



JPX-NIKKEI Mid Small

2017-2020

TSE First Section

Securities Code :4674

Summary of Quarterly Financial Results Press Conference for the Three Months Ended June 30, 2021

August 6, 2021

CRESCO LTD.

The background features a blue gradient on the left side, transitioning from dark blue to light blue. Overlaid on this is a network of white dots connected by thin white lines, forming a complex web-like structure. A large, bright yellow circle is partially visible on the right side of the blue gradient.

1 Results main points

- Although the novel coronavirus disease (COVID-19) crisis is still difficult to contain, customers' IT investment plans are recovering steadily.
- Orders received improved particularly from major customers. There are no concerns of cancellations/suspensions/postponements of existing and new projects.
- Net sales increased by 5.0%, operating profit, ordinary profit, and profit all increased.
- Operating profit on net sales significantly improved to 8.1% (4.5% in the same period of the previous fiscal year).

■ **Net sales:** Increased 466 million yen (up 5.0% year on year).
■ **Ordinary profit:** Increased 35 million yen (up 4.2% year on year).

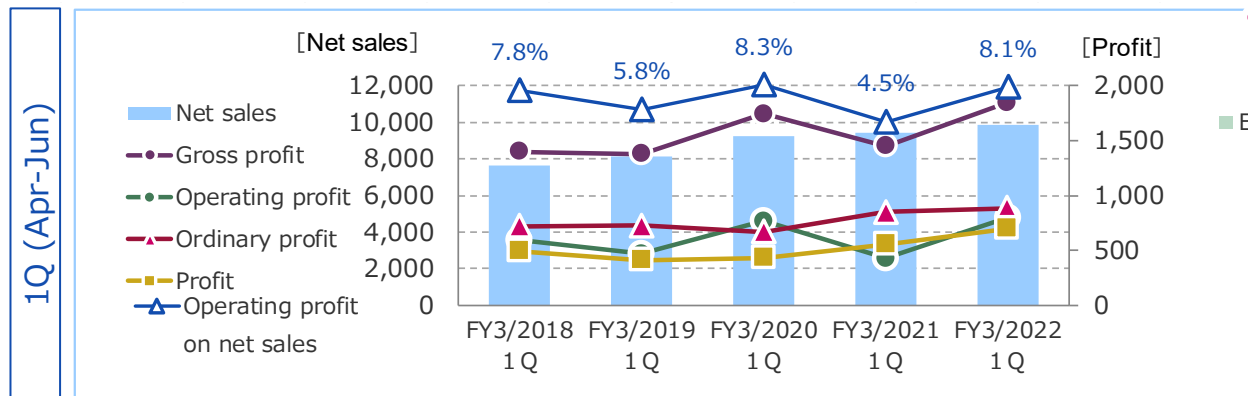
■ **Operating profit:** Increased 373 million yen (up 87.4% year on year)
■ **Profit:** Increased 147 million yen (up 26.5% year on year).

1Q/cumulative	FY3/2020		FY3/2021		FY3/2022		YoY	Half-year progress
	Net sales	9,245	9,404	9,870	105.0%	48.1%		
Gross profit	1,743 (18.9%)	1,451 (15.4%)	1,849 (18.7%)	127.4%				
Operating profit	770 (8.3%)	426 (4.5%)	799 (8.1%)	187.4%	46.5%			
Ordinary profit	670 (7.2%)	847 (9.0%)	883 (9.0%)	104.2%	46.5%			
Profit	433 (4.7%)	555 (5.9%)	702 (7.1%)	126.5%	50.9%			
EPS ¥/Share	19.80	26.45	33.43					

Note

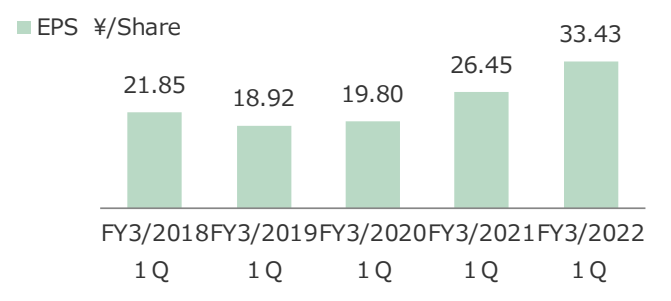
Half year	FY3/2022 <Announced on May 10, 2021>		YoY
		20,500	106.8%
	1,720 (8.4%)	125.8%	
	1,900 (9.3%)	103.0%	
	1,380 (6.7%)	105.5%	
	65.65		

(Unit: Amounts less than 1 million yen omitted)



1Q (Apr-Jun)

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 FY3/2018.

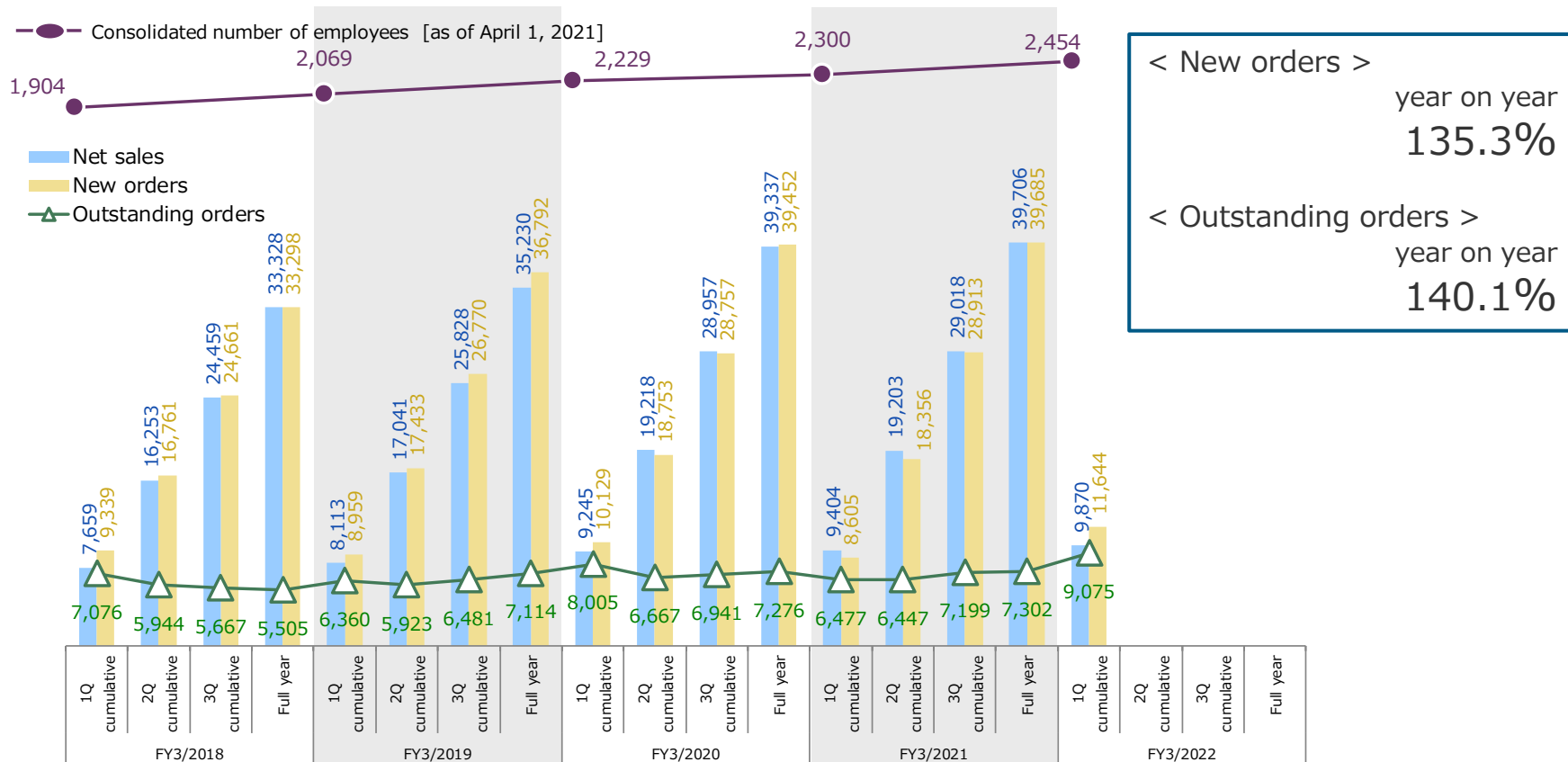


Note: Respective profit ratios shown in parentheses.
Note: "Profit" is "Profit attributable to owners of parent."

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

(Unit: Amounts less than 1 million yen omitted)

- Orders and order backlogs recovered steadily, mainly from major customers, despite the continuing COVID-19 crisis.
- Orders were boosted by the reaction to the curb on IT investment in FY2020 and the implementation of digital transformation (DX) by companies.

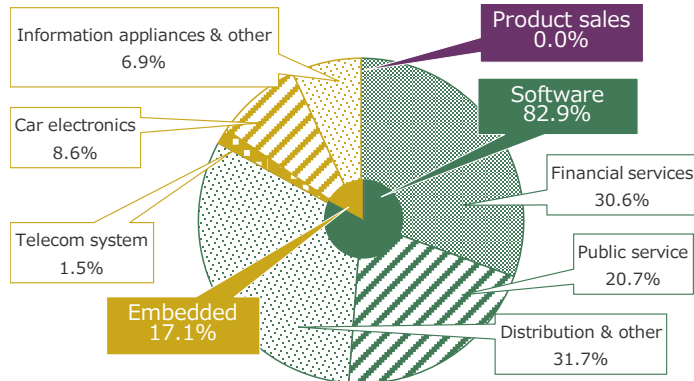


- From April 2021 (fiscal year ending March 31, 2022), the reportable segments have been changed as follows. (announced on May 10, 2021: https://ssl4.eir-parts.net/doc/4674/ir_material_for_fiscal_yr5/101075/00.pdf)
- In order to facilitate comparisons with the previous fiscal year, the figures for the fiscal year ended March 31, 2021 in "1.4. Results by segment" are presented in accordance with the figures for the (new) segment.



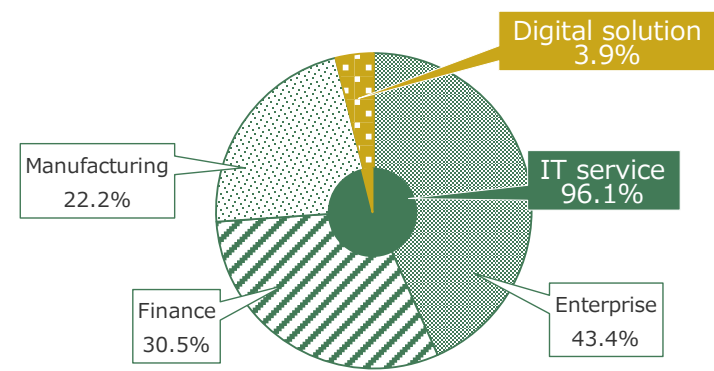
FY3/2021 1Q

<Share of net sales by segment: 1Q (Apr~Jun)>



FY3/2022 1Q

<Share of net sales by segment: 1Q (Apr~Jun)>



Former classification (until 4Q of FY3/2021)		
Segment	Business	Subsegment
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 services (Travel, human resources, logistics, airline, railway, electric power, broadcast, medical, etc.) Distribution & other (Retail, real estate, information and communication, manufacturing, etc.)
Embedded software development	<ul style="list-style-type: none"> Embedded software development 	<ul style="list-style-type: none"> Telecom systems (Mobile devices, etc.) Car electronics (Digital meters, center displays, etc.) Information appliances & other (Digital home appliances, medical equipment, control systems, etc.)
Product sales	Product sales of a subsidiary "CRESCO Wireless, Inc."	

New classification (from 1Q of FY3/2022 onward)		
Segment	Business	Subsegment
IT Service	<ul style="list-style-type: none"> Consulting IT planning Total service of development and maintenance 	<ul style="list-style-type: none"> Enterprise (Information and communication, advertising, distribution services, transport, placement and dispatching, public services, resources and energy, construction and real estate, travel and hotels, medical and healthcare, etc.) Finance (Banking, insurance, etc.) Manufacturing (Automotive, transport equipment, machinery, electronics, etc.)
Digital Solution	Solution groups consisting of products and services supporting customers in realizing digital transformation (DX)	"Creage," "Intelligent Folder," RPA, etc.

1.4. Results by segment: IT services business

(Unit: Amounts less than 1 million yen omitted)

- Net sales were 9,484 million yen. Increased by 3.2% due to growth in “Enterprise” and “Financial services.”
- Segment profit increased by 52.7% due to increased orders, improved productivity, and elimination of unprofitable projects.

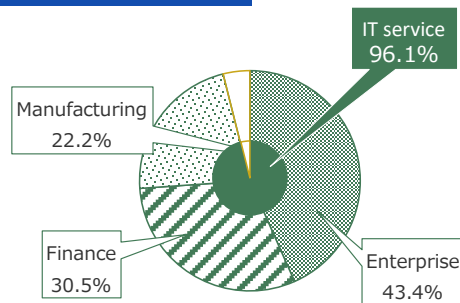
- ▣ **Enterprise:** Sales increased by 4.6% due to improvements in “Information, communication and advertising,” “Transport,” and “Placement and dispatching.” (sales increased 188 million yen year on year)
- ▣ **Financial services:** Despite a decrease in “Banking,” sales in “Insurance, etc.” increased by 3.4% (sales increased 98 million yen year on year)
- ▣ **Manufacturing:** Despite a drop in “Automotive and transport equipment,” sales in “Machinery and electronics” increased by 0.5%. (sales increased 10 million yen year on year)

		FY3/2020	FY3/2021	FY3/2022	YoY
1Q/cumulative	IT Service	Enterprise	4,092	4,280	104.6%
		Finance	2,914	3,012	103.4%
		Manufacturing	2,180	2,190	100.5%
		Total	9,186	9,484	103.2%
		Segment profit	744 (8.1%)	1,136 (12.0%)	152.7%

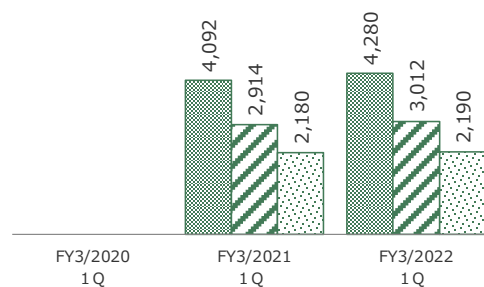
*There is no data based on the new segment classification for the period prior to the fiscal year ended March 31, 2021.

1Q (Apr-Jun)

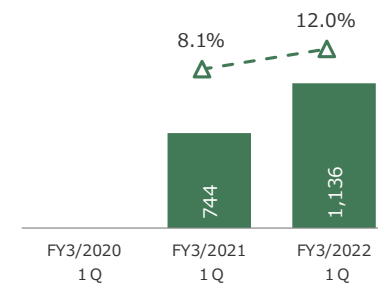
Share of net sales



Net sales



Segment profit/segment profit ratio



(Unit: Amounts less than 1 million yen omitted)

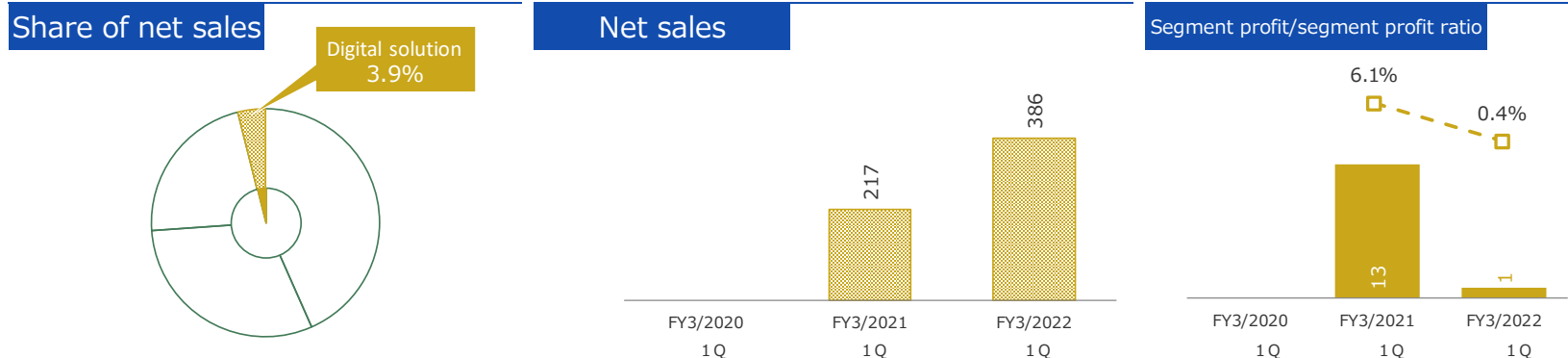
- Net sales were 386 million yen. Increased by 77.4% due to increases in cloud-related and robotics-related sales.
- Segment profit decreased due to the investment in human resources as a start of promoting the digital solutions business.
 - ◆ Main products and services
 - Creage (cloud-related service)
 - UiPath (RPA-related service)
 - Annotation (AI-related service)
 - Training and seminars (AI, cloud, RPA, etc.)

1Q/cumulative

		FY3/2020	FY3/2021	FY3/2022	YoY
Digital Solution	Net sales		217	386	177.4%
	Segment profit		13 (6.1%)	1 (0.4%)	11.1%

*There is no data based on the new segment classification for the period prior to the fiscal year ended March 31, 2021.

1Q (Apr-Jun)



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2

Future outlook

Impact of the COVID-19 crisis will be limited, and moves in reaction to a curb on IT investment in FY2020 are expected.

A major shift in the focus of growth from the traditional SI business to the DX business.

- The new normal will take hold for both customers and IT vendors, and **disruptions to business activities will be greatly reduced.**
- While concerns about the future still cannot be wiped away due to the spread of COVID-19 variants and the reissued declaration of a state of emergency, the momentum for DX promotion is continuously strong, **with orders received on an increasing trend.**
- **There is an urgent need to develop and secure DX human resources**, who are the leaders of transformation utilizing digital technology.

<Reference> Survey on the economic assessment

Monthly Economic Report for July by the Japanese government [released on July 19, 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 increasing in some parts of economy."

The Bank of Japan's Tankan survey for June 2021 [released on July 1, 2021]

The diffusion index (DI) for large manufacturing enterprises, a leading indicator, improved by 9 points to 14 in comparison with the number in the previous survey in March, the third consecutive quarterly improvement. In addition, the index of large companies and non-manufacturing sector improved by 2 points to plus 1, moving into positive territory for the first time in five quarters.

IDC Japan's domestic ICT market forecast as of the end of March 2021 (update of the previous forecast) [announced on May 25, 2021]

The market is forecasted to worsen by 0.2 percentage points in 2021 to 18,377.2 billion yen, up 2.7% from the previous year. COVID-19 has had a serious impact on the Japanese economy, especially in the service sector such as restaurants/accommodation/transportation, but the supply chain disruptions have subsided and the country's major industries, especially manufacturing, are recovering. In addition, the telecommunications sector is driving IT spending due to the widespread use of non-contact services through teleworking and various services going online. However, there are signs that infections may be spreading again, and the situation is likely to remain unpredictable until effective vaccines and treatments are widely available to the public. The average annual growth rate (CAGR) for the period from 2020 to 2025 is forecast to be 2.6%, and the size of the domestic IT market in 2025 is forecasted to be 20,377.6 billion yen.

- * The above forecast is based on the assumption that economic growth will turn positive at 2.8% in 2021 with the start of COVID-19 vaccine distribution, and will be supported by the recovery of overseas economies and government stimulus measures, and that the pace of recovery will however be slow, therefore not leading to a recovery of economic activity to the level before the spread of COVID-19 until after 2023.

1

Measures Against COVID-19

- We established the “Corona Emergency Response Headquarters” at the CRESCO Main Office; **the confirmation and information** work from home are given a telecommuting allowance to help cover the cost of utilities and communications, while employees who **gathering** of the infection status of parties concerned and **the examination and implementation of various measures continue** through collaboration within the CRESCO Group.
- **Promotion of teleworking, including that of our business partners.**
- **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.**
- Employees who primarily ricularly commute are **given a commuter support allowance** to reduce the physical and mental burden of commuting.
- **Introduced a special leave system for COVID-19 vaccinations and adverse reactions.** Flexible measures were also applied to allow employees to work on a deemed basis when vaccinated during working hours.
- "The Company's Measures Against COVID-19" is **updated on the Company's website as needed.**

[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.

2

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

- The impact of the COVID-19 crisis on the CRESCO 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 COVID-19 crisis is unlikely to subside for the foreseeable future, the impact is limited there will be no significant impediment to the Company's business.

With the spread of highly infectious variants of the virus and the issuance and extension of the fourth declaration of a state of emergency for Tokyo and Okinawa Prefecture in July 2021, the COVID-19 crisis is unlikely to be contained for the time being.

However, the restriction of economic activities is considered to be weakened steadily with the wider population being vaccinated in Japan and abroad.

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 creating values by trying to optimize the business portfolio of the entire Group in accordance with "CRESCO Group Ambition 2030," a new vision for FY2021 onward, and the "Medium-Term Management Plan 2023," and positively providing IT services as our core business and digital solutions that offer new values.

- ② Business confidence is on an improving trend, despite some variability by sector/industry, as IT investments and orders received are improving.

Business confidence is on an improving trend, despite some variability by sector/industry, reflecting an expectation for the normalization of economy with the spread of vaccination in Japan and abroad.

The momentum for IT investment has mostly recovered. In addition, as a result of an increase in demand for responding to new normal brought about by the COVID-19 crisis, the focus has greatly shifted to digital transformation, which realizes the creation of new business values, the enhancement of competitiveness and innovation, and demand is expected to accelerate further.

For the next fiscal year, the Company recognizes that it is necessary to capture the diversifying and complicating needs by optimizing customer portfolios aligned with changes in the environment and realize innovation to secure competitive edge and steadily receive sales orders.

2.3. Forecast of financial results

- **There are no changes to the forecast of consolidated financial results** announced on May 10, 2021.
- The assumptions made in the forecasts, including the situation of the COVID-19 crisis, are based on judgments using information available and reasonable at the time of the forecasts. The Company will continue to monitor the situation closely.
- If any event that should be disclosed occurs due to any error in these assumptions, the Company will promptly announce it.

(Unit: Amounts less than 1 million yen omitted)

2Q/cumulative	FY3/2021						FY3/2022	
	Forecast <Announced on May 8, 2020>	YoY	Actual	YoY	Achievement rate	Forecast <Announced on May 10, 2021>	YoY	
	Net sales	19,000	98.9%	19,203	99.9%	101.1%	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%	94.3%	1,720 (8.4%)	125.8%	
Ordinary profit	1,550 (8.2%)	81.7%	1,844 (9.6%)	97.3%	119.0%	1,900 (9.3%)	103.0%	
Profit	1,040 (5.5%)	91.3%	1,308 (6.8%)	114.9%	125.8%	1,380 (6.7%)	105.5%	
EPS ¥/Share	49.55		62.34			65.65		

Full year	FY3/2021						FY3/2022	
	Forecast <Announced on May 8, 2020>	YoY	Actual	YoY	Achievement rate	Forecast <Announced on May 10, 2021>	YoY	
	Net sales	40,000	101.7%	39,706	100.9%	99.3%	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%	102.5%	3,850 (9.1%)	110.5%	
Ordinary profit	3,600 (9.0%)	97.0%	4,101 (10.3%)	110.5%	113.9%	4,200 (9.9%)	102.4%	
Profit	2,450 (6.1%)	101.2%	2,634 (6.6%)	108.8%	107.5%	2,850 (6.7%)	108.2%	
EPS ¥/Share	116.67		125.43			135.58		

Note: Respective profit ratios shown in parentheses.

Note: "Profit" is "Profit attributable to owners of parent."

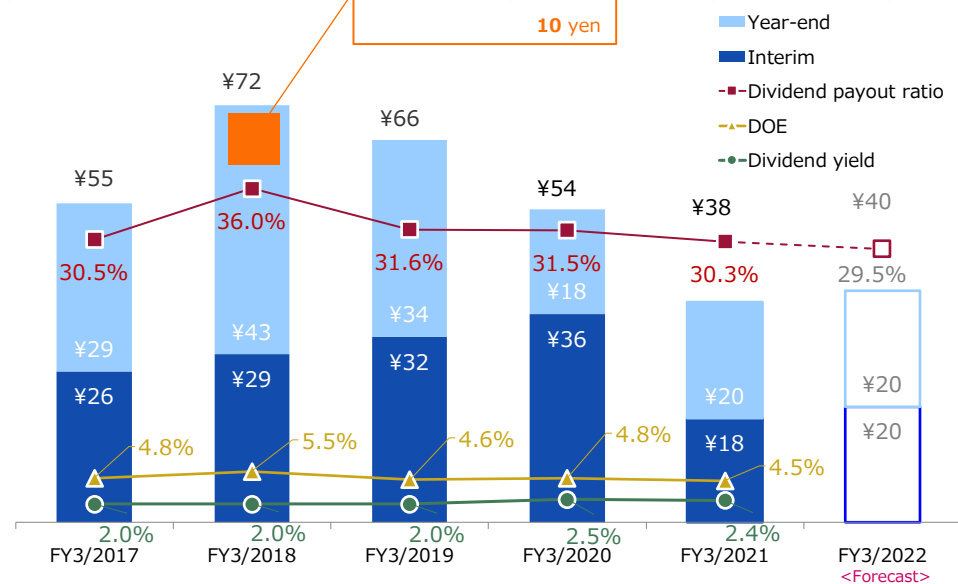
■ There are no changes to the forecast of dividends announced on May 10, 2021.

	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	—	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

(Total dividend payment: Amounts less than 1 million yen omitted)

30th anniversary commemorative dividend
10 yen




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 performance.
- The Company does not offer any special shareholder benefits.
- 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.

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 amount 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.

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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.

Key strategy to create new business pillars

Strengthening digital solutions

- Doubled digital solution sales
- Expansion of new digital solutions

Evolution of agile management

- "DX Stocks" Certification.
- Strengthen group collaboration to expand business

Deepening of human-centered management

- Become a top-tier company in Corporate Health evaluation
- Developing the next generation of human resources

Basic strategy to strength core business

Expansion of IT services

- Business expansion based on measures defined for Enterprise, Finance and Manufacturing segments

Enhancing quality

- Continuous improvement and practice of management processes in response to new technologies/ changing needs

Strengthening skills

- Business growth through new and focused technologies (AI, Cloud, Agile)

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

Key strategy To create new business pillars

Enhancement of digital solutions

- The Digital Enablement Service Unit was established as the division to promote digital solutions.
- Started to reorganize Cresco's digital solutions brand.

Further development of flexible management

- Obtained certification as a "DX Certified Business" under the Ministry of Economy, Trade and Industry's DX Certification System.
- OEC Ltd. became a subsidiary.

Advancement of people-centered management

- Promoted work style reforms in the COVID-19 crisis (promotion of teleworking, improvement of workplace, introduction of vaccine leave)
- Received the "Excellent Examination Receiving Organization for 2020" award as a company promoting taking examination for certification.

Basic strategy To strength core business

Expansion of IT services

- Increased the number of sales staff to develop new business partners.

Enhancement of quality

- One of our employees made a presentation at the "PMI Japan Forum 2021" hosted by the PMI Japan Chapter.
- The Company was selected as a managing company of the Automotive Embedded System Industry Forum (ASIF).

Enhancement of technologies

- Strengthened cooperation with Hokkaido University in "supporting the development of human resources for the next generation and promoting research on AI technology."
- Obtained a "Gold Competency" from Microsoft Partner Network

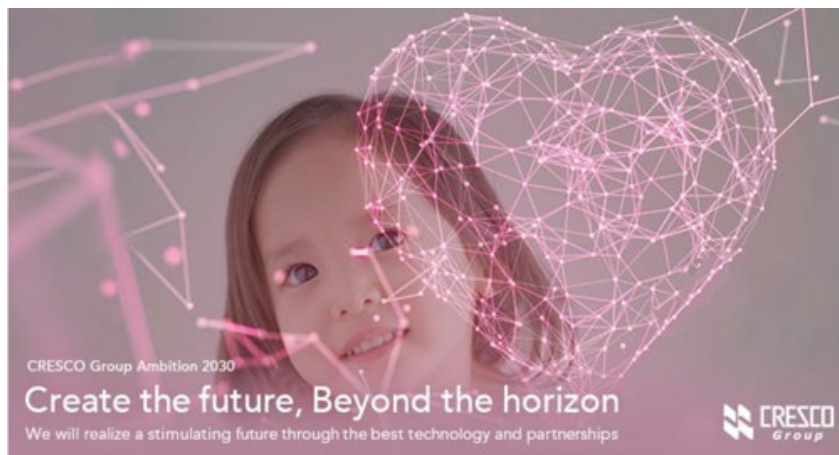
Management policies

[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**
50 billion yen

**Consolidated
operating profit**
5 billion yen

ROE
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 and productivity 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

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4 Reference

	FY3/2018				FY3/2019				FY3/2020				FY3/2021				FY3/2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CRESCO e-Solution Co., Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
CRESCO Wireless, Inc.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
IOS Co., Ltd. [*2][*6][*8]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
CRESCO KYUSHU Co. Ltd. [*9]	●	●	●	●	●	●	●	●	/	/	/	/	/	/	/	/	/	/	/	/
CRESCO HOKURIKU. LTD.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
Cresco Shanghai Software CO., LTD. [*1]	●	●	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
C3 Co. Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
CREATIVE JAPAN, LTD.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
Mexess Co., Ltd. [*4][*5]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
N-System Corporation	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
Nexus Corporation [*3]	/	/	/	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
ARS Corporation Ltd. [*7]	/	/	/	/	/	/	●	●	●	●	●	●	●	●	●	●	●			
CRESCO VIETNAM CO., LTD. [*10]	/	/	/	/	/	/	/	/	/	○	●	●	●	●	●	●	●			
Enisias Co., Ltd. [*11]	/	/	/	/	/	/	/	/	/	/	/	/	●	●	●	●	●			
Total number of subsidiaries	10	10	9	10	10	10	11	11	10	11	11	11	12	12	12	12	12			

[*1] Completed the liquidation of Cresco Shanghai Software CO., LTD. Effective September 25, 2017.

[*2] Applications Co., Ltd. became a subsidiary of IOS Co., Ltd. (a sub-subsidiary of the Company) effective October 2, 2017.

[*3] Nexus Corporation became a subsidiary effective January 12, 2018.

[*4] Media Magic Co., Ltd. was renamed Mexess Co., Ltd. effective March 12, 2018.

[*5] The Kansai Office of IOS Co., Ltd. was integrated into Mexess Co., Ltd. Effective April 1, 2018.

[*6] Applications Co., Ltd. was integrated into IOS Co., Ltd. effective April 1, 2018.

[*7] ARS Corporation Ltd. became a subsidiary effective October 1, 2018.

[*8] e-techno. Co., Ltd. became a subsidiary of IOS Co.,Ltd. (a sub-subsidiary of the Company) effective November 1, 2018.

[*9] Cresco KYUSHU Co. Ltd. was integrated into the Company effective April 1, 2019.

[*10] CRESCO VIETNAM CO., LTD. was established effective September 17, 2019. (Date of business commencement: October 1, 2019)

[*11] Enisias Co., Ltd. became a subsidiary effective April 1, 2020.

- ❖ 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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