



CRESCO LTD.

Financial Results Briefing for the Fiscal Year Ended March 2020

May 14, 2020

Event Summary

[Company Name]	CRESCO LTD.
[Event Type]	Earnings Announcement
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[Fiscal Period]	FY2019 Annual
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[Venue]	Webcast
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[Participants]	
[Number of Speakers]	1 Hiroyuki Nemoto President, Executive Officer

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Presentation

Moderator: Now, we are holding a briefing on financial results for the fiscal year ending March 2020 for CRESCO LTD. Thank you very much for taking time out of your busy schedule to watch this briefing. Today, Mr. Hiroyuki Nemoto, President and Executive Officer, will give you a briefing. After the briefing, he will answer the questions you have sent us.

Well then, President Nemoto, please start.

Nemoto: Hello everyone. I am Nemoto, President of CRESCO LTD.

Thank you for attending, albeit online, our financial results briefing for the year ended March 31, 2020. I would like to explain the results for about 30 minutes using the PowerPoint here, and then answer your questions. Thank you in advance.

Now, let me start the briefing right away.

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- 通期の経営環境は、「攻めのIT経営」を主眼としたデジタル変革がIT投資を下支え。
- 新型コロナウイルス禍の開発業務に与える影響は、2020年3月期は軽微。
- 通期業績は、**売上高・営業利益**ともに、**2桁の増収増益**。

[単位：百万円未満切捨]

経常利益・当期純利益は増益ではあるものの、金融資産の評価損等の発生により低下。

- 売上高 … 41億 7百万円の増収(前年同期比 11.7%増)。
- 営業利益 … 3億49百万円の増益(前年同期比 10.9%増)。利益率は“9.1% → 9.0%”と、0.1%減少。
- 経常利益 … 54百万円の増益(前年同期比 1.5%増)。
- 当期純利益 … 1億36百万円の増益(前年同期比 5.9%増)。

	18/03期	19/03期	20/03期	前年同期比	対通期達成率	20/03期 19/5/9 予想	前年同期比
通期							
売上高	33,328	35,230	39,337	111.7%	103.8%	37,880	107.5%
売上総利益	6,308 (18.9%)	6,673 (18.9%)	7,246 (18.4%)	108.6%			
営業利益	3,091 (9.3%)	3,207 (9.1%)	3,556 (9.0%)	110.9%	104.6%	3,400 (9.0%)	106.0%
経常利益	3,492 (10.5%)	3,658 (10.4%)	3,712 (9.4%)	101.5%	97.4%	3,813 (10.1%)	104.2%
純利益	2,202 (6.6%)	2,285 (6.5%)	2,421 (6.2%)	105.9%	100.2%	2,416 (6.4%)	105.7%
注	EPS 円/株	100.13	104.46			114.28	



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[注] 「純利益」は「親会社株主に帰属する四半期純利益」です。 3

These are the financial highlights. Looking at the full fiscal year, even though there were some concerns about the new coronavirus, but as a whole, I think it was a very good year in terms of IT investments made to promote digital transformation. In February and March, we somewhat felt the effects of the new coronavirus, but the effects on the financial results were minor.

Both net sales and operating income increased by double digits for the full fiscal year. Specifically, ordinary income and net income increased, but at the end of the fiscal year, a valuation loss on financial assets was incurred due to the impact of the new coronavirus, which brought down the figures to a lower level than originally expected.

Net sales were JPY39.337 billion, operating income was JPY3.556 billion, ordinary income was JPY3.712 billion, and net income was JPY2.421 billion.

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経常利益および当期純利益が低下した主な理由

新型コロナウイルス禍の影響により、金融市場の混乱、株価暴落等が生じ、クレスコグループが期末時点で保有する金融資産について、以下のような事象が発生。

[単位：百万円未満切捨]		19/03期	20/03期
営業外収益	有価証券売却益	79	54
	金銭の信託運用益	2	-
	デリバティブ評価益	30	-
	その他	414	571
		525	625
営業外費用	有価証券評価損	21	45
	デリバティブ評価損	-	306
	その他	53	118
		74	469
特別収益	投資有価証券売却益	21	119
	投資有価証券償還益	32	-
	その他	32	37
		85	156
特別損失	投資有価証券売却損	-	5
	投資有価証券評価損	111	230
	投資有価証券償還損	-	194
	その他	247	26
		358	455

短期保有目的の有価証券
評価損が大幅に増加

↓

経常利益が低下

経常利益： 3,712百万円
(前年比 1.5%増)

長期保有目的の有価証券
評価損・償還損が大幅に増加

↓

当期純利益が低下

当期純利益： 2,421百万円
(前年比 5.9%増)

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I mentioned earlier that there was a valuation loss incurred at the end of the fiscal year, and this slide shows the effects of the valuation loss. It shows how the fiscal year ended March 2020 compared with the previous fiscal year, which ended March 2019.

Nonoperating sections are for the securities held for a short period of time, and there is a loss on valuation of these securities and on valuation of derivatives. Because of these losses, ordinary income showed a decline even though non-operating income increased. In short, we incurred much more costs than the last fiscal year.

The extraordinary income-and-loss section is for the securities held for a long period of time. We have also incurred a loss on valuation of these securities, resulting in a decline in net income. The net income dropped considerably in mid-March, but then picked up somewhat, so I think that we managed to post an increase in sales and profits compared with the previous fiscal year.

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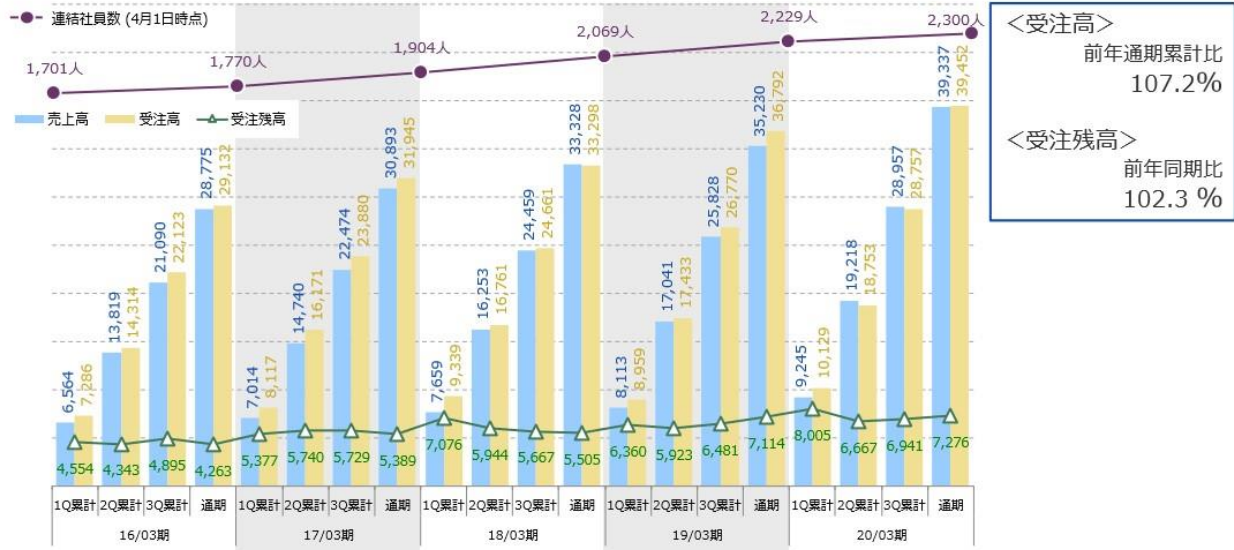
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[単位：百万円未満切捨]

- 顧客の引合いは、新型コロナウイルス禍の影響も軽微。攻めのIT投資やデジタル変革(DX)が下支え。

- ソフトウェア開発 … 「金融」関連は微増、「公共サービス」「流通・その他」の受注は順調。
- 組込み型ソフトウェア開発 … 「カーエレクトロニクス」関連は、顧客の濃淡はあるものの、全体の受注は順調。

- サービス事業は、DX案件(特に、クラウド関連とAI関連)の受注が順調。



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Looking at the performance of our main business to the end of March, as I mentioned earlier, our performance was almost in line plan. It is just that, at the end of the fiscal year, we felt a little impact.

The order backlog was 102.3% of the previous year's level. We believe that the Company's performance has been steady.

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[単位：百万円未満切捨]

■ ソフトウェア開発

- ・ 営業および開発体制(オフショアを含む)の強化と、グループ連携の徹底により、売上高は**11.3%の2桁増収**。
- ・ 期中に大型の不採算案件が複数発生したが、リカバリーに注力し、セグメント利益は**7.6%の増益**。

- 金融 … 特に銀行関連の顧客の変化が大きく、1.3%増収に留まる。(前年同期比 1億40百万円の増収)
- 公共サービス … 既存大口顧客(人材、旅行、運輸)のIT投資拡大が牽引し、13.3%増収。(前年同期比 11億34百万円の増収)
- 流通・その他 … 連結子会社における受注が拡大し、20.0%増収。(前年同期比 19億86百万円の増収)

		18/03期	19/03期	20/03期	前年同期比
通期	ソフトウェア売上高	金融	11,868	10,438	101.3%
		公共サービス	7,793	8,545	113.3%
		流通・その他	8,062	9,914	120.0%
	セグメント利益(率)	27,724	28,898	32,158	111.3%
	セグメント利益(率)	3,431 (12.4%)	3,254 (11.3%)	3,502 (10.9%)	107.6%



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By business segment, the software development business posted a 11.3% increase on sales and a 7.6% increase on income.

As I will explain in more detail later, in fact, we had some projects that turned out to be unprofitable not only within the Company but also in group companies, which somewhat pushed down the income growth.

In the finance business segment, the sales remained virtually unchanged or posted a slight increase of 1.3% from the previous year. The public-services business segment posted a 13.3% increase. In the distribution and other-business segment, we posted a considerable increase in sales by 20% largely thanks to the contribution of our subsidiary companies.

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[単位：百万円未満切捨]

■ 組み込み型ソフトウェア開発

- 主要顧客からの継続的な増員要請や、基本契約の見直し(包括契約の締結)の他、生産性改善の取組み、開発体制の強化が奏功し、売上高は**13.5%の2桁増収**、セグメント利益も**16.9%の2桁増益**。

- 通信システム … スマートフォン関連は微増。(前年同期比 31百万円の増収)
- カーエレクトロニクス … 主力のインフォテインメント系が拡大し、センサー系の開発も順調。(前年同期比 5億87百万円の増収)
- 情報家電等・その他 … デジタル情報家電が順調。(前年同期比 2億28百万円の増収)

		18/03期	19/03期	20/03期	前年同期比
通期	通信システム	510	526	558	106.1%
	カーエレクトロニクス	2,041	2,390	2,977	124.6%
	情報家電等・その他	2,906	3,368	3,597	106.8%
	セグメント利益(率)	5,458 (16.6%)	6,285 (18.2%)	7,132 (18.8%)	113.5%



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In the embedded software business, sales increased by 13.5% and profits by 16.9%, resulting in double-digit growth in revenue.

Sales of the telecommunication systems business remained almost unchanged at 106.1% of the previous fiscal year. In the automotive electronics business, we saw a considerable growth in demand not only for infotainment software, which has been our core business, but also for sensor-related software to 124.6% of the previous fiscal year. Sales of software for information and other appliances stood at 106.8% owing to the strong sales of digital information appliances.

That's all for our Company's results of the fiscal year ended in March 2020.

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新型コロナウイルス禍の影響は、業態や商材により差が大きい。
フローの受注の割合が高い受託開発型のSIerは、苦戦。

- 2020年度のスタートから、好調だった景況感が一変。
 - 2020年3月の日銀短観 [2020年4月1日発表]
業況判断指数(DI)が、新型コロナウイルス禍の影響を受け、大企業製造業、非製造業ともに悪化し、先行き不透明感が一段と増す。
 - IDC Japanの国内ICT市場予測 [2020年4月3日発表]
支出額ベースで、前年比4.5%減の28兆2,155億円と予測。
※この予測は、2020年6月末前後で、世界と国内において新型コロナウイルスの感染が抑制され、その後、企業の投資が活性化するという前提に基づく。
 - 政府による4月の月例経済報告 [2020年4月23日発表]
「新型コロナウイルス感染症の影響により、急速に悪化しており、極めて厳しい状況にある」と、リーマン・ショック後、11年ぶりに「悪化」に言及。
- 実態経済の悪化を鑑みると、**短期的(特に上半期)には、IT投資が減速することは避けられない。**
- 情報サービス産業の中で、新型コロナウイルス禍にあっても成長する企業は、サブスクリプション型ビジネス中心のプラットフォームやネットワークサービスなどの提供企業であり、**フロー受注の割合が高い受託開発型のSIerは苦戦**と思われる。
- クラウド活用とテレワーク導入が進展し、**アフターコロナを踏まえた情報サービス産業自体の変革が加速。**

I believe that the main topic here will be about the current fiscal year, that is, what the fiscal year ending March 2021 will be like, so I'd like to talk about it including my own thoughts.

Our company is in the software-development business, which is called SIer. In the information technology sector, some SIers have been positively affected (by the new coronavirus) while others have been negatively affected. I think that the differences in the effects among companies stem from the types of business and products of each company.

Our business involves not only the stock-type business but also a considerable amount of the flow-type business. The flow-type business consists of *ad hoc* orders received in one fiscal year. So, I think that the companies that receive these flow-type orders in great numbers will probably have a hard time because of the expected effects (of the coronavirus) on their clients.

We introduced several indicators on the slide, and the second one—the prediction by IDC Japan—was issued on April 3, which is a little while ago. According to the prediction, it is expected that the amount of expenditure of the current fiscal year will decrease by 4.5% YoY. Despite their prediction, how much the expenditure will actually decrease is difficult to see at the moment. Currently, we are still uncertain about the figure.

Our predictions are written in pink in the lower part of the slide. We foresee that the amount (of IT investments) will decline in the short term because the real economy will be negatively affected and some clients in certain industries will suffer a serious decline in business. In fact, at the end of April, right before the Golden Week holiday season started, we were asked by clients to suspend or postpone several large-scale projects that were booked for this fiscal year.

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As written below this prediction and as I mentioned earlier, we also have quite a few flow-type projects booked for this fiscal year, which will pose a challenge to us.

In fact, the problem is that it has become difficult to conduct sales activities. Both our clients and our employees have shifted to remote work, which has made it difficult for us to do business. Nevertheless, I believe that the demands for online-based tools, like the one used for today's financial results briefing session, will surely grow. Business operations will be increasingly conducted online, and the use of cloud services and telecommuting will keep expanding. I think that, along with these trends, the utilization of IT services will surely expand.

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1. クレスコグループの新型コロナウイルスへの対応

- 2月27日、「新型コロナウイルスに関する当社の対応について」を公表。

【基本対応方針】

- (1) 従業員等およびその家族の生命の安全・健康を確保する。
- (2) 事業に与える被害の最小化を図る。
- (3) お客様・取引先・株主等に悪影響を及ぼさない。
- (4) 地域経済の早期安定化へ貢献する。
- (5) 各種対応の際は、常に人道面で配慮する。

- 4月6日、クレスコ本社に『コロナ緊急対策本部』を設置。
- 4月7日の緊急事態宣言に則り、4月8日から出社率を2割以下とすべく、**原則として全社テレワークに移行**。
- 5月8日時点、**クレスコグループ社員の感染者はゼロ**。
- 政府や自治体の要請に準じた施策を徹底。

- ・ 原則として、社員・ビジネスパートナーを含め、在宅勤務を指示。
- ・ 当社主催の集合形式のイベントは、中止/延期/オンライン開催。
- ・ 会議は、原則としてオンライン実施。
- ・ 業務上の外出制限として、国内出張および海外への渡航を原則として禁止。
- ・ マスク着用、咳エチケット、手洗い・うがい、アルコール消毒液利用の徹底。希望者へのマスク配布。
- ・ 37.5度以上の発熱がある場合は出社停止、濃厚接触者に該当する場合は14日間の就業禁止。
- ・ 同居者が感染の疑いがある場合は、出社停止。

On this slide, we wrote a little bit about the preventive measures we have taken against the new coronavirus within the CRESCO Group.

The basic policy was issued on February 27 for the Group companies and external parties. Because the new coronavirus is infectious, the first priority is protecting the safety and health of employees and their families. The next focus is on ensuring business continuity so as to minimize damage to the Group's businesses. This is achieved by minimizing damage to the business. The basic policy was formulated centering on these goals, and we are taking preventive measures based on the basic policy.

As it became apparent that the state of emergency would be declared in April, we set up the Group's response head the day before the declaration was made. At the headquarters, we are holding meetings every day to discuss specific matters concerning the new coronavirus, including instructions to give to the Group's employees, and day-to-day checking of the status of infection as well as the infection status within our client companies.

We are now in the process of shifting to remote work. Because of the nature of our business, it is quite easy for us to telecommute. Thus, we are aiming to reduce the ratio of employees working in the company's office to less than 20% of the entire workforce. As all our Group companies have introduced the remote work, more than 80% of the employees are telecommuting as of the end of April. As you can see on this slide, there is no employee infected with the new coronavirus within our Group as of May 8. In fact, there have been a few employees who have had close contact with infected persons, but all of them have been confirmed to be uninfected. Our basic stance is to take measures required by the national and local governments.

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2. 新型コロナウイルス禍が、クレスコグループの業績見通しに及ぼす影響

- 当社企業グループの業種特性による影響
 - ・ 当該年度に発生する案件(フロービジネス)が30～40%。保守・サービス等(ストックビジネス)が60～70%。
 - ・ フロービジネス(新規案件)が厳しく、場合により、ストックビジネス(既存顧客)も剥落する顧客が増加する。
- IT投資計画を見直さざるを得ない既存顧客が多く、緊急事態宣言後、動きが顕著になっている。引合い案件の内、5月以降の受注確度が低下傾向。新規顧客開拓に必須の商談機会の確保が難しい。
- 既存プロジェクトおよび新規プロジェクトへの影響(中止/中断/延期 など)は、これから出てくると予測。
- テレワーク体制による業務の定常化を目指しているが、稼働率・生産性の低下は否めない。
- 感染状況によっては、事業所の一時閉鎖や濃厚接触者の待機が発生し、稼働率に大きく影響する。
- 主な事業セグメントに対する影響

【ソフトウェア開発事業】

- ・「金融」分野
株価の暴落や為替相場の大幅な変動に伴う世界規模の金融不安が、影響を与える見通し。
- ・「公共サービス」分野、「流通・その他」分野
足元業績の急激な悪化や先行きの不透明感が影響を与える見通し。

【組込型ソフトウェア開発事業】

- 製品分野(「通信システム」「カーエレクトロニクス」「情報家電・その他」)によって影響の大きさは異なるものの、急激な需要減少や製品開発サイクルの見直し、為替相場の大幅な変動などが、IT投資に影響を与える見通し。

How will this coronavirus crisis affect our business performance?

As I mentioned earlier, in our Group, the flow-type business consisting of ad hoc projects accounts for 30% to 40% of all orders received during a fiscal year, while the stock-type projects, including maintenance and service that we can predict to some extent, account for 60% to 70%. We are having an especially difficult time in gaining new projects in this flow-type business. As I mentioned earlier, at the end of April, as far as I know, two big projects have been suspended.

In addition, we are likely to lose some stock-type business projects for which we thought we would surely receive orders. The situation varies widely from client to client, but the impression I currently have is that the clients in industries such as travel and air transport are heavily cutting back on IT investments as much as possible because their main businesses are suffering seriously. However, they are keeping the minimum services, such as maintenance, as they have been talking about since around March.

In addition, we have felt some negative impact from clients in temporary staffing and real estate businesses. On the other hand, the industries from which we have not felt much impact are manufacturing and financial service sectors. Most of the projects we have with clients in these sectors are the development of embedded systems. In the financial sector, there are some sites incapable of shifting to remote work and, therefore, the projects with them are temporarily being suspended, from what we have heard, and there has been no project that we have lost completely.

On the other hand, we have heard from our customers that they will review their business plans in April through May, so in the future we expect that there will be changes in the clients' plans.

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Telecommuting has expanded within the Group and now over 80% of the workforce is working remotely. We are doing better than expected with some operations, but in employee utilization rate, productivity level, and so forth we will inevitably see a slight decline. Fortunately, none of our employees has been infected with the new coronavirus and none of our Group companies has been forced to shut down its office. If this happens, I think we will suffer the impact of the virus a little more.

The effects of each business segment are as I described earlier. We believe that the impact on the finance, manufacturing, and embedded system development businesses has not yet been so significant.

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3. 事業リスクおよび事業機会に関する認識

- 新型コロナウイルス禍は収束するまでの間、長期間に渡って、クレスコグループのみならず、内外の経済全般およびお客様の企業活動に大きなダメージを与える。そのため、2020年度は、**複数の事業等リスクが、同時あるいは時間差で発生し、**クレスコグループの経営成績等の状況に重要な影響を与える可能性がある。

- ・ 経営環境の変化に関するリスク
 - ・ 特定の取引先への依存度に関するリスク
 - ・ 協力会社(ビジネスパートナー)との連携体制に関するリスク
 - ・ 就業および健康に関するリスク
 - ・ 感染症に関するリスク
- など。

- **短期視点では、積極的な事業展開が非常に厳しい局面だが、**価値創造を目的とする「デジタル変革」の潮流自体は、構造的には大きく変化しておらず、**中長期視点では、拡大基調が継続するものと認識している。**
- 新型コロナウイルス禍を機に、BCP(Business Continuity Plan : 事業継続計画)対策を含め、改めて見直されるクラウド環境の整備や、テレワーク・在宅勤務制度の導入、AIやRPAを活用した省人化・自動化対応等、顧客の要望は増加傾向にあり、先端技術を含む幅広い事業領域を有するクレスコグループにとって、**新たな事業機会となると考えている。**
- 長期化が避けられない新型コロナウイルス禍の中、「**ピンチのときこそ、チャンスは到来する**」と前向きに捉え、アフターコロナを視野に入れつつ、事業ポートフォリオの最適化と柔軟な組織経営に努めると共に、市場ニーズに適時・的確に応えることができる技術力の保持と、革新的な新規ビジネスの組成に取り組む。

Looking at the figures in fiscal 2020, the impact of the new coronavirus was the greatest at present, resulting from the changes in the business environment brought about by the virus. Specifically, our clients' businesses have suffered damage or impact from the new coronavirus crisis, which are prompting them to review planned investments. This trend will continue in the future. There is also the issue stemming from our dependence on business partners which, in my opinion, will not show up so much.

Conversely, when it comes to collaboration with partner companies and business partners, there have not been so many people who have been fired by their employees or lost their jobs in the IT industry. Yet, there will be companies that lost projects temporarily and experience a severe reduction in sales, even though their sales are not lost completely, or to which orders suddenly stop coming in. Some of our business partners with a weak business base may experience such situations and have to file for bankruptcy. We expect these risks.

In the short term, the situation seems to be a little difficult, but from a medium- to long-term perspective, my outlook is not very pessimistic because the current digital transformation trend and the idea of using IT to change the ways people work will continue.

Conversely, if we do not keep up with this trend, it won't be too much to say that some companies will only do business that can be performed remotely. So, I am not concerned that the current trend will continue over the medium to long term. Indeed, I think that we will turn the current situation into a new business opportunity by offering and selling customers new products that utilize latest technologies.

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4. 2021年3月期の連結業績予想について

- 新型コロナウイルス禍の当社企業グループ業績への影響は『**精緻に把握することが困難**』

- ・ 顧客のIT投資の抑制(受注減少、プロジェクトの中止、中断、延期 等)
- ・ 労働環境の変化(テレワークへの移行、時差通勤 等)
- ・ 関係者の罹患対応

など

- 現時点で**入手可能かつ合理的な情報による判断および以下の仮定に基づき**、業績予想を作成。

- ① 新型コロナウイルス禍は、第2四半期後半から収束に向い、下期には受注も徐々に好転する。
- ② 上期は、主要顧客に著しい悪化影響が生じ、計画見直しによる受注減が発生する。
- ③ 2020年4月1日付で「株式会社エニシヤス」を連結子会社としており、業績の底上げを期待。
- ④ 下期の回復基調は、上期の落ち込みをカバーするまでには至らず、**通期業績は前年度並みに着地**。

- コスト面は、新型コロナウイルス禍の現状に鑑み、当初計画を見直し、**不要不急の経費は削減**。

It is difficult to make precise earnings forecasts for the current fiscal year. Judging from the reasonable information currently available, the first half of the year will probably be quite difficult. I would like to see the new coronavirus crisis settle in the first half, from around summertime. After the crisis settles, I assume that the figures will pick up a little in the second half. We made the earnings forecasts based on this assumption.

As I wrote in ③, we acquired a company called Enisias whose annual sales are JPY1 billion and we hope that this acquisition will enhance the consolidated financial results. Nevertheless, we feel that it will be somewhat difficult to post an increase of the previous financial year's level, so we came up with the full-year earnings forecasts for the current fiscal year on par with the previous fiscal year.

In addition, we revised non-essential costs and significantly cut back on such expenses including, among others, those for events.

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[単位：百万円未満切捨]

2 Q 累 計	20/03期					21/03期	
	19/5/9 予想	前年 同期比	実績	前年 同期比	達成率	20/5/8 予想	前年 同期比
	売上高	18,460	108.3%	19,218	112.8%	104.1%	19,000
売上総利益			3,586 (18.7%)	116.9%			
営業利益	1,500 (8.1%)	106.7%	1,726 (9.0%)	122.8%	115.1%	1,450 (7.6%)	84.0%
経常利益	1,704 (9.2%)	99.0%	1,896 (9.9%)	110.2%	111.3%	1,550 (8.2%)	81.7%
純利益	1,117 (6.1%)	103.8%	1,139 (5.9%)	105.8%	102.0%	1,040 (5.5%)	91.3%
EPS 円/株	102.10		52.74			49.55	

通 期	20/03期					21/03期	
	19/5/9 予想	前年 同期比	実績	前年 同期比	達成率	20/5/8 予想	前年 同期比
	売上高	37,880	107.5%	39,337	111.7%	103.8%	40,000
売上総利益			7,246 (18.4%)	108.6%			
営業利益	3,400 (9.0%)	106.0%	3,556 (9.0%)	110.9%	104.6%	3,400 (8.5%)	95.6%
経常利益	3,813 (10.1%)	104.2%	3,712 (9.4%)	101.5%	97.4%	3,600 (9.0%)	97.0%
純利益	2,416 (6.4%)	105.7%	2,421 (6.2%)	105.9%	100.2%	2,450 (6.1%)	101.2%
注 EPS 円/株	114.28		114.30			116.72	注

【注】 () 内の数字は各々の利益率を表します。
【注】「純利益」は「親会社に帰属する当期純利益」です。

注 2020年2月1日を効力発生日として、普通株式1株につき2株の割合で株式分割を行っております。19/03期の期首に当該株式分割が行われたものと仮定して、「EPS」を算定しております。

Now, let's look at the earnings forecast for the current fiscal year. Specifically, we have set our first-half forecasts for net sales of JPY19 billion, operating income of JPY1.45 billion, ordinary income of JPY1.55 billion, and net income of JPY1.04 billion, all below the previous fiscal year's figures.

For the full fiscal year, we have set our forecasts for net sales of JPY40 billion, operating profit of JPY 3.4 billion, ordinary profit of JPY3.6 billion, and net profit of JPY2.45 billion, assuming that earnings will pick up a little in the second half. Most of these figures are on par with the previous fiscal year with profits declining slightly.

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	18/03期 実績	19/03期 実績	20/03期 実績	21/03期 20/5/8 予想
中間	29円	32円	36円	18円
期末	※ 43円	34円	18円	18円
年間	72円	66円	-	36円
配当性向	36.0%	31.6%	31.5%	30.8%
配当利回り	2.0%	2.0%	2.5%	
DOE	5.5%	4.6%	4.8%	
配当金の総額	781百万円	722百万円	750百万円	

[配当金の総額：百万円未満切捨]

株主還元方針

- ▶ 当社は株主のみなさまに対する利益還元を経営の重要課題と位置づけ、株主資本の充実と長期的な安定収益力を維持するとともに、業績に裏付けられた適正な利益配分を維持することを基本方針としております。
- ▶ 特段の株主優待は行っておりません。
- ▶ 配当に関しましては、原則、**連結経常利益**をもとに、特別損益を帯とした場合に算出される**親会社に帰属する当期純利益**の30%相当を目途に継続的に実現することを目指してまいります。



注 2020年2月1日を効力発生日として、普通株式1株につき2株の割合で株式分割を行っております。

- 16/03期中間～20/3期中間は分割前の実際の配当金の額を記載しております。
- 20/03期の合計は、株式分割の実施により単純計算ができないため記載しておりません。

Dividends are expected to be on par with those of the previous fiscal year. Since we conducted a two-for-one stock split in this February, we expect the interim dividend to be JPY18 and the year-end dividend to be JPY36 per share.

経営方針

- 「CRESCO Ambition 2020」に沿った経営
- 新規顧客の獲得および
事業ポートフォリオの最適化による受注の確保
- 先端技術を活用した
高付加価値ビジネスの創出による利益の拡大
- 働き方改革への継続的な挑戦による
生産性および社員満足度の向上
- アライアンスの推進による成長力の加速

2016年4月始動の5ヶ年ビジョン

CRESCO Ambition 2020

Lead the Digital Transformation
～『クレスコグループ』はデジタル変革をリードします。～

挑戦する企業集団

洗練された技術力と確かな品質

ひとりひとりが輝くクレスコ

対処すべき課題

1. 新規ビジネスの組成と
新技術の研究・開発
2. 新規顧客の獲得および
お客様とのリレーションシップの強化
3. 鉄板品質の提供
4. 生産性の追求
5. 開発に従事する人材の確保
6. 人材の採用と育成
7. 働き方改革の推進
8. 健康経営の推進
9. ダイバーシティへの取り組み
10. M&A・アライアンスの推進と
グループ企業に対する管理の強化
11. コーポレート・ガバナンスの推進
12. 事業ポートフォリオの最適化と
柔軟な組織経営

Now, let's move on to our policy for the current fiscal year.

Our policy has not changed much from the previous fiscal year. We have the five-year business vision named "CRESCO Ambition," and because this is its fifth year, we will operate business in line with the vision.

Looking at the current fiscal year, it is clear that there will be areas in which the orders from existing customers will inevitably decrease. For those areas, we will strive to gain new customers and expand the portfolio of businesses while spending more effort on contacting customers to secure the number of orders received.

Another focus area is advanced technology. For a long time, we have focused on ensuring profitability by providing clients with high-value-added businesses that utilize cutting-edge technologies. We also focus on promoting work-style reform. Working styles have already changed considerably in response to the new coronavirus crisis, but we would like to strive to improve productivity and employee satisfaction.

Another thing I want to pursue is the promotion of alliances. As I wrote on the right, we have identified issues that need to be addressed. I would like to comment on the progress made on these issues, including what has been done, after the financial results briefing for the first quarter.

I will now move on to look at the issues to be addressed in the previous fiscal year and provide an overview of them.

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1 鉄板品質の提供

- 今期は、子会社での赤字プロジェクト、コストオーバープロジェクトが目立った。
 - 子会社が数億円規模の請負案件を受注し、チャレンジしていることに起因。
 - このような失敗は会社が成長していく上で通るべきハードルであり、失敗を通して、仕組・仕掛けを整え、人材を育成し、会社が自力をつけていくものと、前向きに考えている。
- 赤字が大きかった子会社には、クレスコから品質管理担当役員経験者を送り、事業統制をとる人事を4月に実施。

2 生産性の追求

- ソフトウェア開発の生産性は、お客様が採用する開発環境・手法で異なるが、クレスコの過去の知財を活用し、効率化を図る。
 - クレスコが開発環境・手法を提案できる場合は、クレスコ独自のプログラム自動生成ツールである「Cial2」や、生産性の高い手法(ex.Python/Django等)を提案するケースが増加。
 - ソフトウェア開発にツールや手法がうまく適応できれば、プロジェクト利益率を標準のプロジェクトに比べて、10%以上向上させる成果あり。

In the supplementary materials, this shows the issues we found that had to be addressed in the fiscal year ending March 2020, most of which are about the fourth quarter of the fiscal year.

About the issue of providing 100% reliable quality, we have received complaints from our shareholders on the fact that we have unprofitable projects every year. In the previous fiscal year, there were a noticeable number of large-scale projects at the Group's subsidiaries that turned out to be unprofitable or resulted in cost overruns if not unprofitable.

I think this is due to the fact that our subsidiaries have taken on contracts for projects worth hundreds of millions of yen, like JPY300 million or JPY500 million. In my opinion, these failures are necessary hurdles to overcome for companies to grow. I just hope that each Group company will come up with the mechanisms and methods to overcome, develop human resources, and develop its own strength.

However, as the parent company, we have realized the need to help the Group companies to overcome the issue of unprofitable projects. Therefore, we started addressing the issue since April to send experienced officers in charge of quality management to subsidiaries that run an especially large deficit to implement business controls.

Regarding the second issue of pursuing productivity, some people wanted to know how much profit we made by pursuing productivity, so I would like to explain a little about it. The development work we do differs from client to client in terms of environment and methods for development, but we make it a rule to make efforts to improve the efficiency of development work by harnessing our intellectual properties and experience.

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Whenever we can suggest a development environment or method, we have increasingly made proposals using the latest methods with high productivity, such as a tool developed by CRESCO to automatically generate programs called Python/Django.

If we do this well, we can expect project profitability to increase by more than 10% compared to standard projects. There have been many projects like that. So, although these are all small efforts, we have taught our employees to make these efforts in our projects, and we are accumulating and utilizing such knowhow as intellectual properties.

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3 リソース戦略の強化

- 新型コロナウイルス禍の影響で、新規のプロジェクトの立ち上がりが止まり、人材不足は一時的に収まっている状況。
- 中期的にはキーとなる課題であることは変わらず。

4 人材の採用と育成

- 採用 … 新型コロナウイルス禍の影響で、風向きが変化。質重視で採用していく方針へ変更。
- 育成 … 1年間を通し、AI、クラウド技術を全技術者1000名に対して教育し、技術レベルを底上げするプログラムを実施。2020年度は、売上に直結させていく予定。

5 新技術の研究・開発

- SIer業界は、技術進化が早く、旧来の技術だけでは、売上・シェアを落としていく業界。
- クレスコは、新技術を先取りすることにより、お客様の新しいニーズに対して提案。新規顧客の開拓や、既存顧客の中でのシェアを拡大。
 - 2020年3月期は、AI分野で新規の大手カーメーカーからの直接受注に成功。
 - この技術戦略を今後も継続し、成長に繋げていく予定。

At present, in terms of status of human resources, it seems that the issue of human resource shortage has temporarily subsided because new projects have been suspended or stopped coming in. In the medium term, I believe that the shortage of human resources will be a key issue.

Speaking of recruitment and development of human resources, I think that trends in recruitment have started changing not just in our industry, but in society as a whole. Under these circumstances, we have changed our policy for the recruitment of employees, especially new graduates, to a quality-focused recruitment approach.

For the development of employees, we implemented a program to provide all employees and 1,000 engineers with training to improve skills in AI and cloud services to raise the skill levels of the entire labor force. I have said that we will reflect the outcome of this development initiative in the sales of the current fiscal year and we are set to put this into practice. However, the impact of the new coronavirus crisis has prevented us in getting off to a good start in terms of gaining new projects.

For research and development of new technologies, this is what we have been doing as a growth strategy for a long time. In this industry, I believe that any company that does not try new things will end up losing sales and marketshare. Therefore, we have been focusing on attracting new customers and increasing our marketshare among existing customers by doing new things before anyone else.

Looking at the results of the previous fiscal year, we succeeded in receiving an order of an AI-related project directly from a new client, a major automobile manufacturer, in the latter part of the year. This project continues in the current fiscal year. We have made this and other achievements and will continue to make efforts in this field.

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6 グループ連携の強化

- 2020年3月期でグループ会社の貢献度は、売上で41.4%、営業利益で30.0%。3期前と比較して、売上で6.8%、営業利益で2.8%の伸張。
- 2020年4月に、Google、Salesforce等のクラウド技術を有する「(株)エニシアス」がグループ入りし、売上・利益の向上とグループでのシナジーが期待できる。
- 今後もグループ連携により、ビジネス拡大につなげる。

7 営業体制およびお客様とのリレーションシップの強化

- 新型コロナウイルス禍の影響もある中で、既存顧客とのリレーションはオンラインで実施しているが、新規顧客開拓は停滞感が否めず。

8 新規ビジネスの組成

- グループ会社も含め、独自のソリューションビジネスの開発・販売にチャレンジ中。数字としての結果はまだ小さく、売上は年10億円足らずだが、継続課題と認識。
- 2020年4月に、顧客のザイマックス社と合併で、ITサービス「(株)ジザイめっけ」を設立。

Now, let's look at how we strengthen the Group collaboration.

I was also asked about how much the Group has contributed to earnings and how much profit was made by the Group. In terms of the degree of contribution by the Group, in the previous fiscal year, the sales of the Group accounted for 41.4% of the total sales, and operating income accounted for 30%. Compared to the figures of three years ago, sales increased by 6.8% and operating income by 2.8% as written in this slide, and we intend to continue our efforts.

In April we acquired a company named Enisias, which has annual sales of about JPY1 billion and engineers specialized in cloud services. I believe that this company will help bring about an increase in the Group's earnings as well as synergy effects within the Group.

The seventh issue is about the need to strengthen our sales structure and relationships with customers. We cannot deny that the impact of the new coronavirus crisis has slowed our efforts to acquire new customers, but we intend to come up with ways to do it online.

Regarding the composition of new businesses, [inaudible] solution business or what we call the subscription-type solution business, is still on the order of JPY1 billion per year in scale. We realize the need to increase the ratio of this business substantially and will continue to make efforts toward this end.

In addition, there is a business that we have engaged in that is a bit different from our main line of business. Specifically, since April of this year, we have established an IT-service company called ZXY MEQQE Corporation with our client Xymax, a company specialized in real-estate management service, by investing and holding a stake of 34% in the joint venture and loaning three employees from the Group to the company. I think that this will be an investment at the beginning, but I hope that this company will grow in three years' time.

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9 コーポレートガバナンスの推進

- 2020年3月期は、グループ会社統制の観点で、課題があるインシデント(決算時のプロジェクト評価、ハラスメント、規則の不適用など)が発生。継続して教育・啓蒙の必要性あり。
- 2020年4月の人事で、クレスコからグループ会社へ常勤役員3名派遣。

10 健康管理と働き方改革の推進

- 新型コロナウイルス禍の影響で、テレワークの強制適用により、4月末現在で80%以上の社員が在宅勤務を実施。
 - 在宅勤務は、良い面がある一方で課題もあるが、何とか稼働。
 - これを期に、働き方が大きく変わっていく。
- 2020年4月に、非営利一般社団法人「安全衛生優良企業マーク推進機構(SHEM)」が認定する「SHEMホワイト企業ランキング」で、20位にランクイン。

11 ダイバーシティへの取組み

- 6月の定時株主総会で、社外取締役として、初の女性役員が就任予定。

Then, about the issue of promoting corporate governance, we have seen the sporadic occurrence of incidents related to corporate governance that need to be addressed as the number of Group companies increase. Under these circumstances, I believe we need to provide education and promote awareness about corporate governance on an ongoing basis.

Now, let's look at the 10th issue of promoting health management and work-style reform. As I said earlier, we have been proceeding with efforts to expand remote work. In April 2020, the SHEM, an affiliate organization of the Ministry of Health, Labour and Welfare to promote the Safety and Health Superior Enterprise Mark that issues the Kurumin certification and certifies the companies with health-centered management practices, issued the Good-Standing Company Ranking in which our company was ranked as 20th in the country and the top company in the IT business segment. I don't know which parts of our company were evaluated so highly but, at any rate, I am very happy with the rating.

Furthermore, in terms of initiatives for diversity, there was no female executive officer in our Group, but there will be a female director, an outside director, from this June.

This is all for my briefing. I would like to move on to the question-and-answer session. Thank you very much.

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Question & Answer

Moderator: Now, we are starting the question-and-answer session. I have questions that we have received from our shareholders. I will read the questions out loud.

The first question: “The operating income margin declined slightly in the fourth quarter. I want to know what factors led to this decline?”

Nemoto: The biggest factor is, as I mentioned briefly earlier, that there was a considerable number of projects that turned out to be unprofitable whose effects continued until the fourth quarter, resulting in a substantial increase in provisions and a substantial reduction in costs in the fourth quarter. Another factor is that the issue of the new coronavirus affected, albeit slightly, the performance in March at the end of the fiscal year, but I don't think that the effect was that big. That is about what I can say.

Moderator: Thank you. I'll read another question: “The stat of orders received has been favorable. I just want to know whether the orders have been strong in both software development and embedded software businesses.”

Please answer this question.

Nemoto: The order status varies depending on the client's business segment. As I mentioned earlier, the air transportation and travel industries are our major customers, but we are facing a very tough situation with the orders we receive from them because their main businesses are facing serious challenges. There have been projects that were once received being discontinued or suspended.

As I mentioned earlier, such developments have been seen in some of our clients in human resources business, such as temporary-staffing companies as well as in real-estate business. There are no major developments like this in the financial and embedded-manufacturing industries and we have been receiving orders in line with our plan.

Moderator: Thank you. Would you like to take another question? I will read one more: “The question concerns what your thoughts are for M&A. I think there will be more opportunities for acquisitions amid an increase in the number of companies with tight financial positions. Do you have any plans to accelerate your move to acquire such companies?”

Please answer this question.

Nemoto: About merger and acquisition; I will consider acquiring only carefully selected companies. The value of goodwill has been considerably high for a long time. So, with the value of goodwill dropping, I would surely be interested in buying the really good companies, the carefully selected ones. If I found such companies, I would consider acquiring them.

I am also interested in knowing about how much opportunities for M&A will come up. If any of you knows any company interested in M&A, I would be glad to hear about it. I look forward to hearing from you in this matter. Thank you in advance.

Moderator: Thank you. Would you like to take another question? President Nemoto, is there anything else you would like to add?

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Nemoto: Concerning the question about M&A, there had been a few companies putting up for M&A in which we were interested. The deals didn't materialize because we lost in the competition or the target company changed its mind. So, the materialization rate has been rather low.

The prices and the value of goodwill had been quite high up to the previous fiscal year. As the questioner said, I feel that the period of opportunity is now on the way. However, as in the previous years, it would be difficult to try to win an M&A deal by raising the value goodwill and competing with other bidders. The reason why I feel this way is that there is still uncertainty in the future. Despite that, we plan to continue pursuing M&A deals.

Moderator: Thank you. Are there any more questions? It seems that there are no more questions. I will finish today's briefing. Thank you very much, President Nemoto.

Nemoto: Thank you very much.

Moderator: Thank you all very much for watching today's briefing session.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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