

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.

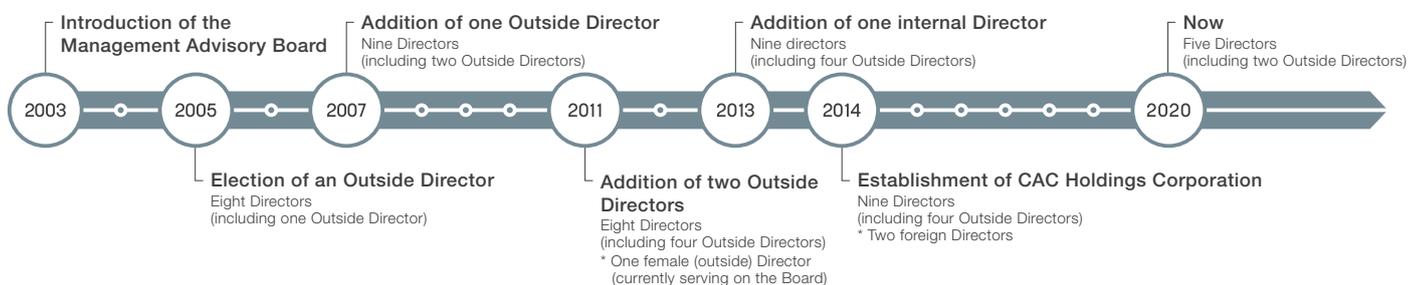
Board of Directors

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.

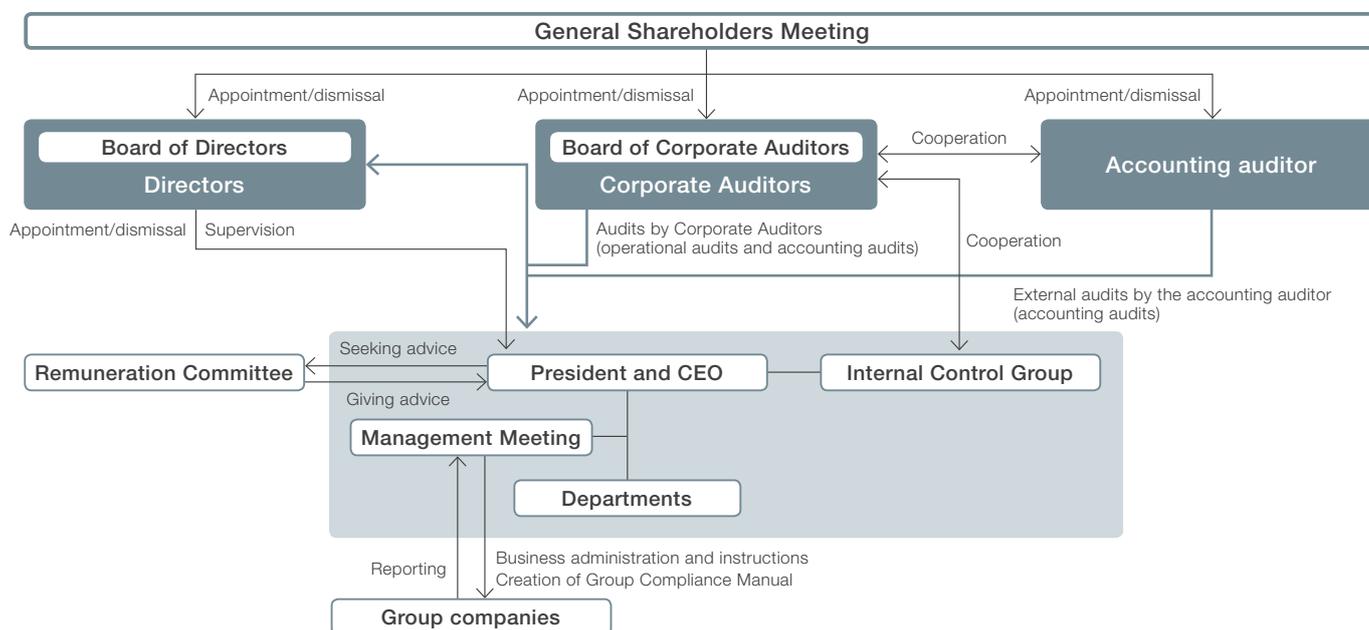
Board of Corporate Auditors

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(3) ^{*1}	162(15)	Base remuneration:¥100 million Stock-based remuneration:¥8 million Bonus:¥23 million Resignation bonuses:¥28 million (Only base remuneration was paid to Outside Directors)	Up to ¥240 million per year
Corporate Auditors (Outside Corporate Auditors)	6(3) ^{*2}	44(9)	Base remuneration only	Up to ¥4 million per month
Total	15(6)	206(24)		

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 (fiscal year ended December 31, 2019)	Status of attendance at Board of Corporate Auditors' Meetings (fiscal year ended December 31, 2019)	Number of years of service	Experience								
				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.

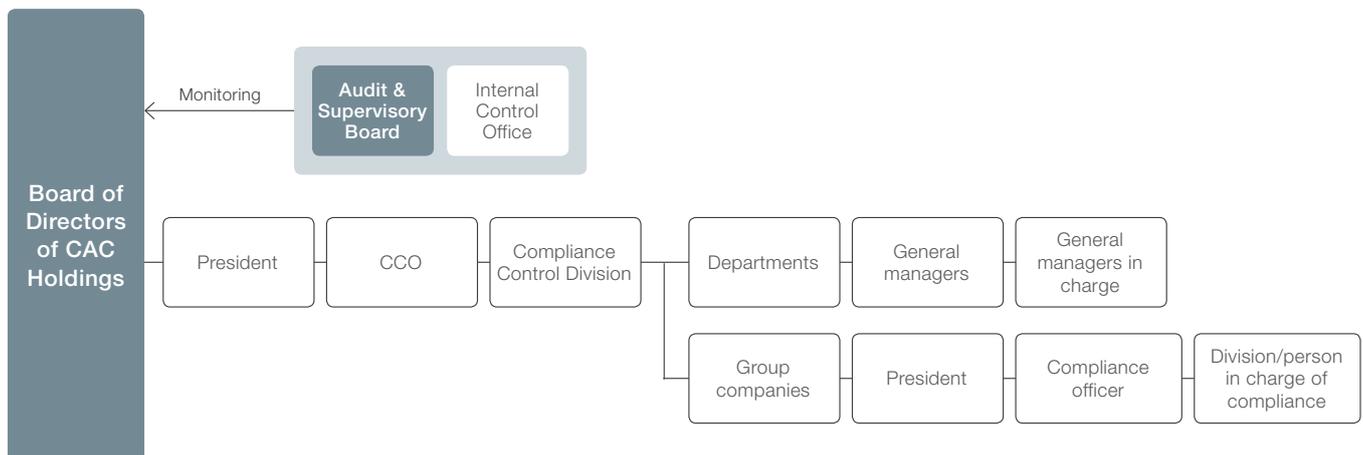
The CCO supervises the Compliance Control Division,

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"> • Collection of information and monitoring regarding customers, market trends, competitors, etc. • Reinforcement of sales capabilities
	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"> • Constant understanding of customer trends • Development of new customers
	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"> • Collection of information on politics, the economy, social situation, etc. of each country • Maintenance of systems that ensure smooth contact with overseas bases
	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"> • Ensuring of preliminary examinations and reviews • Formation of standards for business acquisition and capital contribution and those for withdrawal • Strengthening of post-merger integration (PMI) process
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"> • Monitoring of asset value • Prompt decision making on whether to continue holding the assets based on a policy on holding assets
	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"> • Appropriate and effective hiring activities and human resources development • Improvement in corporate brands and creation of an attractive workplace
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"> • Development of a policy, administrative procedures, etc. for information management • Training of all employees on information management • Security measures
	Unprofitable projects	Excess time spent on development and work will raise the cost of sales ratio.	<ul style="list-style-type: none"> • Detailed examination of each project prior to receiving an order • Monitoring of each project by specialized departments
	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"> • Formation of a business continuity plan (BCP) and training and education