

CAC REPORT 2023

Integrated Report for the Fiscal Year Ended December 31, 2022

CAC Holdings Corporation

Group Corporate Philosophy

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

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Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas

We will take on challenges with pride and responsibility for our work.

By combining leading-edge technologies with innovative ideas, without being bound by precedent or preconceptions, we continue to tackle social issues.

By making a positive impact continually, we can definitely enrich society.

We will make changes, together with people who share the same values.



*Let's make an **i**mpact.*

CAC Vision 2030

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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. And we will continue to take on new challenges, aiming to increase corporate value.

■ Net sales ■ Operating profit — ROE

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

1966

1966 1970 1975 1980 1985 1990 1994 1995 2000 2005 2010 2015 2020 2025 (Fiscal year)

Three companies merge to form CAC Co., Ltd.

1994

CAC sells its noncore businesses.

CAC makes multiple IT firms its subsidiaries.

2005

2000

2003

2006

2010

CAC makes overseas IT firms its subsidiaries.

2014-

CAC sells the CRO subsidiary.

2021

Medium-Term Management Plan targets

Fiscal year ending December 31, 2025

Target net sales
¥ **58 billion**

Target operating profit
¥ **5 billion**

Target ROE
10% or more

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

1994 Merger of three Companies

Computer Applications Co., Ltd. merges with two Group companies to form CAC Co., Ltd.

2000 IT system

Acquisition of IT affiliates as systems divisions of companies such as Maruha Nichiro Corporation and Toyo Tire Corporation and converting them into subsidiaries of the CAC Group

2006 BPO/BTO

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

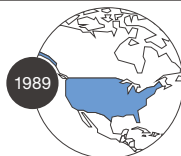
2014 Overseas

Investment in overseas IT companies

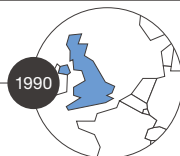
2021 IT Specialization

Sale of CRO business company and concentration of management resources on IT business

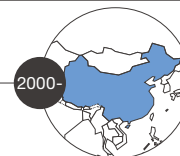
Expanded overseas before other Japanese companies



Entered the United States
Established local subsidiary



Entered Europe
Established local subsidiary



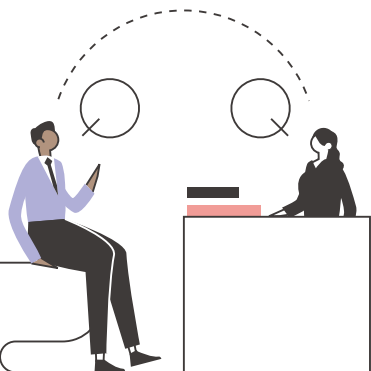
Entered China
Established local subsidiary and acquired an IT company (offshore location)



Entered India
Established local subsidiary and acquired an IT company



Entered Indonesia
Acquired an IT company



Value Creation Process

The CAC Group identifies social needs and challenges and works to contribute solutions to them through its business activities while aiming for its own sustainable growth.

INPUT

The Source of Value Creation



Intellectual capital Ability to respond to new technology

Initiatives to promote the shift towards digital business and the development of new products and services



Human capital Diverse human resources

Utilizing and developing human resources for providing new services in the DX era



Social and relationship capital Relationship with customers

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



Financial capital Sound financial structure

Maintaining a financial structure that permits investment for growth

MATERIALITY

Material Issues



Environmentally friendly corporate activities



A workplace environment that is rewarding and chosen by employees



Helping establish an enriched society and providing value



Compliance, risk management and governance to earn the trust of society

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Our Vision

CAC Vision 2030

Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas

Group Corporate Philosophy

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

Five Values

Creativity

Respect

Challenge

Pride

Humanity

LEVERAGE

OUTPUT

Growth Strategies

Products and Services

Existing contracted business

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CAC Group Businesses

Domestic IT business

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Overseas IT business

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OUTCOME

Created Value (FY2022)



Progress in diversity

> Number of Group employees

4,357

> Percentage of employees who are not Japanese nationals

65%

> Percentage of female employees

23%



Continued transactions with major customers

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

90%

> Relationships built with industry-leading corporate customers

More than 50 years



Cash creation and capital efficiency improvement

> Business performance

Net sales **¥47.9 billion**

Operating profit **¥3.1 billion**

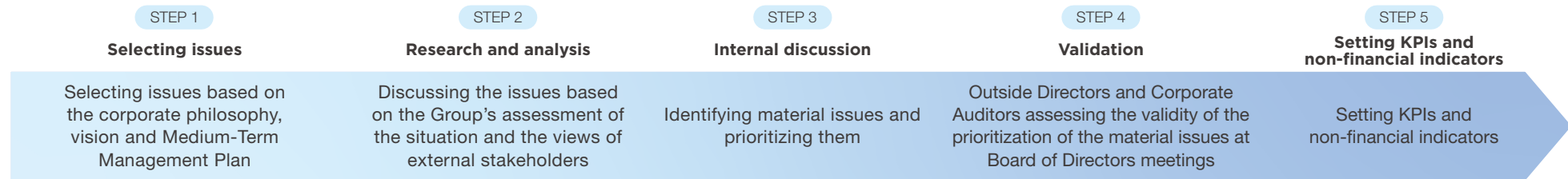
ROE **7.1%**

Sustainable growth through the value creation cycle

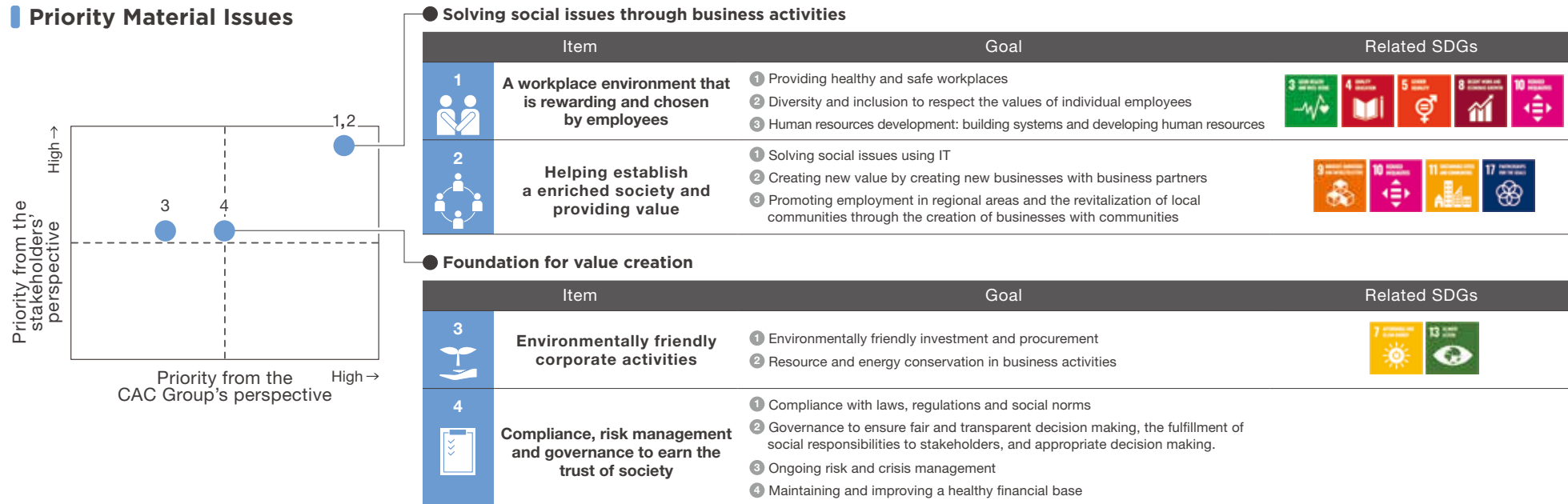
Material Issues

The CAC Group identified and prioritized material issues and set goals (company-wide) in 2022 to contribute to the establishment of a sustainable society and pursue the growth of the Company together with its stakeholders through business activities leveraging the Company's highly qualified IT personnel under its corporate philosophy and CAC Vision 2030.

Process for identifying material issues



Priority Material Issues



A portrait of Ryota Nishimori, President & CEO, standing against a blue and white abstract background. He is wearing a grey blazer over a black shirt.

Ryota Nishimori

President & CEO

In FY2022, we clarified what we should do.

I am Ryota Nishimori, President and CEO. A year has passed since we formulated CAC Vision 2030, which clarified the CAC Group's vision for itself in the next ten years and the direction the Group will take. The vision, which we formulated after thorough discussion over a long period of time, clarifies the actions I should take and a new goal — creating new value — in addition to the goals in the IT contract business, which is currently our core business. I can feel the obvious changes in the atmosphere of the

Company. I met with members of the management of overseas subsidiaries and shared the vision with them. I feel that since last year the feeling of unity within the CAC Group have been strengthened across the borders of countries.

The Domestic IT Business and the Overseas IT Business were firm. Order backlogs remained at a high level.

The domestic IT business remained firm in FY2022. The growth of sales increased in the overseas IT business on the back of the

Solving social issues using technologies and ideas

We at the CAC Group will strive to help establish an enriched society.

A stylized illustration of a person in a suit pointing upwards with a stick, standing on a small platform. A yellow speech bubble is next to them.

CEO MESSAGE

weaker yen. A decrease in sales due to the exclusion of a CRO business subsidiary was fully offset by the performance of the IT business. The domestic IT business in particular has contributed to sales. Orders received and net sales were strong, particularly in the financial and manufacturing industries. Order backlogs remain at a high level, although profit declined due to an increase in the number of employees and investment in new businesses guided by the Medium-Term Management Plan. The domestic IT business, the CAC Group's foundation, will continue to grow next year and thereafter in response to and in anticipation of IT demand from customers.

Now, it is difficult to hire new personnel worldwide and personnel expenses are increasing. Thus, some companies are not able to conduct IT development on their own. Consequently, IT vendors such as ourselves must take on more important roles than ever before as our

customers' partners.

Previously, many companies would reduce their investment budgets during an economic downturn, but now, no company can continue its business without IT, regardless of the industry they operate in, and many companies continue to invest in IT even while their results decline. Moreover, companies can use AI and other technologies to contribute to their customers' businesses. I expect that businesses in a wider range of industries will be investing in IT.

In the overseas IT business, sales were firm at the subsidiaries in India and Indonesia. Additionally, profit improved at the subsidiaries in India due to structural reforms, including expansion into the fields of software and services. Segment income increased. We will continue to improve the earnings structure.

We made a good start on the establishment of a products and services base

FY2022 was the first year of Phase 1 (FY2022 to FY2025) of our roadmap toward the realization of CAC Vision 2030. Phase 1 is the first step toward the realization of high growth, which will be implemented in Phase 2 (FY2026 to FY2030), and toward the CAC Vision 2030. We position Phase 1 as an

important period during which we will lay a strong foundation.

The most important thing to do in Phase 1 is to establish a products and services base. By establishing a products and services base, we mean that we will build a system for continuously producing new products and services that we expect to be the force driving our significant growth in Phase 2. In FY2022, we started to build a framework while gathering significant knowledge from inside and outside the Company. Some new products and services are completely new and many other new products and services are created by combining ideas with other ideas, by combining ideas with technologies or by combining the thoughts of different people. Our thinking is that we will be able to build a framework for systematically leveraging the above processes to create ideas for new products and services. We have almost established this framework which began to operate in the first half of FY2022. New business departments created 330 new ideas in FY2022, three times as many as initially expected. Employees at every level will be able to propose ideas for new products and services starting in FY2023. We hope that more new ideas are created.

We also need to maintain and improve our ability to create technologies on our own and actively use new technologies to realize our medium- to long-term CAC

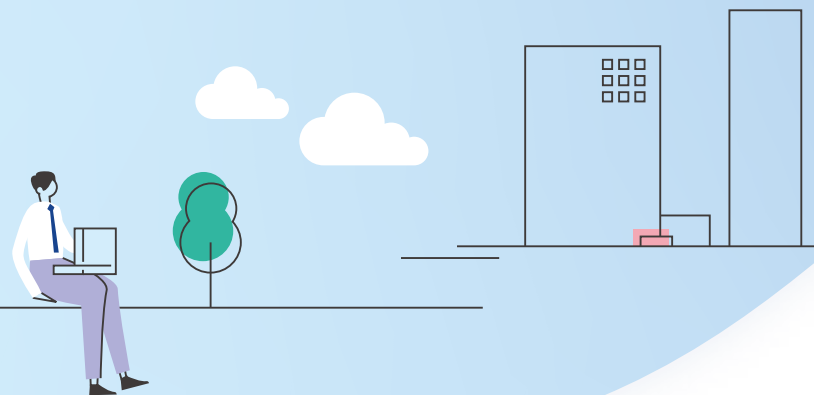


Vision 2030: Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas. We will not hesitate to invest in technologies in FY2023.

We request that employees take on challenges

Our results remain firm and order backlogs remain at high levels. This, I believe, is the result of a variety of ingenious ideas from our employees.

Our employees underpin the growth of new and existing businesses. In addition to creating employee friendly environments, we actively hire new employees, including new graduates. Hiring employees and leveraging human resources will drive our growth. I asked a new employee why he joined us and he said that we have a long history and are engaging in new businesses. The new employee had read about the results of our research and development efforts and our new initiatives, including the businesses we have launched on our website and was



attracted to the Company because, in addition to our stability, we have an environment where employees can take on new challenges.

I feel that in recent years, we have been creating a cycle where new ideas are generated from new sensibilities by giving new employees opportunities to take on challenges. We will develop a culture and a framework to enable employees to take on more challenges.

In addition to the hiring of excellent new graduates, I believe that we will be able to hire excellent experienced human resources if we are recognized as a company where employees can do what they want to do. I do hope that people with the expertise and ideas that we do not have will use their capabilities within the CAC Group and take on new challenges.

This fiscal year, we will actively invest to leverage new ideas and put new businesses on a growth track.

FY2023 is the second year of the Medium-Term Management Plan. We need to increase sales and profit steadily to achieve the targets for FY2025, the final year of the Medium-Term Management Plan. To this end, we will use the framework that helps create new ideas, deepen discussion, and ensure that we put these newly launched businesses on a growth track.

In addition to expanding our businesses on our own, our growth strategies need to involve the expansion of business through collaborations with partners, mergers and acquisitions. There are two types of M&A activity. One type is activities that expand

our existing businesses and the other is activities where we invest in companies that are likely to contribute to new businesses and incorporate them in the Group. In the latter type of M&A activity, we are able to increase sales and profit margins by doing business with companies that have the new technologies and expertise that the Company needs.

We will start these activities in earnest in FY2023. In early 2023, we created the Strategic Integration Division, a division dedicated to M&A activities, and it is accumulating necessary M&A expertise, including the ability to assess whether we will be able to create value when companies are integrated in the Group. I feel that we must be able to leverage our knowledge to identify investment targets more clearly, and more deeply examine a wider range of mergers and acquisitions. As a result, the probability of our success in this area has risen.

Organizational change will expedite management decision making, which will support sustainable growth.

We have made a bold, proactive organizational change. We have integrated the Corporate Planning Department and the Corporate Department and established the Corporate

Division. We expect that expanding corporate functions and taking steps to facilitate communication steadily will expedite management decision making.

We have also established the Global Strategy Division. We will start new global strategies before Phase 2 of the Medium-Term Management Plan starts in FY2026. We will develop new businesses in consideration of overseas expansion. We believed that we should establish the Global Strategy Division to establish new global strategies by the end of FY2025, three years from now.

To strengthen our financial strategy, which was weak, we have established the Financial Strategy Division. We appointed a person from outside the Company to be the CFO in August 2022 and quickly formulated a financial strategy. The financial strategy is very important, not only for investment and financing, but also for improving productivity. It is also necessary for the promotion of initiatives to gain the understanding of shareholders. Guided by the financial strategy, we have clarified our financing methods. This has enabled us to expedite our decision making about investments particularly in relation to M&A activities.

Through the organizational changes described above, we have established



a system where we can demonstrate our ability to create new businesses based on new ideas, our ability to enable new and existing businesses to grow under our growth strategies, including the M&A strategy, and our ability to make comprehensive arrangements, including financing, for business creation and growth. If we can enable the system as a whole to work, we will be able to achieve sustainable growth. We will shift to a higher gear and accelerate in FY2023.

We have clarified our financial policy for accomplishing the Medium-Term Management Plan.

We have also clarified our financial policy for achieving the targets in the Medium-

Term Management Plan. We had already set numerical targets including net sales of 58.0 billion yen, operating profit of 5.0 billion yen, an operating margin of 8% or more and an ROE of 10% or more. In addition, we have set new targets including a DOE (dividends on equity) of around 5% and an equity spread of 2.5% or more, to clarify our financial strategy. We will clearly state our shareholder return policy.

DOE is annual dividends divided by equity capital. Generally, the larger the DOE is, the more active the company is considered to be regarding shareholder returns. The average DOE of listed companies is thought to be in the mid-2% range, and only a small number of companies have a DOE of 5% or more. We want to do what we can do as quickly as possible, and we aim to achieve a DOE around 5% in FY2023.

The equity spread is ROE minus the cost of equity. Our vision is “Evolving into a corporate group that consistently makes a positive impact on society,” and we think it is very important to clearly show how much

value we create with the equity that we have, so we will disclose the equity spread.

When we set numerical targets, we assume the responsibility of achieving them. That does not mean that we set numerical targets solely for our shareholders. Numerical targets make it easier for us to develop concrete policies. I hope you are looking forward to our sustainable growth and stable dividends.

We have identified four material sustainable issues.

They are as follows:

- Environmentally friendly corporate activities
- A workplace environment that is rewarding and chosen by employees
- Helping establish a enriched society and providing value
- Compliance, risk management and governance to earn the trust of society

We particularly emphasize being a workplace environment that is rewarding and chosen by employees because in the IT industry, where we operate, human resources are most important and it is absolutely necessary to improve the employee environment to strengthen engagement.

We are also promoting diversity and inclusion to respect each individual's values. International staff members (foreign

nationals) represent a large percentage of the Company's employees, and we have been striving to create working environments where their voices are heard. New, liberated ideas of employees are the source of the growth of the Company. Without their ideas, we cannot achieve sustainable growth.

We rely on the encouragement of our shareholders to solve issues.

CAC Holdings was founded in 1960. Among IT companies in Japan, it has a relatively long history. We are now transforming to create new value. We appreciate that you, our stakeholders, look forward to the growth of the CAC Group.

We have read all of the comments from our shareholders, both harsh and warm, that we have received via the surveys that we conduct biennially and we have created a list of these comments to refer to when we are considering and implementing solutions. We are convinced that this will help us solve the issues that we face. We will continue to emphasize communication with shareholders and continue to evolve the management of our business. I respectfully ask for the continued support of our shareholders.

CAC Vision 2030

CAC Vision
2030

Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas

To achieve sustainable growth without being affected by short-term changes in the rapidly changing environment, in 2022 we discussed the direction the CAC Group should take in the decade ahead and the vision for the Group in 2030 and formulated CAC Vision 2030.

Under CAC Vision 2030, we envisage that CAC Group solutions incorporating

digital technology such as AI and IoT and data will enable people to demonstrate their diverse imagination and creativity and will help solve social issues. Our aim under the vision is to become a highly profitable, high growth corporate Group through the creation and growth of numerous digital solutions which have such a positive impact.

Positive impact

Providing the means through digital technology such as AI and IoT and data for people to be able to demonstrate their diverse imagination and creativity

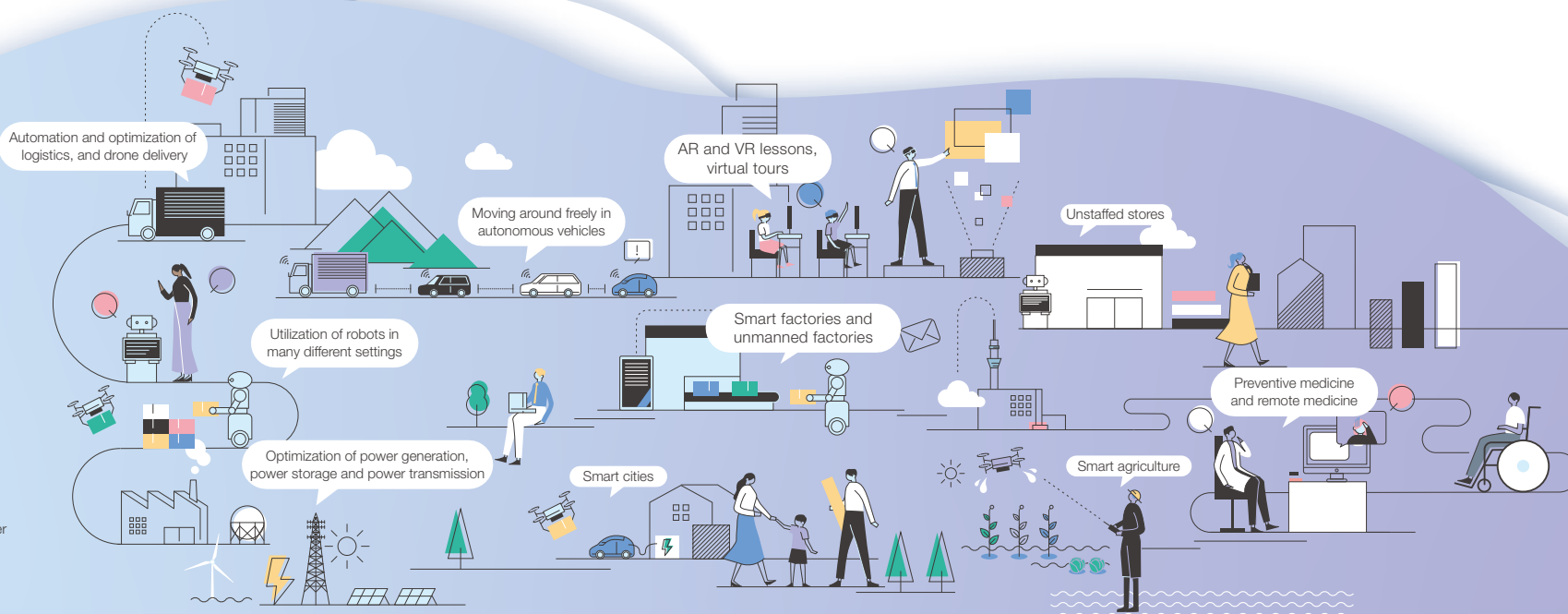
Creation of digital solutions to social issues

Aiming to become a highly profitable, high-growth corporate Group through the creation and growth of numerous digital solutions which have a positive impact

What we imagine the world will be like in 2030

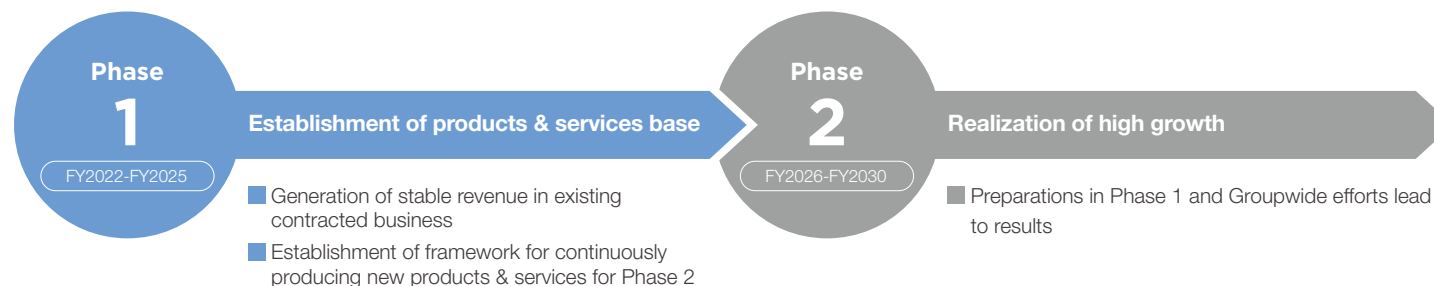
Various technologies, such as AI, VR, and robotics will be integrated with each other (convergence), causing change to accelerate in various domains.

Reference material : The Future is Faster Than You Think by Peter Diamandis and Steven Kotler, 2020



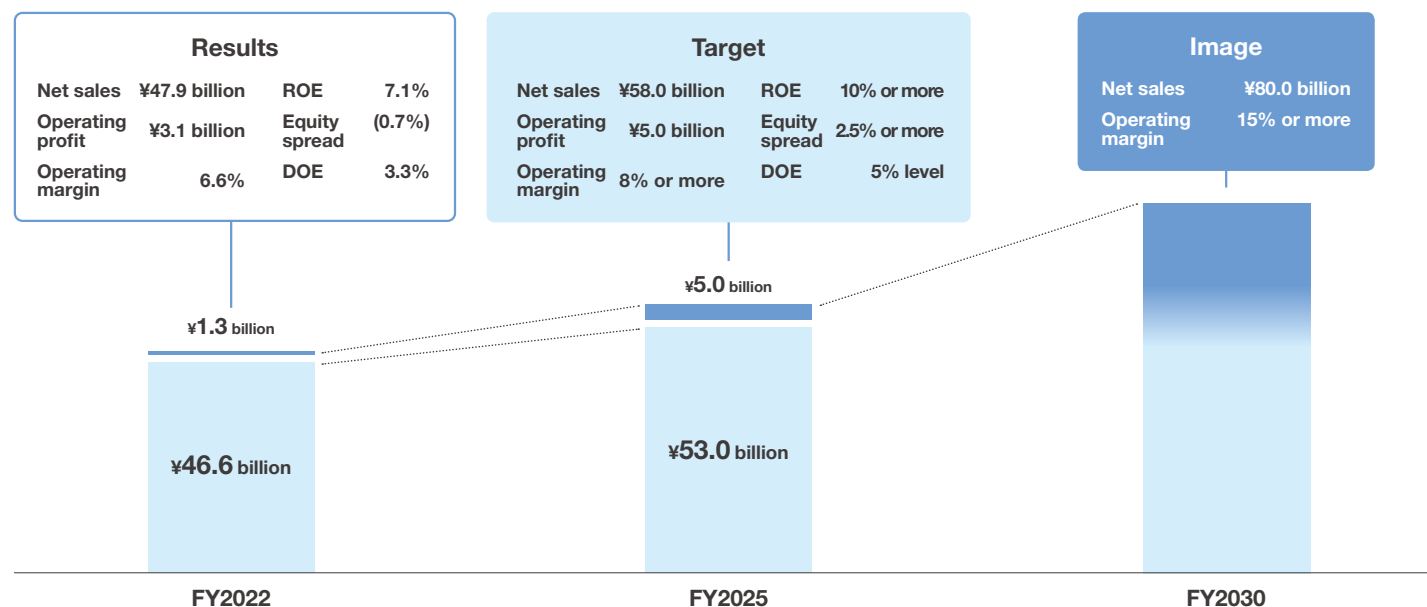
We will divide the period for realization of CAC Vision 2030 into the first half from FY2022 to FY2025 (hereinafter, “Phase 1”) and the second half from FY2026 to FY2030 (hereinafter, “Phase 2”). With Phase 1 positioned as a period for generating stable revenue in our existing contracted business both in Japan and overseas and building a framework for continuously creating digital products and services in preparation for Phase 2, and with Phase 2 positioned as a period for reaping the results of the preparations and efforts in Phase 1, we will formulate and implement a Medium-Term Management Plan for each phase.

Current Medium-term Management Plan



Numerical targets

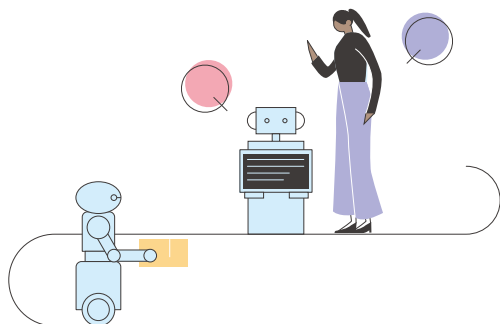
- Products and Services
- Contracted business (to meet the specific business needs of individual customers)




Medium-Term Management Plan Phase 1 FY2022-FY2025

In Phase 1 of the Medium-term Management Plan, in which we aim to realize CAC Vision 2030, we are implementing three strategies—the creation of a foundation for growth, the achievement of increased profitability, and the review and development of corporate capabilities—to earn stable revenue in the existing contracted business, both domestically and overseas, and to prepare for the creation of digital products and services in and after FY2026.

In FY2022, we made progress in the initiatives for growth in the existing business and building a framework for continuously producing new products and services. We planned a reduction in fixed costs for the achievement of increased profitability and overall, we made progress as planned.



Category	Description	Achievements in FY2022	Initiatives from FY2023
Creation of a foundation for growth	We aim to build a framework and a business foundation for continuously launching new digital products and services while expanding internal resources in the contracted business to achieve growth in the business which is our revenue base.	<ul style="list-style-type: none"> ➤ Developed a mechanism and a system for launching new businesses. • Created 330 ideas and launched two services with plans to launch two services in FY2023. ➤ Hired more new employees to increase the number of employees. • New graduate hires rose 40% year on year, and mid-career employee hires rose 11%. (Domestic IT Business) ➤ Clarified the financial strategy to accelerate investments for growth.  ➤ Established a department within the holding company with an M&A sourcing function to promote M&A activities. 	<ul style="list-style-type: none"> ➤ Continuing launches of new businesses (strengthening R&D, M&A activities, alliances, collaborative creation with a range of stakeholders, etc.) ➤ Continuing to hire new employees ➤ Cultivation of engineers and next-generation leaders ➤ Implementation of initiatives to improve employee engagement, etc.
Achievement of increased profitability	We seek to increase operating profit by reorganizing businesses and improving management efficiency.	<ul style="list-style-type: none"> ➤ Improved management efficiency to reduce fixed costs from FY2024. • 1.0 billion yen reduction due to efficiency improvements in offices 	<ul style="list-style-type: none"> ➤ Promotion of the structural reform of overseas subsidiaries
Review and develop corporate capabilities	We aim to strengthen corporate governance and build a system promoting the understanding of new businesses and cooperation.	<ul style="list-style-type: none"> ➤ Reviewed and strengthened systems in the Group and the PDCA cycle and implemented initiatives to change the corporate culture. 	<ul style="list-style-type: none"> ➤ Continuing enhancement of Group governance and changes in the organizational structure and corporate culture

Financial Strategy

FY2025 targets

We have been aiming for an ROE of 10% in FY2025. To clarify our commitment to the improvement of capital efficiency and increase of shareholder returns and to accelerate investments for growth during the Medium-term Management Plan, we have added an equity spread of 2.5% or more and the increase of DOE to the 5% level to our target indicators. We have also formulated a cash allocation plan and set investment criteria.



ROE
10% or more



Equity spread
2.5% or more



DOE
5% level

Capital efficiency

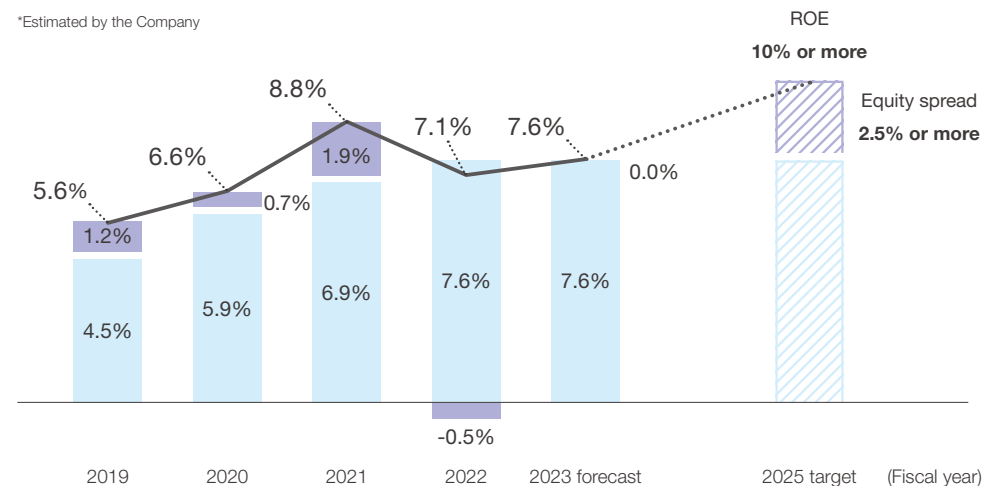
We will strive to earn stable revenue from the existing contracted business and establish a framework for continuously producing new products and services as set out in the Medium-term Management Plan. We will make optimal investment decisions to achieve an ROE of 10% or

more in FY2025, the final year of the Medium-term Management Plan. Taking advantage of the low cost of equity based on our strong financial foundation, we aim to achieve an equity spread of 2.5% or more (ROE exceeding the cost of equity) in FY2025.

Trends in ROE and equity spread

Cost of equity* Equity spread ROE

*Estimated by the Company



Financial Strategy

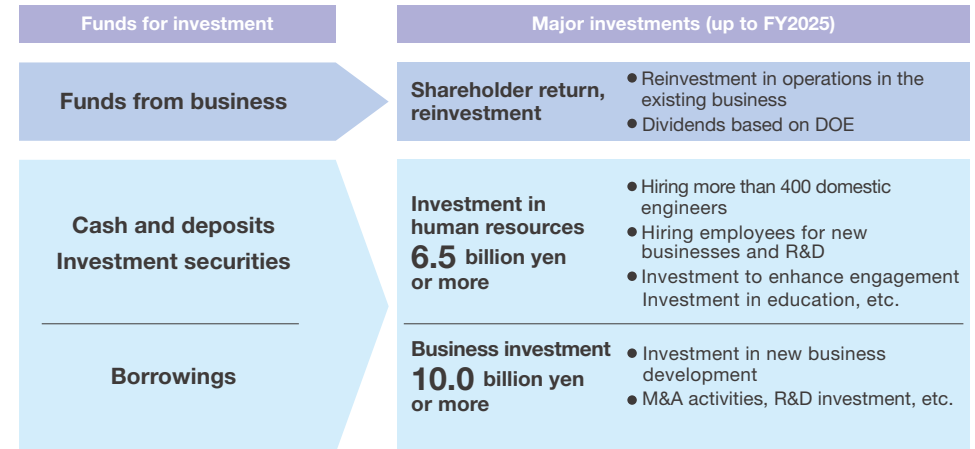
Cash allocation

To accomplish the Medium-term Management Plan, we need to invest optimally to create ideas that will result in the creation of new businesses and increase revenue from the existing contracted business. We have formulated a cash allocation plan for the period leading up to FY2025 to accelerate the necessary investments.

We will invest in human resources and the development of new businesses,

using cash and deposits and investment securities that we have.

We plan to use the assets we have because the level of uncertainty is high regarding the return on investment in new businesses. Since we can project return on investment (including M&A activities) in the contracted business to some extent, we plan to invest in the contracted business using borrowings as needed.

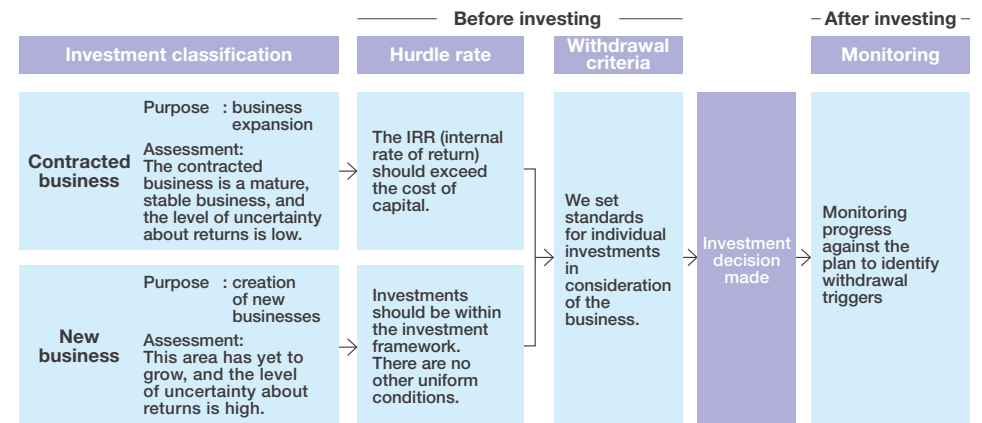


Investment criteria

In addition to allocating cash, we have determined investment criteria, including hurdle rates and withdrawal criteria, in the contracted business and new businesses.

In the contracted business, we have set investment criteria—the key criterion is that returns should exceed the cost of capital—and make investment decisions

according to the criteria. In new businesses that will produce products and services, we have established an investment framework and set withdrawal criteria to expedite decision making, enable agile investment and speed up the cycle of business creation.



Financial Strategy

Investment in start-ups for business synergy

Since 2015, the CAC Group has been strategically investing to generate synergy between businesses, such as collaborative creation and the joint creation of businesses. The Group has made corporate venture capital and venture capital investments of 5.5 billion

yen in more than 50 companies as of December 31, 2022 and has been cooperating with the investee companies in the sale and development of products and services.



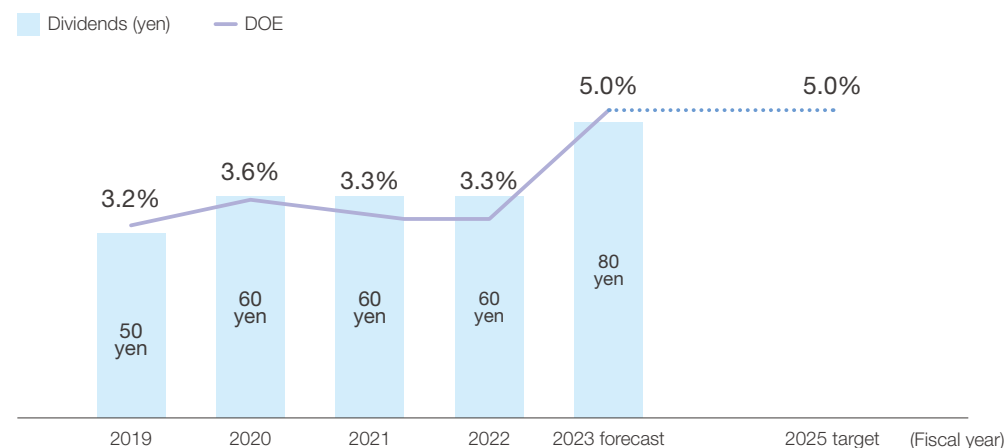
Shareholder return policy

Returning profits to shareholders is an important management issue. Our basic shareholder return policy is to put a greater emphasis on shareholder returns and raise the DOE* to the 5% level to maintain an internal reserve for future growth and to continue to pay stable dividends to shareholders from FY2023, the second year of the Medium-term Management Plan. We

will determine dividends for a particular year in consideration of operating results and the economic conditions.

Under this dividend policy, we forecast that we will pay annual dividends of 80 yen per share, up 20 yen year on year, for the fiscal year ending December 31, 2023, assuming that profit attributable to owners of parent will be 2.2 billion yen.

DOE and dividend forecasts



$$\text{*Dividends on equity (DOE)} = \frac{\text{Total dividends}}{(\text{Equity capital at beginning of period} + \text{equity capital at end of period}) / 2}$$

CAC Group Businesses

The CAC Group operates system-related businesses in Japan and other countries.
Here we share information about the content of
our businesses on a segment-by-segment basis.



Domestic IT Business 76%

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 ORBIS CORPORATION,
CAC MARUHA NICHIRO SYSTEMS CORPORATION*



Sales ratio
Fiscal year ended
December 31, 2022



Overseas IT Business 24%

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,
Inspirisys Solutions Limited, Mitrais Pte. Ltd.



*CAC MARUHA NICHIRO SYSTEMS CORPORATION will be excluded from the scope of consolidation on April 1, 2023.

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 ORBIS CORPORATION, CAC MARUHA NICHIRO SYSTEMS CORPORATION*

*CAC MARUHA NICHIRO SYSTEMS CORPORATION will be excluded from the scope of consolidation on April 1, 2023.



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 six companies including CAC Corporation, which dates back to the Group's foundation and four IT affiliates of a company acquired in the early 2000s (as of December 31, 2022).

CAC Corporation offers system development services, system operation services and BPO services, and accounts for approximately 80% of the domestic IT segment's total sales. The other Group companies account for the remaining 20%. They primarily provide system operation services. We conduct business mainly in

Tokyo and the surrounding area. Some companies, such as CAC ORBIS, are based in Osaka. The Nagasaki BPO Center, which was established as a nearshore base in Nagasaki, Nagasaki Prefecture in July 2019, provides a range of enterprise IT services in collaboration with employees at bases in Tokyo in addition to BPO services. In addition, we have dispatched personnel to Unzen City, Nagasaki Prefecture, to promote digitalization. At research and development laboratory HCTech AI Lab Nagasaki we engage in collaborative creation with local companies and local governments. We are expanding our bases in Nagasaki to promote the CAC Group's regional revitalization initiatives.

Company dating back to our foundation

System development services
System operation services
BPO services

CAC Corporation

Other group companies

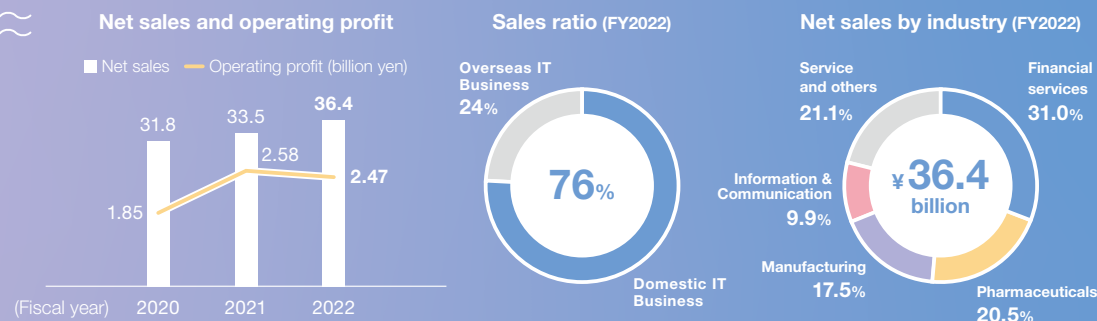
Mainly system operation services

ARK Systems

CAC MARUHA NICHIRO SYSTEMS*

CAC ORBIS

Domestic IT Business



FY2022 Business Performance/FY2023 Forecast

Results, particularly at the core subsidiary, were firm in FY2022.

In FY2022, the Group, particularly core subsidiary CAC Corporation, tapped into IT demand, and projects grew steadily in all industries, particularly in the financial industry and pharmaceutical industry. As a result, net sales rose (up 8.4% year on year).

Profit decreased 4.1% year on year, chiefly reflecting an increase in personnel and investment in new businesses in accordance with the Medium-term Management Plan and an increase in corporate expenses allocated to this segment.

Orders received and order backlogs were firm.

Results in FY2023 are expected to remain flat year on year.

We expect that in FY2023, customers' IT investment appetite will not change significantly. It will remain firm. Meanwhile, we will exclude certain subsidiaries from the scope of consolidation. We will also actively invest to establish a foundation for growth during the Medium-term Management Plan (FY2022 to FY2025). Against this backdrop, in FY2023 we aim to achieve net sales and profit that are at the same level as the previous year.

Medium-term Management Plan

Developing existing businesses as the CAC Group's revenue base

To achieve growth, we will strive to reorganize existing businesses that are lacking in growth potential and connection to the other businesses and improve management efficiency. We will also change the operation services for the existing customers to managed services and will provide managed services also to other customers.

We will put greater emphasis on the hiring and cultivation of engineers to strengthen the staff and will also examine M&A activities and business alliances with companies that are closely connected to the Group.

Building a structure for creating new businesses

To prepare for future growth, we will build a framework for the continuous production of new products and services.

A dedicated department established at CAC Corporation will play a leading role in the creation of new services and products through collaborative creation (communicating with a range of stakeholders to create new value together with them). We will also develop products based on our Human Centered Technology (HCTech) concept for solutions.

We will carry out M&A activities and form alliances as needed to obtain functions and technology elements that the Group does not possess.

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, Inspirisys Solutions Limited, Mitrais Pte. Ltd.



Constituent Companies and Business Activities

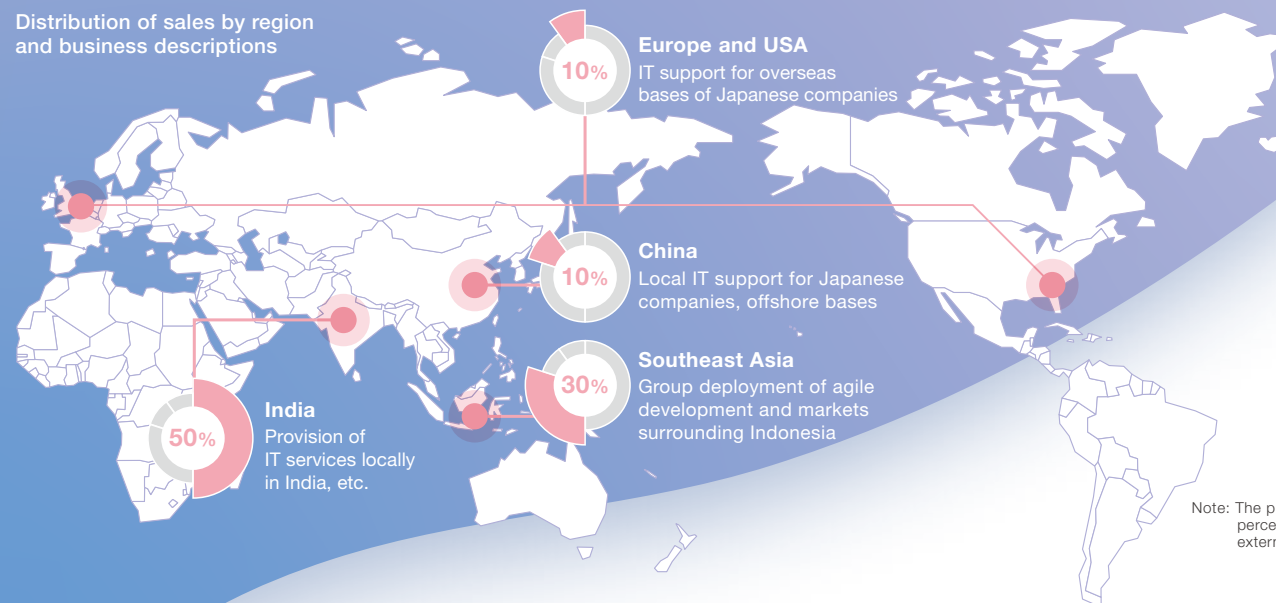
We have been focusing on overseas expansion since we established a subsidiary in Taiwan in 1978, ahead of our competitors.

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. From early in the first decade of the 21st century, we established a local subsidiary and acquired a local company in China to support customers that expanded into China and develop a system for offshore development. In the 2010s, we anticipated the growth of the IT market in Asia and established a local subsidiary and acquired the India-based Inspirisys Solutions Limited (then Accel Frontline Limited) to tap into local demand.

In 2019 we acquired Mitrais Pte. Ltd., which has business locations in Indonesia. Currently, we have 14 Group companies (as

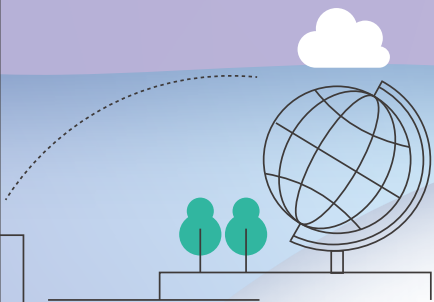
of December 31, 2022). The map below shows a breakdown of sales at the major subsidiaries by region and their businesses.

Distribution of sales by region and business descriptions

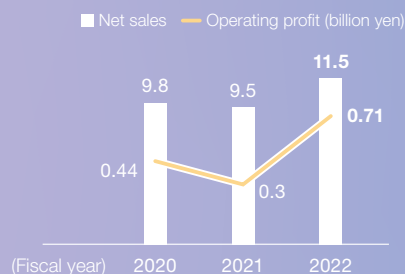


Note: The pie charts shows the percentage of sales from external customers.

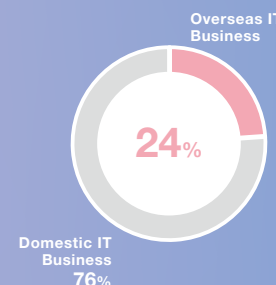
Overseas IT Business



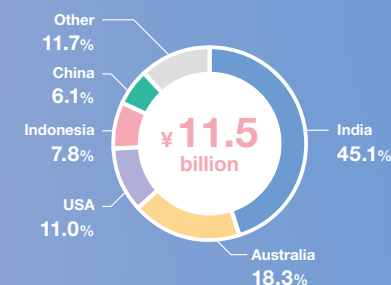
Net sales and operating profit



Sales ratio (FY2022)



Net sales by country (FY2022)



FY2022 Business Performance/FY2023 Forecast

In FY2022, net sales and income increased, reflecting growth at the subsidiary in Indonesia and an improvement in the income of the subsidiaries in India.

Net sales rose 21.6% year on year chiefly due to the weaker yen and firm results at the subsidiaries in India and Indonesia. (We estimate that approximately 70% of the increase in net sales was due to changes in exchange rates.)

Segment income rose 134.5% year on year, chiefly reflecting the increase in sales and an improvement in profit at the subsidiaries in India.

Growth is also expected in FY2023

There are signs of improvement at the subsidiaries in India. We will continue to review the businesses to improve the profit structure. We expect firm performance also at the subsidiaries in Indonesia and China and increases in both sales and income from FY2022.

Medium-term Management Plan

We will achieve growth through outsourced projects in the existing business, and in global projects we will provide support and services to customers' overseas facilities in cooperation with alliance partners (including overseas IT vendors). We will also strive to create products and services guided by the Medium-term Management Plan.

We aim to improve profit by reorganizing businesses that are lacking in growth potential and their connection to other businesses and reducing fixed costs.

Businesses and roles in each region are as described on the right.

Business structures and roles in the period of the Medium-Term Management Plan



- United States & Europe -

Provide support for local subsidiaries of Japanese companies as well as joint support for global projects with alliance partners (overseas IT vendors, etc.)



China

Seek to expand orders received for projects for local projects among both Japanese and non-Japanese companies whilst focusing on contracted business (mainly Japan offshore market)



India

Focus on local projects mainly in India. Aim to improve profitability by continuously implementing structural reform initiatives



Indonesia

Play a leading role in agile development within the CAC Group, whilst focusing on contracted business in Indonesia and Australia

mitrais

Wiwie Harris, President Director, introduces Mitrais, an IT business in Indonesia that became a member of the CAC Group in October 2019.



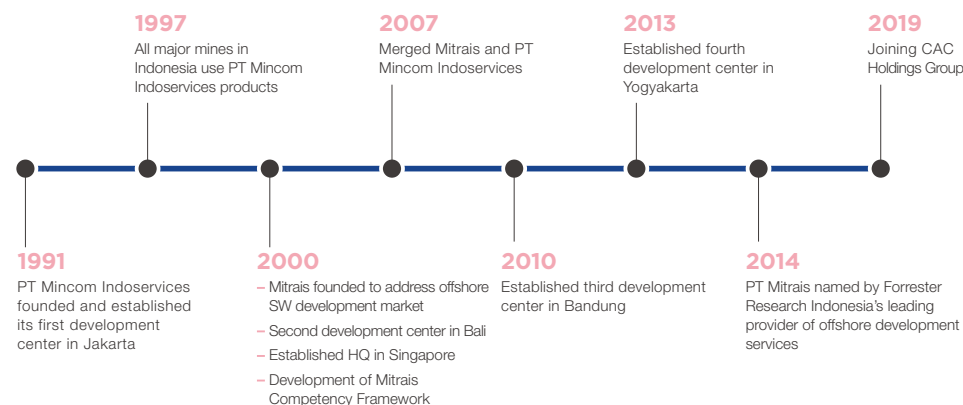
Wiwie Harris
President Director

About the Company

We founded PT Mincom Indoservices in 1991, when Indonesia's mining sector was beginning to boom, to provide ERP software and implementation services. Once we solidified our presence in the mining sector, we saw a surge in demand for offshore software development, especially from Australia. Nine years after our inception, we founded Mitrais, a name that fuses the Sanskrit term "Mitra" which means "partner" with the "IS" from "information systems" to address this growing need. In 2007, we amalgamated PT Mincom Indoservices with Mitrais. From that point forward, driven by our mission, we've continued to broaden our horizons and operations, always aiming to build long-term, high-trust relationships with our clientele, team and partners.

Our main office is located on the island of Bali. Bali is often perceived through the lens of tourism, but we noticed an overlooked operational advantage. Bali's solid IT

infrastructure is beneficial, but the key draw for us was its proximity to Australia, our primary market. Being in the same time zone as cities like Perth synchronizes our work hours with our clients. Being able to work together with our clients from our headquarters in Bali and our development centers in Yogyakarta, Bandung and Jakarta gives us a strong competitive advantage.



Features of Mitrais

At the start, we primarily catered to mining companies in Indonesia. By 1997, virtually every mining company in Indonesia had engaged with us. After 2000, we expanded our horizon and started targeting Australian and Asia-Pacific companies in need of offshore software development services. To date, we've worked with almost 700 clients, and currently we have around 160 active clients. Roughly 66% of our revenue is from Australian clients, with 30% from clients in Indonesia. About 61% of our revenue is from the IT sector, with BFSI accounting for a further 21%, mining being 8%, and manufacturing 3%. The short travel distance and similar time zones are a key value proposition for attracting Australian clients. Most Australian clients are in the IT industry, with others in BFSI, health care and manufacturing.

About 92% of our sales are from software development services, while software packages (software products and related services) are 8% of sales. To keep our operating margin above 20%, we really need to ensure that we have the people that support our growth and enable us to deliver for our clients. We are focused on making sure we are able to attract and retain talented people through balanced investments to ensure the salary and benefits we provide are competitive, while our management and support team manage operating costs to maximize efficiency.

Our software products services initially focus on software products targeting the mining sector. We have achieved significant success in licensing our partners' product, particularly for Indonesia, ASEAN and India regions. Presently Mitrais has a key partnership in licensing SPRY (mine scheduling software) which we have licensed to corporate or enterprise level mining companies in Indonesia, with Geobank (geological database software) as the most recent addition to our suite of mining solutions. Driven by our commitment to deliver top-tier solutions for our esteemed mining clientele, we're on the lookout to collaborate with cutting-edge mining software innovators.

As we look into the future, for the last few years, we have begun diversifying its software products offering outside the mining sectors. This includes fields like Robotic Process Automation (RPA), Enterprise Architect and

Cyber Security. On the area of Cyber Security, our offerings cover a comprehensive range of products and services. We specialize in preventing, detecting, and responding to emerging security threats affecting servers, cloud services, and other devices. We also provide vulnerability assessment and penetration testing (VAPT) and provide custom solutions to mitigate risk and ensure system security.

We have been a Microsoft Gold partner for software development for many years, so naturally system development using Microsoft .NET is one of our strongest areas. Java is our other main strength, and we are involved in many development projects using Java. Over the past few years we have also been increasing our expertise in modern JavaScript frameworks such as Angular, React, Vue.js and Node.js, and of course we've been involved in the development of mobile applications that are native to Apple

(using Objective-C and Swift) and Android (using Java and Kotlin). We've also been active in hybrid mobile application development using React Native and Ionic Framework.

We've been working with an Australian company to develop medical software that enables hospitals and other facilities to exchange medical information to reduce errors, monitor medications, manage scripts in the pharmacy, and manage medications using secure and sophisticated electronic records.

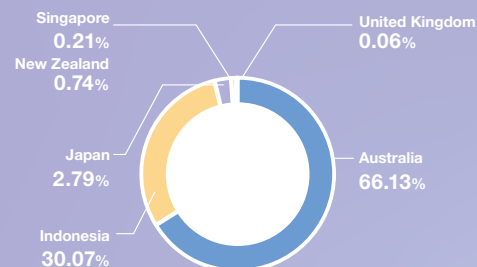
Examples of projects we've been engaged in include a collaboration with TechnologyOne, a leading global SaaS ERP provider, to create an innovative suite of enterprise solutions. We handled full-stack development in the project, from the database layer to the user interface, to simplify business processes in many industries through robust solutions for finance, supply chains, and asset management catering to the complex needs of customers.

With RYCO Hydraulics, a supplier of hydraulic hoses, fittings and couplings in Australia, New Zealand, the US, Asia and other regions, we developed RYCO Asset Management (RAM) to enhance the monitoring and maintenance of hydraulic assets. Our RAM system provides management and tracking capabilities for hydraulic hoses to prevent unexpected failures and costly downtime.

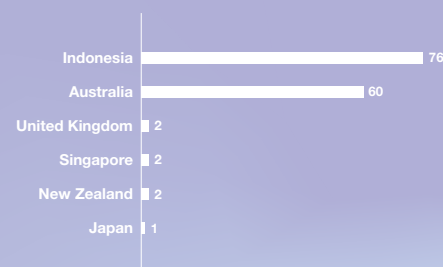
Our project with Bank BTPN, a commercial bank based in Indonesia, is a shining example of digital transformation in the banking sector. We worked on the BTPN Jenius branchless banking system, which allowed banking services to be accessed remotely. This significantly expanded BTPN's reach to underserved citizens while showcasing our ability to handle complex projects that have a huge impact on society.

Coverage of ANZ, Singapore and Indonesia in 2022

Account Revenue by Country

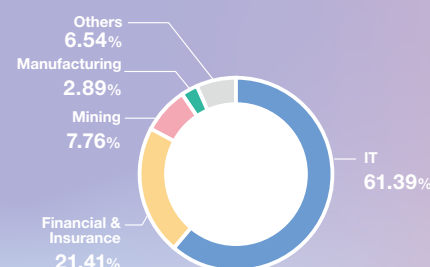


Account Number by Country

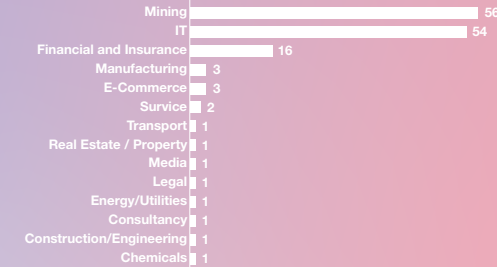


Strong Positioning in the IT and Mining Sectors in 2022

Account Revenue by Sector



Account Number by Sector



Human Resources

Our top challenge in securing talent is English proficiency. We have to set a higher standard because most of our revenue comes from English-speaking countries. We prioritize candidates who have exceptional technical skills alongside a strong command of the English language for optimal collaboration and project success. In a competitive landscape shared with major Indonesian banks and other prominent players, we are dedicated to attracting the best talent meeting both of these criteria.

One of our challenges involves attracting experienced engineers to join our team. While we welcome new IT graduates through the Mitrais Graduates Program, our current focus is on experienced engineers who can effectively meet the rising demand. Our standards for technical skills are set high, reflecting the complexity of software engineering. It's important to note that software engineering proficiency goes beyond specific technical skills; it includes the ability to tackle a wide range of challenges. In Indonesia, most software engineers are self-taught due to limited investment in training by their employer, but Mitrais is different. We stand out as a company that prioritizes comprehensive growth. We understand that engineers might not excel in specific areas without a holistic approach to problem-solving. In this context, we differentiate ourselves from our competitors.

Our main rivals for talent are not limited

to companies in our industry. They also include well-funded startups, international enterprises, and large end-user corporations (including the banking industry), we're proud to stand firm in our commitment to not engage in a salary-focused competition.

We are working through employer branding activities and pleasant recruitment experiences both on social media and in-person to share with the world our value proposition for our employees: a good work-life balance, the ability to work from home, and opportunities to learn. Right now, all of our employees are Indonesian because of strict local laws that make it very difficult to employ expatriates.

Mitrais Innovathon is our annual hackathon where our staff collaborate to compete intensively to create innovative software, mobile applications and technological solutions. The goal is to prepare an idea, pitch it to a mentor, and



build a functional project or proof of concept during the competition period to encourage creativity and collaboration and promote technological advancements.

Our Flexible Workspace Policy enables employees to work at any of our offices, or from their homes with certain rules in place. Our employees also have many club activities, including sports like badminton and basketball, and cultural activities like karaoke and photography, even though some of these clubs have had to change how they do things because of the COVID-19 pandemic.



We are dedicated to ensuring our employees enjoy a healthy work-life balance. This includes managing their workload effectively, encouraging the utilization of annual paid leave and extending healthcare benefits to their families. We prioritize a positive work atmosphere by minimizing work beyond regular hours whenever possible, and any overtime requires approval from a director to maintain this balance.

We always encourage employees to socialize and discuss any real or potential issues. To do this, we maintain open communication channels through its managers, its Talent Partner team and events like the Open Forum townhall meetings and the annual staff survey. The annual staff survey helps us understand employee satisfaction with the various aspects of our operations. Most years, nearly all of the aspects receive better than



90% approval. The Open Forum townhall meetings are opportunities for top management to share information with employees and answer questions. Employee satisfaction goes beyond the mere provision of benefits, and more importantly, it is about how those benefits are delivered. These are both areas where we are always improving.

We are proud that all of these efforts have resulted in our becoming a certified Great Place To Work company in October 2022 with an 88% approval rating from our employees.

For the Future

One of our major CSR activities is our involvement in the YKIP Foundation (Yayasan Kemanusiaan Ibu Pertiwi / Mother Earth Humanitarian Foundation), which was established to provide relief to the First Bali Bomb victims where I coordinated the donated medical supply inventory with the assistance of other Mitrais staff members. Now YKIP is committed to improving the lives of marginalized communities in Bali by breaking the cycle of poverty through comprehensive educational opportunities. We are also deeply appreciated for the support provided by CAC Holdings.



We are also actively cooperating with universities in Indonesia to provide internships, study trips, technical workshops and much more. Another effort is our donation of laptops and computers to villages in Yogyakarta, so that we can give back to our own community.

We are working to be ahead of demand, so we are closely monitoring our sales pipeline and the technologies that are in demand. Both

Microsoft .NET and Java are still in demand, alongside modern JavaScript frameworks, so we naturally are focusing on those. There is also demand for iOS and Android mobile application development alongside automated software testing and UI/UX design. Our technical evangelists are maintaining the Mitrais Technology Radar for our future, enabling us to monitor emerging technologies that we believe may become important in the future. Each year, we select two emerging technologies to focus on in terms of preparing talent and researching markets. Artificial intelligence (AI) / machine learning (ML) and cyber security have become hot topics in our main market, so we are also strategically investing in those two spaces.

In Indonesia, the IT market is growing rapidly, particularly cloud services such as SaaS. More and more people are using the Internet, users and businesses are increasingly digital, driving the demand for cost-effective and scalable IT solutions. The digital economy is growing, with e-commerce and digital payments leading the way. In Australia, AI and ML are significantly impacting many industries, automating processes and improving decision making. There's also an increasing need for cybersecurity solutions due to the accelerating digital transformation, which has exposed businesses to more cyber threats. The future will see the greater adoption of AI/ML technologies and greater investment in cybersecurity.

As we entered the CAC Group, we had to

shift from being privately owned to being publicly listed, and this required more due diligence and more formal processes and reports. Being part of a larger company increases our reputation and provides assurances regarding its stability. With the volatility of the service industry, we want to diversify our offerings, with one of our biggest goals being the development and sale of software products. We are also looking forward to more interactions with other CAC Group subsidiaries so that we can launch joint initiatives and collectively optimize our abilities for our clients, including the introduction of our products and services to Japanese companies in our target markets.

In 2023, we have laid out a Balance Score Card with the goals of revenue of SGD36 million in the financial quadrant. In the customer perspective quadrant, as a foundation for future revenue growth, we target to have 30 new clients for Software

Development Business while growing the revenue from existing clients. Regarding Software Product Business, we target to have new clients from non-mining software products and new product partnership to expand our products portfolio. In the internal process improvement quadrant, we set KPIs for processes to be improved as part of our commitment to continuous improvement. Our people are the key to our success, therefore we invest our efforts to attract, recruit and retain the best to meet demand. In the learning and growth quadrant, we set KPIs to measure our efforts through staff satisfaction survey either internally or externally, e.g. Great Place to Work.

Over the medium- to long-term, we wish to become a software product company ensconced in a diverse portfolio of services. This will enable us to be independent from external software product principles and escape the volatility of the services industry, ensuring business continuity and growth far into the future.

Plan to Achieve in 2023



Sustainability

CAC Group's Sustainability

Basic Sustainability Policy

The Group pursues a vision of “Evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas,” contributing to sustainable development for the Group and for society.

1

Aiming to be a company where employees can feel comfortable and that offers worthwhile work

- Providing employees with a healthy workplace and advancing work style reforms
- Expanding investment in human resource training and aiming to be a company where everyone can reach their potential
- Realizing diversity that respects individual values by hiring and appointing diverse human resources

2

Helping build a rich society through co-creating with our stakeholders

- Providing services that help clients achieve sustainable growth and contributing to corporate and community sustainable growth
- Providing ICT services that offer society new value together with our partners and clients
- Working to generate business through co-creation with local communities, while promoting employment in the countryside and revitalizing local society

3

Engaging in corporate activities that have a positive impact on the environment

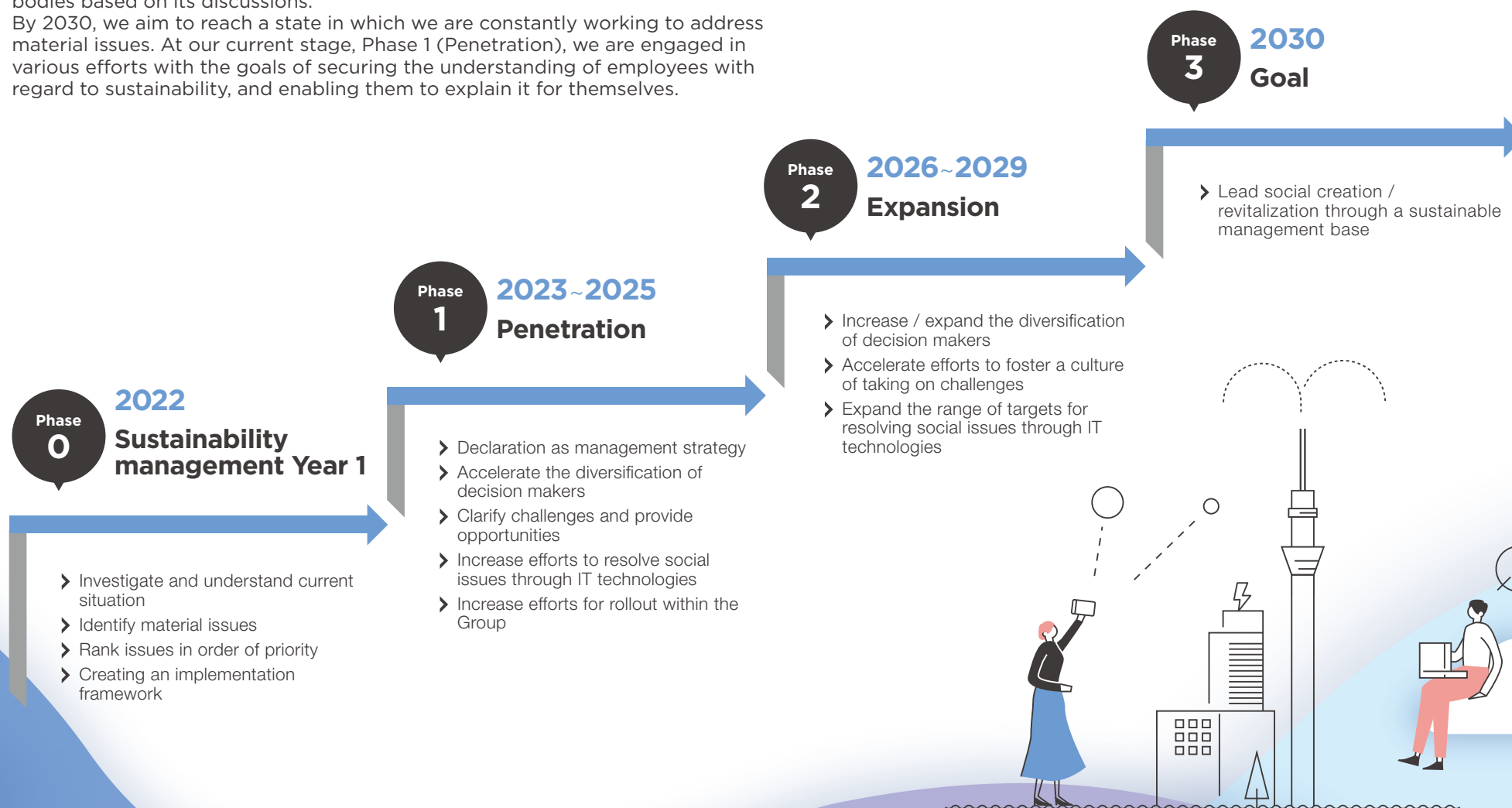
- Working to contribute to solving environmental issues through the services and work we provide to our clients
- Actively investing in eco-friendly projects
- Engaging in environmental issues, such as saving resources, saving energy, and so forth, in the Group's business activities

Sustainability Management Roadmap

As a system for implementing sustainability initiatives, the CAC Group has established a Sustainability Management Committee, chaired by the Representative Director and President.


The Committee is comprised of committee members from CAC Holdings and major Japanese subsidiaries, and advises the Management Meeting and other meeting bodies based on its discussions.

By 2030, we aim to reach a state in which we are constantly working to address material issues. At our current stage, Phase 1 (Penetration), we are engaged in various efforts with the goals of securing the understanding of employees with regard to sustainability, and enabling them to explain it for themselves.



Materiality Initiatives

A workplace environment that is rewarding and chosen by employees

The CAC Group has set targets for each of the four items  p.05 identified as material issues. We have long believed that employees are our most important asset, and have made working to create a rewarding workplace environment that is chosen by employees our top priority. We are also working to further implement health and productivity management, diversity and inclusion, and human resource development in order to foster a workplace environment and corporate culture that enables each and every one of our diverse employees to maximize their abilities by 2030.

Related SDGs



1 Providing healthy and safe workplaces

It is only when employees are in good health—not only physically, but also mentally and socially—that they can maximize their abilities. To keep our employees are healthy, we are placing a focus on employee health management, keeping track of health issues, mental health measures, and preventing overwork.

In terms of health management, we conduct e-learning to raise health awareness and encourage employees to undergo health checks. As a mental health measure, we conduct stress checks to monitor and prevent mental health problems, and provide support for employees to return to work after illness. To prevent overwork, we

encourage employees to take paid leave, encourage the use of our internally developed *Yu-Kyu Note*, the application which you can easily check and manage paid leave, and monitor and report non-statutory working hours.

CAC Corporation—one of our main subsidiaries—was certified under the large enterprise category of the 2023 Certified Health & Productivity Management Organization Recognition Program, which is run by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi, in recognition of its proactive efforts toward health and productivity management. CAC Corporation will

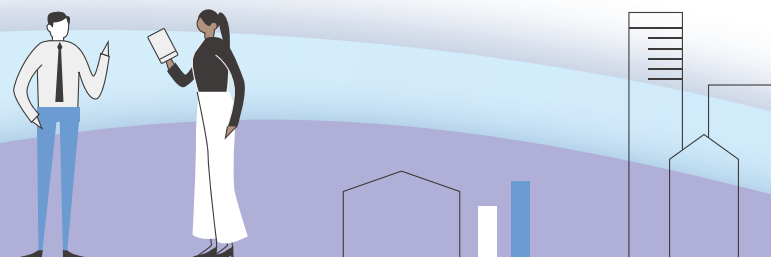
continue working to improve the health of its employees and create a comfortable working environment, aiming to be certified as a White 500* organization in the future.

*The top 500 companies in the large enterprise category are certified as White 500 companies.



KPI	FY2022	FY2030 Target
① Ratio of employees who undergo physical examinations	85.3%	100.0%
② Ratio of employees who undergo a stress check	86.0%	100.0%
③ Ratio of taking annual paid leave (Acquisition rate out of the number of days granted)	55.9%	80.0%
④ Average monthly overtime working hours	11.5 hours	10 hours or less

*All figures are aggregated for the three main CAC Group companies (CAC Holdings, CAC Corporation, and ARK Systems).



② Diversity and inclusion (D&I) to respect the values of individual employees

Realizing the CAC Vision 2030 of “evolving into a corporate group that consistently makes a positive impact on society, with technologies and ideas” will require the kind of innovation born out of diverse values and ways of thinking. D&I is essential for this purpose, and the CAC Group will continue to pursue D&I as a management strategy.

With D&I, the CAC Group aims to be a company where all employees—regardless of gender, age, nationality, or experience—have mutual respect for each other, and a company that is capable of practicing

human resources management that makes use of diverse individual abilities and values. A corporate culture that respects the diversity of its employees and their abilities can encourage free and open discussion, and provide the essential foundation for creating new value as a company. We believe that it is precisely because of this foundation that we can create innovation to solve social issues utilizing digital technologies such as AI and IoT, and contribute to the creation of a sustainable society.

KPI	FY2022	FY2030 Target
① Ratio of female executives (Directors, Executive Officers and Corporate Auditors)	6.7%	30.0%
② Ratio of female employees with managerial titles (Managers and other managerial positions)	14.2%	30.0%
③ Percentage of male employees taking childcare leave	25.0%	100.0%
④ Percentage of employees with non-Japanese nationalities in Japan	3.6%	5.0%

*All figures are aggregated for the three main CAC Group companies (CAC Holdings, CAC Corporation, and ARK Systems).

③ Promoting active roles for female employees

Based on our philosophy that diverse human resources utilizing diverse ideas and values based on mutual acceptance for each other lead to an increase in corporate value, we have positioned D&I as a key management strategy and consider the promotion of women's participation and advancement in the workplace to be a particularly important diversity issue.

With the aim of supporting a healthy balance between work life and childcare and nursing care commitments, we are working to improve our internal working environment in compliance with laws relating to childcare and nursing care, optimize working hours, and facilitate diverse work styles utilizing our flextime system and working from home. As a result, the percentage of female employees returning to work after childcare leave has reached 100%, enabling female employees to continue working even after important life events.

However, although strengthening governance by diverse executives is essential for the execution and monitoring of diversity management, the ratio of women in decision-making positions is not high. We will therefore continue to promote active participation for women with the aim of diversifying decision-making positions.

Firstly, we set the ratios of female executives and female employees with managerial titles as KPIs, and set a target of 30% for 2030. To

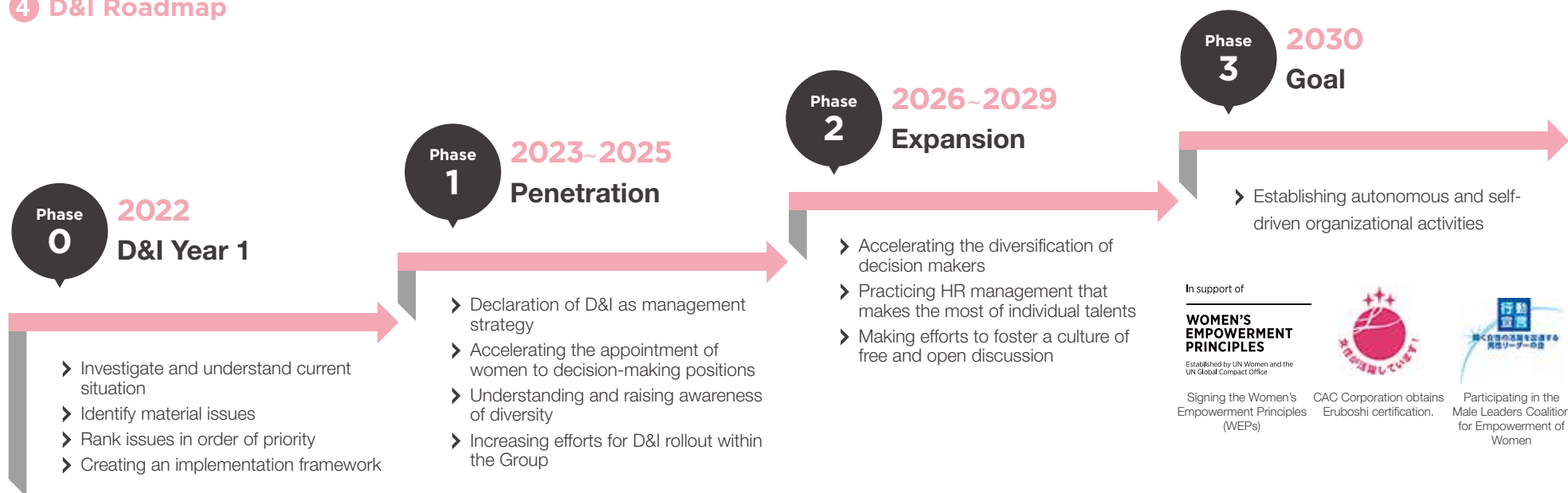
achieve this target, we will build a system for developing executive candidates, pool candidates for next-generation top-level management, executive and managerial positions, and implement a training program. We have also established a female employee quota for each tier, and created a scheme to systematically produce executives and managers.

At the same time, we have also set the percentage ratio of male employees taking childcare leave as a KPI. In addition to accepting diverse values and flexible work styles, we actively encourage male employees to take childcare leave in order to support the active participation of women in the workplace, as these are expected to offer the benefits of supporting female employees' return to work through male participation in childcare and minimizing career interruptions resulting from childcare leave.

In terms of external recognition, in 2022, CAC Corporation obtained Eruboshi certification. CAC Holdings has also signed to endorse the Women's Empowerment Principles (WEPs) operated by the United Nations Global Compact, declaring its stance of promoting women's empowerment internationally, and also participates in the Male Leaders Coalition for Empowerment of Women, operated by the Gender Equality Bureau, Cabinet Office of Japan.



4 D&I Roadmap



5 Human resources development: building systems and developing human resources

We believe that people are the source of the CAC Group's value and that the growth of people is the most important factor for the sustainable growth and development of the Group itself, and are working actively to develop human resources.

In our Five Values, established as values that should be shared by all Group employees, "Challenge" is placed at the center of the five words. Based on our philosophy that increasing experience by taking on various challenges without fear of failure leads to personal growth, we are building a system for organizing and developing the image of human resources necessary for our business activities, and

provide opportunities and offer support for employees who take an active approach to their own growth to take on new challenges.

Up until 2025, we will first focus on designing systems and operational approaches that create opportunities for employees to take on challenges. We will design a system that can provide opportunities to take on challenges through active assignment changes, rotations, internal recruitment, cross-border learning[※], and recommendation of side jobs, striving to arouse and establish a spirit of challenge. We will also work to build and operate schemes for developing human resources who will play a

central role in the company and support the organization going forward. As part of these efforts, in FY2023, we will run the CAC Next Academy 2023 for young human resources, to create a pool of candidates for future executive management positions. In addition to these

initiatives, we will conduct regular engagement surveys to identify organizational issues and verify the effectiveness of our personnel measures, and link these to further improvements.

[※] Cross-border learning refers to learning opportunities to gain new perspectives through cross-industry exchanges, volunteer activities, and participation in community activities, etc., for employees to achieve growth for both themselves and the organization.

KPI	FY2022	FY2030 Target
① Ratio of employees who are given opportunities for new challenges	-*	80.0%
② Engagement score (average)	67.3pt	Scheduled to be set in 2023

[※] All figures are aggregated for the three main CAC Group companies (CAC Holdings, CAC Corporation, and ARK Systems).

* Measured from FY2023 onward

Helping establish a prosperous society and providing value

The CAC Group aims to contribute to the creation of a sustainable and prosperous society, by promoting the transformation of customer businesses through the creation of new value making fully effective use of ICT, and by solving social issues through innovation. To do so, we will work continuously to solve social issues by providing solutions, products and services using digital technologies such as AI and IoT, creating new value through co-creation with partners and suppliers, and driving employment in rural areas and revitalizing local communities through co-creation with local communities.

Related SDGs



1 Participation in the Nagasaki Blue Economy



Surrounded by the sea on three sides, Nagasaki Prefecture is blessed with abundant fishery resources, and fisheries and aquaculture have thrived there since ancient times. In recent years, though, Nagasaki has faced issues such as a decrease in production volume and value, a decrease in worker numbers, increases in natural disaster

damage and costs, and a decline in productivity due to the pollution of its surrounding waters. Nagasaki Blue Economy is an initiative to sustainably develop the local economy by using its resources while protecting marine life and the environment through the realization of digital transformation (DX) in aquaculture. As part of

the initiative, Nagasaki University and other partners from industry, government, and academia—both inside and outside of Nagasaki Prefecture—are working together on the following three themes.

CAC Corporation, which has a base in Nagasaki Prefecture, is also participating in Nagasaki Blue Economy. The theme that CAC Corporation is working on is the calculation of the asset value of farmed fish at aquaculture farms, digitized as data through the use of AI and IoT, and the creation of mechanisms for raising funds from financial institutions using the calculated value as collateral—what could be called Fintech for the fishing industry. As the first demonstration experiment for this purpose, with the cooperation of Shoyo fisheries of Makishimamachi, Nagasaki, Nagasaki Prefecture, we have launched an experiment to ascertain the weight of farmed fish using underwater cameras powered by AI (smart cameras). Since farmed fish are basically bought and sold at a unit price per kilo, it is very

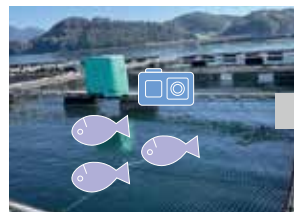
important to grasp and manage the level of growth (especially weight) of fish as data, from the viewpoints of both collateral at the time of financing and business management in the aquaculture industry. In the past, fish were scooped out of their reserves with a net and anesthetized for sampling measurements to be taken. This required a lot of time and effort to measure and convert into data, and there was also a risk that the fish could be harmed during the process. In the experiment, we aimed to demonstrate that it is possible to obtain data on the weight of farmed fish without harming them, using video taken by an underwater camera and image recognition AI, without the need to scoop up fish with a net. As a result, we were able to successfully demonstrate that it is possible to estimate weight without actually touching the fish.

Starting with this demonstration experiment, CAC Corporation will engage in further initiatives to deliver Fintech for the fishing industry, and contribute to activities to solve social issues through Nagasaki BLUE Economy.

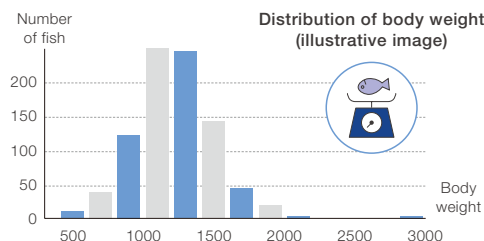
Theme	Description
Change 1 Change the work process	Developing aquaculture technology to reduce the workload of producers
Change 2 Change the way we raise fish	Developing aquaculture technology to reduce burden on marine life and the environment
Change 3 Change the way we work	Building a fisheries platform that young people will find attractive

Schematic of AI-assisted recognition and creation of data on distribution of fish body weight

Using underwater cameras to film fish in fish reserves without touching them



Data on fish body weights and distribution are created with the use of image recognition AI.



② Development of a height measurement app to support nutrition improvement activities in developing countries



JICA Innovation Quest—a new project launched by the Japan International Cooperation Agency (JICA)—is an open innovation program that connects undiscovered ideas, new technologies, and individual passions with the world of international cooperation, to create new ideas for international cooperation activities. ARK Systems, which participated in this program, worked with the support of JICA Madagascar Office as part of the Madagascar Team, together with volunteers from Nippon Koei Co., Ltd. and Koei Research & Consulting, Inc. The results were announced at the final presentation event in July 2022, and the Madagascar Team—with participating ARK Systems

employees—received the grand prize.

The Madagascar Team developed an innovative Baby Height App (patent pending) under the theme of “development and demonstration of a height measurement app to support nutrition improvement activities in developing countries,” and conducted a demonstration experiment in Madagascar. The Baby Height App prototype was developed through joint research between Nippon Koei, Koei Research & Consulting, and ARK Systems which was in charge of the technical area in this research and development.

In developing countries, it is important to accurately grasp the nutritional status of children and provide appropriate nutrition

improvement guidance, to alleviate malnutrition. Although height is an important indicator for measuring nutritional status, measuring the height of infants and toddlers with conventional methods poses problems such as low accuracy and high operational load, and these problems have remained unsolved for many years. With Baby Height App, anyone can easily measure a child's height accurately, simply by holding their smartphone camera over the child. It is an innovative application that does not require the child to be held down (as with conventional measuring instruments), and enables children to be measured in a natural lying position.

The Baby Height App is expected to

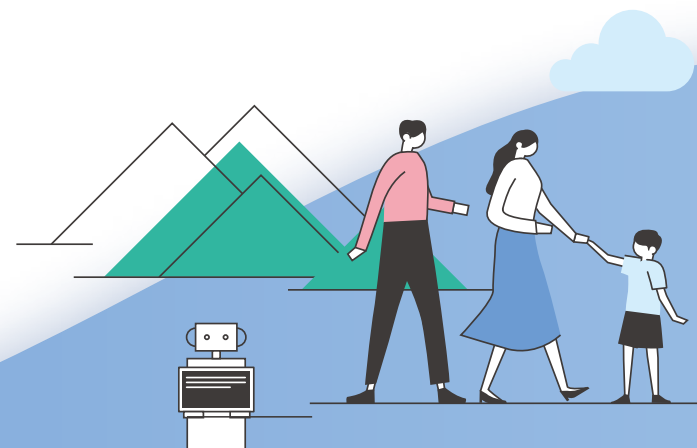
solve long-standing problems related to baby height measurement and further support the foundation of nutrition improvement activities. It is expected to be used not only in developing countries but also in situations where there are problems with the use of existing height scales, such as in nursery schools, pediatric clinics, and special needs schools—in Japan and overseas. Looking ahead, ARK Systems plans to strengthen its collaborative ties with Nippon Koei and Koei Research & Consulting, and engage in further research and development efforts to help with international cooperation activities for the practical application of Baby Height App.



Team members receive the JICA Innovation Quest grand prize



Measuring a baby's height using the Baby Height App



③ Regional revitalization initiatives in Nagasaki Prefecture



The CAC Group aims for collaborative creation with local communities to help build an affluent society. The goal of this collaborative creation is creating businesses, which we hope will eventually lead to the promotion of employment in local communities and their revitalization.

CAC Corporation opened the Nagasaki BPO Center, a satellite office, in Nagasaki City, Nagasaki Prefecture in 2019. The company has employed more than 120 local people at the office. In November 2021, we opened our second office in Nagasaki Prefecture—the Nagasaki NBC Office—adjacent to HCTech AI

Lab Nagasaki, which is an R&D laboratory and base for open innovation.

In July 2021, we dispatched digital transformation personnel to Unzen City under the Regional Revitalization Entrepreneur System, supported by the Ministry of Internal Affairs and Communications. Our personnel are working to drive digital transformation and tourism in Unzen City, making proposals on a daily basis to solve various problems.

In this way, CAC Corporation has made Nagasaki Prefecture a base for regional revitalization initiatives, and is steadily expanding its activities elsewhere.



Interior of HCTech AI Lab Nagasaki



④ Educational support activities in Indonesia



Mitrais became a member of the CAC Group in October 2019. It has a major base in Indonesia, and continues to support children there through the provision of educational opportunities as a major sponsor of the Yayasan Kemanusiaan Ibu Pertiwi Foundation (YKIP).

YKIP was established to provide support for reconstruction after the 2002 Bali bombings, and has been working to break the cycle of poverty through education. It has now expanded its program to provide educational services through scholarship programs. Through this foundation, Mitrais contributes to local communities by giving

underprivileged children in Bali the opportunity to continue their studies from primary school to university.



A support party



5 Activities for promoting and supporting boccia, a sport for people with disabilities

Since 2016, the CAC Group has been promoting and supporting boccia, as an initiative to help build an affluent society.

In addition to providing support as a Gold Top Partner of the Japan Boccia Association (JBoA), we also provide hands-on experience trial sessions at schools in Japan, and have Group employees who have obtained JBoA accredited referee qualifications engage in refereeing activities throughout Japan. We also provide support for boccia athletes,

developed Boccia Measure (an Android app that automatically measures the distance between boccia balls), hold the CAC Cup tournament, donate boccia equipment, and rent out boccia courts—installed in our head office building—to the general public.

Please see our website for more information about the CAC Cup.
(Only available in Japanese)
<https://caccup-boccia.com/>



Activities from FY2016–FY2022

Activities for promoting boccia such as
taster sessions and instruction sessions

73 events/
Approx. 6,000 participants

Refereeing by Group employees
at 55 boccia tournaments

358 in total

Donation of
boccia equipment

105
organizations



Boccia Measure



Athlete Shun Sato



CAC Cup Inclusive Boccia Tournament 2023 in Unzen

Hosting boccia tournaments: Regional revitalization and exchange through sports for the disabled

Over 100 students attending special needs schools in Tokyo participated in the CAC Cup (Student Boccia Exchange Tournament), a boccia tournament sponsored by the CAC Group. It has been held since 2017, and will be held for the seventh time in the fall of 2023. The tournament offers a valuable place for students from special needs school, who have few opportunities to enjoy boccia as a sport, to participate seriously in the game. Through inventive approaches such as adding lighting and sound effects and projecting video on a large screen, the tournament has grown into a goal for participating students.

While boccia has gained greater recognition than in the past, there are still few opportunities for tournaments in regions outside of Kanto, and so we started to consider holding the CAC Cup in regional areas. In 2019, CAC Corporation established a business base in

Nagasaki, Nagasaki Prefecture, and is working on local recruitment and new business creation. In 2021, we concluded an agreement with Unzen, Nagasaki Prefecture, and are now working on digital transformation and tourism promotion. We therefore decided to hold the event in Unzen City. We held our first regional tournament—the CAC Cup Inclusive Boccia 2023—in Unzen in April 2023, with the aims of contributing to the revitalization of Unzen and promoting diversity and inclusion.

On the day of the tournament, we held not only individual competitions for people with disabilities but also team competitions in which anyone could participate. This gave us a real feeling that boccia is a truly inclusive sport that can be enjoyed by anyone, irrespective of age or gender, or whether or not they have disabilities.

The CAC Cup is planned and operated by CAC Group employees themselves, and has become a valuable opportunity for employees and staff involved in the tournament to experience social contribution in action.

Environmentally friendly corporate activities

The CAC Group recognizes initiatives to address global environmental issues as shared global issues. Based on this understanding, we aim to ensure that our corporate activities are environmentally friendly, such as by engaging in environmentally friendly investment and procurement, and continuing efforts to save energy and resources in our business activities. At our offices, which are the main bases for our business activities, we are engaged in efforts such as working to implement environmentally friendly procurement, reduce electricity consumption, and shift to paperless operations.

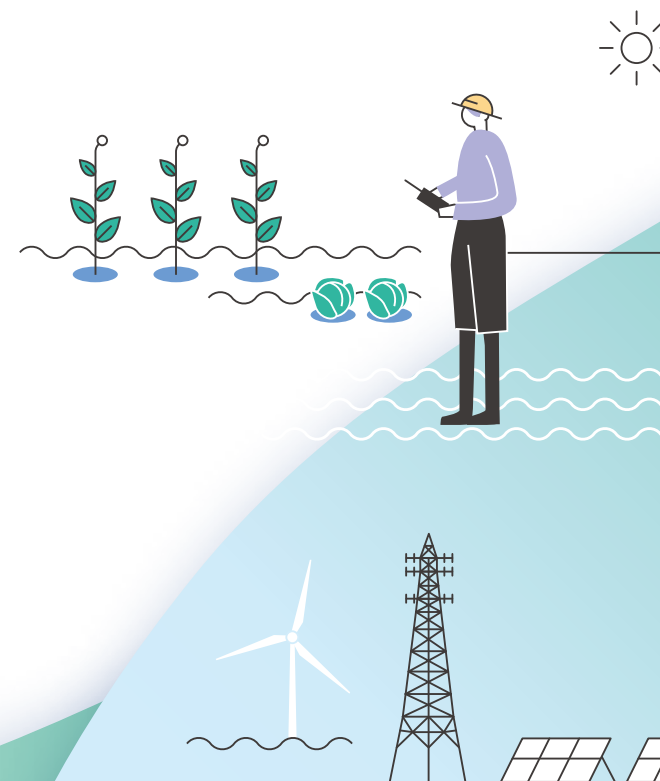
Related SDGs



1 Environmentally friendly investment and procurement

In November 2022, we switched to green electricity—which has a lower impact on the global environment—for the electricity used at our head office building. By using electricity derived from renewable energy sources, we

aim to conduct corporate activities that are more environmentally friendly by not depleting petroleum-derived resources and emitting almost no CO₂ or harmful gases during power generation or heat use.



2 Resource and energy conservation in business activities

In our business activities in our office, we engage in initiatives including the reduction of power consumption through the improvement of the energy efficiency of the office building and other measures, the implementation of paperless operations through the digitalization of internal documents, the introduction of an electronic contract system, the recycling of the paper used in the office, and other measures.

Related non-financial indicators

FY2022	Power consumption (kwh)
	469,573 kwh
	Amount of office paper purchased (A4 equivalent)
	108,500 sheets

* All figures are aggregated for the three main CAC Group companies (CAC Holdings, CAC Corporation, and ARK Systems). Power consumption is the amount of electricity used by our three main Group companies at our Hakozaiki head office building.

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 Five Values. 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

Five
Values

Creativity Valuing ideas and thinking unbound by preconceptions

Humanity Living in a human way, with an emphasis on humanity

Challenge Continuing to attempt new challenges without fear of failure

Respect Respecting others and never forgetting our sense of gratitude

Pride Believing in the efforts of our colleagues and ourselves, and doing work that we can be proud of

Please refer to our website for our Basic Policy on Corporate Governance. (Only available in Japanese)

https://www.cac-holdings.com/ir/governance_policy.html



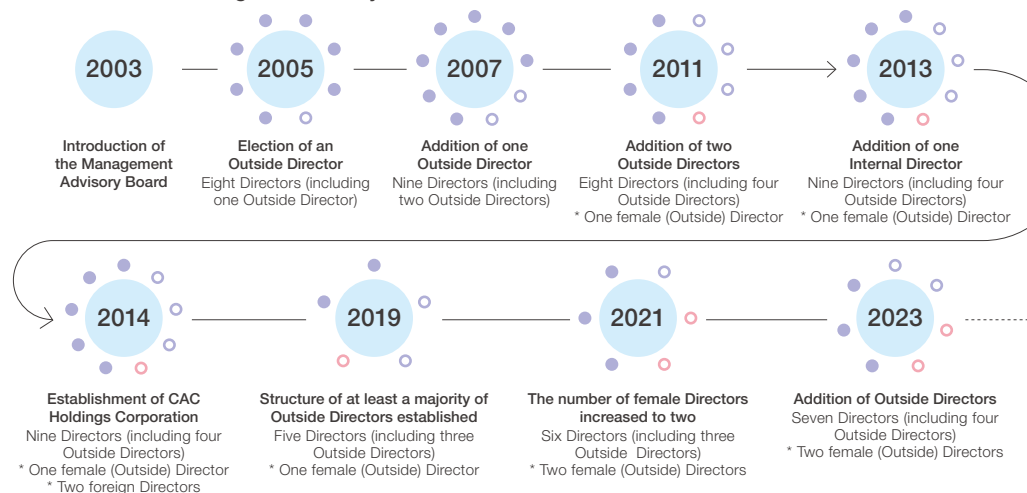
Basic structure of governance and management execution system

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 29, 2023), our Board of Directors consists of seven Directors, four of whom are Outside Directors (two men and two women). All of the Outside Directors are independent officers. In 2014, we

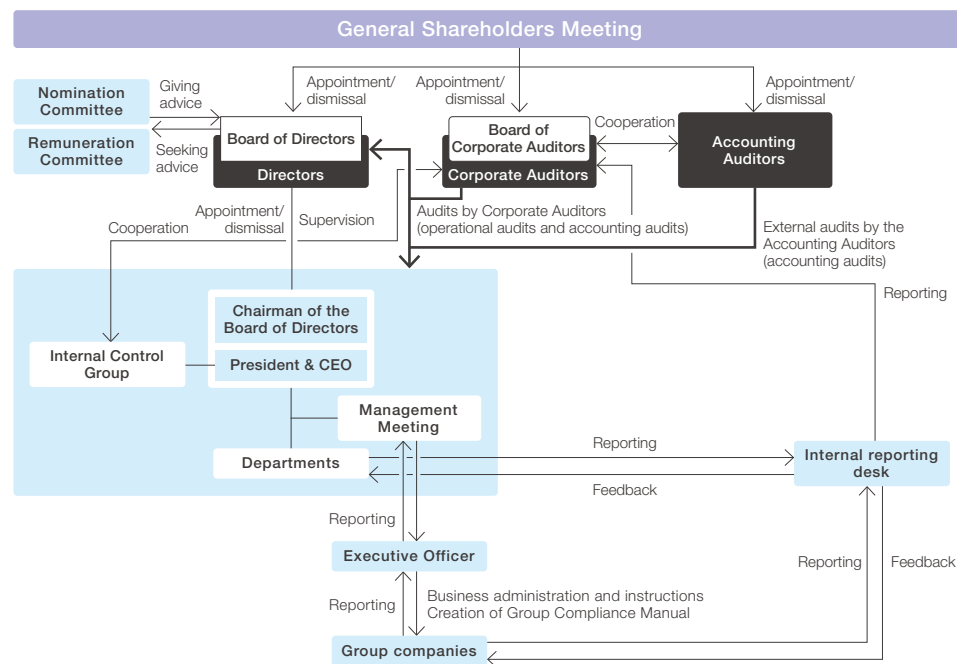
made the switch to a pure holding company structure to speed up the formulation of business strategies for the entire group and the business administration of group companies.

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.

Reinforcement of the governance system



Corporate governance system chart



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. The Management Meeting has also been established as a body that deliberates and makes decisions on the execution of important business for the entire CAC Group. In principle the Management Meeting convenes twice a month and on an ad hoc basis whenever needed, and endeavors to facilitate the agile execution of business. The Management Meeting is made up of the President & CEO and other persons he nominates.

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. Corporate Auditors actively participate in Management Meetings and other important meetings in addition to the Board of Directors Meetings to properly monitor Directors in the performance of their duties.

Remuneration Committee

The amount of remuneration, etc. for Directors is determined by the Board of Directors on the basis of a comprehensive assessment of each Director's role and level of contribution within an upper limit resolved at the General Shareholders Meeting.

The Remuneration Committee, which is chaired by an Outside Corporate Auditor (Yuichi Ishino), was established as an advisory committee for the purpose of deliberating the appropriateness 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.

Nomination Committee

The Nomination Committee, which is chaired by an Outside Director (Mika Matsuo), was established as an advisory committee for the purpose of deliberating on the appropriateness of nominations concerning the content of proposals related to the appointment and removal of Directors and Corporate Auditors to be resolved at the General Shareholders Meeting.

Amount of remuneration for officers in FY2022

Position	Number of officers	Total amount of remuneration in millions of yen	Breakdown	Upper limit of the amount
Directors (Outside Directors)	6 ^{(3)*}	167 ⁽¹⁷⁾	Base remuneration: ¥92 million Stock-based remuneration: ¥33 million Bonus: ¥40 million (Only base remuneration was paid to Outside Directors)	Up to ¥240 million per year
Corporate Auditor (Outside Corporate Auditors)	4 ⁽²⁾	50 ⁽¹¹⁾	Base remuneration only	Up to ¥96 million per year
Total	10 ⁽⁵⁾	218		

*This includes one Outside Director who stepped down in November 2022.

- 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 96 million yen per year, was approved at the 56th Annual General Meeting of Shareholders held on March 29, 2022.
 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).

Officers (as of March 29, 2023)

Directors

**Ryota Nishimori** President & CEO

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 a president-level post at an overseas subsidiary and management-level posts at domestic and overseas subsidiaries. He was appointed President and CEO of CAC Corporation in 2018. He served as a Company Director in March 2020 and as President & CEO of the Company from January 2021.

Major concurrent positions

President and CEO of CAC Corporation

**Akihiko Sako** Chairman of the Board of Directors

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, and has been Chairman of the Board of Directors since January 2021. He has been Chairman of the Board since March 2023.

**Togo Shimizu** Senior Managing Director

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. (current Mizuho Research & Technologies, Ltd.) Since March 2019, he has held the post of Senior Managing Director of the Company. Since January 2022, he has been serving concurrently as the Company's Senior Managing Director and Executive Officer in charge of Strategic Investment Department, Chairman of Strategic Investment Committee, and Head in charge of India. Since January 2023, he has been the Senior Managing Director and an Executive Officer at the Company. He is Chairman of Strategic Investment Committee. He is also in charge of Corporate Division and General Manager of Corporate Division.

**Mika Matsuo** Director

Date of birth: May 29, 1961

After serving as an executive and Chief of Staff at The Tokyo Star Bank, Ltd., she served as a Director and Executive Officer and Chief Human Resource Officer at AIG Japan Holdings K.K., as an Adviser (current post) of Asahi Group Holdings, Ltd. and as an Independent Director and Supervisory Committee Member (current post) at Semba Corporation. She has been serving as a Director of the Company since March 2021.

Major concurrent positions

Advisor at Asahi Group Holdings, Ltd./Independent Director and Supervisory Committee Member at Semba Corporation

**Yuki Otsuki** Director

Date of birth: February 9, 1986

Dr. Otsuki served as resident industrial physician at Toshiba Corporation and currently serves as resident industrial physician at Tokyo Business Service Co., Ltd. She was also Assistant Professor in the Department of Dermatology at Tokyo Medical and Dental University Medical Hospital (current Tokyo Medical and Dental University Hospital) and Chief of Dermatology at Soka Municipal Hospital. She is a dermatologist certified by the Japan Dermatological Association. She has been serving as a Director of the Company since March 2021.

Major concurrent positions

Resident industrial physician at Tokyo Business Service Co., Ltd.

**Tatsuo Watanabe** Director

Date of birth: June 11, 1964

Mr. Watanabe joined Sumitomo Life Insurance Company in 1987. He became a Full-time Auditor at All About, Inc. (current post) in 2004, a Director at general incorporated association Open Innovation Sokushin Kyogikai (current post) in 2012, an Outside Director and Audit and Supervisory Committee Member at WirelessGate, Inc. (current post) in 2016, an Outside Director at CELM Inc. (current post) in 2020 and an Outside Director at ORJ Inc. (current post) in 2021. He has been serving as a Director of the Company since March 2023.

Major concurrent positions

Full-time Auditor at All About, Inc./Outside Director and Audit and Supervisory Committee Member at WirelessGate, Inc.

**Tatsuya Harada** Director

Date of birth: June 14, 1972

He became a PD fellow at the Japan Society for the Promotion of Science in 2001 and then a visiting researcher at Carnegie Mellon University. He became an Associate Professor at the Graduate School of Information Science and Technology (IST), the University of Tokyo in 2009 and a professor at IST in 2013. He has been a team leader at the RIKEN Center for Advanced Intelligence Project (AIP) (current post) since 2016. He is also a visiting professor at the Research Center for Medical Bigdata at National Institute of Informatics (NII) (current post) and a professor at the Research Center for Advanced Science and Technology, the University of Tokyo (current post). He has been serving as a Director of the Company since March 2023.

Major concurrent positions

Visiting professor at the Research Center for Medical Bigdata at National Institute of Informatics (NII)/Professor at the Research Center for Advanced Science and Technology, the University of Tokyo



Corporate Auditor



Masaaki Yoshida Corporate Auditor

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 a Corporate Auditor of the Company since March 2017.



Kazuki Kawamata Corporate Auditor

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.



Hirokazu Honda Corporate Auditor

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



Yuichi Ishino Corporate Auditor

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 an 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, 2022)	Status of Attendance at Board of Corporate Auditors Meetings (Fiscal year ended December 31, 2022)	Experience						
				Business management	Finance	Legal affairs/risks/governance	IT/technological trends/products	Global experience	Personnel affairs/human resource development/health and productivity management	Society/environmental sustainability
Akihiko Sako		Attended 19 out of 19 meetings	-	●				●	●	●
Ryota Nishimori		Attended 19 out of 19 meetings	-	●			●	●	●	●
Togo Shimizu		Attended 19 out of 19 meetings	-		●			●	●	●
Mika Matsuo	Independent Officer	Attended 19 out of 19 meetings	-					●	●	●
Yuki Otsuki	Independent Officer	Attended 19 out of 19 meetings	-						●	●
Tatsuya Harada	Independent Officer	-	-				●			
Tatsuo Watanabe	Independent Officer	-	-	●	●	●				
Masaaki Yoshida		Attended 19 out of 19 meetings	Attended 18 out of 18 meetings		●	●				
Kazuki Kawamata		Attended 19 out of 19 meetings	Attended 18 out of 18 meetings				●			●
Hirokazu Honda	Independent Officer	Attended 19 out of 19 meetings	Attended 18 out of 18 meetings			●		●		
Yuichi Ishino	Independent Officer	Attended 19 out of 19 meetings	Attended 18 out of 18 meetings	●	●			●		●

*The above list does not show all of the knowledge and experience of each Director and Corporate Auditor.

Executive Officer

Executive Officer	Yoshikazu Toriumi	In charge of Core ICT
Executive Officer	Eisuke Nakanishi	In charge of New Business Promotion and the General Manager of New Business Promotion Headquarters
Executive Officer	Tatsuo Mikoda	In charge of financial strategy, General Manager of the Financial Strategy Division and CFO
Executive Officer	Toshinobu Matsuhashi	In charge of global strategy and General Manager of the Global Strategy Division
Executive Officer	Takuya Maeda	In charge of strategic integration and General Manager of the Strategic Integration Division
Executive Officer	Hiroto Sabetto	Deputy officer in charge of the Corporate Division and Deputy General Manager of the Corporate Division

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.

KPI	FY2022	FY2030 Target
Ratio of employees who have received compliance training	83.1%	100.0%

*Aggregated figures for all Group companies, including overseas companies.

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 Five Values, 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

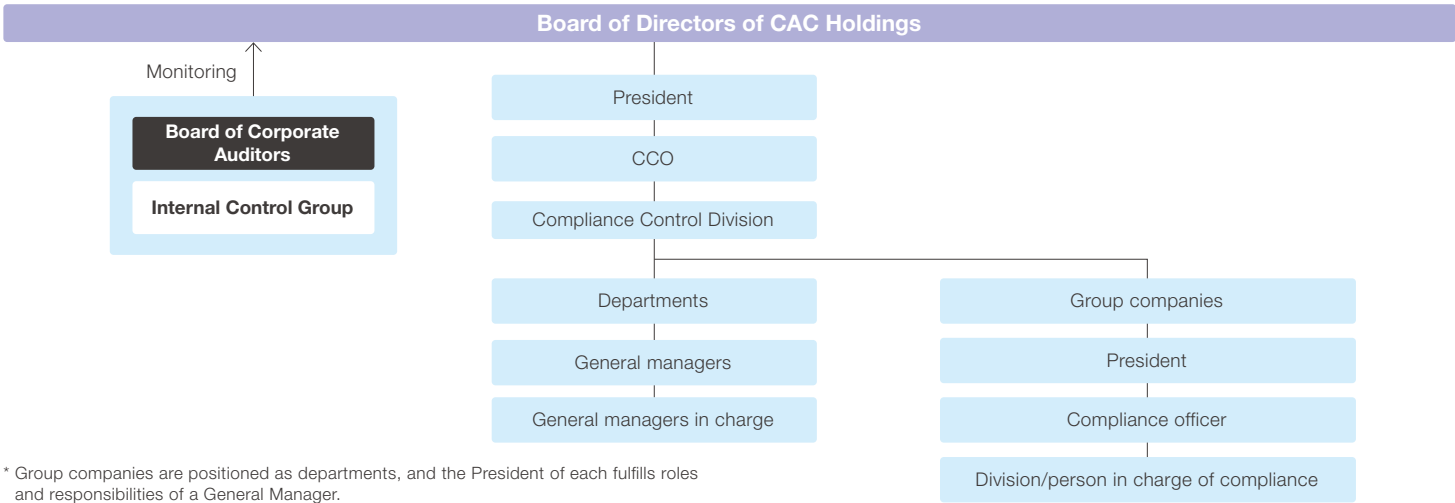
both within and outside the Group. As our basic policy for eliminating anti-social forces, we at the CAC Group will not be involved at all with any forces or groups that threaten social order and safety, will firmly reject demands from such forces or groups, and will not undertake any trade with any companies, groups or individuals related to such forces or groups.

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, thus having

clarified action guidelines to follow when managing risks, contents of risks that must be managed appropriately, and system to promote the management of these risks, among others. 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).

CAC Group’s system for promoting compliance



* Group companies are positioned as departments, and the President of each fulfills roles and responsibilities of a General Manager.

Initiatives for dealing with material risks (as of December 31, 2022)

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
	COVID-19	The slowdown of economic activity due to the state of emergency declarations and lockdowns has an impact on finances, management results and other aspects.	<ul style="list-style-type: none"> Thoroughly preventing infections Business continuity by having employees work from home and holding meetings online
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



Outside Director
Yuki Otsuki

Outside Director Message

Utilizing experience and knowledge to contribute to enhancing the CAC Group's corporate value

Two years on from becoming an outside director

Around two years have now passed since I was appointed an outside director of CAC Holdings in March 2021*. The reason for my appointment was that I had the opportunity to work with various companies as an industrial physician while working at a hospital as a dermatologist, and that led to my connection with CAC Holdings. Although medical care and IT are completely different industries, I decided to accept the position because I thought that my experience of interacting with countless people through my work in medical care would be of some help on the "people" side of things, which is the most important thing for any company.

*Interview conducted in May 2023

The CAC Group: characterized by its solid corporate culture and flexibly in adopting new technologies and concepts

I get the impression that the CAC Group has many people who give off a youthful

vibe, in a positive sense. Perhaps because the IT industry is evolving day by day, there seems to be a culture in which everybody flexibly adopts new technologies and concepts, and I do not feel like there is a generation gap, which is often seen at other companies. It seems that CAC Group is trying to give employees equal opportunities to engage in new challenges, without being constrained by seniority or nepotism.

I think that another characteristic of the CAC Group is displayed in its solid corporate culture. In today's society, only flashy examples such as geniuses and highly innovative technologies draw conspicuous attention. But there are many people behind the scenes who continue to do work that relates to the very foundation of society, even if they do not stand out. I once heard one CAC Group employee said that "we work like a cog between two other gears," and I take that in a positive way. I look forward to seeing how CAC Group will change as a company aiming for further growth, as stated in CAC Vision 2030.

Commenting at Board of Directors meetings by assuming the positions of various people

At meetings of the Board of Directors, we hear from many different individuals who teach us politely and carefully about specialized content. I think it is easy to ask questions, and the atmosphere is very good. By reviewing the attendees and way in which we proceeded in 2023, the division of roles of each person has become clearer, and everyone has thought carefully about creating materials that make it easier for us all to understand.

Personally, I try to make comments at board meetings by anticipating the positions of various people involved in the CAC Group. Although the original role of the Board of Directors may be oriented more toward shareholders, I believe that this alone is not good for the company in the long term. While of course we do value the shareholder perspective, when discussing and considering various matters, we always try to be aware of whose direction we should be looking when making decisions.

Utilizing experience and knowledge to provide a safe and healthy workplace

I am involved as an advisor in the newly established Sustainability Management Committee, which was formed in July 2022. One of the key material issues identified by the CAC Group is (1) creating a rewarding working environment that is chosen by

employees, and one of the goals set for that material issue is “providing a safe and healthy workplace.” With that in mind, the CAC Group has been working to create a comfortable working environment and promote health management. But as further efforts are demanded, I believe that this is an area in which I can make use of my own experience and knowledge, so I would like to give appropriate advice and recommendations.

I have also not yet had the opportunity to talk directly with employees and listen to their opinions from the workplace, so I hope that there will be opportunities for dialogue with employees, to see if there is any disparity between our ideal vision and the reality.

Continuing to ask ourselves what kind of value we offer to society

For the CAC Group to further increase its corporate value, I believe that it is important to consider how we face society, and how we solve social issues. For example, new technologies should be welcomed, but they can also be a double-edged sword, in that they can also cause unexpected harm depending on how they are used. Some companies will do anything to improve sales and business performance, but in order to sustainably increase corporate value it is necessary for us to continuously question what value technologies offer to society. I think that this is where corporate culture comes into play. The CAC Vision 2030 clearly states five values that all members of the CAC Group should value, as the Five

Values. I believe that building a corporate culture based on this unwavering foundation will lead to the improvement of the CAC Group's corporate value.

A company is nothing without its people: giving advice to ensure that we do not forget that perspective

One thing that I have really felt through my work as an outside director is that, even within the same company, views and ways of thinking differ depending on the position of each senior manager or employee. In the past, I have had many opportunities to look at things from an employee's point of view, and I couldn't understand why problems that never went away on the company side would continue to occur. Now, though, from the standpoint of an outside director, I can see that there are also struggles to be faced on the part of corporate management. This gap between views and ways of thinking on both sides cannot be easily resolved, but I think that it is important for both sides to continue making efforts to bridge the gap as much as possible. Based on this sentiment, and my own experience, I would like to continue to play a role in which I continue to advise the management side so that they do not forget that a company is nothing without its people.



Financial Data

	47th term FY2012	48th term FY2013	49th term FY2014	50th term FY2015	51st term FY2016	52nd term FY2017	53rd term FY2018	54th term FY2019	55th term FY2020	56th term FY2021	57th term FY2022
Net sales (million yen)	39,545	40,963	50,031	52,105	52,521	53,268	49,906	50,683	48,539	47,935	47,971
Operating profit (million yen)	2,694	2,528	3,191	1,209	1,202	698	1,426	1,314	1,948	3,697	3,187
Ordinary profit (million yen)	2,887	2,664	3,000	1,080	937	717	1,368	1,257	1,909	3,668	3,158
Profit attributable to owners of parent (million yen)	1,194	1,514	2,343	(142)	2,039	1,100	1,319	1,500	1,669	2,476	2,093
Net assets (million yen)	20,200	22,833	30,310	29,293	27,683	32,429	28,857	25,797	26,236	31,398	29,300
Total assets (million yen)	32,233	37,020	53,387	51,783	50,344	54,125	46,968	45,626	44,565	47,261	44,213
Cash flow from operating activities (million yen)	3,077	2,100	2,331	(770)	892	(1,014)	3,276	104	1,110	2,902	2,625
Cash flow from investing activities (million yen)	1,419	(2,312)	432	(2,760)	3,233	307	2,362	3,523	1,338	532	(591)
Cash flow from financing activities (million yen)	(1,248)	989	(1,388)	(796)	(1,920)	(2,196)	(2,310)	(6,324)	(1,704)	(2,930)	(1,711)
Book value per share <BPS> (yen)	993.35	1,124.81	1,455.06	1,439.40	1,447.09	1,720.38	1,527.13	1,512.07	1,505.09	1,822.34	1,683.23
Earnings per share <EPS> (yen)	59.99	76.07	117.69	(7.21)	105.54	59.69	71.57	84.83	100.55	146.75	123.60
Return on equity <ROE> (%)	6.2	7.2	9.1	(0.5)	7.4	3.8	4.4	5.6	6.6	8.8	7.1
Return on assets <ROA> (%)	9.1	7.7	6.6	2.1	1.8	1.4	2.7	2.7	4.2	8.0	6.9
Equity ratio (%)	61.4	60.5	54.3	54.6	53.0	58.6	59.9	54.7	57.0	65.1	64.7
Price-to-earnings ratio <PER> (times) * Based on the closing share price at the end of each fiscal year	11.35	12.07	9.97	—	8.38	17.77	13.02	18.50	14.16	9.89	11.59
Amount of dividend per share (yen)	32.00	32.00	32.00	32.00	40.00	36.00	38.00	50.00	60.00	60.00	60.00
Dividend payout ratio (%)	53.3	42.1	27.2	—	37.9	60.3	53.1	58.9	59.7	40.9	48.5

Non-Financial Data

		47th term FY2012	48th term FY2013	49th term FY2014	50th term FY2015	51st term FY2016	52nd term FY2017	53rd term FY2018	54th term FY2019	55th term FY2020	56th term FY2021	57th term FY2022
Number of employees	Overall	2,166	2,239	4,833	5,202	5,711	5,364	4,821	5,077	4,960	4,249	4,357
	Male	—	—	—	—	4,493	4,147	3,680	3,841	3,717	3,301	3,369
	Female	—	—	—	—	1,218	1,217	1,141	1,236	1,243	948	988
	(ratio of women)	—	—	—	—	21.3%	22.7%	23.7%	24.3%	25.1%	28.6%	22.7%
	Japanese nationality	—	—	—	—	2,015	2,023	1,969	1,959	1,934	1,477	1,544
	Foreign nationality	—	—	—	—	3,696	3,341	2,852	3,118	3,026	2,772	2,813
	(ratio of foreign nationality)	—	—	—	—	64.7%	62.3%	59.2%	61.4%	61.1%	65.2%	64.6%

Stock Information

General Information (as of December 31, 2022)

Number of shares authorized	86,284,000
Number of shares issued and outstanding	20,541,400
Unit share	100
Number of shareholders	5,313
Fiscal year end	December 31
Annual general shareholders meeting	End of March
Record date	Year-end Dividend: December 31 Interim Dividend: June 30
Administrator of the register of shareholders	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Stock exchange listing	Tokyo Stock Exchange, Prime Market (Date of Listing: October 2000) (Securities Code: 4725)

Breakdown of Shareholding by Investor Type (as of December 31, 2022)

Investor type	Number of shareholders	Number of shares held (thousands)	Percentage of total issued shares
Japanese financial institutions	14	3,685	17.95%
Japanese securities companies	17	213	1.03%
Other Japanese companies	48	6,691	32.59%
Foreign companies, etc.	76	1,465	7.14%
Japanese individuals and others	4,404	8,469	41.26%
Total	4,559	20,524	100.00%

*Treasury stock (3,537 thousand shares as of December 31, 2022) are included in "Japanese individuals and others."

*The number of shares held in "Other Japanese companies" includes 12 units of shares held under the name of Japan Securities Depository Center, Inc.

Primary Shareholders (as of December 31, 2022)

Name of shareholders	Number of shares held (thousands)	Percentage of total issued shares (excluding treasury stock)
SHOGAKUKAN Inc.	3,102	18.24
The Master Trust Bank of Japan, Ltd. (Trust account)	1,779	10.46
SHIFT Inc.	1,027	6.04
Custody Bank of Japan, Ltd. (Trust account)	932	5.48
CAC Employee Shareholding Association	576	3.38
Sumitomo Mitsui Banking Corporation	484	2.84
Mitsubishi Tanabe Pharma Corporation	431	2.53
KLab Inc.	300	1.76
Maruha Nichiro Corporation	300	1.76
Yuasa Trading Co., Ltd.	300	1.76

*The 3,537 thousand shares of treasury stock as of December 31, 2022 are not included in the above.

*All of the shares held by the above trust bank are related to the trust business.

Corporate Information

Corporate Profile

Name	CAC Holdings Corporation
Head office	24-1, Nihonbashi-Hakozaki-cho, Chuo-ku, Tokyo 103-0015, Japan Phone: +81-3-6667-8001
Representative	Ryota Nishimori, President and CEO
Founded	August 8, 1966
Common stock	¥3,702 million
Consolidated sales	¥47,971 million (for the fiscal year ended December 31, 2022)
Number of group employees (as of December 31, 2022)	4,357
Main services offered	Formulation of the CAC Group's business strategy and business administration of the Group
Main financing banks	Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, and Sumitomo Mitsui Trust Bank, Limited

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, 2022 to December 31, 2022 (activities in January 2023 and thereafter are also included in some sections.)
- Subject organizations: CAC Holdings Corporation and 20 CAC Group companies (as of December 31, 2022)

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.

Major Affiliates

CAC Corporation

Location	Chuo-ku, Tokyo, Japan
Main services	System development services System operation services BPO/BTO services

ARK Systems Co., Ltd.

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

CAC ORBIS CORPORATION

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

Hitec Systems Corporation

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

CAC AMERICA CORPORATION

Location	New York, United States
Main services	System consulting services System integration Helpdesk services

CAC EUROPE LIMITED

Location	London, United Kingdom
Main services	System consulting services System integration

CAC SHANGHAI CORPORATION

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

GoldenTech Computer Technology (Suzhou) Co., Ltd.

Location	Suzhou, China
Main services	System development Contracted software development

Inspirisys Solutions Limited

Location	Chennai, India
Main services	IT infrastructure services Software services Warranty management services

Mitrais Pte. Ltd.

Location	Singapore
Main services	Sales and maintenance of software products Contracted software development services



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