



Summary of Quarterly Financial Results Press Conference for the Three Months Ended June 30, 2019



2019/8/6
CRESCO LTD.

The background of the slide features a repeating pattern of blue and white stylized waves, resembling a traditional Japanese 'nami' pattern. The waves are arranged in a grid-like fashion, creating a rhythmic and textured effect. The central area of the slide is a plain white rectangle where the text is located.

1 Results main points

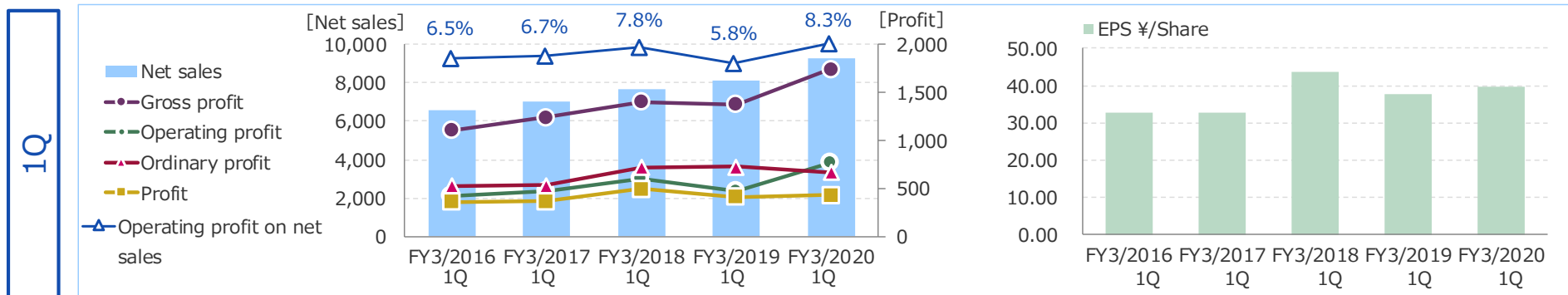
- **Business environment:** Despite unstable business confidence, the trend of positive growth in IT investment remains. Digital transformation (DX) further stimulated demand of “aggressive IT investment.”
- Using outstanding orders from the end of the previous fiscal period as a base, net sales in the first quarter saw stable growth. Profitability improved without the occurrence of large unprofitable projects due to the thoroughness of quality and profit management. Despite being unable to wipe out the effects of the shortage of human resources assigned to development, it was covered by nearshore and offshore development activities.

- ▣ **Net sales:** Increased 1,132 million yen (up 14.0% year on year) due to the customer portfolio that adapted to the changing market and effective business structure.
- ▣ **Operating profit:** Increased 297 million yen (up 63.1% year on year). Operating profit on net sales improved “from 5.8% to 8.3%” by 2.5%.
- ▣ **Ordinary profit:** Decreased due to recorded loss on valuation of financial instruments

1Q (cumulative)	FY3/2018	FY3/2019	FY3/2020	YoY	Half-year progress	Half year	
						FY3/2020 Forecast <Announced on May 9, 2019>	YoY
Net sales	7,659	8,113	9,245	114.0%	50.1%	18,460	108.3%
Gross profit	1,400 (18.3%)	1,377 (17.0%)	1,743 (18.9%)	126.6%			
Operating profit	597 (7.8%)	472 (5.8%)	770 (8.3%)	163.1%	51.3%	1,500 (8.1%)	106.7%
Ordinary profit	719 (9.4%)	725 (8.9%)	670 (7.2%)	92.4%	39.3%	1,704 (9.2%)	99.0%
Profit	495 (6.5%)	413 (5.1%)	433 (4.7%)	104.7%	38.8%	1,117 (6.1%)	103.8%
EPS ¥/Share	43.69	37.83	39.60			102.10	

Note: Respective profit ratios shown in parentheses.

(Unit: Amounts less than 1 million yen omitted)



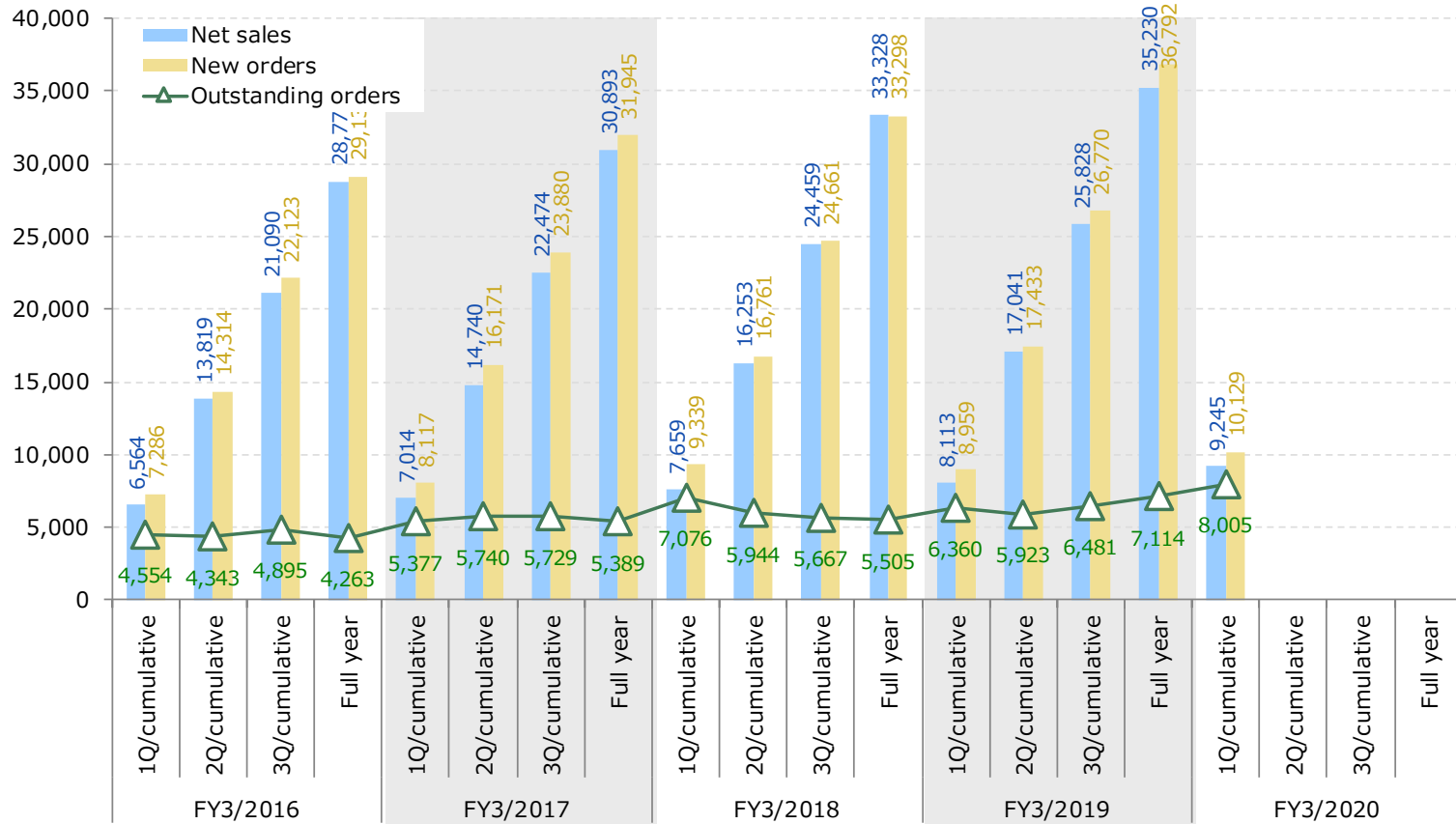
1.2. Consolidated quarterly net sales, new orders and outstanding orders



- Customer inquiries are strong backed by aggressive IT management and digital transformation (DX) continuing from the previous fiscal period.

- Software development:** Financial services were in a recovery trend. Customer inquiries were steady particularly from existing customers. (Outstanding orders: up 24.9% year on year)
- Embedded software development:** Customer inquiries for "Car electronics" and "Information appliances & other" were steady. (Outstanding orders: up 30.3% year on year)

- Reinforcement of the development team utilizing nearshore and offshore development, improving productivity, and group-wide coordination will be the key to raising orders.



< New orders >
year on year
113.1%

< Outstanding orders >
year on year
125.9%

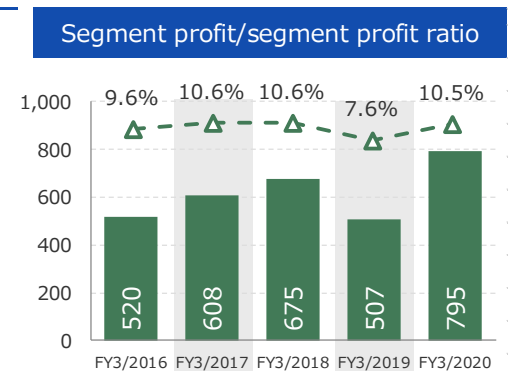
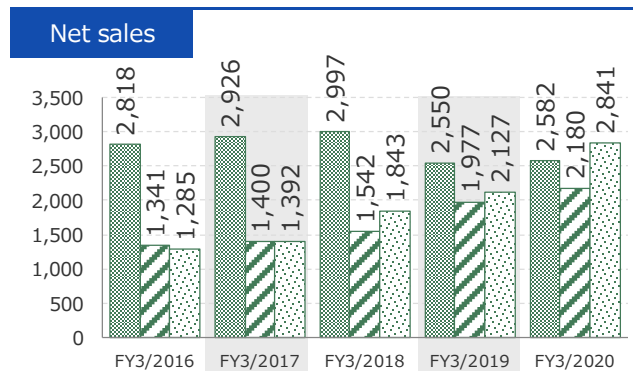
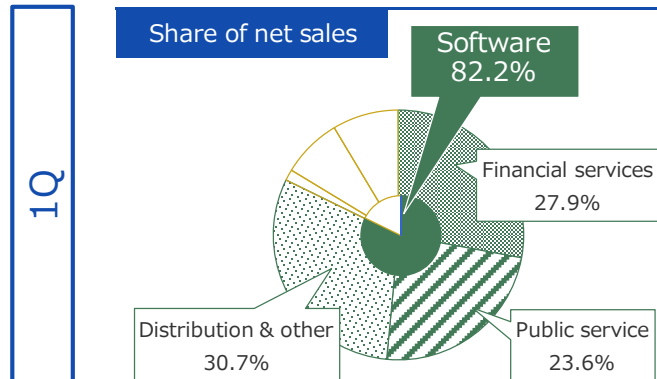
(Unit: Amounts less than 1 million yen omitted)

- The demand for IT investment is strong. Net sales increased 14.3% due to reinforcement of business structure and review of operating policies.
- Profitability improved due to minimizing unprofitable projects and the effort to reinforce quality management. Segment profit increased 56.7%.
- We received a positive boost as a consolidated effect of the M&As carried out in the previous year (ARS and e-techno).

- ▣ **Financial services:** Investment appetite of financial institutions overall is on a recovery trend. (sales increased 31 million yen year on year)
- ▣ **Public service:** IT investments from existing major customers expanded. (sales increased 203 million yen year on year)
- ▣ **Distribution & other:** Orders at subsidiaries increased due to an increase in real estate projects (sales increased 714 million yen year on year)

(Unit: Amounts less than 1 million yen omitted)

		FY3/2018	FY3/2019	FY3/2020	YoY	
1Q (cumulative)	Software Net sales	Financial services	2,997	2,550	2,582	101.2%
		Public service	1,542	1,977	2,180	110.3%
		Distribution & other	1,843	2,127	2,841	133.6%
		6,383	6,655	7,604	114.3%	
	Segment profit	675 (10.6%)	507 (7.6%)	795 (10.5%)	156.7%	

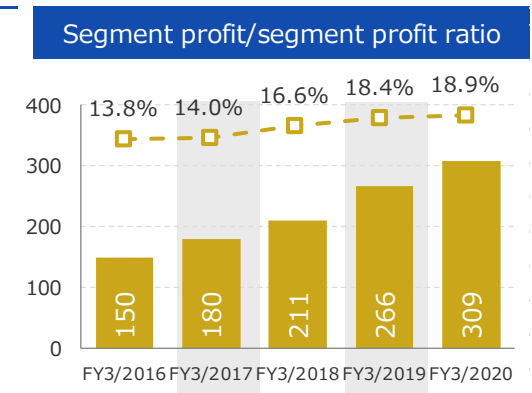
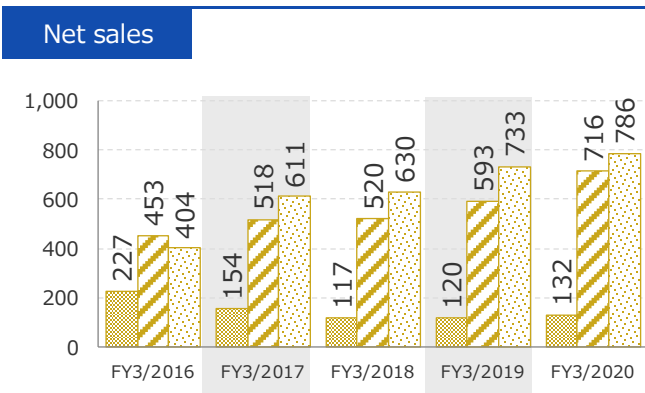
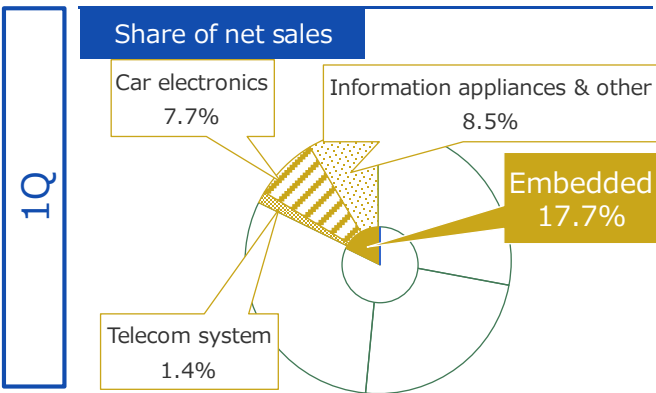


- Net sales increased 12.9% and segment profit increased 16.1% due to not only continued requests for additional staff from major customers and the review of basic contracts, but also initiatives for increased productivity and efforts, such as nearshoring, to reinforce the development team.

- ▣ **Telecom system:** There was a slight increase in smartphone-related sales. (sales increased 11 million yen year on year)
- ▣ **Car electronics:** Sales were steady in our mainstay area of infotainment (sales increased 122 million yen year on year)
- ▣ **Information appliances & other:** Sales of digital information appliances were steady. (sales increased 52 million yen year on year)

(Unit: Amounts less than 1 million yen omitted)

1Q (cumulative)		Embedded	Net sales	FY3/2018	FY3/2019	FY3/2020	YoY
				Telecom system	117	120	132
Car electronics	520	593	716	120.7%			
Information appliances & other	630	733	786	107.1%			
			1,268	1,448	1,634	112.9%	
		Segment profit	211 (16.6%)	266 (18.4%)	309 (18.9%)	116.1%	



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2 Future outlook

- Regarding an outlook for IT investment, there is no significant change in the trend of trying to reform business, create value and establish a competitive advantage by introducing products and services using technology such as cloud computing and AI, although the strength of such a trend varies by the scales of companies, types of industries, and modes of business. Interest in our products and services is thus expected to continue to increase.
- In addition to further reinforcing our technology and quality, we are working to build new business by expanding education of AI and cloud engineers, pursuing alliances with other companies, pursuing open innovation, and collaborating with industries and universities, and are aiming for qualitative and quantitative growth.

2Q (cumulative)	FY3/2019				FY3/2020	
	Forecast	YoY	Actual	YoY	Forecast	YoY
	<Announced on May 8, 2018>				<Announced on May 9, 2019>	
Net sales	17,300	106.4%	17,041	104.8%	18,460	108.3%
Gross profit			3,067 (18.0%)	101.4%		
Operating profit	1,480 (8.6%)	100.7%	1,405 (8.2%)	95.6%	1,500 (8.1%)	106.7%
Ordinary profit	1,620 (9.4%)	96.0%	1,720 (10.1%)	102.0%	1,704 (9.2%)	99.0%
Profit	1,096 (6.3%)	94.7%	1,076 (6.3%)	93.0%	1,117 (6.1%)	103.8%
EPS ¥/share	100.18		98.39		102.1	

Full Year	FY3/2019				FY3/2020	
	Forecast	YoY	Actual	YoY	Forecast	YoY
	<Announced on May 8, 2018>				<Announced on May 9, 2019>	
Net sales	35,500	106.5%	35,230	105.7%	37,880	107.5%
Gross profit			6,673 (18.9%)	105.8%		
Operating profit	3,280 (9.2%)	106.1%	3,207 (9.1%)	103.7%	3,400 (9.0%)	106.0%
Ordinary profit	3,580 (10.1%)	102.5%	3,658 (10.4%)	104.8%	3,813 (10.1%)	104.2%
Profit	2,416 (6.8%)	109.7%	2,285 (6.5%)	103.8%	2,416 (6.4%)	105.7%
EPS ¥/share	220.84		208.92		220.84	

Note: Respective profit ratios shown in parentheses.

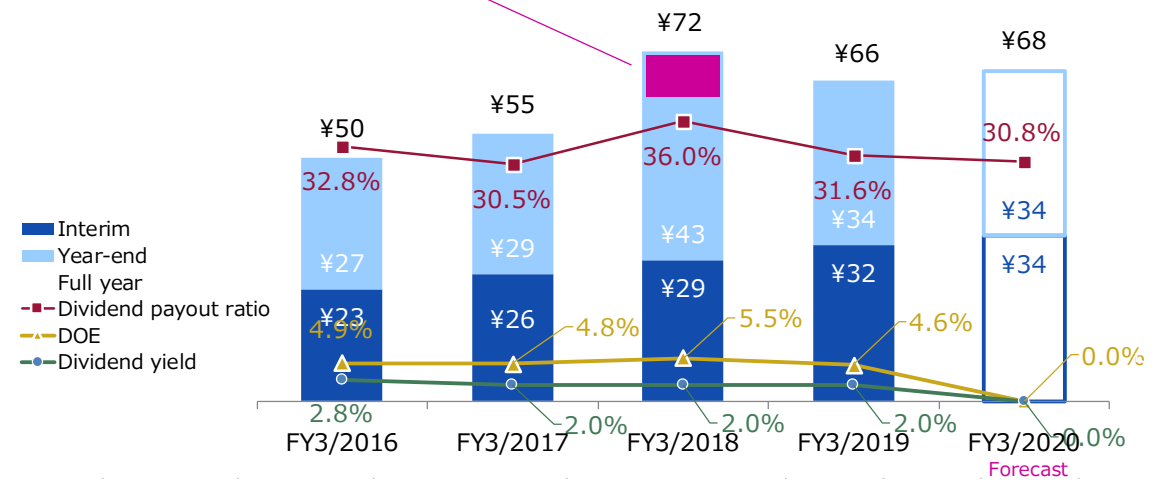
- Made changes in dividend policy on May 27, 2019.
- The full year dividend remains **unchanged** from 68 yen per share (an interim dividend of 34 yen and a year-end dividend of 34 yen) as announced on May 9, 2019.

	FY3/2017	FY3/2018*	FY3/2019	FY3/2020 Forecast	
	Actual	Actual	Actual	<Announced on May 9, 2019>	Change
Interim	26 yen	29 yen	32 yen	34 yen	2 yen
Year-end	29 yen	43 yen	34 yen	34 yen	0 yen
Full year	55 yen	72 yen	66 yen	68 yen	2 yen
Dividend payout ratio	30.5%	36.0%	31.6%	30.8%	-0.8%
Dividend yield	2.0%	2.0%	2.0%		
DOE	4.8%	5.5%	4.6%		
Total dividend payments	623 Millions of yen	781 Millions of yen	722 Millions of yen		

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

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.



A trend of expansion is continuing in the business environment, backed by the gradually expanding inbound demand, firm domestic demand and a recovery in exports.

- The BOJ Tankan survey published in June 2019
Although business confidence decreased slightly and uncertainty continues to linger in economy both in Japan and abroad, the business environment itself is projected to stay mostly favorable, supported by demand generated by the “digital transformation” of companies. Regarding an outlook for IT investment, there is no significant change in the trend of trying to reform business, create value and establish a competitive advantage by introducing products and services using technology such as cloud computing and AI, although the strength of such a trend varies by the scales of companies, types of industries, and modes of business. Interest in our products and services is thus expected to continue to increase.
- According to the “Corporate IT Trend Survey 2019” conducted by the Japan Users Association of Information Systems, 47.6% of corporate respondents plan to increase their budget again for FY2019 following an increase in the previous year.
- Capitalizing on the trend of “digital transformation,” which promotes the transformation of business models that utilize digital technology, in addition to more active IT investment under the backdrop of a cyclical improvement in performance of companies and “aggressive IT management,” we are certain to expect more demand for systems development.
- While IT services are becoming more of a commodity and prices are falling, the market for cloud-based systems will drive market growth, which, in combination with advanced technology trends such as IoT (Internet of Things), AI (Artificial Intelligence)/machine learning, and robotic process automation (RPA), will further increase investment appetite.
- The Company's current business conditions have also allowed us to confirm the customers' investment appetite and we are certain to expect further boost in demand.

- With the advent of “digital transformation,” areas expected to grow most from within the Company's mainstay segments: human resources, travel, logistics, automotive electronics, and information appliances are experiencing further expansion of the customer base and are expected to grow for the time being.
- We expect that promising business opportunities will arise from, among others, renewal of core systems, systems to support new services, embedded systems for new products, systems designed to address the needs for productivity improvements arising from manpower shortage (AI, RPA), and transition to the cloud for the purpose of reducing hardware operation cost.
- Across the CRESCO Group, we are active in various technical fields, and combined, our services can capture demand from mostly all of the world’s trends in these fields. As a partner of companies, organizations, and industries, we are expected to bring about a “digital transformation.”



- In the following period, we will utilize the lessons learned from the previous fiscal period (loss of 100 million yen due to 5 unprofitable projects) to gain a solid foothold centering on reinforcement of quality management and productivity improvement, while also stimulating growth.
- As a consequence of the expanding demand, we continue to face a human resource shortage. Accordingly, constant acquisition and development of human resources, productivity improvement, and strengthening of development systems are top priorities.
- In order to lead the “digital transformation” and to offer speedily realistic proposals which enable customers to realize their own growth through the innovation of their business model, we will reinforce our technology and quality aspects further in software development and embedded software development businesses, which constitute the pillar of our business.
- We will actively incorporate advanced technology and enrich services and solutions contributing to customers’ growth.
- Using the sales skills and experience that each Group company has acquired over many years, the CRESCO Group will quickly detect changes in the environment that its customers operate in; develop new, convenient services that support the business opportunities of its customers; and expand its business, including cooperation within the Group and alliance business with other companies.

- Management in accordance with “CRESCO Ambition 2020”
- Qualitative growth through reinforcement of service quality
- Quantitative growth through reinforcement of resources and technological strategies
- Increase in growth speed through M&As

Five-year vision started in April 2016

CRESCO Ambition 2020
~ Lead the Digital Transformation ~

Ongoing issues according to the five-year vision

1. Providing ironclad quality
2. Pursuit of productivity
3. Strengthening of resource strategy
4. Hiring and development of human resources
5. Research and development of new technologies
6. Enhancing group-wide coordination
7. Strengthening sales structure and relationships with customers
8. Generating new businesses
9. Strengthening corporate governance
10. Promotion of health management and work style reform
11. Initiatives to promote diversity

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Overview of CRESCO LTD.



Overview of CRESCO LTD.

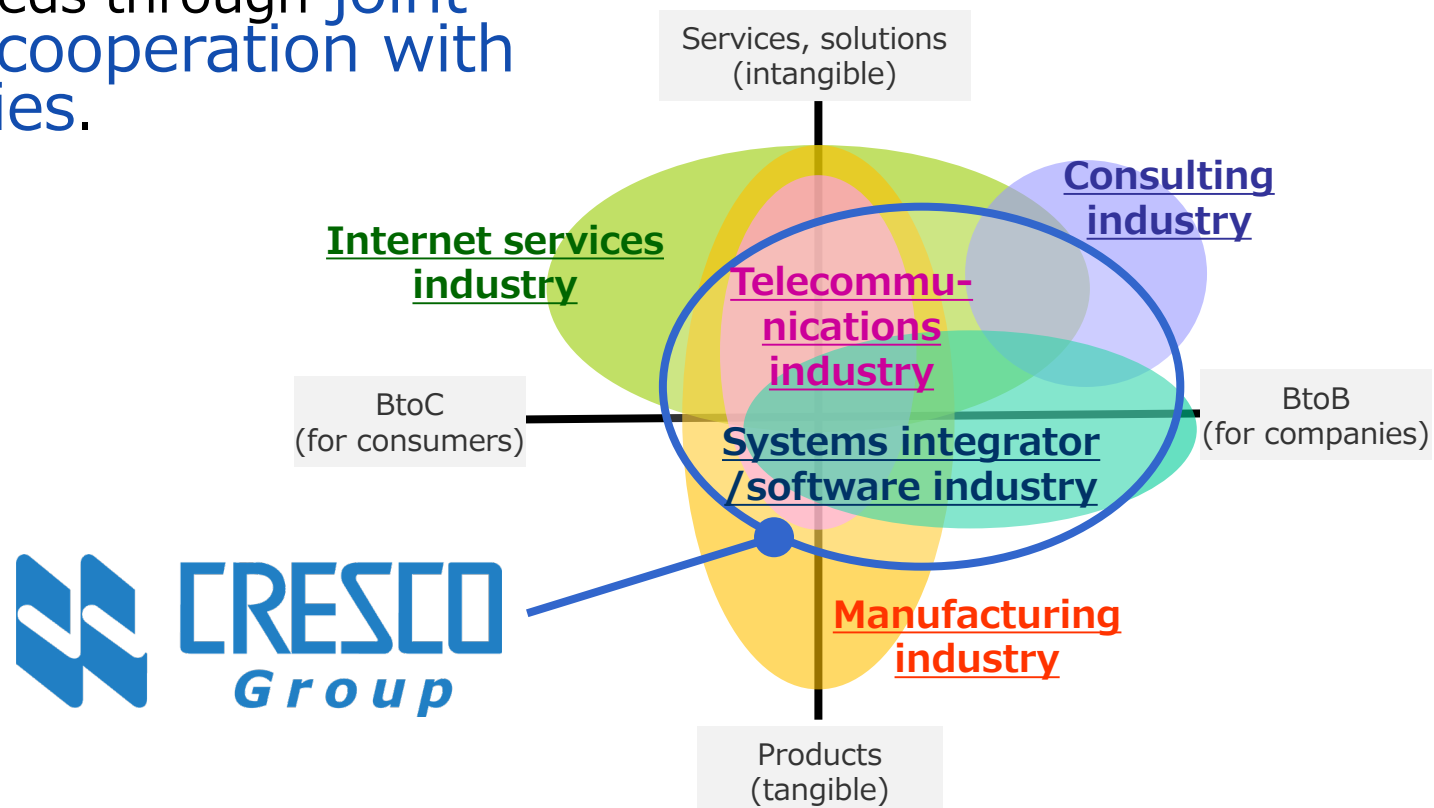
Profile

CRESCO is a system/software development company providing
“order made”
solutions that match our
customers' needs.

Established	April 1, 1988
Representative	Chairman : Toshio Iwasaki President : Hiroyuki Nemoto
Number of employees [as of April 1, 2019]	Consolidated : 2,229 (Male : 1,754 Female : 475) Non-consolidated : 1,236 (Male : 968 Female : 268)
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, 2019]	¥41,210 million



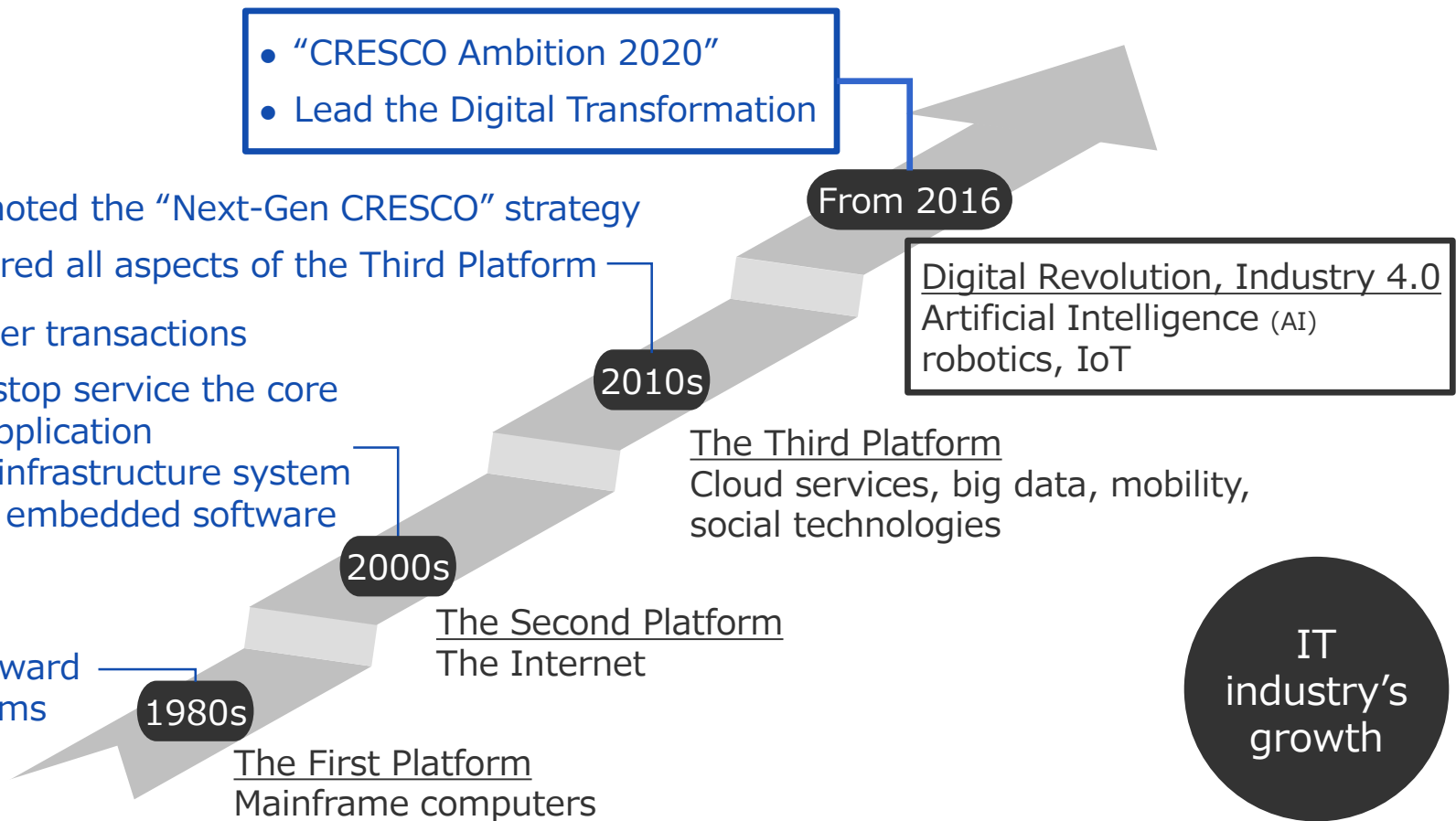
- We cover nearly the entire IT business domain spread predominantly across the BtoB axis.
- We are an **independent systems integrator** without a parent company that is a manufacturer or user corporation.
- We provide a wide range of solutions suiting client needs through **joint projects and cooperation with other industries.**



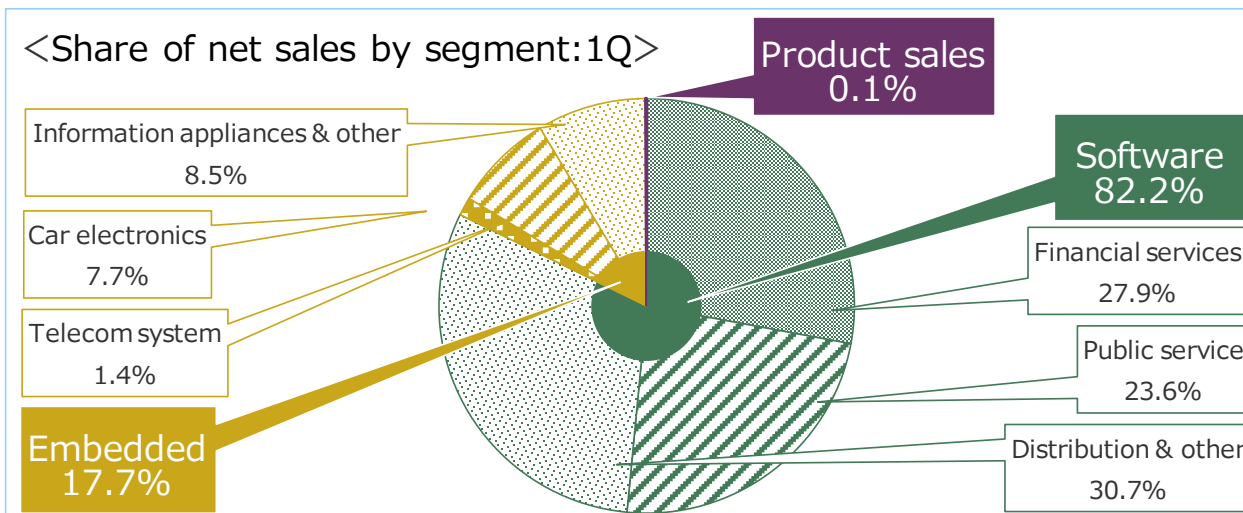
- We are proposing services suited to the changes in IT platforms.
- Technology Laboratory handles advanced technologies with sights fixed firmly on several years in the future.

CRESCO 's step-by-step progress

- 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



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." 	

Software development							Embedded software development			Product sales
Business application	IT infrastructure construction	Network	Security	Cloud	Consulting	Web creation	Embedded	Control	Near-field wireless technology	Near-field wireless technology

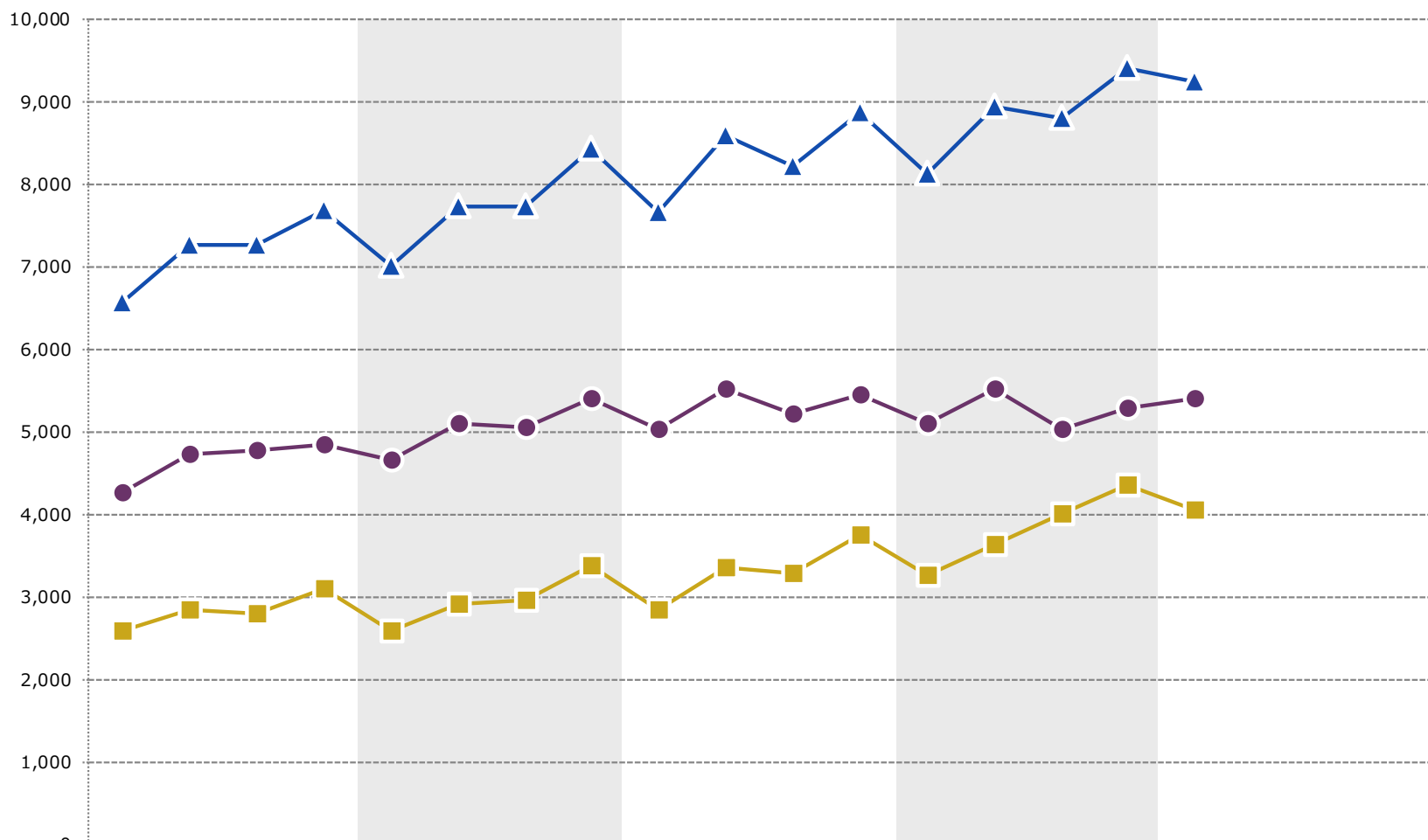
* In order of sales for Three Months Ended June 30, 2019

CRESCO LTD.			●	●			●	●		●		
Subsidiaries	IOS Co.,Ltd.		●	●								
	CRESCO e-Solution Co.,Ltd.		●				●	●				
	CREATIVE JAPAN, LTD.		●	●	●	●						
	CRESCO HOKURIKU. LTD.		●									
	N-System Corporation		●	●							●	
	C3 Co.Ltd.							●	●			
	Mexess Co.,Ltd.		●	●						●	●	
	ARS Corporation Ltd.		●									●
	Nexus Corporation		●	●								
	CRESCO Wireless, Inc.										●	●

Non-consolidated net sales and consolidated subsidiaries sales [quarterly]



(Unit: Amounts less than 1 million yen omitted)

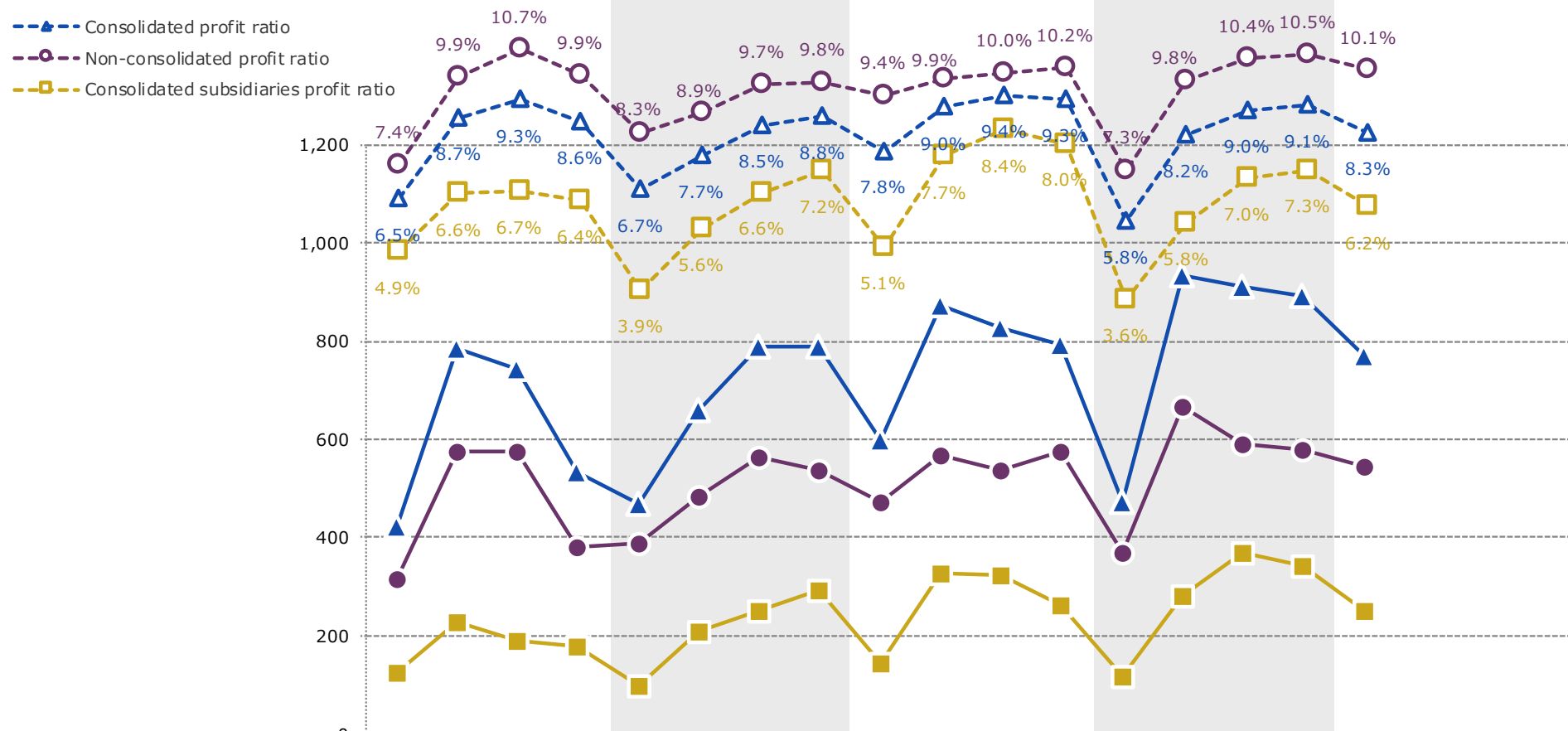


	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
	FY3/2016				FY3/2017				FY3/2018				FY3/2019				FY3/2020				
Consolidated net sales	6,564	7,255	7,270	7,684	7,014	7,725	7,733	8,419	7,659	8,594	8,206	8,868	8,113	8,928	8,786	9,401	9,245				
Non-consolidated net sales	4,269	4,721	4,760	4,850	4,659	5,090	5,045	5,402	5,028	5,515	5,205	5,448	5,087	5,524	5,024	5,289	5,405				
Consolidated subsidiaries sales	2,573	2,836	2,788	3,097	2,595	2,916	2,966	3,366	2,850	3,343	3,276	3,745	3,267	3,627	4,009	4,348	4,045				

Non-consolidated operating profit and consolidated subsidiaries operating profit [quarterly]



(Unit: Amounts less than 1 million yen omitted)

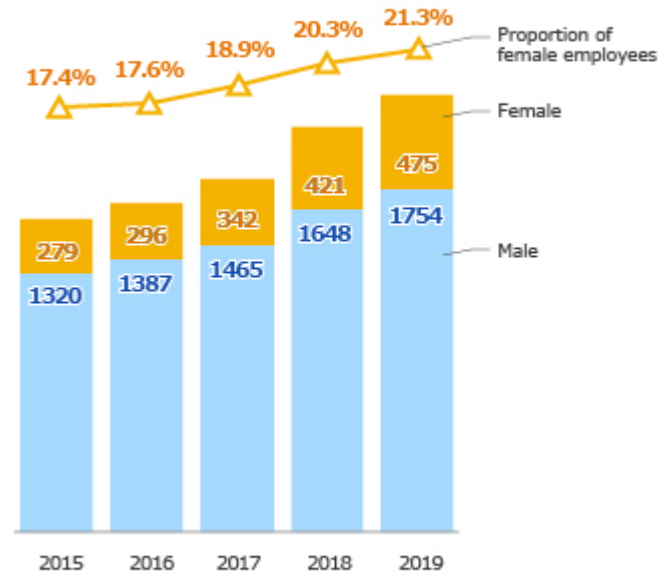


	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
	FY3/2016				FY3/2017				FY3/2018				FY3/2019				FY3/2020				
Consolidated operating profit	423	784	743	532	470	660	788	787	597	871	828	794	472	932	911	890	770				
Non-consolidated operating profit	316	574	577	380	387	482	562	537	472	569	536	575	369	666	591	578	545				
Consolidated subsidiaries operating profit	127	229	189	177	100	208	253	295	145	328	322	262	117	280	370	341	251				

(Unit: Persons)

[Consolidated] Employee breakdown

[As of March 31 of each year]

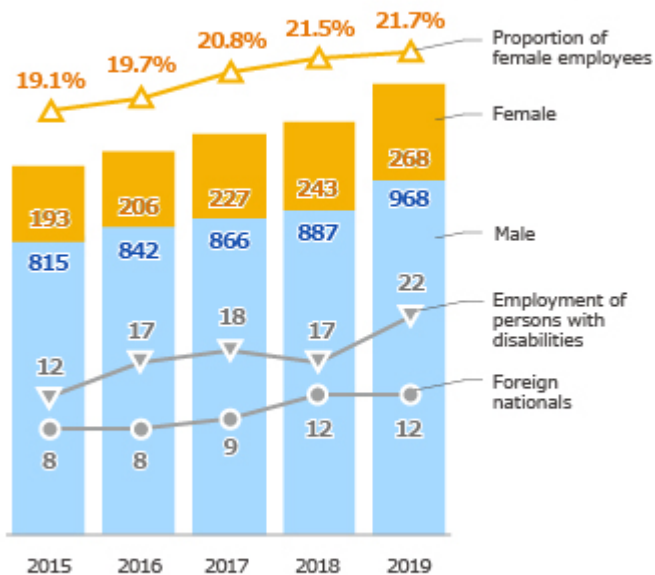


< The industry average in FY2018 (according to JISA data) >
 Proportion of female employees: 21.2%

(Unit: Persons)

Employee breakdown

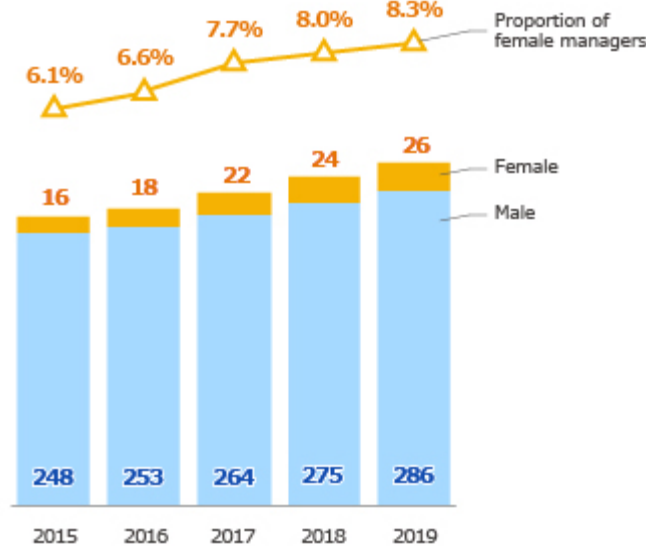
[As of March 31 of each year]



< The industry average in FY2018 (according to JISA data) >
Proportion of female employees: 21.2%

Manager breakdown

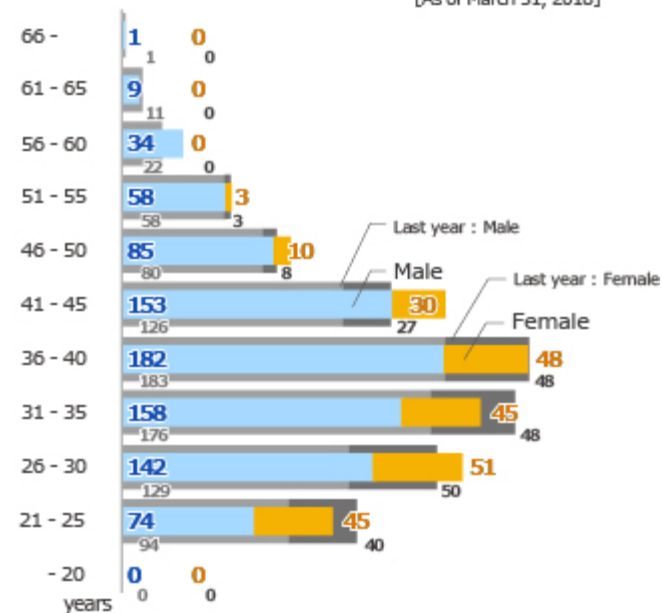
[As of April 1 of each year]



< The industry average in FY2018 (according to JISA data) >
Proportion of female managers: 5.6%

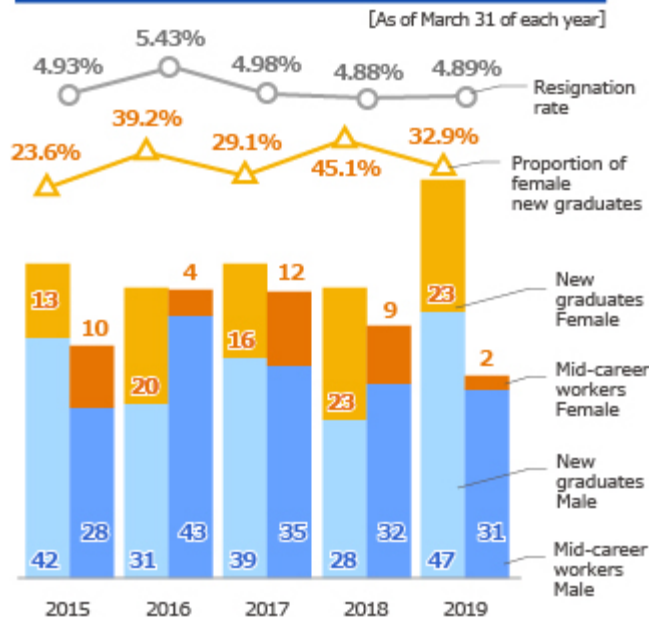
Employee breakdown by age

[As of March 31, 2018]



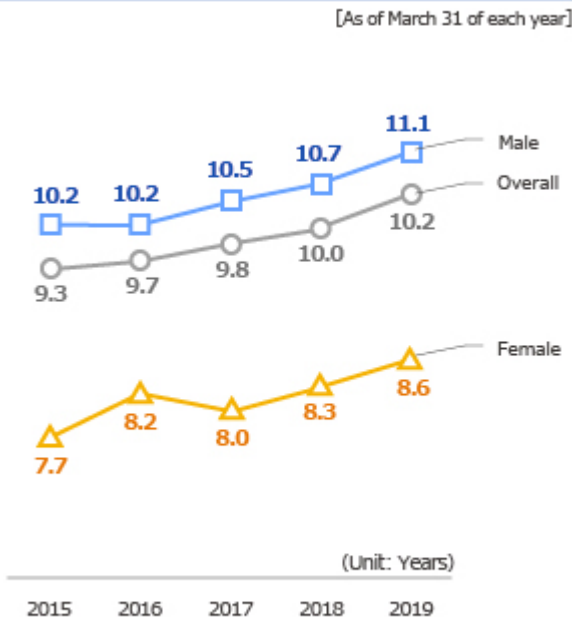
(Unit: Persons)

New employee breakdown and resignation rate

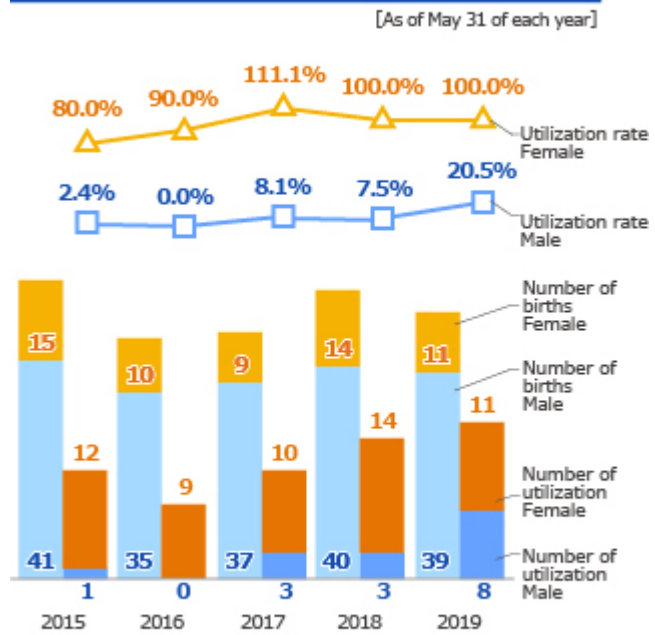


< The industry average in FY2018 (according to JISA data) >
 Proportion of female new graduates: 32.9%

Average service years



Taking the childcare leave





Overview of CRESCO LTD.

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	11.2%	9.2%	9.0%	10.2%	11.1%	9.8%	8.9%	9.2%	—	—
ROE	17.8%	14.8%	13.9%	15.7%	17.3%	15.2%	13.9%	14.6%	—	—
Ordinary profit on total assets	15.6%	15.4%	13.4%	15.4%	16.2%	15.6%	14.3%	14.8%	—	—
Ordinary profit on net sales	10.2%	9.9%	8.7%	10.0%	10.4%	10.5%	10.1%	10.4%	—	—
Operating profit on net sales	8.7%	8.6%	7.7%	8.8%	9.0%	9.3%	8.2%	9.1%	—	—
Turnover of total capital used (Times)	0.8	1.6	0.8	1.5	0.8	1.5	0.7	1.4	—	—
Financial leverage (Times)	2.7	2.6	2.8	2.9	3.0	2.8	3.2	2.8	—	—
Current ratio	57.5%	59.2%	61.8%	54.7%	55.9%	57.9%	54.7%	56.3%	—	—
Fixed assets ratio	52.9%	57.9%	51.1%	49.5%	62.1%	59.8%	52.2%	57.2%	—	—
Leverage ratio	65.4%	63.3%	66.2%	66.9%	61.7%	62.5%	65.7%	63.6%	—	—
Equity ratio	157.3%	157.9%	152.0%	153.4%	156.7%	154.9%	156.7%	158.5%	—	—
Debt-to-equity ratio	1.7%	1.8%	1.9%	1.5%	11.1%	9.0%	7.3%	6.1%	—	—
Interest coverage ratio (Times)	1171.5	1264.8	2288.3	2537.7	1684.1	851.7	665.4	796.4	—	—
Cash flows from operating activities (Millions of yen)	277	1,543	(40)	1,144	960	2,174	351	1,824	—	—
Cash flows from investing activities (Millions of yen)	(469)	(1,287)	(381)	(505)	(482)	(179)	(466)	(1,238)	—	—
Cash flows from financing activities (Millions of yen)	20	(286)	(273)	(604)	(866)	(606)	(683)	(1,278)	—	—
Free cash flow (Millions of yen)	(192)	256	(422)	638	477	1,995	(115)	586	—	—
EPS (Yen)	91.54	152.26	76.64	180.28	103.44	200.25	98.39	208.92	—	—
PER (Times)	18.5	11.9	33.1	15.4	40.8	17.8	34.6	15.9	—	—
DOE		4.9%		4.8%		5.5%		4.6%		—

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