



Summary of Quarterly Financial Results Press Conference for the Three Months Ended June 30, 2018



2018/8/7
CRESCO LTD.



1 Results main points

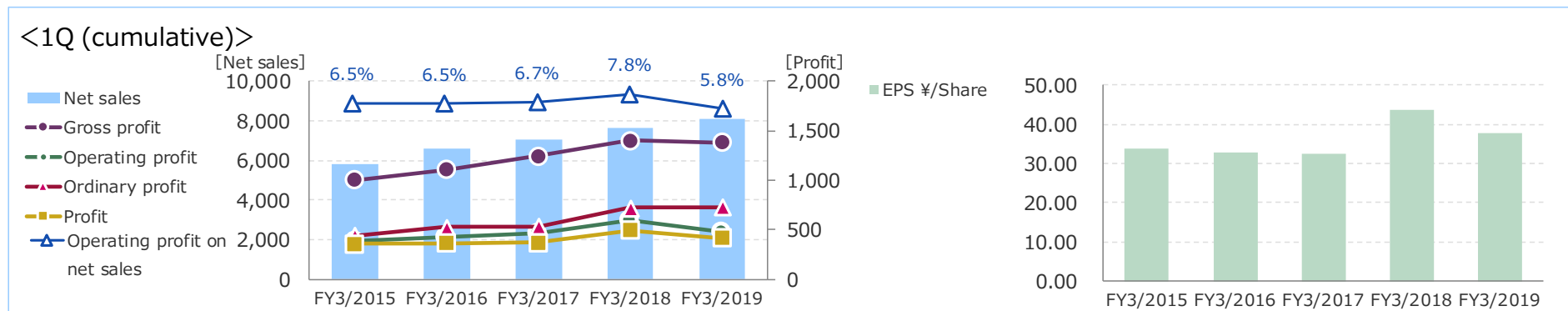


- The business environment itself in the first quarter has not significantly changed from the previous year. Despite some variability by sector/industry, the demand for IT investment is strong.
- While net sales and ordinary profit have increased, operating profit and quarterly profit have decreased.
 - Main negative factors include certain unprofitable projects, a shortage of human resources assigned to development, and an increase in selling, general and administrative expenses.
 - Ordinary profit increased owing to a gain on valuation of securities (foreign stocks).

(Unit: Amounts less than 1 million yen omitted)

1Q (cumulative)	FY3/2017	FY3/2018	FY3/2019	YoY	Half-year progress	Half year	
						FY3/2019 Forecast <Announced on May 9, 2017>	YoY
Net sales	7,014	7,659	8,113	105.9%	46.9%	17,300	106.4%
Gross profit	1,240 (17.7%)	1,400 (18.3%)	1,377 (17.0%)	98.3%			
Operating profit	470 (6.7%)	597 (7.8%)	472 (5.8%)	79.0%	31.9%	1,480 (8.6%)	100.7%
Ordinary profit	535 (7.6%)	719 (9.4%)	725 (8.9%)	100.8%	44.8%	1,620 (9.4%)	96.0%
Profit	368 (5.3%)	495 (6.5%)	413 (5.1%)	83.5%	37.8%	1,096 (6.3%)	94.7%
EPS ¥/Share	32.6	43.69	37.83			100.18	

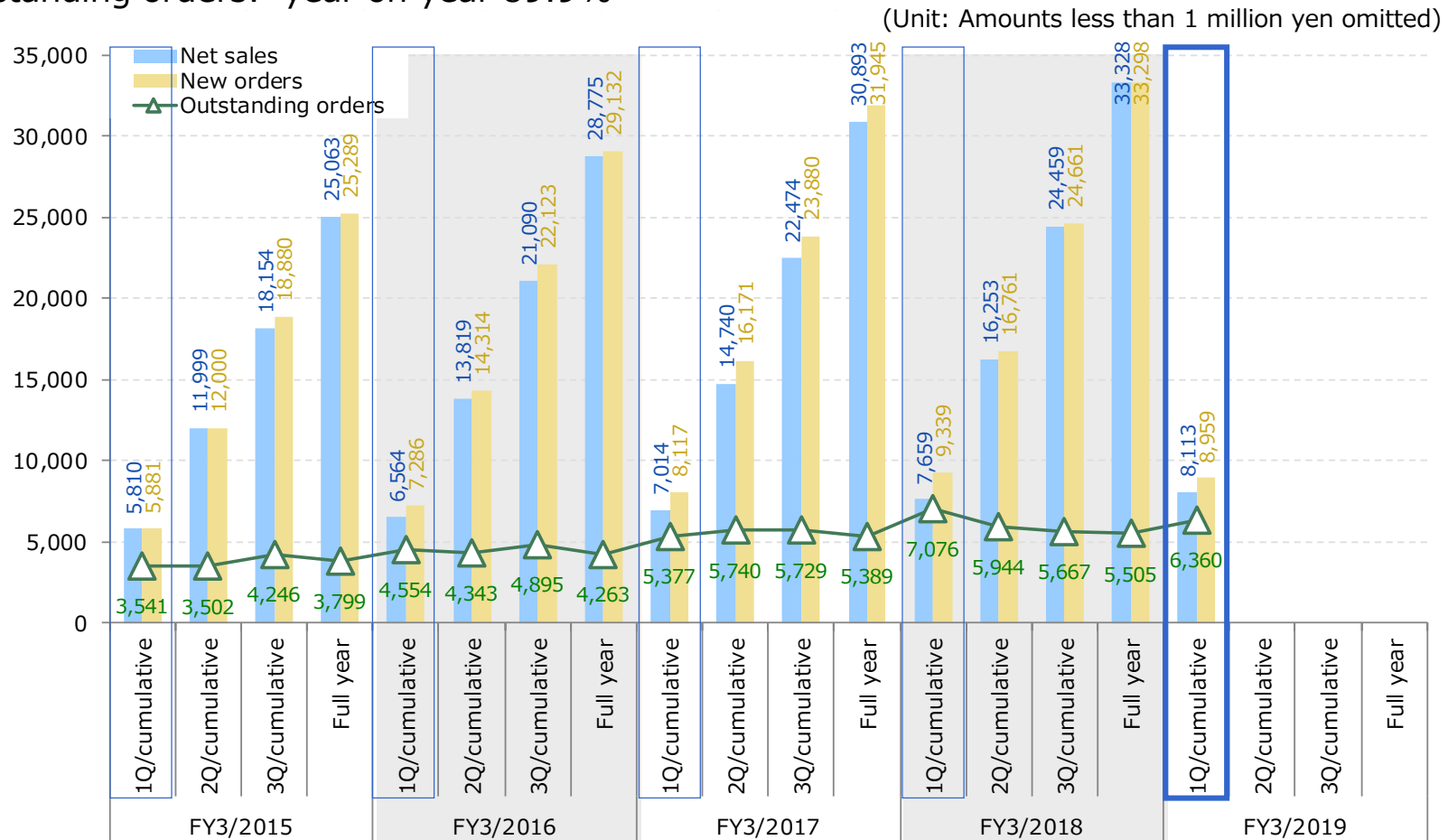
Note: Respective profit ratios shown in parentheses.



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



- Customer inquiries were generally steady on the back of digital transformation trends.
 - Software development: In the financial services segment, new orders decreased more than expected.
 - Embedded software development: Customer inquiries for car electronics, information appliances, and others increased.
- New orders: year on year 95.9%
Outstanding orders: year on year 89.9%



Financial services

Sales decreased year on year as major contracts with megabanks have run their course for the time being and the resulting dip was not sufficiently recovered.

Public & service

Although new orders increased, certain projects related to human resources and travel proved to be unprofitable.

Distribution & other

Although new orders were as planned, certain projects handled by a subsidiary proved to be unprofitable.

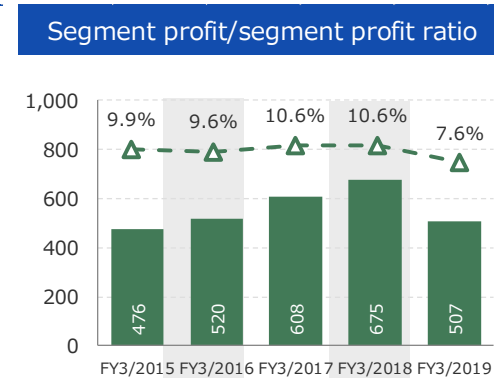
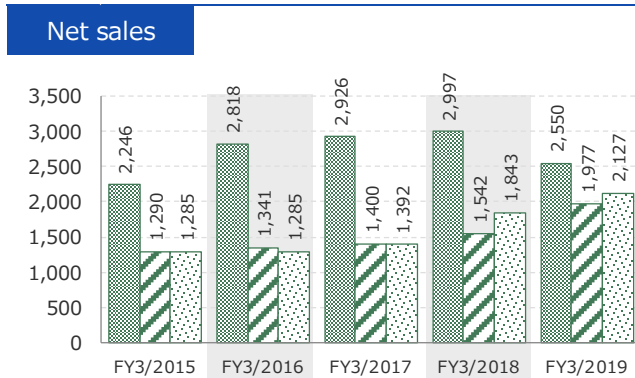
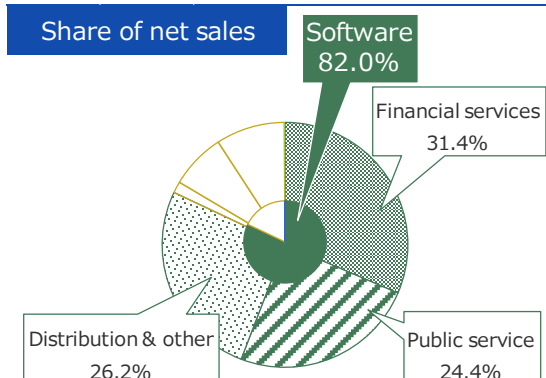
Facing a challenge in the area of quality control. Portfolio rebalancing and resource reallocation are underway to keep pace with changes in customers.

(Unit: Amounts less than 1 million yen omitted)

		FY3/2017	FY3/2018	FY3/2019	YoY	
Software	Net sales	Financial services	2,926	2,997	2,550	85.1%
		Public service	1,400	1,542	1,977	128.2%
		Distribution & other	1,392	1,843	2,127	115.4%
	Segment profit	608 (10.6%)	675 (10.6%)	507 (7.6%)	75.1%	

Note: Respective profit ratios shown in parentheses.

1Q (cumulative)



■ **Telecom system**

There was a slight increase in smartphone-related projects. The current structure is maintained.

■ **Car electronics**

Sales were strong, particularly in the areas of infotainment and display, with many requests from customers for an increase in staff.

■ **Information appliances & other**

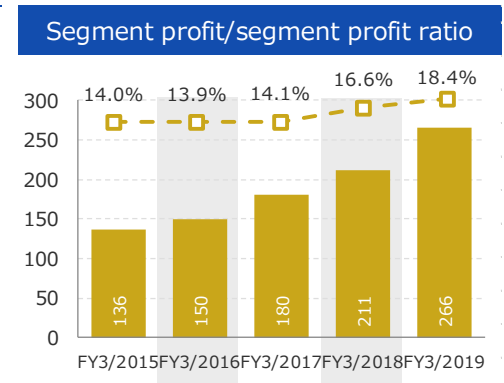
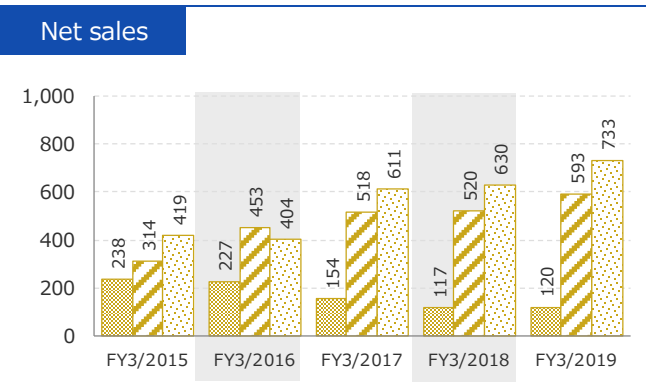
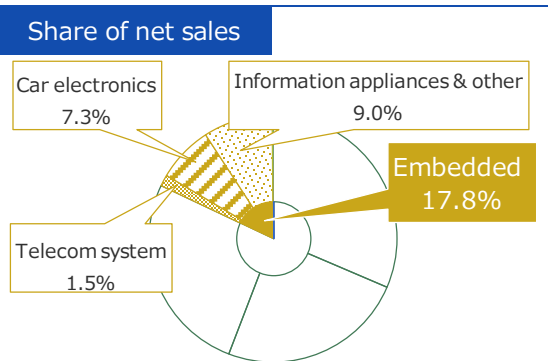
Digital information appliances such as TVs and cameras, as well as the development of control systems (railways, electronics) handled by subsidiaries, were strong.

- The revision of unit price, productivity improvement efforts, and the reinforcement of the development team were successful.

(Unit: Amounts less than 1 million yen omitted)

		FY3/2017	FY3/2018	FY3/2019	YoY	
1Q (cumulative)	Embedded Net sales	Telecom system	154	117	120	103.2%
		Car electronics	518	520	593	114.1%
		Information appliances & other	611	630	733	116.3%
		1,284	1,268	1,448	114.2%	
	Segment profit	180 (14.1%)	211 (16.6%)	266 (18.4%)	126.3%	

Note: Respective profit ratios shown in parentheses.





② Future outlook



- Despite some variability by sector/industry, customers' motivation for IT investment is generally strong.
- Growth is expected in the areas of human resources, travel, distribution, car electronics, and information appliances in and after the second quarter.
- We leave our financial forecasts unchanged from the initial figures (announced on May 8, 2018)

(Unit: Amounts less than 1 million yen omitted)

2Q (cumulative)	FY3/2018				FY3/2019	
	Forecast <Announced on May 9, 2016>	前年 同期比	Actual	YoY	Forecast <Announced on May 9, 2017>	YoY
	Net sales	15,220	103.3%	16,253	110.3%	17,300
Gross profit			3,025 (18.6%)	115.0%		
Operating profit	1,260 (8.3%)	111.4%	1,469 (9.0%)	129.9%	1,480 (8.6%)	100.7%
Ordinary profit	1,400 (9.2%)	109.0%	1,687 (10.4%)	131.4%	1,620 (9.4%)	96.0%
Profit	949 (6.2%)	109.4%	1,157 (7.1%)	133.4%	1,096 (6.3%)	94.7%
EPS ¥/share	83.72		103.44		100.18	

Full Year	FY3/2018				FY3/2019	
	Forecast <Announced on May 9, 2016>	YoY	Actual	YoY	Forecast <Announced on May 9, 2017>	YoY
	Net sales	31,100	100.7%	33,328	107.9%	35,500
Gross profit			6,308 (18.9%)	109.8%		
Operating profit	2,750 (8.8%)	101.6%	3,091 (9.3%)	114.2%	3,280 (9.2%)	106.1%
Ordinary profit	3,000 (9.6%)	97.5%	3,492 (10.5%)	113.4%	3,580 (10.1%)	102.5%
Profit	2,000 (6.4%)	97.9%	2,202 (6.6%)	107.8%	2,416 (6.8%)	109.7%
EPS ¥/share	176.36		200.25		220.84	

Note: Respective profit ratios shown in parentheses.

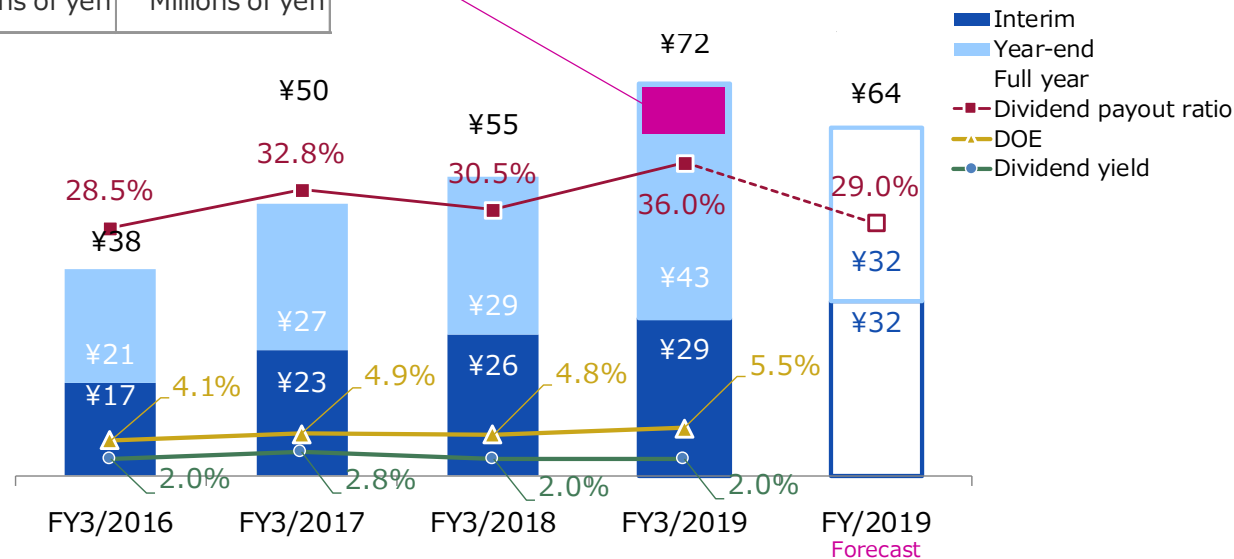
- The initial dividend forecast of 64 yen (interim 32 yen, year-end 32 yen) announced on May 8, 2018 has been left unchanged.

	FY3/2016	FY3/2017	FY3/2018	FY3/2019 Forecast	
	Actual	Actual	Actual	<Announced on May 9, 2017>	Change
Interim	23 yen	26 yen	29 yen	32 yen	3 yen
Year-end	27 yen	29 yen	* 43 yen	32 yen	-11 yen
Full year	50 yen	55 yen	72 yen	64 yen	-8 yen
Dividend payout ratio	32.8%	30.5%	36.0%	29.0%	-7.0%
Dividend yield	2.8%	2.0%	2.0%		
DOE	4.9%	4.8%	5.5%		
Total dividend payments	563 Millions of yen	623 Millions of yen	781 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.**
- CRESCO aims to continually realize a dividend payment **equivalent to 40% of calculated profit** based on actual ordinary profit (**non-consolidated**), assuming no extraordinary income or losses.



■ Trend of the information service industry

- The BOJ Tankan survey published in March 2018 suggests active capital investment going forward. In particular, the amount of investment in software is expected to increase.
- According to the “Corporate IT Trend Survey 2018” conducted by the Japan Users Association of Information Systems, 40.7% of corporate respondents plan to increase their budget again for FY2018 following an increase in the previous year.
- As the financial results of Japanese companies remain generally strong, the number of companies that apply their ample funds in hand to IT investments will continue to increase going forward.
- Despite variability among industries and business categories, IT investment as a whole will continue to be on an expansionary trend, supported by, among others, an increase in demand primarily for labor savings and enhancement of competitiveness, along with preparation for the Tokyo Olympic Games, which are only two years away, and inbound tourism.
- 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, will further increase investment appetite.

- 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.
- With the advent of “digital transformation,” human resources, travel, logistics, automotive electronics, and information appliances are areas experiencing further expansion of 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 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.



Overview of CRESCO LTD.



Overview of CRESCO LTD.

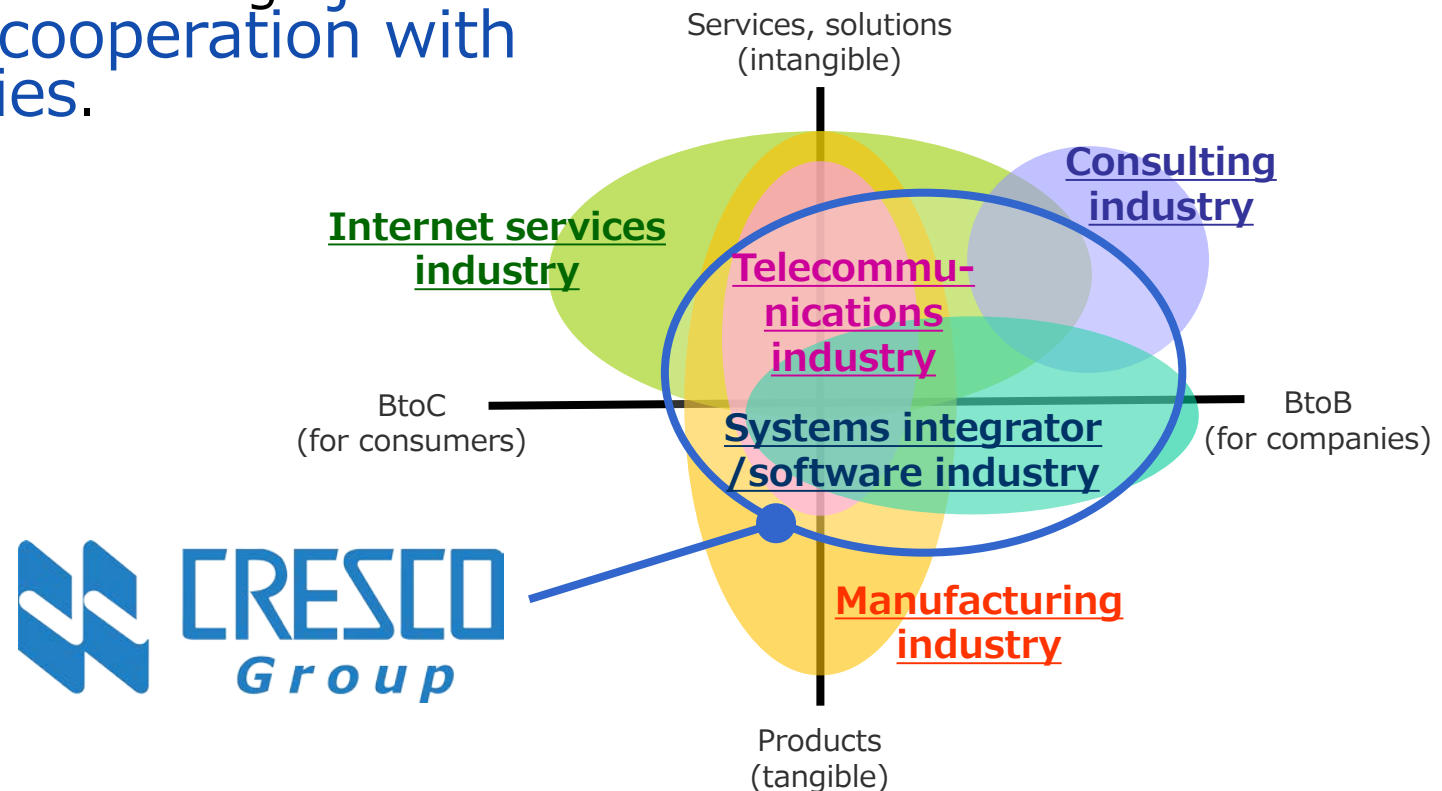
Profile

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, 2018]	Consolidated : 2,069 (Male : 1,648 Female : 421) Non-consolidated : 1,130 (Male : 887 Female : 2)
Traded on	Tokyo Stock Exchange (TSE) First Section
Securities code	4674
Listing date	Second Section of TSE : September 2000 First Section of TSE : September 2001
Business sector	Information & Communication
Market capitalization [as of May 8, 2018]	¥45,840 million



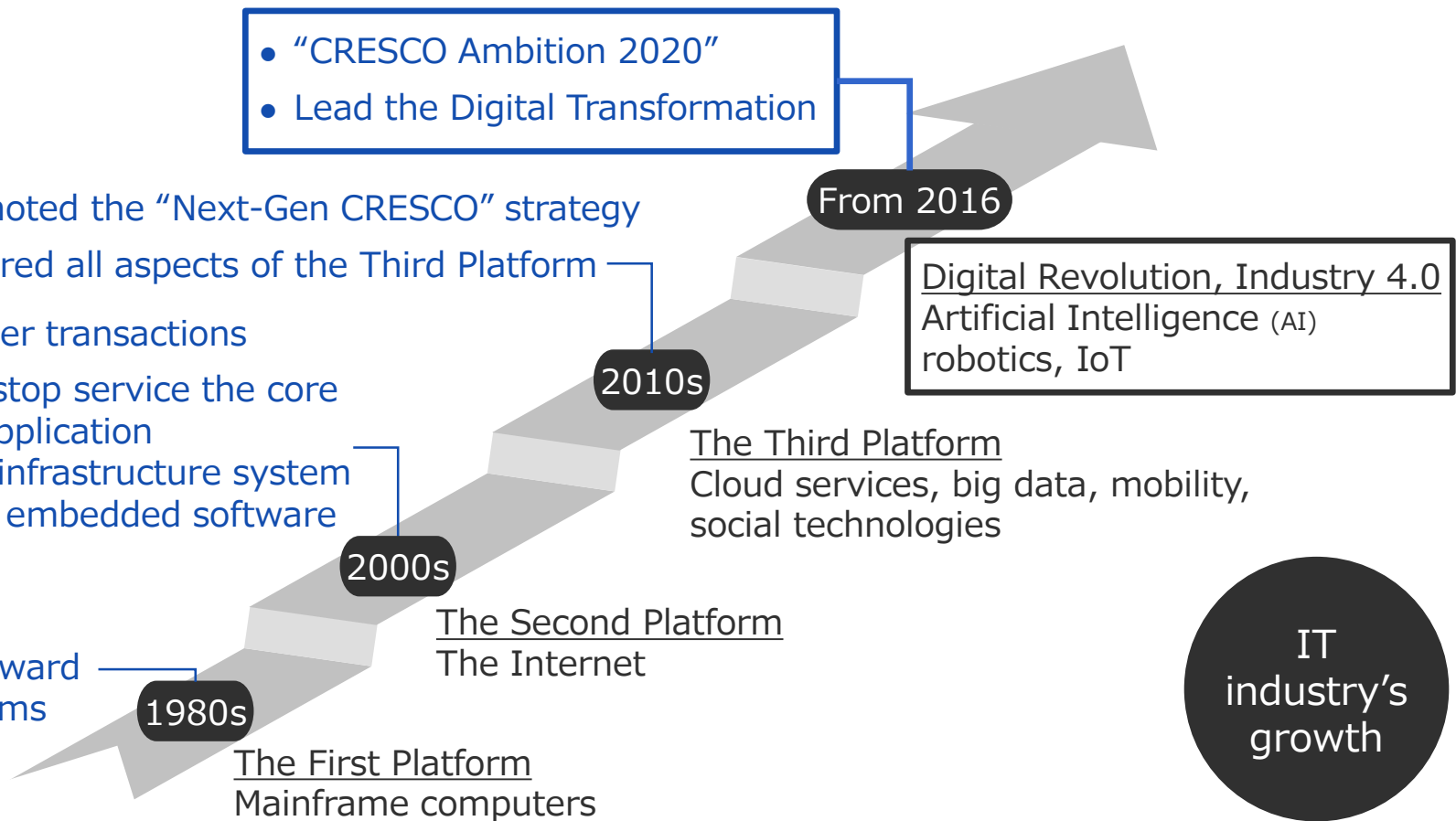
- We cover nearly the entire IT business domain spread predominantly across the BtoB axis.
- We are an **independent systems integrator** without a parent company that is a manufacturer or user corporation.
- We provide a wide range of solutions suiting client needs through **joint projects and cooperation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



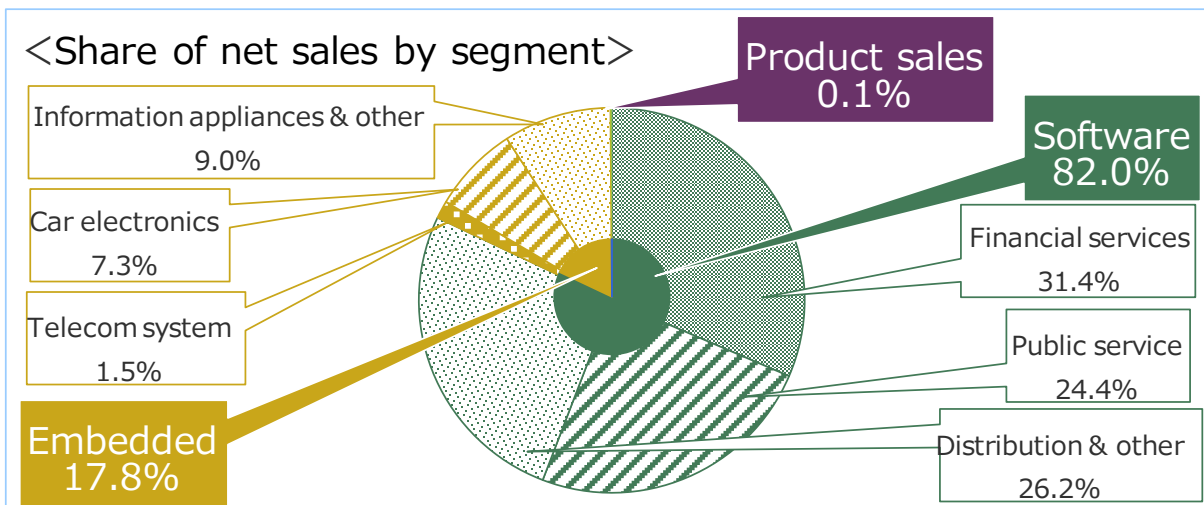
- We are proposing services suited to the changes in IT platforms.
- Technology Laboratory handles advanced technologies with sights fixed firmly on several years in the future.

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." 	

* In order of sales for the Three Months Ended June 30, 2018

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

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

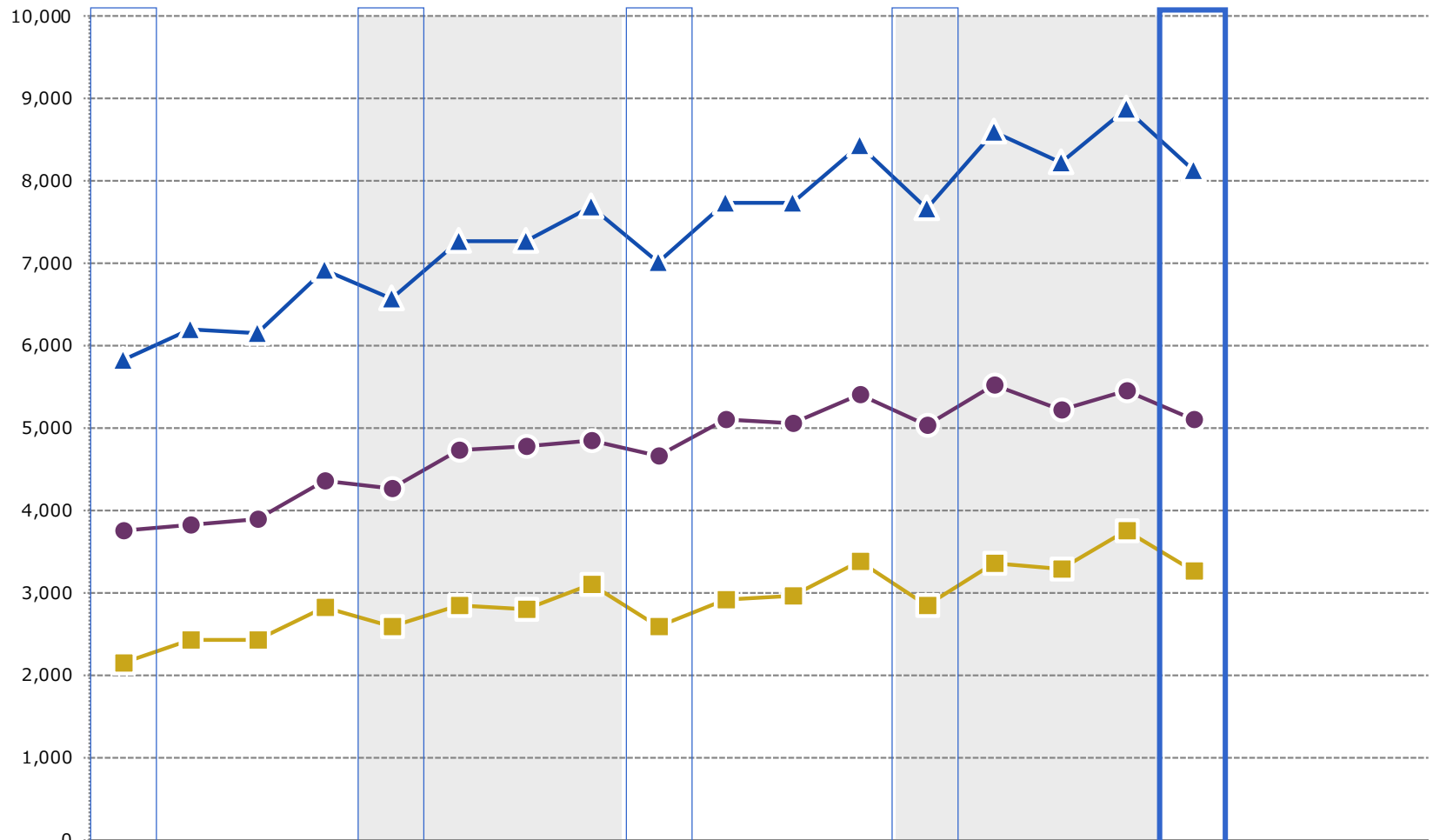
* Media Magic Co., Ltd. was renamed Mexess Co., Ltd. effective March 12, 2018.

* The Kansai Office of IOS Co., Ltd. was integrated into Mexess Co., Ltd. effective April 1, 2018.

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



(Unit: Amounts less than 1 million yen omitted)

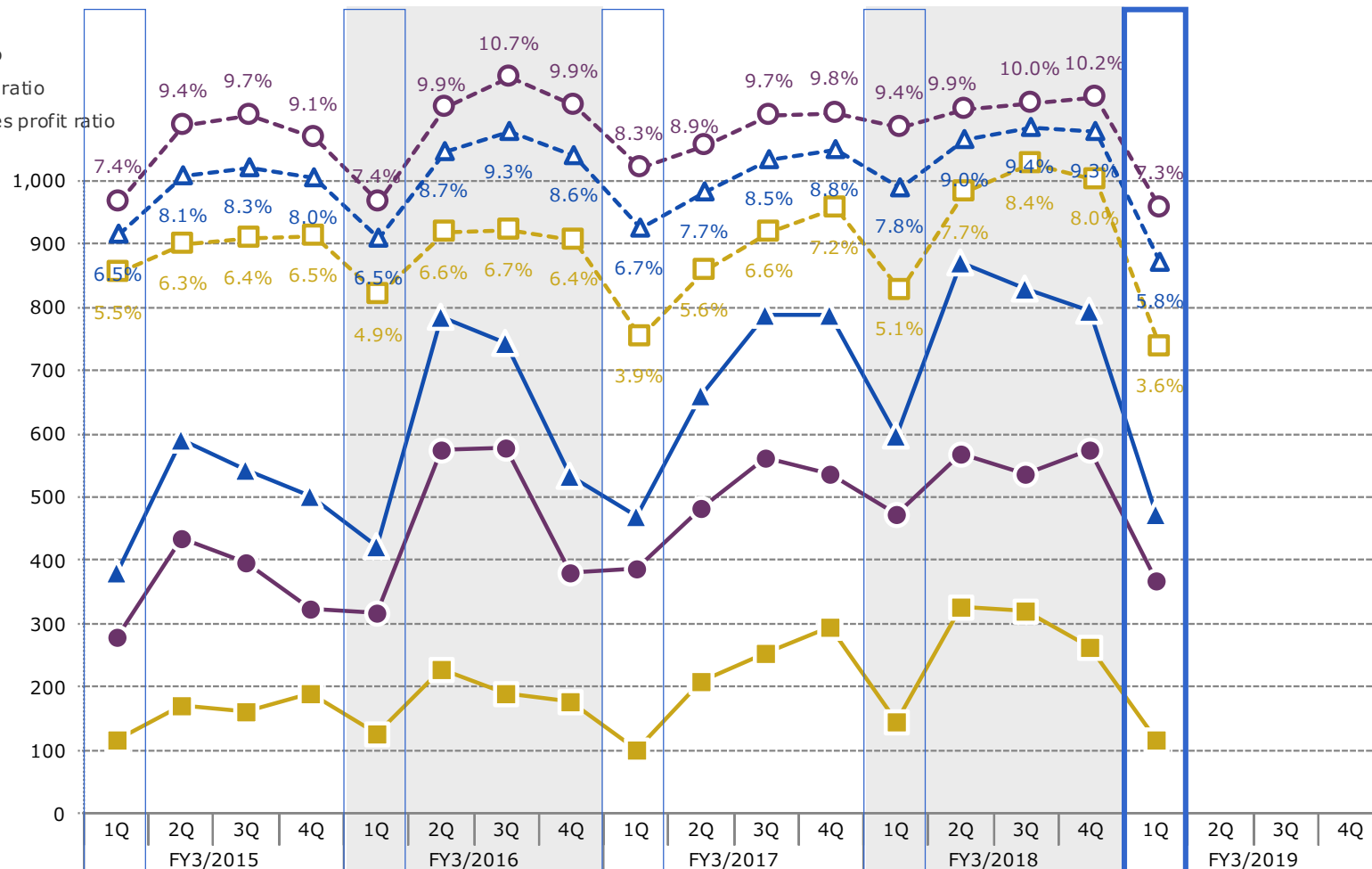


	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
	FY3/2015				FY3/2016				FY3/2017				FY3/2018				FY3/2019				
Consolidated net sales	5,810	6,189	6,155	6,909	6,564	7,255	7,270	7,684	7,014	7,725	7,733	8,419	7,659	8,594	8,206	8,868	8,113				
Non-consolidated net sales	3,745	3,817	3,881	4,350	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				
Consolidated subsidiaries sales	2,145	2,431	2,412	2,823	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				

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



(Unit: Amounts less than 1 million yen omitted)

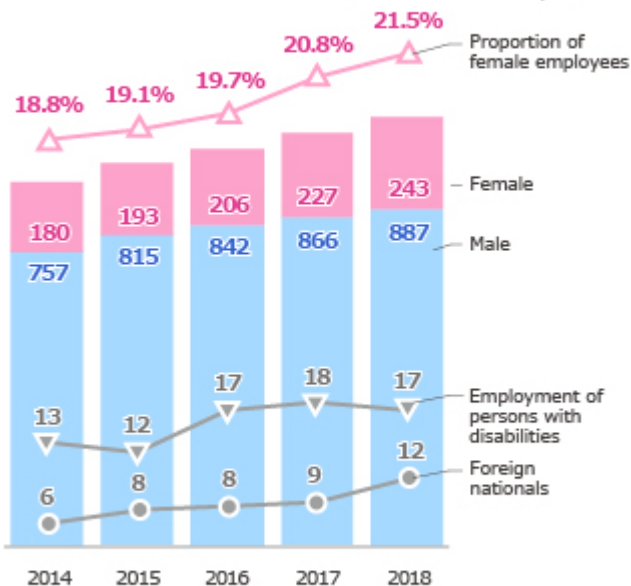


Consolidated operating profit	380	589	542	500	423	784	743	532	470	660	788	787	597	871	828	794	472			
Non-consolidated operating profit	278	434	396	324	316	574	577	380	387	482	562	537	472	569	536	575	369			
Consolidated subsidiaries operating profit	118	170	161	189	127	229	189	177	100	208	253	295	145	328	322	262	117			

(Unit: Persons)

Employee breakdown

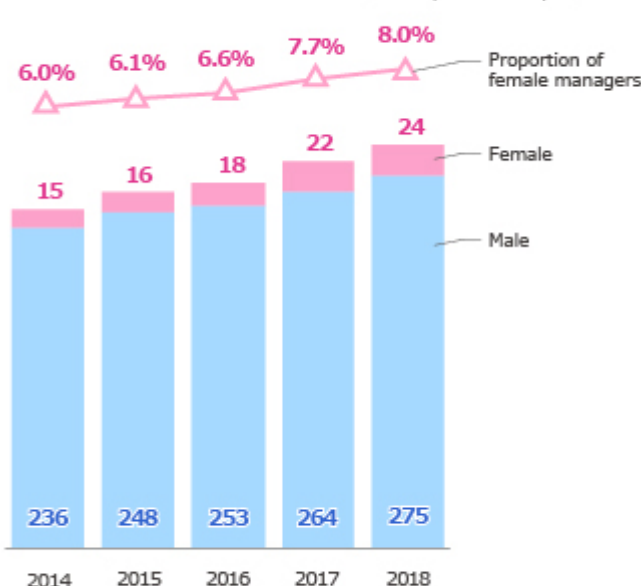
[As of March 31 of each year]



< The industry average in FY2017 (according to JISA data) >
Proportion of female employees: 21.0%

Manager breakdown

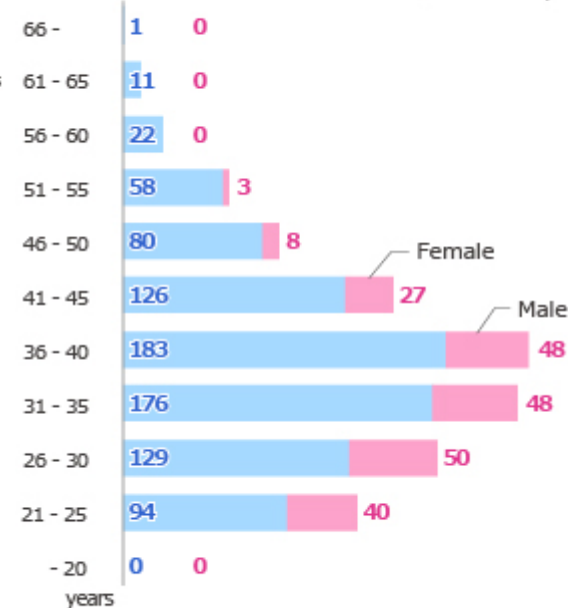
[As of April 1 of each year]



< JThe industry average in FY2017 (according to JISA data) >
Proportion of female managers: 5.4%

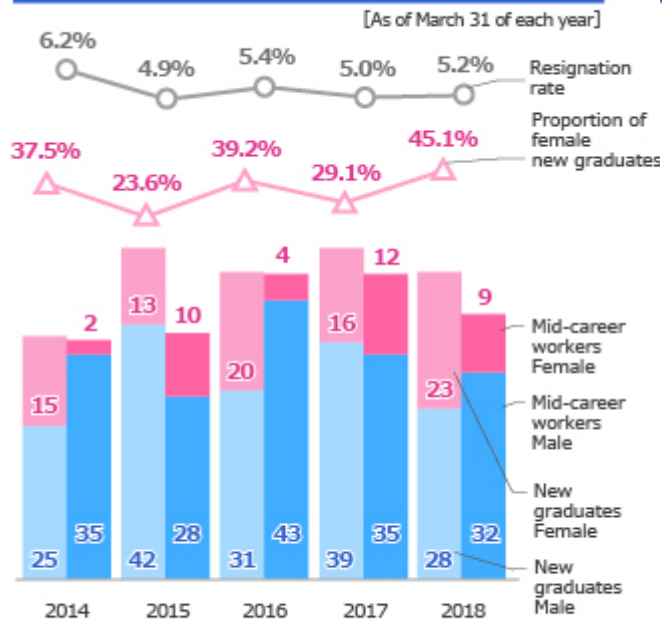
Employee breakdown by age

[As of March 31, 2018]



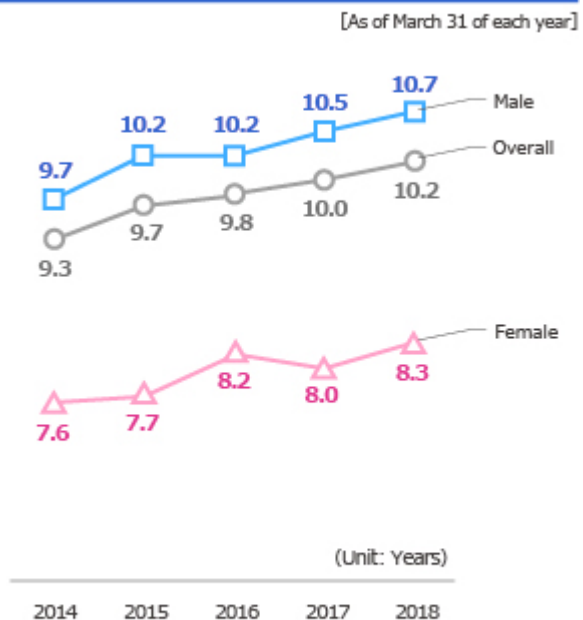
(Unit: Persons)

New employee breakdown and resignation rate

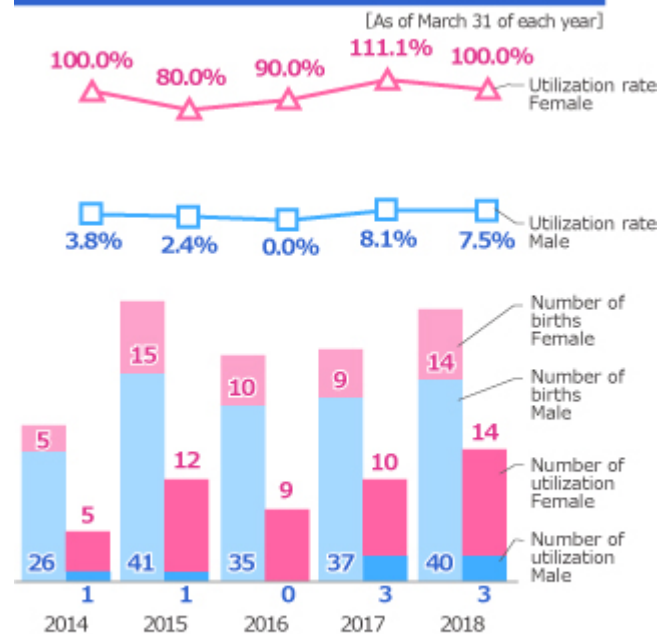


< The industry average in FY2017 (according to JISA data) >
 Proportion of female new graduates: 31.5%

Average service years



Taking the childcare leave



Initiatives for fiscal year ending March 31, 2019

- Management in accordance with “CRESCO Ambition 2020”
- Steady growth based on business quality and rising productivity
- Expansion of the size of group business through M&As

Five-year vision started in April 2016

CRESCO Ambition 2020
~ Lead the Digital Transformation ~

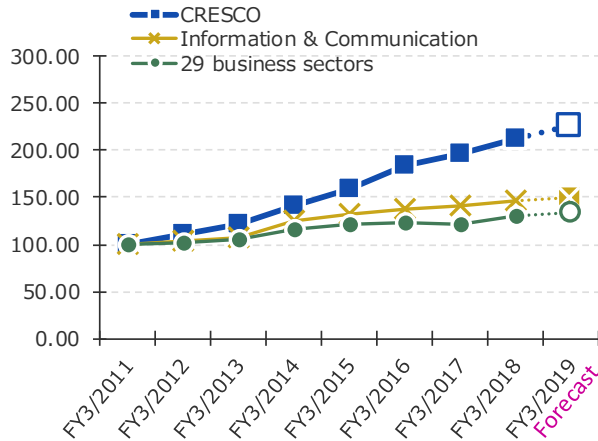
1. Providing ironclad quality
2. Pursuit of productivity
3. Strengthening of resource strategy
4. Hiring and development of human resources
5. Research and development of new technologies
6. Enhancing group-wide coordination
7. Strengthening sales structure and relationships with customers
8. Generating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

Overview of CRESCO LTD.

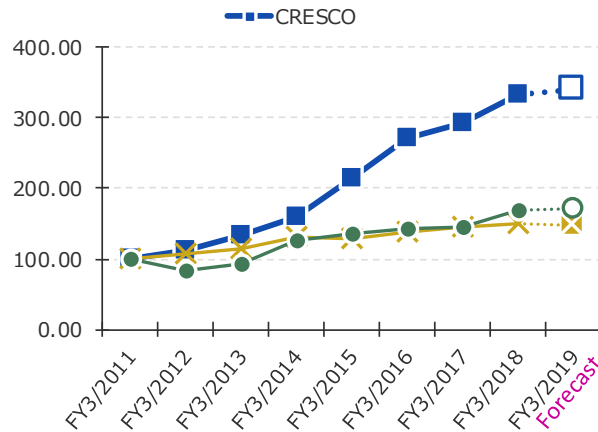
Business indicators and shareholder return

	FY3/2015		FY3/2016		FY3/2017		FY3/2018		FY3/2019	
	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end
ROA	10.1%	8.5%	11.2%	9.2%	9.0%	10.2%	11.1%	9.8%	-	-
ROE	16.6%	14.1%	17.8%	14.8%	13.9%	15.7%	17.3%	15.2%	-	-
Ordinary profit on total assets	14.1%	13.6%	15.6%	15.4%	13.4%	15.4%	16.2%	15.6%	-	-
Ordinary profit on net sales	9.0%	8.9%	10.2%	9.9%	8.7%	10.0%	10.4%	10.5%	-	-
Operating profit on net sales	8.1%	8.0%	8.7%	8.6%	7.7%	8.8%	9.0%	9.3%	-	-
Turnover of total capital used (Times)	1.5	2.8	0.8	1.6	0.8	1.5	0.8	1.5	-	-
Financial leverage (Times)	2.4	2.4	2.7	2.6	2.8	2.9	3.0	2.8	-	-
Current ratio	67.1%	59.6%	57.5%	59.2%	61.8%	54.7%	55.9%	57.9%	-	-
Fixed assets ratio	62.0%	63.8%	52.9%	57.9%	51.1%	49.5%	62.1%	59.8%	-	-
Leverage ratio	61.4%	60.8%	65.4%	63.3%	66.2%	66.9%	61.7%	62.5%	-	-
Equity ratio	162.8%	164.4%	157.3%	160.9%	152.0%	153.4%	156.7%	154.9%	-	-
Debt-to-equity ratio	4.6%	2.9%	1.7%	1.8%	1.9%	1.5%	11.1%	9.0%	-	-
Interest coverage ratio (Times)	561.5	631.2	1171.5	1264.8	2288.3	2537.7	1684.1	851.7	-	-
Cash flows from operating activities (Millions of yen)	653	1,681	277	1,543	(40)	1,144	960	2,174	-	-
Cash flows from investing activities (Millions of yen)	99	178	(469)	(1,287)	(381)	(505)	(482)	(179)	-	-
Cash flows from financing activities (Millions of yen)	(491)	8	20	(286)	(273)	(604)	(866)	(606)	-	-
Free cash flow (Millions of yen)	752	1,860	(192)	256	(422)	638	477	1,995	-	-
EPS (Yen)	73.38	133.12	91.54	152.26	76.64	180.28	103.44	200.25	-	-
PER (Times)	19.6	14.4	18.5	11.9	33.1	15.4	40.8	17.8	-	-
DOE		4.1%		4.9%		4.8%		5.5%		-

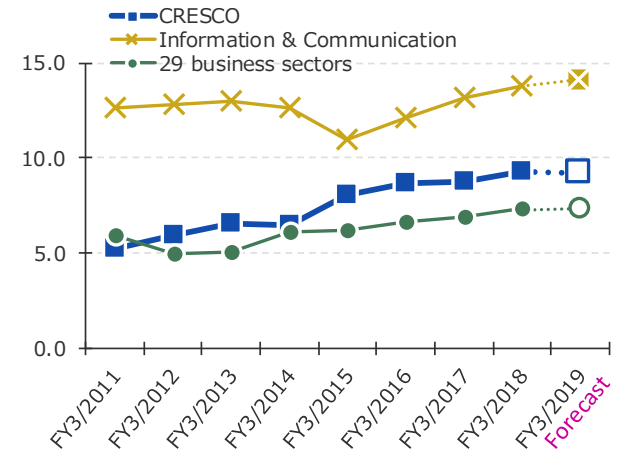
Growth in net sales



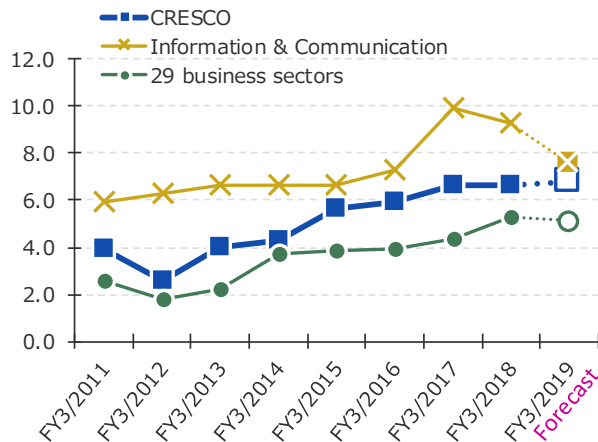
Growth in ordinary profit



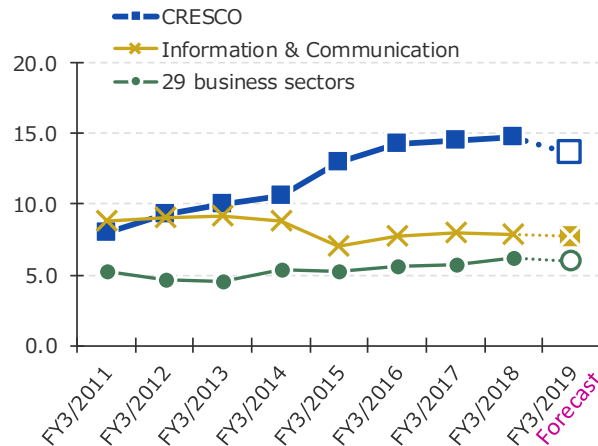
Operating profit on net sales



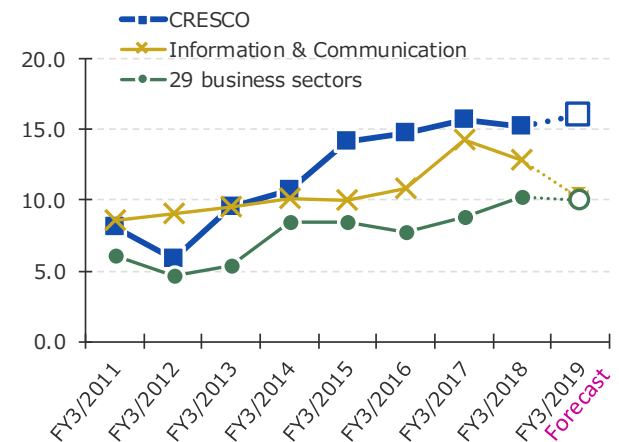
Return on net sales



ROA



ROE



[29 business sectors]

The "29 business sectors" refers to what is left of the 33 sectors defined by the Tokyo Stock Exchange after excluding the 4 financial sectors (banks, securities & commodity futures, insurance, other financing business), which have different accounting standards. The targets are all companies with common shares listed on Japanese markets as of March 31, 2016.

Data provided by



Spring Capital Co., Ltd.

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