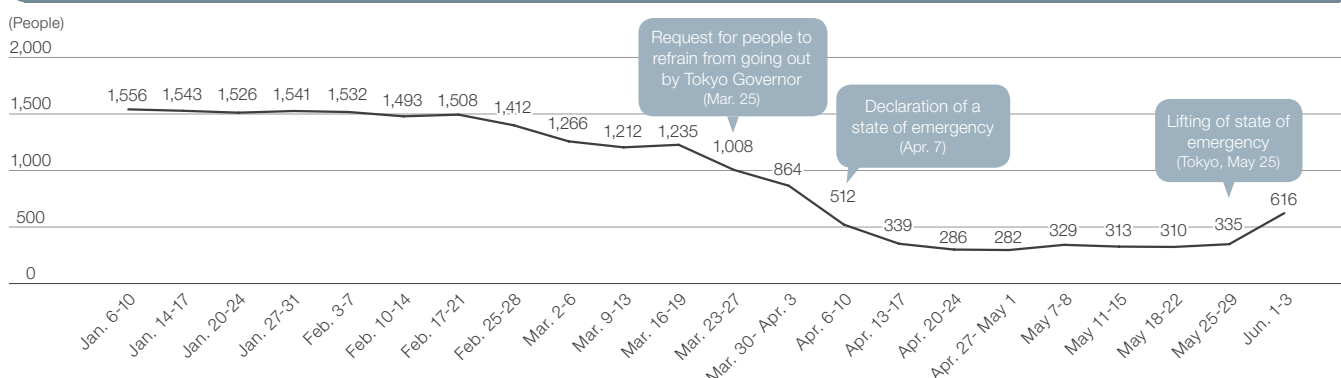
This work style reform has not only helped improve productivity and reduce costs but has also been extremely helpful for dealing with unforeseen situations.

When people were requested to refrain from going out due to COVID-19 in 2020, CAC Holdings and CAC were able to continue conducting business without any major disruption, reducing the number of employees coming into offices to around 20% of normal levels through the use of remote working and online meetings.

We recognize that this contributed greatly to preventing the spread of COVID-19, allowing us to protect employees' health whilst avoiding any interruption in the provision of services to customers.

By continuing to implement work style reform in the future, we will develop an environment in which our employees, who are important assets, can fully demonstrate their skills, achieving personal growth alongside corporate growth.

#### Changes in number of people entering and leaving head office building (Chuo-ku, Tokyo)



\*The number of people entering and leaving the building is the average number for weekdays.



## Initiatives to promote digital shift



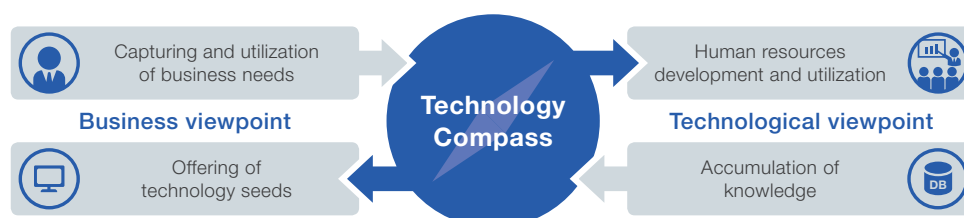
The Group is encouraging individual employees to increase their skills in order to achieve a shift towards digital business in accordance with the medium-term strategy, with the aim of contributing to technological innovation alongside the sustainable development of the company.

### Formulation of Technology Compass

For the purpose of accomplishing the shift to digital business in accordance with the medium-term strategy, CAC made a list of the required technology areas and developed the Technology Compass in 2018. This is a roadmap that closely specifies their definitions, statuses of current actions, future actions, examples, business values and other areas.

This helps individual employees to understand what technologies they should acquire, the direction in which the Group is headed and what actions they should take. We periodically revise the Technology Compass because the technologies we need, the direction in which the Group is headed, and the measures we take change depending on advances in technology and global trends.

Schematic of the Technology Compass



### Cluster activities

In 2018, we launched technology cluster activities to enable many employees to master technologies included in the Technology Compass more efficiently. We form communities comprising personnel sharing the same technological orientations so that they will mutually provide the support necessary for skill acquisition.

Besides offline activities which require members to meet up, clusters also conduct online activities using digital tools, overcoming the obstacles of distance and time to share information believed to be useful with other members in an attempt to improve each other's skills. In addition, experienced members provide answers to questions submitted by others, shortening the time taken to find solutions to problems and these cluster activities have continued smoothly even during the COVID-19 crisis. Technology clusters support the accumulation of knowledge through activities such as holding report meetings and

disseminating information on our internal portal.

More recently, we have broadened the scope of technology cluster activities to include not only internal activities but also public seminars.





## Social

The CAC Group believes that building community relationships and trust will lead to its own sustainable growth and implements a range of CSR activities.

### Activities for promoting and supporting bocchia



Since 2016, the CAC Group has been implementing a range of initiatives aimed at contributing towards the betterment of human health through activities for promoting and supporting bocchia, a sport for people with disabilities.

These include holding bocchia tournaments for students as an educational opportunity and renting out the bocchia court inside the head office building to help create a comfortable town to live in.

### Activities for promoting and supporting bocchia, which is good for everyone's health

The Group adopts varied approaches to activities for promoting and supporting bocchia because, though a sport for people with disabilities, bocchia can be enjoyed by everyone. We help organize tournaments held in Japan and also hold taster sessions and instruction sessions for hands-on experience of the sport.

In 2019, we introduced bocchia to around 1,600 people in total at 24 events.

Shun Sato, a bocchia athlete who belongs to the CAC Group, also works with Group employees to promote bocchia in various places.

Some of our employees are qualified as referees accredited by the Japan Bocchia Association and, in 2019, a total of 96 employees took on the heavy responsibility of refereeing at 16 tournaments.

In addition, in 2017, we started donating bocchia equipment to organizations that have difficulties purchasing it to ensure that more people would enjoy playing bocchia.

In 2019, we donated bocchia ball sets and bocchia ramps to 25 non-profit organizations and corporations and held instruction

sessions for organizations upon request.

Activities to promote bocchia within the company are also flourishing, and employees' involvement in bocchia, including the incorporation of taster sessions into training for new employees and group-wide training, helps improve communication and the physical and mental wellbeing of employees.

Through these activities for promoting and supporting bocchia, we aim to help both people with disabilities and people without disabilities of all ages, from children to the elderly, maintain and improve their health.

#### Actual activities in 2019

Activities for promoting bocchia such as taster sessions and instruction sessions  
**24 events / Approx. 1,600 participants**

Refereeing by Group employees at 16 bocchia tournaments  
**96 employees in total**

Donation of bocchia equipment  
**25 organizations**

### Opening of bocchia court up to the public to help promote health

In July 2019, we set up a regulation-sized bocchia court with a TARAFLEX sports floor, as used in major international tournaments, on the first floor of our head office building. Besides using the court internally, we have also rented it out to the public, either as a proper practice court for athletes or as somewhere that helps workers maintain or improve their health and helps local residents socialize or stay healthy.

By providing a barrier-free environment with automatic

doors at the court entrance/exit and disabled toilets, the court makes a healthy lifestyle accessible to everyone and also helps create a town which is comfortable to live in.



Bocchia court (first floor of head office building)

## Organization of boccia tournaments as learning opportunity for students with disabilities

Since 2017, the CAC Group has been holding the CAC Cup every year, which is a boccia competition among schools for special needs education located in Tokyo. (The fourth tournament in 2020 was cancelled to prevent the spread of COVID-19.)

The CAC Cup aims to provide students who participate with an opportunity to mix with other schools, master the techniques, manners and rules of boccia and learn the principles of sportsmanship, and show how hard they have been practicing. It also provides an opportunity to raise

awareness of boccia as a lifelong sport.

Alongside the main competition, we also hold events that give spectators hands-on experience of boccia, showing them that it is a healthy sport which everyone can enjoy regardless of disability, age, or gender. The CAC Cup is planned and run by CAC Group employees themselves, and provides a valuable opportunity for those running the tournament and volunteer participants to experience the health and wellbeing benefits of boccia.



The CAC Cup (held in September 2019)

## Support for education



The CAC Group is working with knowledgeable foundations and educational institutions to provide high-quality education to the young people who will be the next generation of leaders.

Mitrais, which joined the CAC Group in October 2019 and has major business locations in Indonesia, is a major sponsor of Yayasan Kemanusiaan Ibu Pertiwi, a foundation formed to support recovery following the terrorist bombings in Bali in 2002.

Through this foundation, which aims to break the cycle of poverty through education, Mitrais provides support for the education of more than 500 children.

Meanwhile, since 2014, CAC has co-sponsored the KOSEN Programming Contest, in which technology college students compete to create ideas and realize information processing technology using the programming experience they have accumulated on a daily basis. Through this, CAC contributes to the advancement of the contest and the development of IT human resources.

In addition, we actively provide internships to technology

college students and university students and other learning opportunities to young people who will be the next-generation leaders.

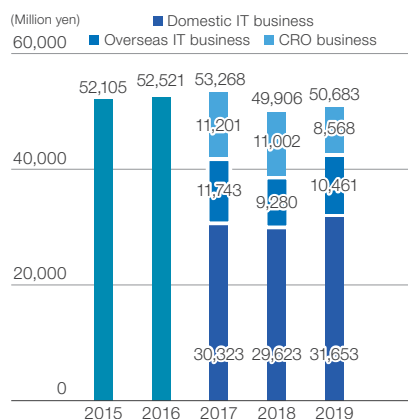


Support Party sponsored by Mitrais

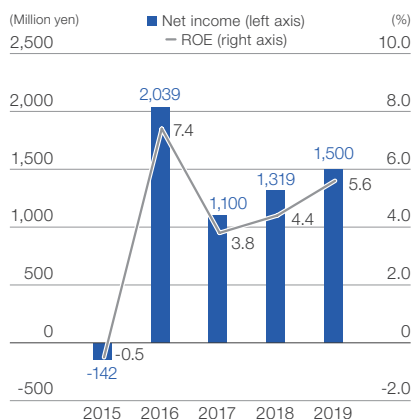
## Financial highlights for the past 11 years

|   | 44th term<br>FY2009 | 45th term<br>FY2010 | 46th term<br>FY2011 | 47th term<br>FY2012 |
|---|---------------------|---------------------|---------------------|---------------------|
| Net sales (million yen)   | 39,842              | 36,614              | 38,882              | 39,545              |
| Operating income (million yen)                                    | 1,733               | 1,822               | 2,610               | 2,694               |
| Ordinary income (million yen)                                     | 1,884               | 2,035               | 2,776               | 2,887               |
| Profit attributable to owners of parent (million yen)             | 929                 | 1,026               | 39                  | 1,194               |
| Net assets (million yen)  | 19,773              | 20,316              | 19,294              | 20,200              |
| Total assets (million yen)  | 31,004              | 31,781              | 31,363              | 32,233              |
| Cash flows from operating activities (million yen)                | 687                 | 2,319               | (1,509)             | 3,077               |
| Cash flows from investing activities (million yen)                | (2,300)             | 488                 | 1,076               | 1,419               |
| Cash flows from financing activities (million yen)                | 705                 | (908)               | (407)               | (1,248)             |
| Book value per share <BPS> (yen)                                  | 960.61              | 979.73              | 940.20              | 993.35              |
| Earnings per share <EPS> (yen)                                    | 46.49               | 51.09               | 1.98                | 59.99               |
| Return on equity <ROE> (%)  | 5.0                 | 5.3                 | 0.2                 | 6.2                 |
| Return on assets <ROA> (%)  | 6.2                 | 6.5                 | 8.8                 | 9.1                 |
| Equity ratio (%)  | 62.0                | 62.0                | 60.3                | 61.4                |
| Price-to-earnings ratio <PER> (times)                             | 14.3                | 12.3                | 317.9               | 11.4                |
| * Based on the closing share price at the end of each fiscal year |                     |                     |                     |                     |
| Amount of dividend per share (yen)                                | 32.00               | 32.00               | 32.00               | 32.00               |
| Dividend payout ratio (%)   | 68.8                | 62.6                | 1,614.7             | 53.3                |
| Number of employees   | 2,150               | 2,070               | 2,057               | 2,166               |

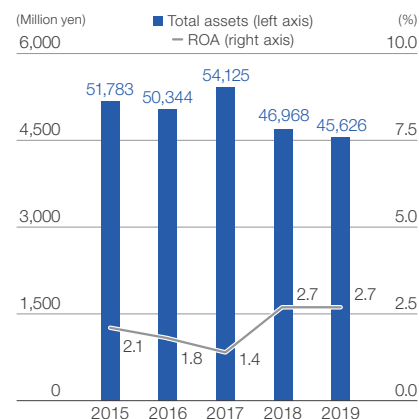
### Net sales by segment



### Net income/ROE

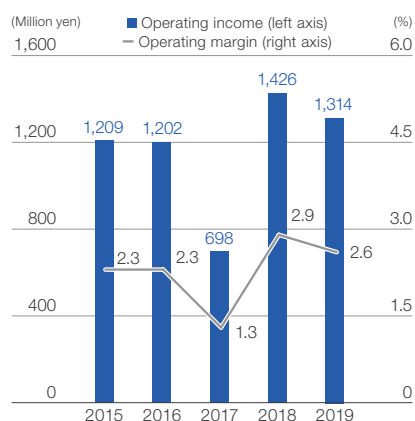


### Total assets/ROA

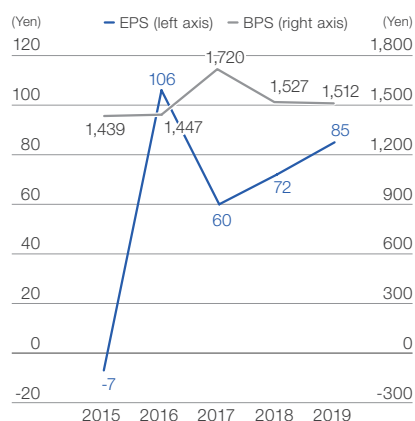


| 48th term<br>FY2013 | 49th term<br>FY2014 | 50th term<br>FY2015 | 51st term<br>FY2016 | 52nd term<br>FY2017 | 53rd term<br>FY2018 | 54th term<br>FY2019 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 40,963              | 50,031              | 52,105              | 52,521              | 53,268              | 49,906              | 50,683              |
| 2,528               | 3,191               | 1,209               | 1,202               | 698                 | 1,426               | 1,314               |
| 2,664               | 3,000               | 1,080               | 937                 | 717                 | 1,368               | 1,257               |
| 1,514               | 2,343               | (142)               | 2,039               | 1,100               | 1,319               | 1,500               |
| 22,833              | 30,310              | 29,293              | 27,683              | 32,429              | 28,857              | 25,797              |
| 37,020              | 53,387              | 51,783              | 50,344              | 54,125              | 46,968              | 45,626              |
| 2,100               | 2,331               | (770)               | 892                 | (1,014)             | 3,276               | 104                 |
| (2,312)             | 432                 | (2,760)             | 3,233               | 307                 | 2,362               | 3,523               |
| 989                 | (1,388)             | (796)               | (1,920)             | (2,196)             | (2,310)             | (6,324)             |
| 1,124.81            | 1,455.06            | 1,439.40            | 1,447.09            | 1,720.38            | 1,527.13            | 1,512.07            |
| 76.07               | 117.69              | (7.21)              | 105.54              | 59.69               | 71.57               | 84.83               |
| 7.2                 | 9.1                 | (0.5)               | 7.4                 | 3.8                 | 4.4                 | 5.6                 |
| 7.7                 | 6.6                 | 2.1                 | 1.8                 | 1.4                 | 2.7                 | 2.7                 |
| 60.5                | 54.3                | 54.6                | 53.0                | 58.6                | 59.9                | 54.7                |
| 12.1                | 10.0                | —                   | 8.4                 | 17.8                | 13.0                | 18.5                |
| 32.00               | 32.00               | 32.00               | 40.00               | 36.00               | 38.00               | 50.00               |
| 42.1                | 27.2                | —                   | 37.9                | 60.3                | 53.1                | 58.9                |
| 2,239               | 4,833               | 5,202               | 5,711               | 5,364               | 4,821               | 5,077               |

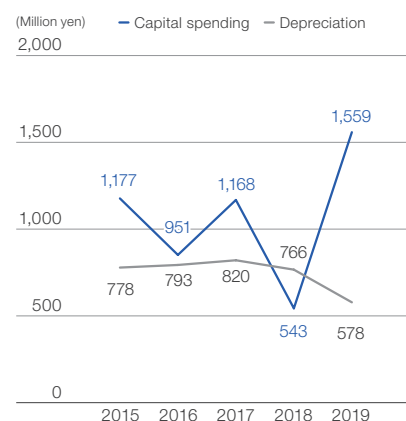
## Operating income/Operating margin



## EPS/BPS



## Capital spending/Depreciation



**CONSOLIDATED BALANCE SHEETS** (Millions of yen)

| Assets                                | December 31, 2018 | December 31, 2019 |
|---------------------------------------|-------------------|-------------------|
| <b>Current assets:</b>                |                   |                   |
| Cash and deposits                     | 9,387             | 9,313             |
| Notes and accounts receivable - trade | 8,605             | 9,607             |
| Securities                            | 3,799             | 800               |
| Merchandise and finished goods        | 223               | 255               |
| Work in process                       | 577               | 698               |
| Supplies                              | 11                | 34                |
| Prepaid expenses                      | 823               | 1,181             |
| Other                                 | 858               | 867               |
| Allowance for doubtful accounts       | (323)             | (288)             |
| Total current assets                  | 23,963            | 22,471            |
| <b>Non-current assets:</b>            |                   |                   |
| Property and equipment:               |                   |                   |
| Buildings and structures              | 567               | 841               |
| Machinery and vehicles                | 19                | 73                |
| Land                                  | 124               | 193               |
| Construction in progress              | —                 | 1,017             |
| Other                                 | 516               | 512               |
| Property and equipment, net           | 1,228             | 2,639             |
| Intangible assets                     |                   |                   |
| Software                              | 622               | 524               |
| Goodwill                              | 903               | 623               |
| Customer-related assets               | —                 | 673               |
| Other                                 | 51                | 170               |
| Total intangible assets               | 1,577             | 1,992             |
| Investments and other assets:         |                   |                   |
| Investment securities                 | 17,222            | 15,431            |
| Long-term loans receivable            | 243               | 244               |
| Long-term prepaid expenses            | 309               | 393               |
| Guarantee deposits                    | 663               | 710               |
| Deferred tax assets                   | 748               | 710               |
| Other                                 | 1,276             | 1,277             |
| Allowance for doubtful accounts       | (265)             | (246)             |
| Total investments and other assets    | 20,199            | 18,522            |
| Total non-current assets              | 23,005            | 23,155            |
| <b>Total assets</b>                   | <b>46,968</b>     | <b>45,626</b>     |



| Liabilities   | December 31, 2018 | December 31, 2019 |
|---|-------------------|-------------------|
| <b>Current liabilities:</b>                                   |                   |                   |
| Notes and accounts payable - trade                            | 2,928             | 3,440             |
| Short-term loans payable                                      | 1,997             | 1,140             |
| Current portion of long-term loans payable                    | 37                | 2,020             |
| Lease obligations   | 146               | 148               |
| Accrued expenses  | 1,440             | 1,464             |
| Income taxes payable  | 1,528             | 1,258             |
| Consumption taxes payable                                     | 437               | 431               |
| Provision for bonuses   | 330               | 398               |
| Provision for loss on order received                          | 30                | —                 |
| Other   | 1,884             | 2,252             |
| Total current liabilities                                     | 10,760            | 12,554            |
| <b>Non-current liabilities:</b>                               |                   |                   |
| Long-term loans payable                                       | 2,016             | 17                |
| Lease obligations   | 282               | 416               |
| Provision for loss on business of subsidiaries and associates | —                 | 1,224             |
| Provision for directors' retirement benefits                  | 27                | 32                |
| Net defined benefit liability                                 | 3,746             | 3,243             |
| Deferred tax liabilities                                      | 1,124             | 756               |
| Other   | 153               | 1,584             |
| Total non-current liabilities                                 | 7,350             | 7,275             |
| <b>Total liabilities</b>                                      | <b>18,111</b>     | <b>19,829</b>     |
| <b>Net assets</b>   |                   |                   |
| <b>Shareholders' equity</b>                                   |                   |                   |
| Common stock  | 3,702             | 3,702             |
| Capital surplus   | 3,725             | 3,692             |
| Retained earnings   | 16,474            | 17,185            |
| Treasury shares   | (1,972)           | (4,874)           |
| Total shareholders' equity                                    | 21,929            | 19,705            |
| <b>Accumulated other comprehensive income:</b>                |                   |                   |
| Valuation difference on available-for-sale securities         | 6,280             | 5,150             |
| Foreign currency translation adjustments                      | (72)              | (78)              |
| Remeasurements of defined benefit plans                       | 15                | 199               |
| Total accumulated other comprehensive income                  | 6,223             | 5,271             |
| <b>Non-controlling interests</b>                              | <b>704</b>        | <b>821</b>        |
| <b>Total net assets</b>                                       | <b>28,857</b>     | <b>25,797</b>     |
| <b>Total liabilities and net assets</b>                       | <b>46,968</b>     | <b>45,626</b>     |

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

|  | Year ended December 31,<br>2018 | Year ended December 31,<br>2019 |
|--|---------------------------------|---------------------------------|
| Net sales  | 49,906                          | 50,683                          |
| Cost of sales                                    | 39,425                          | 40,124                          |
| Gross profit                                     | 10,481                          | 10,558                          |
| Selling, general and administrative expenses     | 9,054                           | 9,243                           |
| Operating income                                 | 1,426                           | 1,314                           |
| Non-operating income                             | 406                             | 432                             |
| Non-operating expenses                           | 465                             | 489                             |
| Ordinary income                                  | 1,368                           | 1,257                           |
| Extraordinary income                             | 3,479                           | 5,300                           |
| Extraordinary losses                             | 2,496                           | 3,199                           |
| Profit before income taxes                       | 2,351                           | 3,358                           |
| Income taxes - Current                           | 1,609                           | 1,810                           |
| Income taxes - Deferred                          | (585)                           | (21)                            |
| Total income taxes                               | 1,023                           | 1,788                           |
| Profit   | 1,327                           | 1,570                           |
| Profit attributable to non-controlling interests | 7                               | 70                              |
| Profit attributable to owners of parent          | 1,319                           | 1,500                           |

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

|  | Year ended December 31,<br>2018 | Year ended December 31,<br>2019 |
|--|---------------------------------|---------------------------------|
| Cash flow from operating activities                  | 3,276                           | 104                             |
| Cash flow from investing activities                  | 2,362                           | 3,523                           |
| Cash flow from financing activities                  | (2,310)                         | (6,324)                         |
| Net increase (decrease) in cash and cash equivalents | 3,336                           | (2,747)                         |
| Cash and cash equivalents at beginning of year       | 8,389                           | 11,725                          |
| Cash and cash equivalents at end of year             | 11,725                          | 8,978                           |



**General Information** (as of December 31, 2019)

|   |  |
|---|--|
| Number of Shares Authorized                   | 86,284,000   |
| Number of Shares Issued and Outstanding       | 20,541,400   |
| Unit Share                                    | 100  |
| Number of Shareholders                        | 4,476  |
| Fiscal Year End                               | December 31  |
| Annual General Shareholders Meeting           | End of March   |
| Record Date                                   | Annual General Shareholders Meeting<br>Year-end Dividend: December 31<br>Interim Dividend: June 30 |
| Administrator of the Register of Shareholders | Mitsubishi UFJ Trust and Banking Corporation<br>1-1, Nikko-cho, Fuchu-shi, 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, 2019)

| Name of Shareholders                                 | Number of Shares Held<br>(Thousands) | Percentage of Total<br>Issued Shares |
|--|--------------------------------------|--------------------------------------|
| SHOGAKUKAN Inc.                                      | 3,102                                | 18.78%                               |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 712                                  | 4.31%                                |
| CAC Employee Shareholding Association                | 639                                  | 3.87%                                |
| Japan Trustee Services Bank, Ltd. (Trust account)    | 528                                  | 3.20%                                |
| Sumitomo Mitsui Banking Corporation                  | 484                                  | 2.93%                                |
| Mitsubishi Tanabe Pharma Corporation                 | 431                                  | 2.61%                                |
| KLab Inc.  | 300                                  | 1.81%                                |
| Maruha Nichiro Corporation                           | 300                                  | 1.81%                                |
| GOVERNMENT OF NORWAY                                 | 261                                  | 1.58%                                |
| Japan Trustee Services Bank, Ltd. (Trust account 5)  | 256                                  | 1.55%                                |

\* Treasury stocks (4,023 thousand shares as of December 31, 2019) are not included in the above.

**Breakdown of Shareholding by Investor Type** (as of December 31, 2019)

| Investor Type                   | Number of<br>Shareholders | Number of Shares Held<br>(Thousands) | Percentage of Total<br>Issued Shares |
|---------------------------------|---------------------------|--------------------------------------|--------------------------------------|
| Japanese Financial Institutions | 23                        | 3,153                                | 15.36%                               |
| Japanese Securities Companies   | 15                        | 279                                  | 1.36%                                |
| Other Japanese Companies        | 36                        | 5,185                                | 25.25%                               |
| Foreign Companies, etc.         | 102                       | 3,226                                | 15.72%                               |
| Japanese Individuals and Others | 3,624                     | 8,689                                | 42.32%                               |
| Total                           | 3,800                     | 20,534                               | 100.00%                              |

\* Treasury stocks (4,023 thousand shares as of December 31, 2019) are included in "Japanese Individuals and Others."

## 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>Common stock</b>  | ¥3,702 million   |
| <b>Consolidated sales</b>                                      | ¥50,683 million (for the fiscal year ended December 31, 2019)  |
| <b>Number of group employees<br/>(as of December 31, 2019)</b> | 5,077  |
| <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<br>(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,<br>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<br>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 |

### ■ CAC AMERICA CORPORATION [CAC AMERICA]

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

### ■ CAC EUROPE LIMITED [CAC EUROPE]

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

### ■ CAC SHANGHAI CORPORATION

|               |   |
|---------------|---|
| Location      | Shanghai, China   |
| Main services | System consulting services<br>System integration<br>Offshore system development center<br>(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 |

### ■ Mitrais Pte. Ltd.

|               |  |
|---------------|--|
| Location      | Singapore  |
| Main services | Sales and maintenance of software products<br>Contracted software development 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.<br>CAC SHANGHAI CORPORATION is established in Shanghai, China.<br>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.<br>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.<br>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 | 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.<br>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.<br>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.  |  |  |
| 2019 | Acquire shares of Mitrais Pte. Ltd., making the company a subsidiary.  |  |  |

## 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, 2019 to December 31, 2019 (activities in January 2020 and thereafter are also included in some sections.)

Subject organizations:

CAC Holdings Corporation and 22 CAC Group companies (as of December 31, 2019)

## Caution concerning forward-looking statements

This report contains descriptions of plans and strategies for the future and forecasts and prospects of 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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