



Summary of Quarterly Financial Results Press Conference

Fiscal Year Ended March 31, 2021



2021/5/10
CRESCO LTD.



1 Results main points



- Despite a concern for an increase in infection due to mutant strains, business confidence is on an improving trend with sales recovering smoothly. Sales activities (face-to-face and online business negotiations) became a part of new normalcy. The number of new sales increased steadily.
- Operating profit improved continuously owing to the minimization of unprofitable projects and improved productivity.

Operating profit on net sales [1Q/cumulative: 4.5% ⇒ 2Q/cumulative: 7.1% ⇒ 3Q/cumulative: 8.2% ⇒ 4Q/cumulative: 8.8%] [4Q alone: 10.3%]

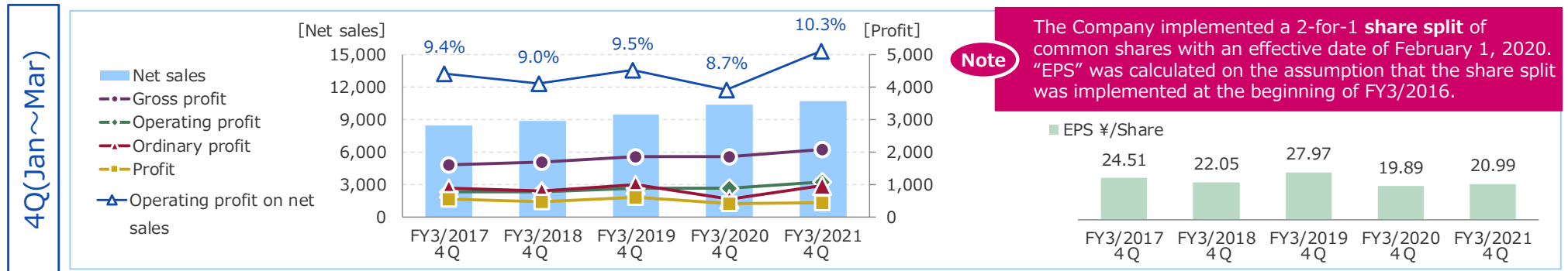
- The Company secured the highest profit for 7 consecutive fiscal years due to an increase in extraordinary income from gain on sales of investment securities and other reasons.

- Net sales:** Increased 368 million yen (up 0.9% year on year).
- Operating profit:** Decreased 72 million yen (down 2.0% year on year).
- Ordinary profit:** Increased 388 million yen (up 10.5% year on year).
- Profit:** Increased 213 million yen (up 8.8% year on year).

Full year	FY3/2019		FY3/2020		FY3/2021		YoY	Full-year progress	FY3/2021 Forecast <Announced on May 8, 2020>		YoY
	Net sales	35,230		39,337		39,706		100.9%	99.3%	40,000	
Gross profit	6,673	(18.9%)	7,246	(18.4%)	7,199	(18.1%)	99.3%				
Operating profit	3,207	(9.1%)	3,556	(9.0%)	3,484	(8.8%)	98.0%	102.5%	3,400	(8.5%)	95.6%
Ordinary profit	3,658	(10.4%)	3,712	(9.4%)	4,101	(10.3%)	110.5%	113.9%	3,600	(9.0%)	97.0%
Profit	2,285	(6.5%)	2,421	(6.2%)	2,634	(6.6%)	108.8%	107.5%	2,450	(6.1%)	101.2%
Note EPS ¥/Share	104.46		114.30		125.43				116.67		Note

Note: Respective profit ratios shown in parentheses.

(Unit: Amounts less than 1 million yen omitted)



Note The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. "EPS" was calculated on the assumption that the share split was implemented at the beginning of FY3/2016.

1.2. Consolidated quarterly net sales, new orders and outstanding orders



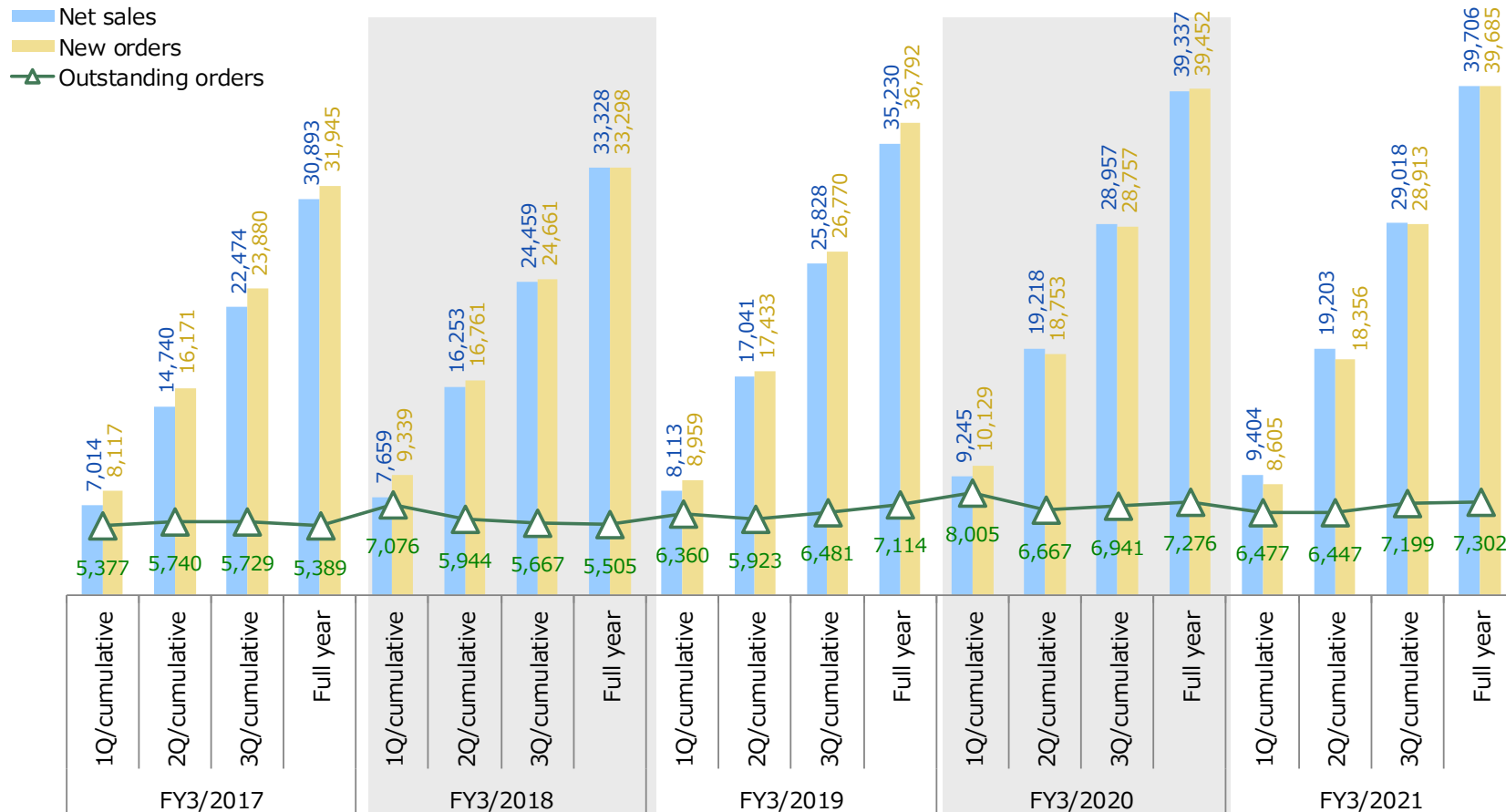
- With no particular difficulty in sales activities, the order situation recovered to a level similar to that in the previous year with a boost from Digital transformation (DX) efforts.

Software development

Particularly, orders related to life insurance, transport and services grew significantly, and overall the orders received headed toward a level similar to that in the previous year.

Embedded software development

Although there are variations by customer (mainly in the manufacturing industry) and by product (telecom systems, car electronics, information appliances, etc.), overall, the orders received headed toward a level similar to that in the previous year.



< New orders >
year on year
100.6%

< Outstanding orders >
year on year
100.4%

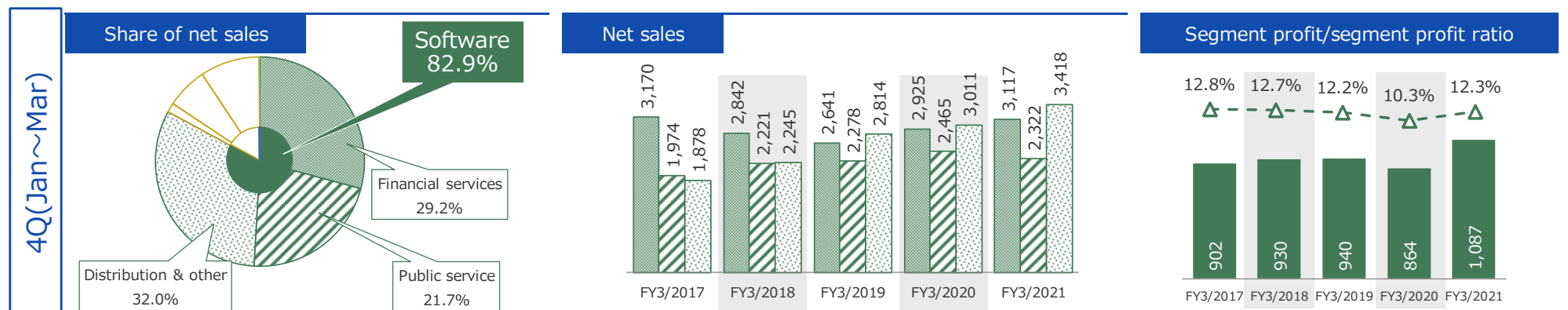
- Sales increased by 2.5% as increases in financial services and distribution & other covered a decline in public service, which was greatly affected by the scourge of COVID-19.
- Segment profit improved to increase by 1.8% owing to an improvement in productivity and the minimization of unprofitable projects.

- ▣ **Financial services:** Sales increased by 13.7% due to increase in system development and maintenance projects of banking and life insurance. (sales increased 1,445 million yen year on year)
- ▣ **Public service:** Sales decreased by 15.0% due to sharp drop in tourism demand and the loss of large projects related to human resources. (sales decreased 1,452 million yen year on year)
- ▣ **Distribution & other:** Sales increased by 6.8% due to the effects of the newly consolidated Enisias Co., Ltd. (sales increased 813 million yen year on year)

			FY3/2019	FY3/2020	FY3/2021	YoY	
Full year	Software	Net sales	Financial services	10,438	10,579	12,024	113.7%
			Public service	8,545	9,679	8,226	85.0%
			Distribution & other	9,914	11,900	12,713	106.8%
			28,898	32,158	32,965	102.5%	
		Segment profit	3,254 (11.3%)	3,502 (10.9%)	3,566 (10.8%)	101.8%	

Note: Respective profit ratios shown in parentheses.

(Unit: Amounts less than 1 million yen omitted)



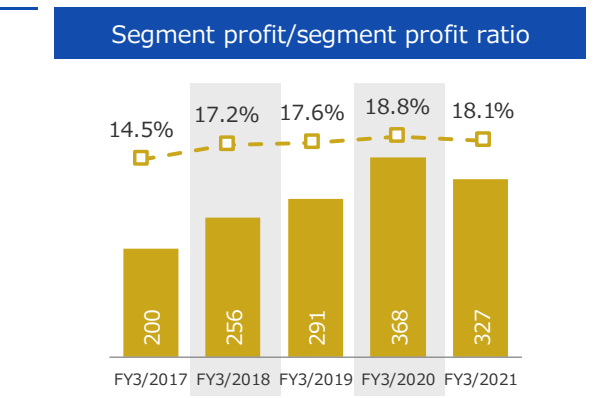
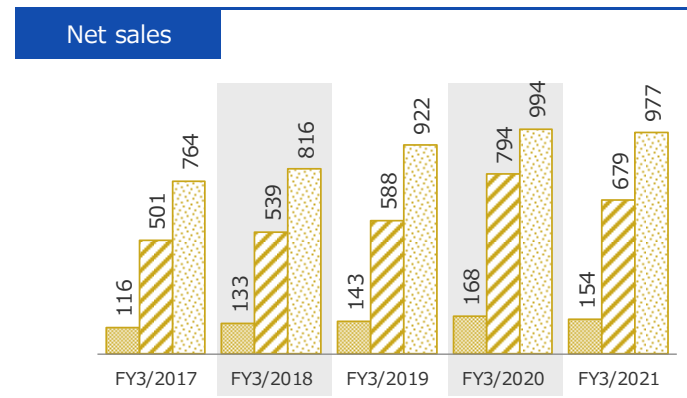
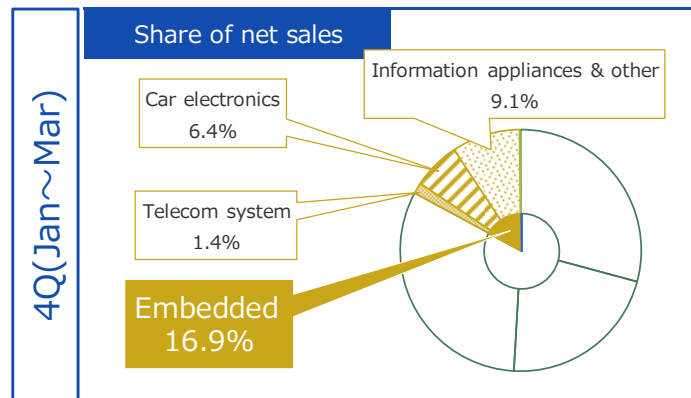
- Although net sales decreased by 6.1%, significantly affected by a decline in the first half of the fiscal period, each sector shows a recovery trend.
- Segment profit decreased by 15.6% due to lower unit prices of orders caused by the scourge of COVID-19 and other reasons.

- ▣ **Telecom system:** Smart phone-related sales maintained the current structure and increased by 2.5%.
(sales increased 14 million yen year on year)
- ▣ **Car electronics:** Sales in development in the areas of infotainment and sensors decreased by 5.0%.
(sales decreased 148 million yen year on year)
- ▣ **Information appliances & other:** Sales decreased by 8.5% due to cancellations and postponements of projects by manufacturers.
(sales decreased 304 million yen year on year)

		FY3/2019	FY3/2020	FY3/2021	YoY	
Full year	Embedded software	Telecom system	526	558	572	102.5%
		Car electronics	2,390	2,977	2,828	95.0%
		Information appliances & other	3,368	3,597	3,293	91.5%
		6,285	7,132	6,694	93.9%	
		Segment profit	1,146 (18.2%)	1,339 (18.8%)	1,131 (16.9%)	84.4%

Note: Respective profit ratios shown in parentheses.

(Unit: Amounts less than 1 million yen omitted)





2 Future outlook

Moves in reaction to a curb on IT investment in FY2020 are expected. Proposals addressing changes in the environment are essential. With accelerated digitalization (DX) of companies, we have plunged into the age of full-scale “digital transformation.”

- **There are now less obstacles to business activities** as remote working systems and remote development environments, not to mention infection prevention measures, have been established.
- While concerns about the future cannot be wiped away due to the spread of COVID-19 mutant infection and the declaration of a state of emergency issued again, the momentum for DX promotion is great, **with orders received on an increasing trend.**
- A movement towards “establishing the Digital Agency” and “creating the Japan Digital Days” is promoting digital transformation (DX) and **creates business opportunities.**

<Reference> Survey on the economic assessment

The BOJ Tankan, March 2021 [announced on April 1, 2021]

The diffusion index (DI) for large manufacturing companies, which is a typical indicator, improved by 15 points to +5 in comparison with the number in the previous survey in December, reaching the level before the spread of COVID-19 infection. In addition, the diffusion index for large non-manufacturing companies improved by 4 points to -1. While there is variance in the speed of recovery by industries, the business confidence has rebounded for three consecutive quarters.

Monthly Economic Report for March by the Government [announced on March 23, 2021]

The report judges, “Although a rebound in the economy is continuing while it is still in a severe situation due to the impact of COVID-19, weakness is found in some parts of economy.”

IDC Japan domestic ICT market forecast for FY2020 (an update to the market forecast as of the end of September) [published on January 6, 2021]

The IT market in 2020 is estimated to be 17 trillion 116.2 billion yen, down 6.3% from the previous year, an improvement of 1.9 percentage points from the previous report.

In 2021, while the IT market is expected to grow by 2.9% from the previous year owing to its recovery, it is estimated to be in 2022 or afterward that IT spending will recover to the level before the spread of COVID-19 infection. The average annual growth rate for the period from 2019 to 2024 is forecast to be 1.2%, and the size of the domestic IT market in 2024 is forecast to be 19 trillion 360.1 billion yen.

* The aforementioned forecast is based on the assumptions regarding COVID-19 that after economic activities normalize once infections are brought under control in the first half of 2020 both in Japan and overseas, despite a resurgence of infections regionally that impedes recovery, investment in digital transformation (DX) will be revitalized, mainly in some leading companies, and the Japanese government will invest selectively in ICT as part of economic measures.

1. CRESCO Group's Measures Against COVID-19

- On February 27, we announced “The Company's Measures Against COVID-19.”

[Basic Measures Policy]

- (1) Ensure the safety and health of the lives of employees and their families.
- (2) Minimize damage to the business.
- (3) Avoid adverse impact on customers, business partners, shareholders, etc.
- (4) Contribute to the early stabilization of the regional economy.
- (5) Always consider humanitarian aspects when dealing with various matters.

- On April 6 2020, we established the “Corona Emergency Response Headquarters” at the CRESCO Main Office. The confirmation and **information gathering** of the infection status of parties concerned **and the examination and implementation of various measures continue to be underway** through collaboration in the CRESCO Group.
- By utilizing digital tools, **the Company strengthened the teleworking system starting from October 1.**
- **Appropriate updates** of measures in line with government and local government requests (including declarations of a state of emergency), and **thorough implementation within the Company.**

- As a general rule, we instruct a wide-range of related parties, which includes employees and business partners, to work from home.
- Effective use of teleworking and staggered commuting and working environment to avoid the “three Cs” (Closed spaces, Crowded places and Close-contact settings).
- Group events organized by the Company are canceled, postponed, or held online.
- As a general rule, meetings are held online.
- As part of restricting out-of-office business, as a general rule, overseas travels are prohibited.
- Thorough implementation of wearing masks, cough etiquette, washing hand and gargling, and use of alcohol disinfectant. Distribution of masks to applicants.
- If an employee has a fever higher than the normal body temperature, he or she will stop coming to the office. If an employee has had close contact with an infected person, he or she will be prohibited from working for 14 days.
- If his or her cohabitant is suspected of being infected, he or she will stop coming to the office.

2. Awareness of business risks and threats (negative side) during the scourge of COVID-19

- Since October 2020, economic activities in Japan and abroad have gradually resumed, and the economy appeared to have bottomed out in line with “new lifestyle” and “new normalcy.” There has subsequently been prominent emergence of COVID-19 mutant strains, leading the number of infections to increase again. While impacts on the information service industry are considered to be limited, as a transition to economic activities using information technology is expected to continue accelerating, a major cause for concern is new measures by the national and local governments to restrict economic activities.
- The situation **in FY2021** is unpredictable following a declaration of a state of emergency reissued again for major cities in April and the experts' outlook for the infections settling down. It is possible that **multiple business risks occur at the same time or with a time lag as last year** and exert a significant impact on the CRESCO Group's business performance, etc.

- Risks related to changes in the business environment
 - Risks related to the reliance on certain customers
 - Risks related to alliances with business partners
 - Risks related to work and health
 - Risks related to infectious diseases
- etc.

- Impact related to the characteristics of the Group's business
 - Due to the nature of the CRESCO Group's business that is based on ongoing commercial relationship with its customers, the Group's sales tend to concentrate on a limited number of customers.
 - As the industries of major customers include those significantly impacted by COVID-19 (such as travel and public transportation-related industries and industries related to personal service involving close contact with people), there is a possibility of a downturn in new orders sometime in the fiscal year under review, in light of the delayed effect of IT investment on the economy.
- Limitations on face-to-face sales, and project cancellations, suspensions, postponements, etc. due to revisions of IT investment will affect business performance, etc.
- Temporary closures of business offices due to employees being on standby or becoming infected will affect the operation rate, productivity, etc.

3. Awareness of business opportunities (positive side)

- The CRESCO Group embarked on “CRESCO Group Ambition 2030,” a 10-year long-term vision, in April 2021 in a bid to ensure the “digital transformation” capturing business opportunities and achieve a further leap. The Group is also promoting business activities under the “Medium-Term Management Plan 2023 (FY2021 to FY2023),” aimed at realizing the said vision.
- **The outlook for FY2021 is improved** as expectations toward normalcy in the economy grows by the vaccination on broader populations. In addition, changes in the management environment that became definitive due to the prolonged scourge of COVID-19 are predicted to prompt the **further acceleration of the “digital transformation.”**
- There are diverse IT demands, including a transition to a cloud environment, elimination of personal contact through the use of computer systems and labor-saving, and automation through the use of AI and RPA, **providing business opportunities** to the CRESCO Group, which has wide areas of business including advanced technology.
- **Business opportunities will increase** if the CRESCO Group itself realizes innovation ensuring competitive advantages by steadily seizing reactionary moves in the wake of IT investment inhibition in FY2020 as well as diversifying and complicating needs caused by the “digital transformation.”
- The Group **recognizes the importance of putting “aggressive measures” into practice**, such as introducing telecommuting and remote working, utilizing the digital tools, optimizing space efficiency, all of which are tailored to the “new normal,” as well as promoting offshore and nearshore.
- Business risks are made up two perspectives, which are the negative side (uncertainties) and the positive side (opportunities). During the scourge of COVID-19, the Group will take preventive measures and countermeasures for the negative side and **practice active risk-taking on the positive side leading to sustainable growth and increased corporate value.**
- Based on the “with corona” and “post-corona” periods, we will strive to optimize our business portfolio and flexibly manage our organization, **maintain technological capabilities that can respond to market needs in a timely and appropriate manner, and work to create new innovative businesses.**

4. Forecast of consolidated financial results for the fiscal year ending March 31, 2022

- The impact of the scourge of COVID-19 on the Group's results is **“difficult to grasp precisely”**
- **The recognition of the current state of affairs and judgment on the basis of presently available and reasonable information.**

1. While the scourge of COVID-19 is unlikely to subside for the foreseeable future, there will be no significant impediment to business.

The scourge of COVID-19 is expected to be unlikely to subside for the foreseeable future, given the occurrence of mutant strains and a renewed increase in the number of new infections. However, the restriction of economic activities is considered to be weakened steadily with the wider population being vaccinated in Japan as well as other countries of the world. As online and face-to-face sales activities, remote development, and working at home have become common, there is no significant impediment to the Group's business.

The Company recognizes that it is necessary to work toward achieving business targets and create values by optimize the business portfolio of the entire CRESCO Group and actively providing IT services as core business and digital solutions that offer new values.

2. Business confidence is on an improving trend, despite variance by industry types and modes of business operation, and sales orders are also expected to improve.

Business confidence is on an improving trend, despite variance by industry types and modes of business operation, reflecting an expectation for the normalization of the economy with the spread of vaccination, and the momentum for IT investment has mostly recovered. As a result of an increase in demand for responding to the new normal brought about by the scourge of COVID-19, the focus has shifted to “digital transformation,” which realizes the creation of new business values, the reinforcement of competitiveness, and innovation, and such demand is expected to accelerate further. Travel-related and air transport-related IT investment, which was particularly affected by the scourge of COVID-19, is returning to a forward-looking, positive stance. In the fiscal year under review, the Company identified a severe decline in the earnings related to some customers of the CRESCO Group, and as a result of significant uncertainty emerging in terms of the sales orders to the CRESCO Group for the following fiscal year and afterward, it was inevitable for the Company to post an impairment loss primarily on goodwill arising from the acquisition of a consolidated subsidiary.

For the next fiscal year, the Company recognized that it is necessary to capture the diversifying and complicating needs by optimizing customer portfolios aligned with changes in the environment and securing the competitiveness of the CRESCO Group to realize innovation solidly receive sales orders.

2Q (cumulative)	FY3/2021				FY3/2022	
	Forecast	YoY	Actual	YoY	Forecast	YoY
	<Announced on May 8, 2020>				<Announced on May 10, 2021>	
Net sales	19,000	98.9%	19,203	99.9%	20,500	106.8%
Gross profit			3,255 (17.0%)	90.8%		
Operating profit	1,450 (7.6%)	84.0%	1,366 (7.1%)	79.2%	1,720 (8.4%)	125.8%
Ordinary profit	1,550 (8.2%)	81.7%	1,844 (9.6%)	97.3%	1,900 (9.3%)	103.0%
Profit	1,040 (5.5%)	91.3%	1,308 (6.8%)	114.9%	1,380 (6.7%)	105.5%
EPS ¥/share	49.55		62.34		65.65	

Full Year	FY3/2021				FY3/2022	
	Forecast	YoY	Actual	YoY	Forecast	YoY
	<Announced on May 8, 2020>				<Announced on May 10, 2021>	
Net sales	40,000	101.7%	39,706	100.9%	42,400	106.8%
Gross profit			7,199 (18.1%)	99.3%		
Operating profit	3,400 (8.5%)	95.6%	3,484 (8.8%)	98.0%	3,850 (9.1%)	110.5%
Ordinary profit	3,600 (9.0%)	97.0%	4,101 (10.3%)	110.5%	4,200 (9.9%)	102.4%
Profit	2,450 (6.1%)	101.2%	2,634 (6.6%)	108.8%	2,850 (6.7%)	108.2%
EPS ¥/share	116.67		125.43		135.58	

Note: Respective profit ratios shown in parentheses.

Shareholder return policy

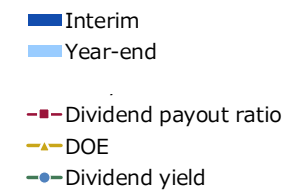
- ◆ CRESCO regards the matter of returning profits to shareholders as a key management issue, and has established a basic policy of enhancing shareholders' equity, maintaining consistent profitability over the long term, while **appropriately continuing to distribute profits backed by business.**
- ◆ As for dividends, in principle the Company aims to continually pay out about 30% of profit attributable to owners of parent for each fiscal year, which is calculated from consolidated ordinary profit and assuming extraordinary income and losses are zero.

	FY3/2019	FY3/2020	FY3/2021	FY3/2022	
	Actual	Actual	Actual	<Announced on May 10, 2021>	Change
Interim	32 yen	36 yen	18 yen	20 yen	2 yen
Year-end	34 yen	18 yen	20 yen	20 yen	0 yen
Full year	* 66 yen	54 yen	38 yen	40 yen	2 yen
Dividend payout ratio	31.6%	31.5%	30.3%	29.5%	-0.8%
Dividend yield	2.0%	2.5%	2.4%		
DOE	4.6%	4.8%	4.5%		
Total dividend payments	722 Millions of yen	750 Millions of yen	798 Millions of yen		

Note

Note

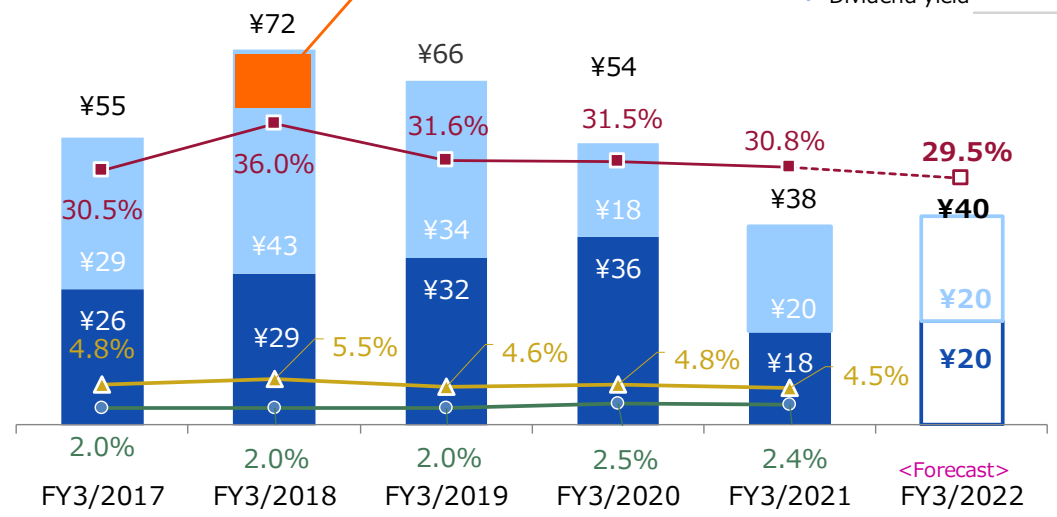
* The year-end dividend for the fiscal year ended March 31, 2018 includes a special dividend to commemorate the 30th anniversary of our founding.



Note

The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020.

- **The actual amounts of dividends before the share split** are shown for **the FY3/2017 interim dividend until the FY3/2020 interim dividend.**
- The total forecast for FY3/2020 is not shown in the table above because the implementation of the share split makes it impossible to perform a simple calculation.



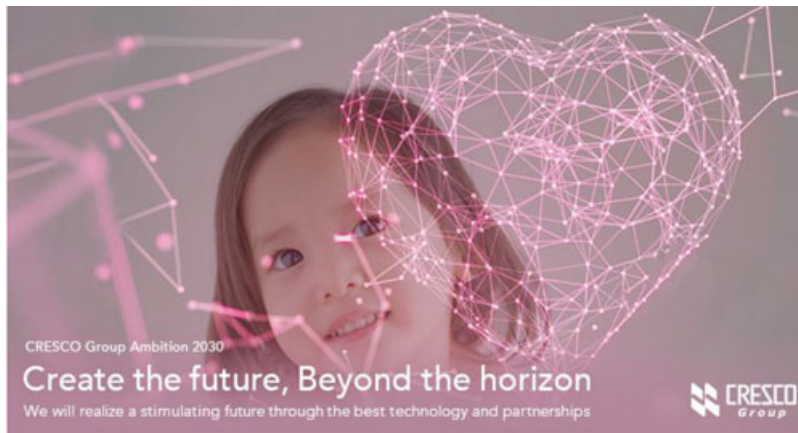
Management policies

[10-year Management Vision toward 2030]

CRESCO Group Ambition 2030

Create the future, Beyond the horizon

We will realize a stimulating future through the best technology and partnerships



[Operational Targets of the "Medium-Term Management Plan 2023"]

Consolidated net sales	Consolidated operating profit	ROE
50 billion yen	5 billion yen	15% or greater

Issues to be addressed

1. Acquiring new customers and strengthening relationships with customers
2. Expansion of digital solution business and research and development of new technology
3. Promotion of M&A and alliance and reinforcement of Group companies management
4. Expansion and improvement of hiring activities and the training environment
5. DX promotion and the realization of agile management
6. Promotion of health management
7. Promotion of work-style reform and the creation of a sound working environment
8. Enhancement of quality
9. Pursuit of productivity
10. Acquisition and maintenance of human resources engaged in development and the reinforcement of the development system
11. Initiatives to promote diversity
12. Strengthening corporate governance
13. Business portfolio optimization and flexible organizational management



3 Medium-Term Management Plan

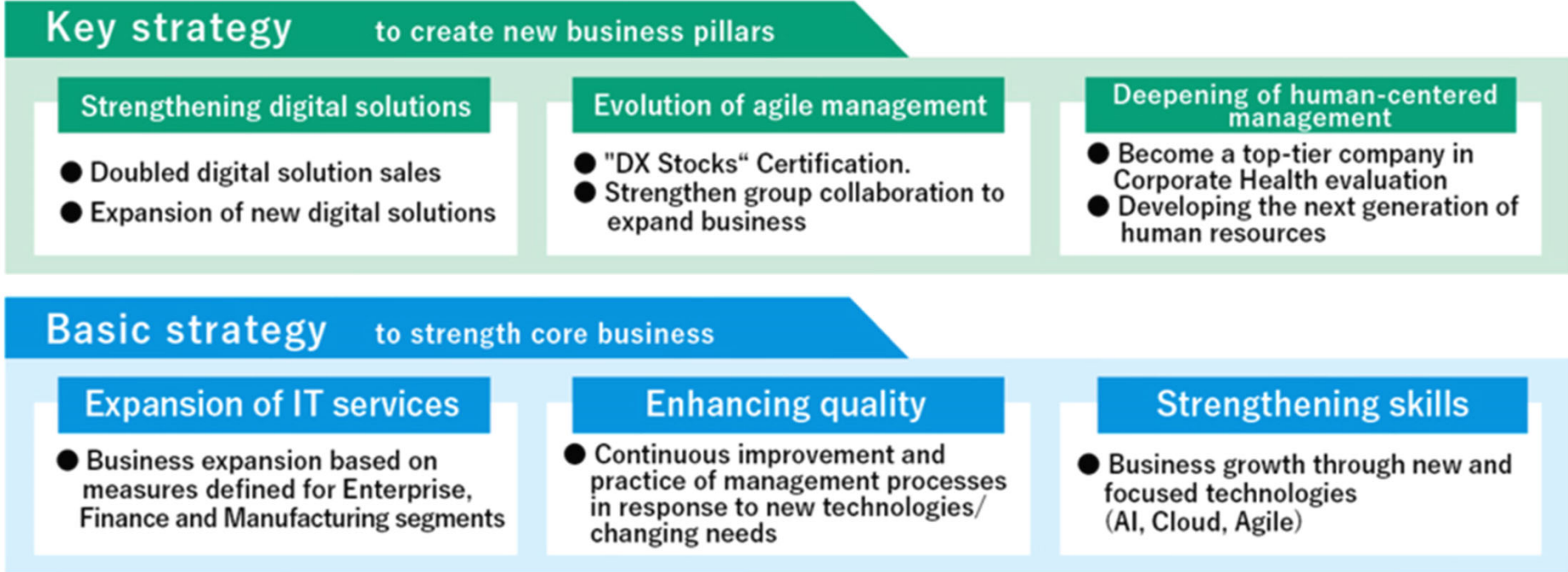


Extracted from disclosure materials

Key strategy and Basic strategy

To achieve the group's vision, "Medium-Term Management Plan 2023", a three-year medium-term corporate plan, has been developed for the period from 2021 to 2023.

Under the "Medium-Term Management Plan 2023", we will **strengthen the foundations of our business through three basic strategies** to promote our core businesses. We will also work on **three key strategies to create new business pillars**.



CRESCO perceives and pursues ESG as an "expectation from society to the company" that all companies should be mindful of CRESCO's views on ESG and the status of its initiatives: https://www.cresco.co.jp/ir/group_business/esg.html

Extracted from disclosure materials

The Challenge to 100 Billion Yen

CRESCO will take on a new challenge to become a company with sales of 100 billion yen through CRESCO Group Ambition 2030.

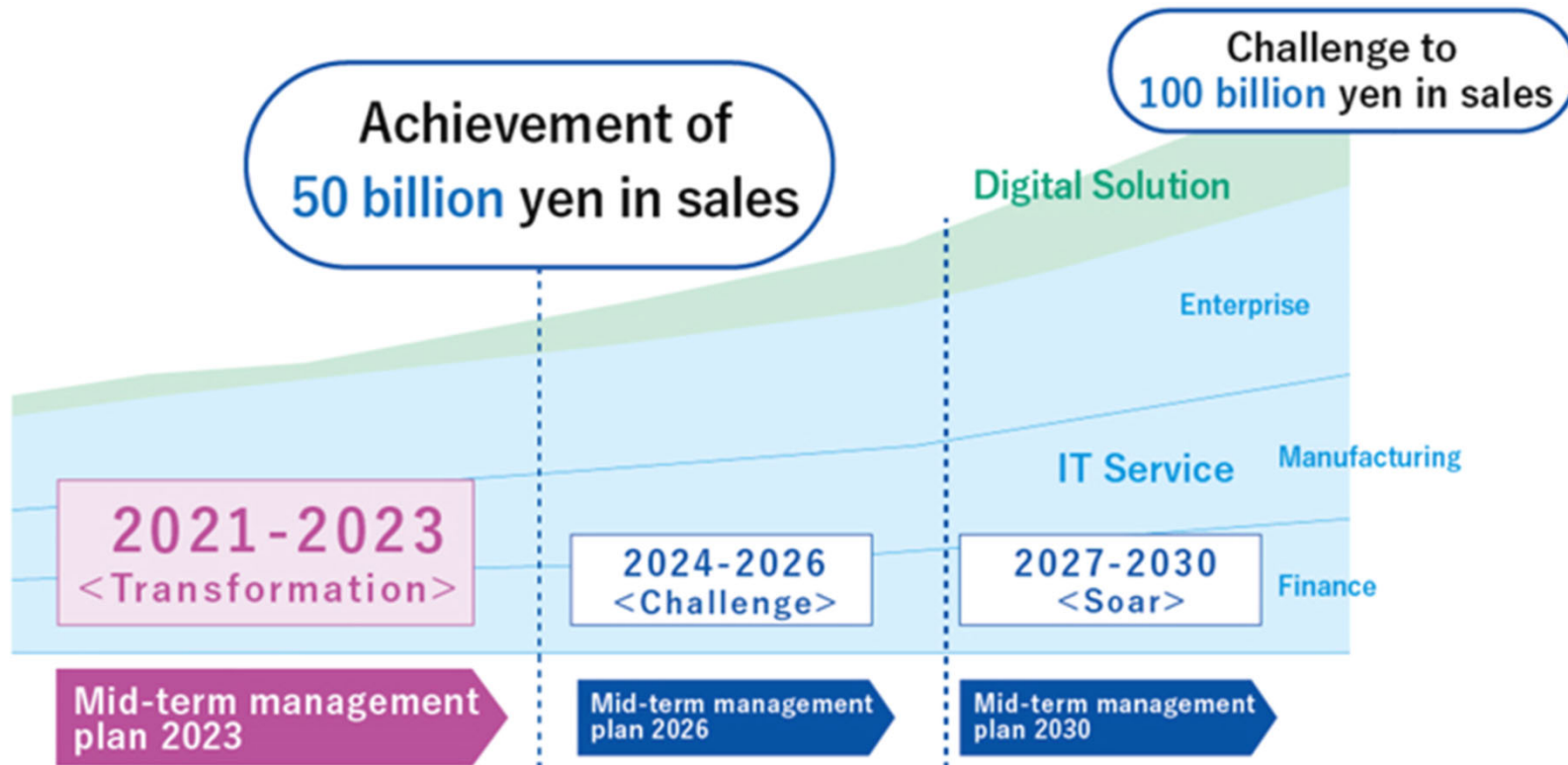
The challenge to 100 billion yen in sales



Extracted from disclosure materials

Steps toward 2030

We are aiming to achieve sales of 50 billion yen in “Midterm Plan 2023” in order to ultimately become a company with sales of 100 billion yen. The period of the medium-term management plan is defined as "transformation" until 2030, "Transformation" until 2026, and "leap" until 2030. We will drive our business growth strategy on four pillars: IT services (enterprise, financial, manufacturing) and digital solutions.



Extracted from disclosure materials

Key Business Achievement Indicator

Segment area		Key initiative	Target for FY2023 (FY2020 sales ratio)
IT Service	Enterprise	● Speedy response to market changes and new technologies to become a true partner	> 25% growth
	Finance	● Promote an approach to industry restructuring and channel diversification	> 14% growth
	Manufacturing	● Support our customers from product development to the provision of services	> 17% growth
Digital Solution		<ul style="list-style-type: none"> ● Expanding Digital solutions ● Strengthening marketing and branding 	> 200% growth

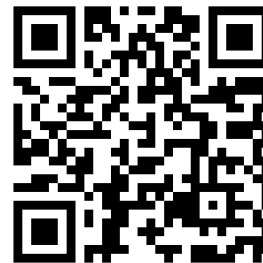
Extracted from disclosure materials

FY2023 Business Objective

Business Objective	FY2020 Achievement	FY2023 Goal
Consolidated operating profit	39.7 billion	> 50 billion
Consolidated Gross profit	3.5 billion	> 5 billion
ROE	14.8%	> over 15%



Details of the Management Vision
<https://www.cresco.co.jp/corpinfo/vision/>



Details of “Medium-Term Management Plan 2023”
https://www.cresco.co.jp/cresco_e/ir/plan.html





Overview of CRESCO LTD.



Profile

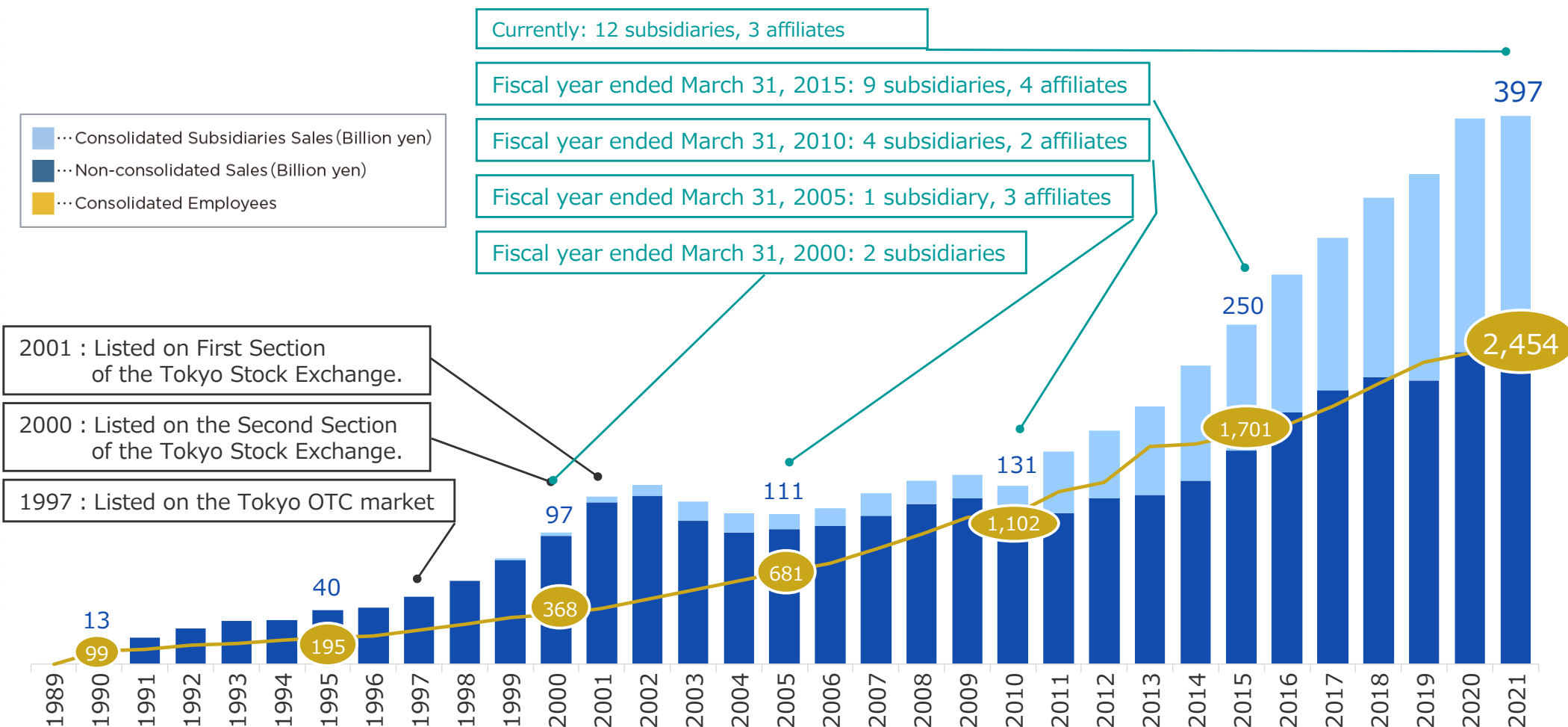
Established	April 1, 1988
Representative	Chairman : Toshio Iwasaki President : Hiroyuki Nemoto
Consolidated Number of employees [as of April 1, 2021]	2,454 Male : 1,885 Female : 569 Proportion of female employees : 23.2%
Traded on	Tokyo Stock Exchange (TSE) First Section
Securities code	4674
Listing date	Second Section of TSE : September 2000 First Section of TSE : September 2001
Business sector	Information & Communication
Market capitalization [as of April 1, 2021]	¥33,340 million



CRESCO was founded in 1988 through the merger of an IT infrastructure system construction company and a microcomputer system development company.

CRESCO is steadily growing, living up to its company name, which means to “grow” in Latin.

Especially in recent years, while working to eradicate unprofitable projects and improve profitability, we are actively conducting M&A for growth and we are expanding our business, becoming a customer-focused (BtoB) independent IT solution vendor in various regions of Japan.



- We are proposing services suited to the changes in IT platforms.
- Technology Laboratory handles advanced technologies with sights fixed firmly on several years in the future.

CRESCO's step-by-step progress

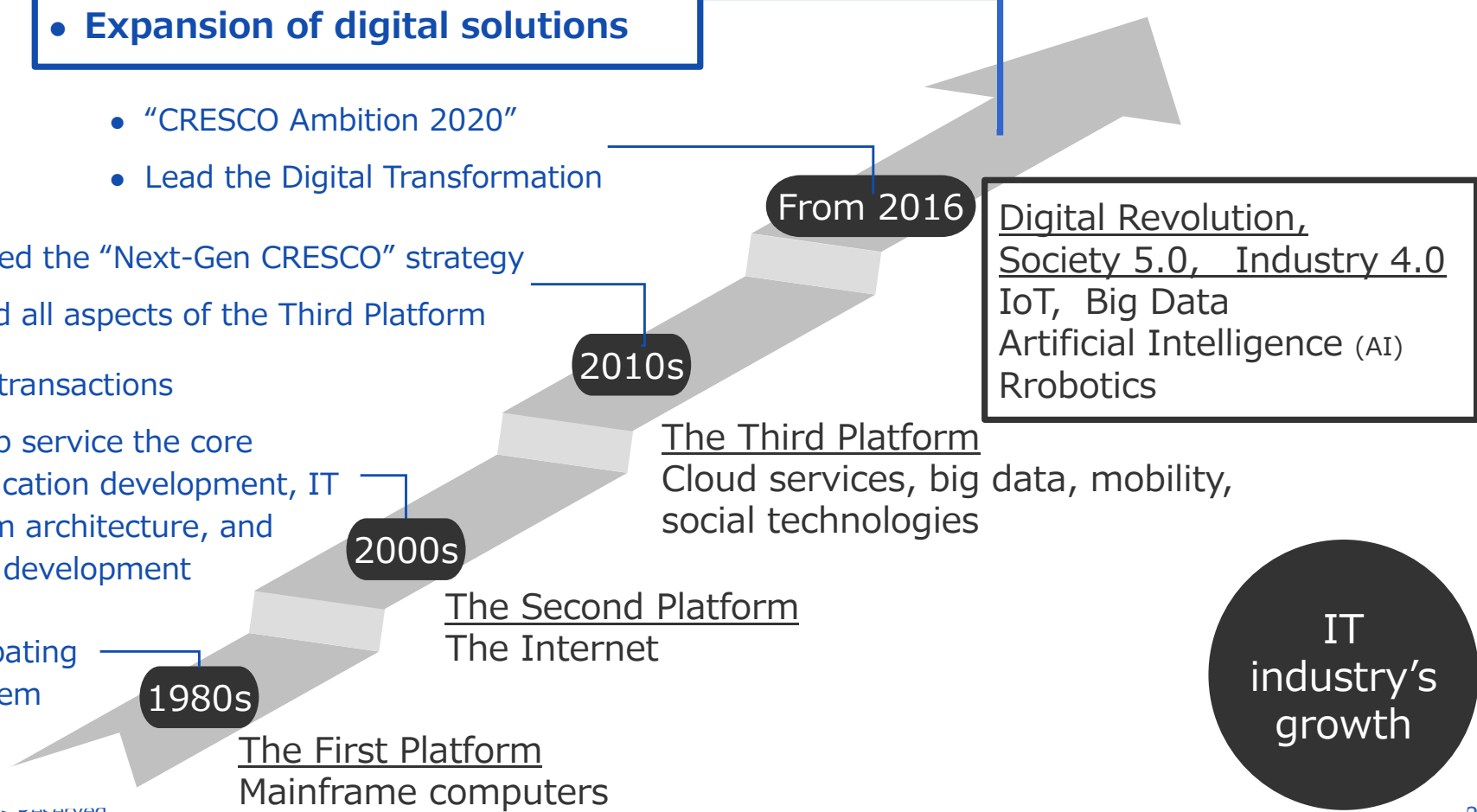
• "CRESCO Group Ambition 2030"
 • Expansion of digital solutions

- "CRESCO Ambition 2020"
- Lead the Digital Transformation

- Promoted the "Next-Gen CRESCO" strategy
- Covered all aspects of the Third Platform

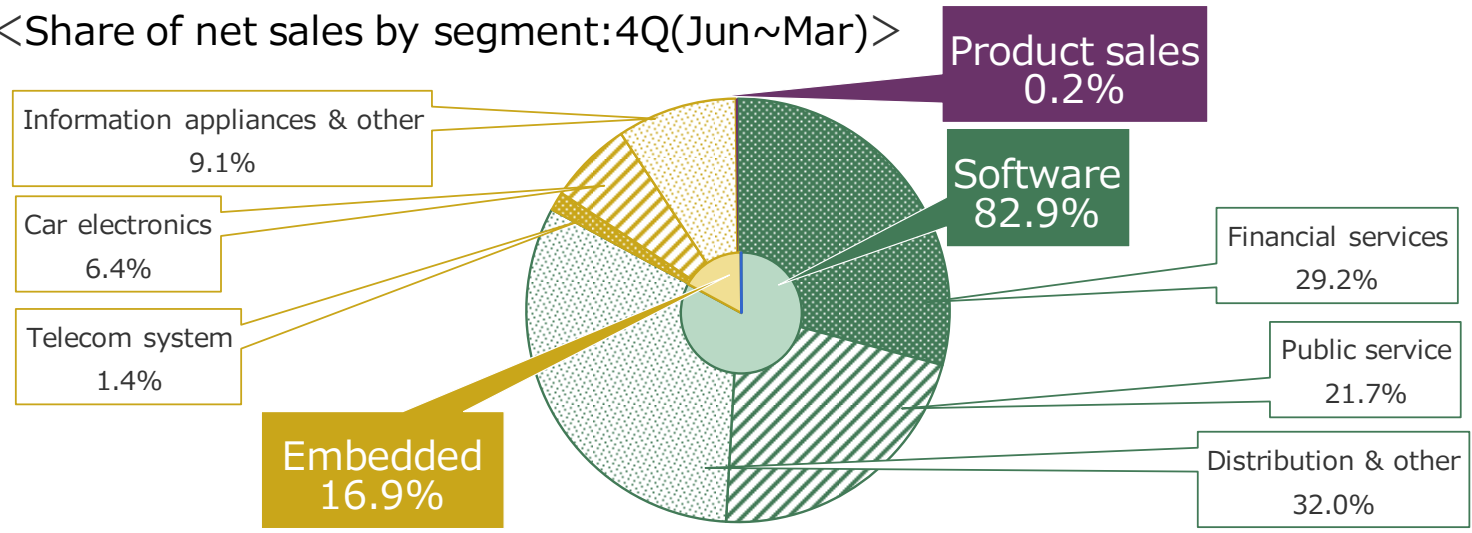
- Expanded end-user transactions
- Provided as one-stop service the core technologies of application development, IT infrastructure system architecture, and embedded software development

- Founded in 1988 anticipating trend toward open-system platforms



IT industry's growth

<Share of net sales by segment:4Q(Jun~Mar)>



Segment	Business	Area
Software development	<ul style="list-style-type: none"> •Business application development •IT infrastructure system architecture •Original products and services 	<ul style="list-style-type: none"> •Financial services (Banking, insurance, payment card, securities, etc.) •Public service (Travel, human resources, airline, railway, electric power, broadcast, medical, etc.) •Distribution & other (Transport, retail, etc.)
Embedded software development	<ul style="list-style-type: none"> •Embedded software development 	<ul style="list-style-type: none"> •Telecom system (Mobile devices, etc.) •Car electronics (Digital meters, center displays, etc.) •Information appliances Other (Digital home appliances, medical equipment, control systems, etc.)
Product sales	<ul style="list-style-type: none"> •Product sales of a subsidiary "CRESCO Wireless, Inc." 	

Information system for banks



Online reservation for travel



Human resource matching



Package tracking for delivery, devices for drivers



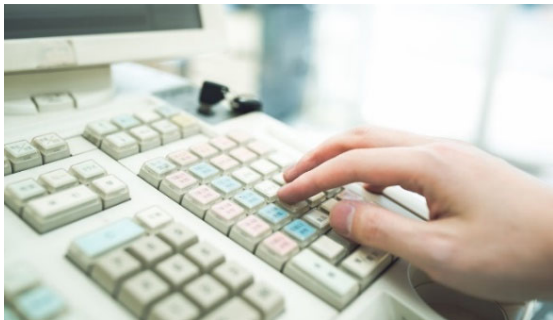
Seat reservation for airplanes



Seat reservation for movie theaters



POS system for mass retailers



Music distribution



Devices for convenience stores



Smartphone camera



Center display, meter display for automobiles



TV



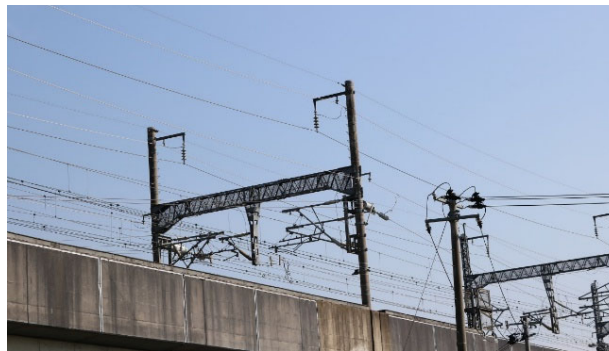
Endoscope



Video camera



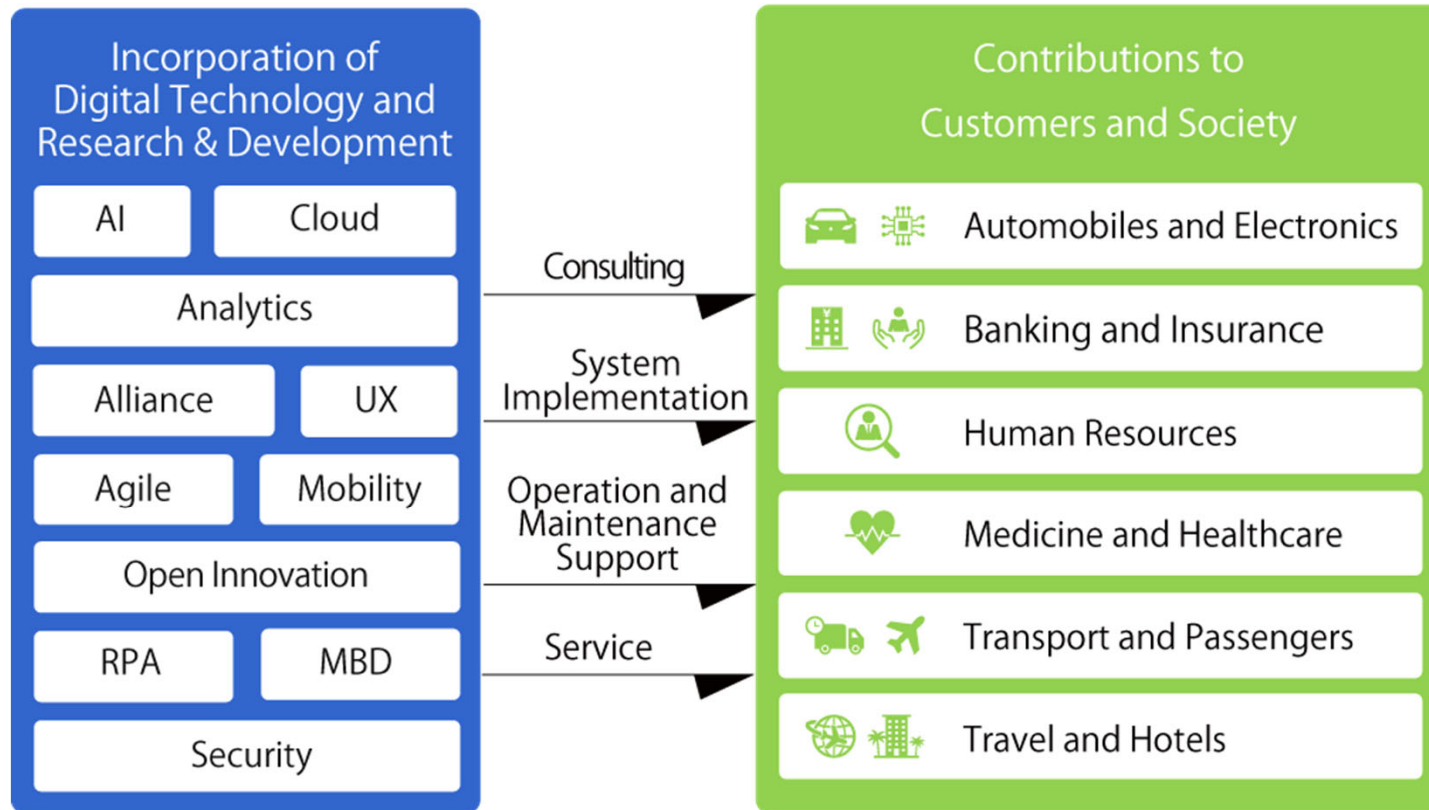
Electric power control for railway



AI speaker



Based on the IT development technology cultivated since its founding and high-quality service, the CRESCO Group is working on new technologies centered on AI and cloud services while actively pursuing alliances and open innovation and leading the digital transformation (DX).



Intelligent Folder

- Commencement of service: 2011
- High security file sharing service that can handle unlimited users and three languages



Intelligent Folder

Intelligent Folder Express

- Commencement of service: 2014
- Support for increasing the speed of file transfers



Intelligent Folder *Express* →

Creage

- Commencement of service: 2012
- Service to provide know-how regarding utilization of the cloud
 - Consulting: Proposal for efficiently utilizing the cloud
 - Integration: Development of the cloud environment
 - Managed: Operation of the cloud environment



Cresco Cloud Service
Creage

- 2020/05/15
Started providing the "Creage SIEM+" log analytics visualization service
- 2019/11/05
Acquired "AWS Well-Architected Partner Program Qualification"
- 2018/01/18
Acquired "AWS Well-Architected Partner Program Qualification"

2015

- Participated in full-scale artificial intelligence project for the first time
- Selected as an initial “IBM Watson®” ecosystem partner

2016

- First artificial intelligence project that we participated in went live
- Technology Laboratory commenced image processing research utilizing Deep Learning

2017

- Announcement of Minervae series “Minervae PoCKET” , “Minervae ViBOT” , “Minervae SCOPE”
- Used sensory information for manufacturers to begin development support for autonomous driving technology



2018

- Began artificial intelligence seminar
- Expanded development system for artificial intelligence related technology for home appliance manufacturers

2019

- Recognition engine developed by the Company utilized for NIDEK CO., LTD.'s “Image Filing Software NAVIS(R)-EX”
- Began artificial intelligence education for engineers within the Company

2020

- Developed the “automated hotel room allocation system” using mathematical optimization
- Certification of the Company’s employee as “UiPath Japan MVP 2020”
- Started UiPath license sales as well as RPA implementation consulting and educational training in earnest

Became a member of the “ifLink Open Community” and actively participated in member activities

- “ifLink Open Community” is a community that aims to be an open joint development IoT service that puts the users first.
- Its vision is to realize a world “where users can create value for themselves by freely combining modules” and “where participants enjoy broader business opportunities.”
- The “ifLink Open Community” was established in 2019 with Toshiba Corporation and TOSHIBA DIGITAL SOLUTIONS CORPORATION as core members.
- In March 2020, the “ifLink Open Community” (<https://iflink.jp/>) was incorporated as a general incorporated association.

[Business description]

ifLink, which is software comprised of functions for linking devices and services together, creates and provides new value to society. The “ifLink Open Community” enables people belonging to various companies and organizations to cross boundaries between them and openly communicate and exchange ideas in order to create a place for co-creation of user-first IoT services and spread the use of ifLink.

■ ifLink

An IoT platform developed by TDSL. Using IF-THEN model settings similar to “IF the door is opened, THEN the light turns on,” users will be able to freely operate devices that are connected to their smartphones. Programming won’t be necessary and users without IT expertise will be able to utilize it.

■ ifLink Open Community

Activities, such as a “Co-creation Community,” where people can utilize ifLink, and users and members can conceive of convenient ways to use ifLink and other ideas originating from the user, and a “Development Community,” where members can mutually collaborate on various IoT devices, web services, applications, etc., add more connectible modules, and quickly develop trial products, are planned. Members aim for creation of an IoT service where users’ ideas are made into reality as well as the realization of making this into a business at an early stage, through test environments for verification and networks between companies.

- We established the **“Technology Laboratory”** in April 2012 in order to turn advanced technology into a business.
- We are researching and developing technologies that **may become trends in a few years in anticipation of the changing market and changing technologies.**
- We are promoting “joint research” with customers and “industry-academia collaboration” with research organizations such as universities, etc.

Results of the Technology Laboratory

- Cloud Service “Creage”
- Tool for automatically creating test specifications
- Increase scalability of IoT by adding the fog layer
- Control data granularity using physical distance
- Research to realize dialog agent
- Support in diagnosing ocular diseases using OCT images and machine learning



Download compilation
of results



Delivery of information

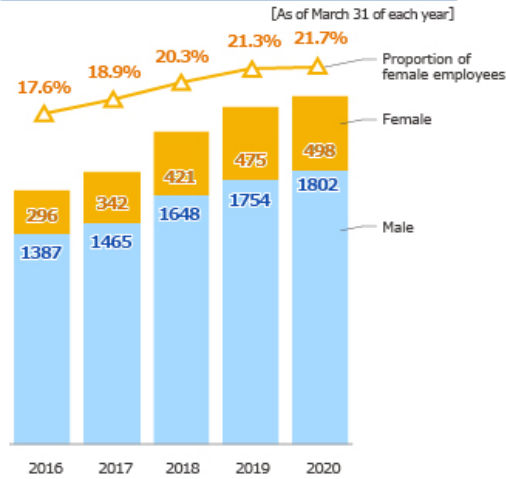
Engineers' Blog

Technology blog
by CRESCO engineers



(Unit: Persons)

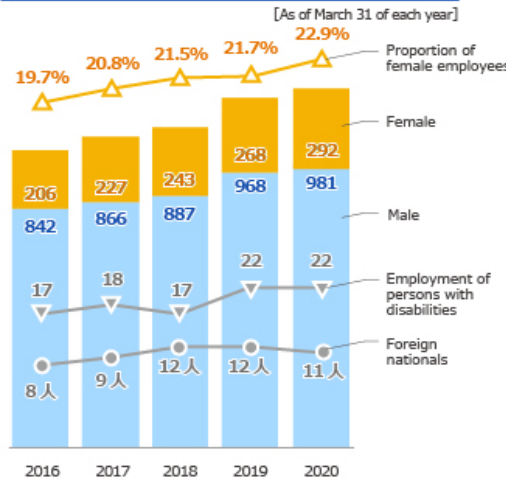
[Consolidated] Employee breakdown



< The industry average in FY2019 (according to JISA data) >
Proportion of female employees: 21.8%

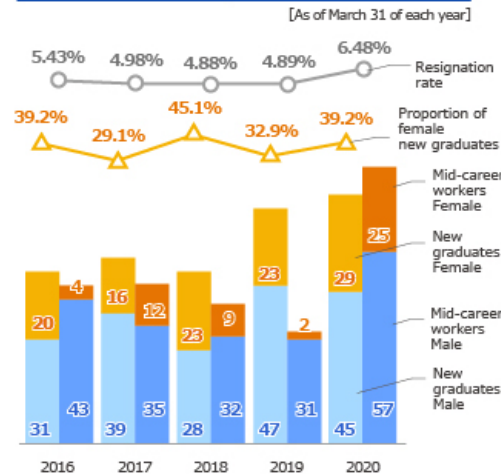
Non-consolidated

Employee breakdown



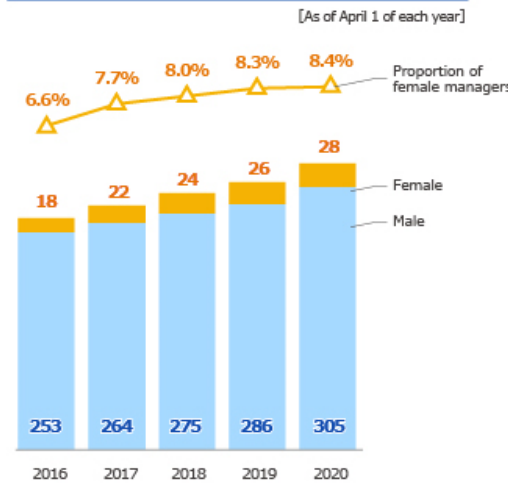
< The industry average in FY2019 (according to JISA data) >
Proportion of female employees: 21.8%

New employee breakdown and resignation rate



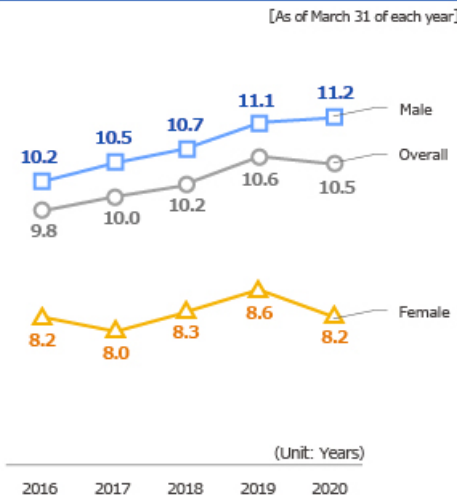
< The industry average in FY2019 (according to JISA data) >
Proportion of female new graduates: 34.5%

Manager breakdown

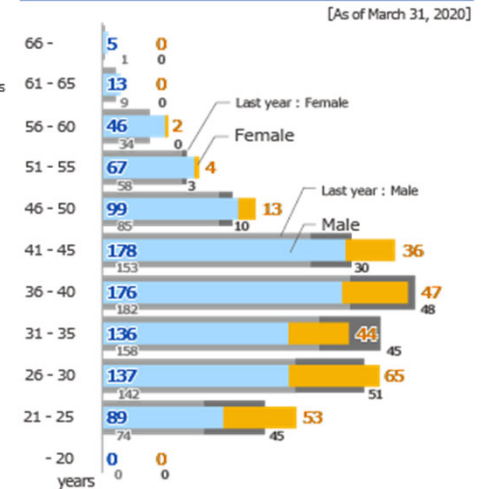


< The industry average in FY2019 (according to JISA data) >
Proportion of female managers: 6.2%

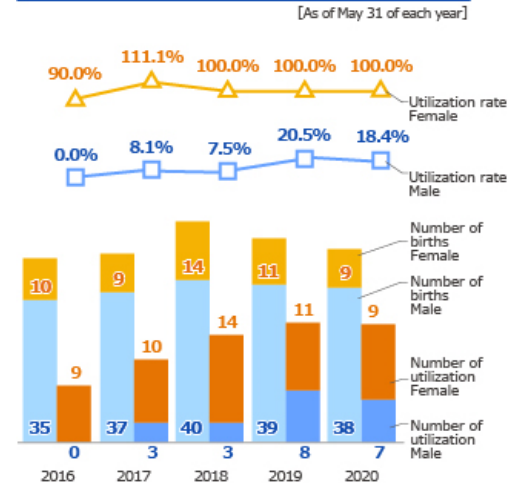
Average service years



Employee breakdown by age



Taking the childcare leave



Business indicators and shareholder return

	FY3/2016		FY3/2017		FY3/2018		FY3/2019		FY3/2020	
	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end
ROA	9.0%	10.2%	11.1%	9.8%	8.9%	9.2%	9.0%	9.3%	9.5%	9.2%
ROE	13.9%	15.7%	17.3%	15.2%	13.9%	14.6%	14.7%	15.0%	15.1%	14.8%
Ordinary profit on total assets	13.4%	15.4%	16.2%	15.6%	14.3%	14.8%	14.9%	14.2%	13.3%	14.4%
Ordinary profit on net sales	8.7%	10.0%	10.4%	10.5%	10.1%	10.4%	9.9%	9.4%	9.6%	10.3%
Operating profit on net sales	7.7%	8.8%	9.0%	9.3%	8.2%	9.1%	9.0%	9.0%	7.1%	8.8%
Turnover of total capital used (Times)	–	1.5	–	1.5	–	1.4	–	1.5	–	1.4
Financial leverage (Times)	–	2.9	–	2.8	–	2.8	–	3.0	–	2.8
Current ratio	–	54.7%	–	57.9%	–	56.3%	–	53.3%	–	52.7%
Fixed assets ratio	–	49.5%	–	59.8%	–	57.2%	–	65.4%	–	55.7%
Leverage ratio	–	66.9%	–	62.5%	–	63.6%	–	60.4%	–	64.2%
Equity ratio	–	149.5%	–	154.9%	–	158.5%	–	161.4%	–	160.1%
Debt-to-equity ratio	–	1.5%	–	9.0%	–	6.1%	–	15.8%	–	9.8%
Interest coverage ratio (Times)	–	2537.7	–	851.7	–	796.4	–	723.7	–	612.4
Cash flows from operating activities (Millions of yen)	(40)	1,144	960	2,174	351	1,824	1,690	3,693	1,300	3,155
Cash flows from investing activities (Millions of yen)	(381)	(505)	(482)	(179)	(466)	(1,238)	(742)	2	(181)	(47)
Cash flows from financing activities (Millions of yen)	(273)	(604)	(866)	(606)	(683)	(1,278)	(374)	(511)	(755)	(1,479)
Free cash flow (Millions of yen)	(422)	638	477	1,995	(115)	586	948	3,695	1,118	3,108
EPS (Yen)	38.32	90.14	51.72	100.13	49.20	104.46	52.74	114.30	62.34	125.43
PER (Times)	–	15.4	–	17.8	–	15.9	–	12.5	–	12.9
DOE		4.8%		5.5%		4.6%		4.8%		4.5%

Risk of Businesses

[As of May 10, 2021]

1. Risks related to changes in the business environment

The Group endeavors to respond flexibly to changes in the business environment by researching the market trend and expanding areas of business and customer groups. However, there is a growing tendency that demand for IT investment is significantly affected by IT strategies promoted and encouraged by the Japanese government as well as structural and other changes including the aging and decreasing population, in addition to domestic and international situations, economic conditions, business sentiment, etc.

Consequently, a slowdown in the economy and its deterioration can inhibit IT investment by customers to cause a decline in orders received, which can in turn adversely affect the operating results of the Group.

2. Quality risks in development projects

The Group practices project management based on a standardized method, trying to ensure management of all development processes including estimation, initiation, planning, execution, etc. and prevent the occurrence of delivery delays, additional costs, liability for damages, etc.

It is possible, however, that an unexpected discrepancy in the understanding of specifications or the occurrence of quality troubles at the development stage of a project causes the incurrence of additional costs, making the project less profitable or unprofitable.

In addition, although the Group monitors the progress of a project as it proceeds and endeavors to observe the contractual delivery date strictly, it is difficult for the Group to preclude uncertainty including external factors completely.

If the Group has failed to complete or deliver the work by the date agreed with the customer, it would be subject to delay penalties, and if the Group ultimately fails to complete or deliver the work, it would incur a liability for damages. In such cases, the operating results of the Group can be adversely affected.

3. Quality risks in software or services delivered

The Group guarantees the quality of software and/or services delivered (hereinafter referred to as "Deliverables").

Quality troubles, however, can occur with Deliverables of the Group, and the incurrence of additional costs, liability for damages, etc. due to troubleshooting can adversely affect the operating results of the Group.

Although the Group rigorously controls the quality of Deliverables, in addition to the possibility of incurring liability for damages due to the occurrence of bugs and other problems, it is possible to incur an unexpected claim for damages if Deliverables are to be embedded in products of the recipient.

While the Group takes care not to infringe rights of other companies in acquiring and protecting intellectual property, it is possible that the Group is claimed for damages or consideration or equivalent for the use of intellectual property if it infringes any intellectual property right of another company without awareness, which can in turn adversely affect the operating results of the Group.

[As of May 10, 2021]

4. Risks in generating a new business

In the business environment surrounding the Group, a rapid progress takes place not only in economy but also technological innovation. Accordingly, industry standards, user and social needs are also changing rapidly.

The Group is endeavoring to generate innovative new businesses (services and products) in order to respond such changes in an agile way and ensure its competitive advantage.

It is difficult, however, to analyze the trend of the market and predict future demand appropriately given drastic changes in the trend in technology. If R&D and development management by the Group fail to work effectively, the Group cannot provide a new business in a timely manner. In that event, the emergence of a competitor which provides a revolutionary service or product, delay in the Group's response to new technologies, opportunity loss, etc. can adversely affect the operating results of the Group.

5. Risks related to information security

In the course of its business, the Group handles various confidential information (business information, customer information, personal information, etc.) and is required to address information security cautiously and ensure strict information management. The Group has developed various policies together with related internal regulations as well as strove for preventing an information security accident and reinforcing responsiveness to the detection of an incident and the occurrence of an accident by introducing the latest information security system and reinforcing the Group's information security management system.

Furthermore, employees and contractors, upon signing agreements, are regularly provided with appropriate training and subjected to a compliance check, which covering information security as well, in order to raise their awareness about information management and prevent any information leakage from within.

In addition, support for the Act on the Protection of Personal Information has been strengthened by making an effort to obtain Privacy Mark certification and ISMS, and, at the same time, an effort towards safety control has been made by clarifying the hierarchy of responsibilities, in accordance with the Personal Information Protection Management System (PMS).

If, however, a leakage of personal information or confidential information should occur due to a cyberattack or information security accident, criminal act, etc. despite these measures, the operating results of the Group can be adversely affected due to the incurrance of liability for damages, a loss of social credibility, etc.

[As of May 10, 2021]

6. Risks related to the reliance on certain customers

Although the Group formulated business plans based on transactions with a wide range of customers, due to the nature of its business that is based on ongoing commercial relationship with its customers, the Group's sales tend to concentrate on a limited number of customers.

The relationships with these customers have been stable since the commencement of transactions. A change in their business and/or outsourcing policies, however, can adversely affect the operating results of the Group.

7. Risks related to securing and developing human resources and employee resignations

Amid the persistent labor shortage, it is inevitable that employee turnover will increase.

Based on the assumption that "difficulty in recruitment will continue and employee turnover will increase going forward," the Group endeavors to make it more attractive and improve its work environment further for steadily securing and retaining human resources.

If, despite such efforts and measures, the Group fails to secure or develop such human resources as planned and if employee resignations increase, the operating results of the Group can be adversely affected.

8. Risks related to alliances with business partners

In the course of business operations, the Group has established alliances with contractors, including overseas contractors. While the Group has implemented measures such as providing project information and holding business partner forums in order to strengthen the alliances with business partners, the Group's inability to secure business partners in a timely and appropriate manner, or any changes with regard to such relationships can adversely affect operating results of the Group due to reasons including the hindrance of the launch and/or execution of a project and/or the provision of services.

[As of May 10, 2021]

9. Risks related to work and health

In light of the Japanese government's policy on "work style reform" and the trend of relevant legal institutional changes, the Group has positively worked on personnel management and work environment development not only through appropriate institutional design but also through working hour management, encouragement to take a paid leave, anti-harassment measures, and promotion of mental and physical health of employees.

However, the persistent labor shortage, combined with the structure of system development, system failure at a customer's location, responses to a delay in project development, etc., in addition to services or products offered by the Group, may cause stress-related health problems and/or a decline in productivity due to the loss of project members, which can in turn adversely affect the operating results of the Group.

10. Risks related to compliance

Led by the Internal Control Committee of the Company, the Group is working to improve corporate ethics by establishing the "Basic Policy on the Establishment of the Internal Control System" and the "Code of Conduct for Compliance Management" as the shared norm and endeavors to develop a fair and just corporate culture by ensuring the strict compliance with laws, regulations, and internal regulations, etc. by each and every officer and employee of the Group.

It is possible, however, that a violation of a relevant law or regulation or a wrongful act by an officer or employee cannot be completely avoided even if such measures are taken.

Should such an event occurs, social credibility of the Group declines, which can adversely affect the operating results of the Group due to the suspension of transactions with customers or a large amount of administrative monetary penalty, a claim for damages, etc.

11. Risks related to litigation, etc.

Lawsuits may be brought against the Group with regard to its business activities, liabilities pertaining to services or products offered by the Group, labor issues, etc. Depending on the development of such lawsuits, the Group may be subject to liabilities for damages and loss of credibility. In such cases, the operating results of the Group can be adversely affected.

While the Group is reinforcing awareness efforts and the internal management system so that no service or product offered by the Group may infringe any intellectual property rights of any third party, it is possible that a third party already possesses intellectual property rights which is beyond the Group's knowledge.

In that case, the Group can be subject to a suit or claim for the reason of infringement, forcing the Group to bear the damage or to acquire or develop alternative technology, which can adversely affect the operating results of the Group.

- Material lawsuit, etc.

A suit was filed against Cresco Wireless, Inc., a consolidated subsidiary of the Company, in the fiscal year under review.

* For details, refer to the Annual Securities Report, "V. Financial Information, 1. Consolidated Financial Statements, (2) Others."

[As of May 10, 2021]

12. Risks related to financial markets

The valuation of the securities and other financial instruments held by the Group is dependent on trends in the domestic and overseas economies as well as stock markets and other financial markets. As such, we regard this as an important risk concerning fund management and other business investments.

While the Group works to minimize risk by grasping fair values of securities, etc. in appropriate timing, it is difficult to avoid risk completely; if an unavoidable market crash occurs, a significant decline in asset value may occur and can impact the operating results, etc. of the Group.

If the price of financial instruments held by the Group should fall, the Group may incur a significant loss.

In addition, a future revision in systems, standards, etc., concerning the accounting treatment of fair value of financial instruments can adversely affect the operating results of the Group.

13. Risks related to natural disasters, etc.

The Group is endeavoring to take actions for a BCP tailored to the mode of business and actual situations of the Group and introduce a teleworking system in order to fulfill its security obligation owed to stakeholders and respond promptly to emergencies on the assumption of the materialization of external threats, including natural disasters such as earthquakes, storms or floods, accidents such as fires, the closure of business establishments due to a large-scale system failure or other incidents, physical or cyber terrorism, etc.

However, a disruption to business continuity or decline in productivity may occur due to considerations for securing offices and places of business, securing workforce and ensuring safety and hygiene, etc., which can adversely affect the operating results of the Group.

Besides the damage, destruction and/or disruption of social infrastructure and a failure of central functions, if significant damage occurs to customers, suppliers or supply chains, order reception and supply may stagnate for a long period of time in the course of reconstruction and recovery, which can adversely affect the operating results of the Group.

[As of May 10, 2021]

14. Risks related to infectious diseases

Assuming the manifestation of threats including a pandemic, cluster occurrence, overshoot and lockdown due to the spread of infectious disease, the Group enacted the Basic Policy for the Action Plan Against Novel Influenza and Basic Measure Against COVID-19 in order to respond promptly to emergencies, thereby fulfilling its security obligation of avoiding the exposure of stakeholders to infection risk and also endeavors to take actions for a BCP tailored to the operation of business and actual situations of the Group and to introduce and build a teleworking system.

However, a disruption to business continuity or decline in productivity may occur due to the nature of the business, the closure of offices and places of business, a request for working from home and teleworking, the restriction of movement, the avoidance of three Cs (closed spaces, crowded spaces, and close-contact settings), the prohibition of nonessential and non-urgent outings, etc., which can adversely affect the operating results of the Group. If damage occurs to customers, suppliers or supply chains, the receipt of sales orders and supply may stagnate for a long period of time throughout the course of infections abating, resulting in imposing an adverse impact on the operating results of the Group.

15. Risks related to investment including M&A and capital and business alliance

The Group promotes active M&A and capital and business alliances for the purpose of expanding the scale and areas of business and reinforcing the profit bases in the software development business, which is the main line of business, advanced technology (AI, cloud computing, etc.) related business and new business areas.

Investment is executed upon conducting detailed due diligence under cooperation with external experts and, at the same time, sufficiently examining investment effect, risk, etc. in advance at the Board of Directors, etc.

Profit initially expected, however, may not be obtained due to changes in the business environment and other factors, resulting in a decreased possibility of recovering investment.

If the possibility of recovering investment decreases, business reorganization or similar measures may be implemented in order to streamline management and strengthen the business base, in which case costs entailed by reorganization can be incurred temporarily, adversely affecting the operating results of the Group.

Sometimes, business reorganization or similar measures cannot be implemented in an appropriate period and method, in which case the whole or a part of investment can become a loss or additional investment can be required, etc., adversely affecting the operating results of the Group.

"In addition, if goodwill fails to generate sufficient future cash flow, it will be necessary to recognize impairment loss, which may cause a large amount of impairment loss to adversely affect the operating results of the Group."

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- ❖ Although CRESCO takes considerable care with respect to the content of this material, it does not bear any responsibility with regard to problems caused by information errors.
- ❖ The information is provided as reference to assist in investment decisions, and its purpose is not to solicit investment. CRESCO requests that users use their own judgment when making decisions on investment.
- ❖ Information relating to future predictions and forecasted values such as financial forecasts on this material have been written based on judgments and assumptions on information presently available that is considered reasonable.
- ❖ Changes in risks and uncertain elements, and changes in the economic situation may force CRESCO to change the information without notice or make the actual financial and other results differ significantly. The content of this material then could differ from future outcome. Please consider this when making investment decisions.

【IR inquiries】

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