



# Summary of Quarterly Financial Results Press Conference

## Fiscal Year Ended March 31, 2018



2018/5/8  
**CRESCO LTD.**

The background of the slide is a repeating blue geometric pattern. It consists of a grid of interconnected lines forming a series of star-like or floral motifs. Each motif is centered on a point and radiates outwards, creating a complex, crystalline structure. The pattern is uniform and covers the entire slide area.

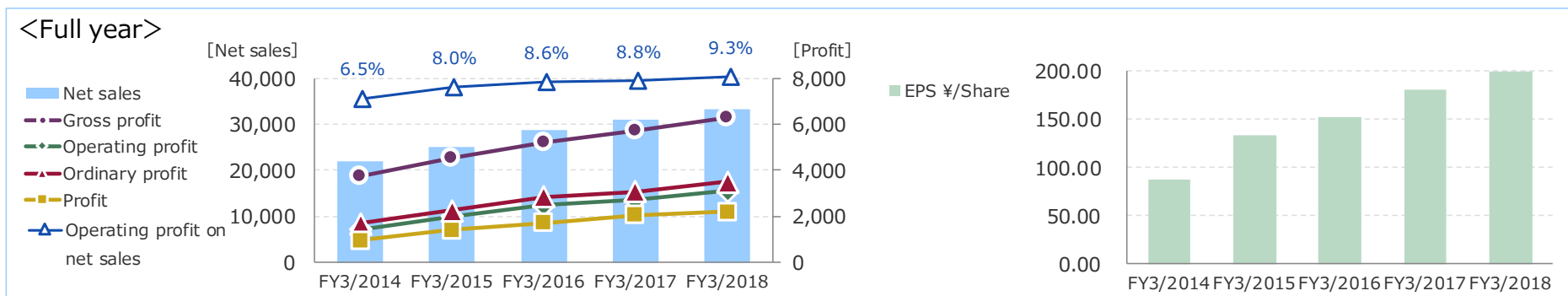
# 1 Results main points

(Unit: Amounts less than 1 million yen omitted)

- Net sales, operating profit, and ordinary profit increased for the eighth fiscal year in a row.
- Operating margin improved (from 8.8% to 9.3%) due to such factors as work style reform and measures to improve productivity.
- Structural reform of major subsidiaries also contributed. Operating results were generally strong, helped by successful M&As during the fiscal year.
- A loss on valuation of investment securities (approx. 235 million yen) was recognized with respect to stocks held for strategic investment purposes.

Full year		FY3/2016	FY3/2017	FY3/2018	YoY	Full-year progress	FY3/2018 Forecast <Announced on May 9, 2017>	YoY
	Net sales		28,775	30,893	<b>33,328</b>	<b>107.9%</b>	<b>100.4%</b>	33,200
Gross profit		5,231 (18.2%)	5,745 (18.6%)	<b>6,308 (18.9%)</b>	<b>109.8%</b>			
Operating profit		2,484 (8.6%)	2,707 (8.8%)	<b>3,091 (9.3%)</b>	<b>114.2%</b>	<b>103.1%</b>	3,000 (9.0%)	110.8%
Ordinary profit		2,857 (9.9%)	3,078 (10.0%)	<b>3,492 (10.5%)</b>	<b>113.4%</b>	<b>106.5%</b>	3,280 (9.9%)	106.6%
Profit		1,705 (5.9%)	2,042 (6.6%)	<b>2,202 (6.6%)</b>	<b>107.8%</b>	<b>98.8%</b>	2,230 (6.7%)	109.2%
EPS ¥/Share		152.26	180.28	<b>0</b>			207.63	

Note: Respective profit ratios shown in parentheses.



(Unit: Amounts less than 1 million yen omitted)

### Financial services

Large projects with megabanks have run their course for the time being. With the number of large orders via vendors dropping, net sales were flat.

### Public & service

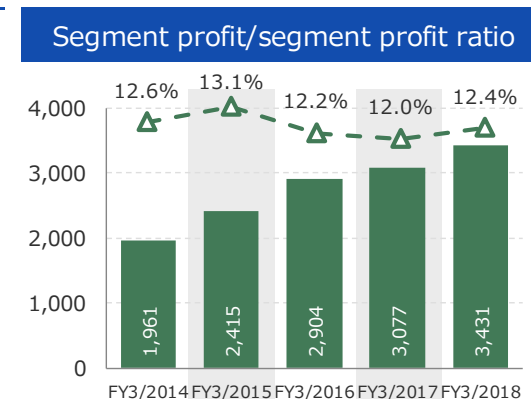
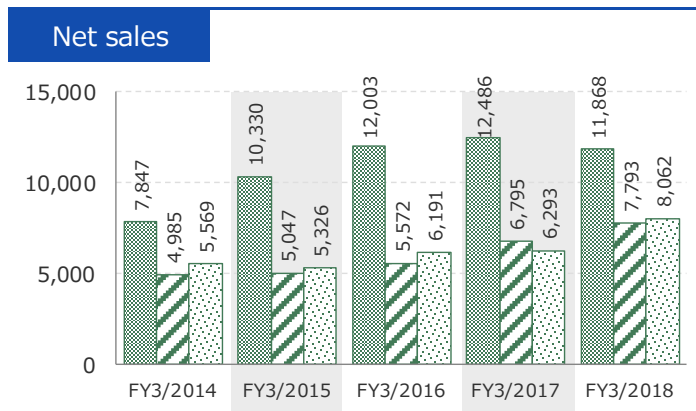
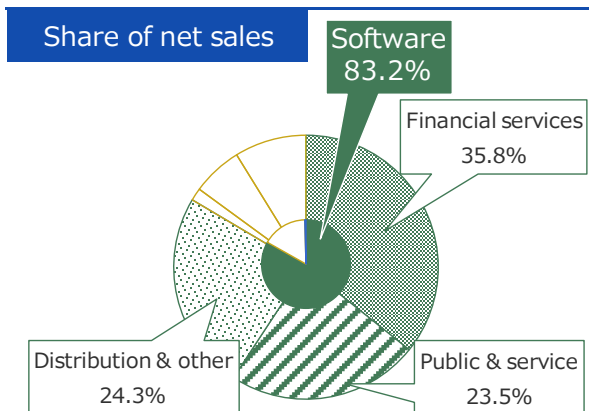
Businesses related to human resources, travel and distribution, our major customers, were solid.

### Distribution & other

Played a key role in overall performance. Contribution by major subsidiaries was great.

		FY3/2016	FY3/2017	FY3/2018	YoY	
Full year	Software	Financial services	12,003	12,486	11,868	95.1%
		Public & service	5,572	6,795	7,793	114.7%
		Distribution & other	6,191	6,293	8,062	128.1%
	Net sales		23,767	25,575	27,724	108.4%
	Segment profit		2,904 (12.2%)	3,077 (12.0%)	3,431 (12.4%)	111.5%

Note: Respective profit ratios shown in parentheses.



(Unit: Amounts less than 1 million yen omitted)

**Telecom system**

Smartphone-related sales dropped slightly, but appear to be ceasing to fall.

**Car electronics**

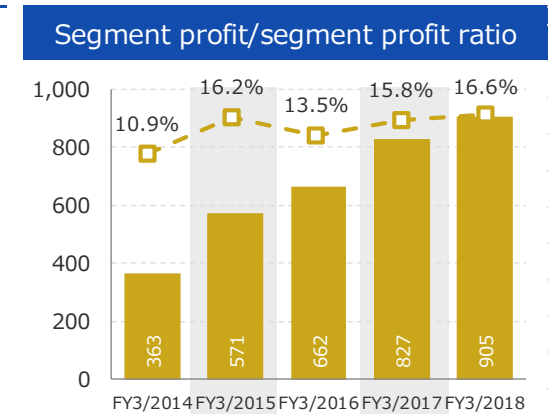
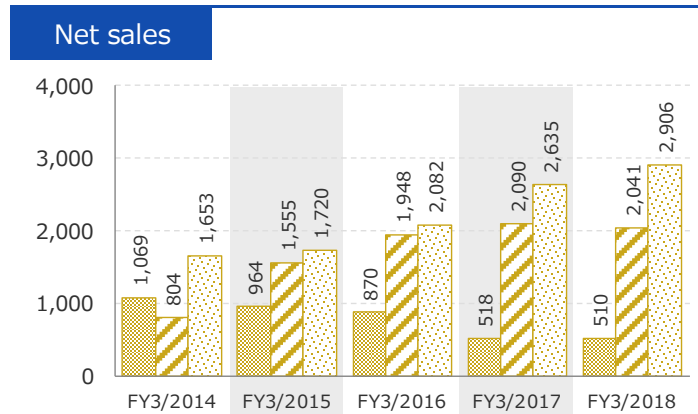
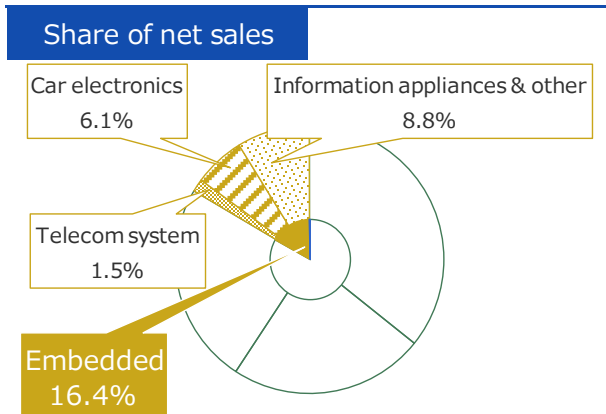
Overall secured an appropriate volume of orders although varied from client to client.

**Information appliances & other**

Digital information appliances (TVs, cameras, etc.) saw a continuing increase. Subsidiary-operated development of OS and controllers proceeded firmly. Contracted development of electricity and railway systems also contributed.

		FY3/2016	FY3/2017	FY3/2018	YoY	
Full year	Embedded	Telecom system	870	518	510	98.3%
		Car electronics	1,948	2,090	2,041	97.7%
		Information appliances & other	2,082	2,635	2,906	110.3%
	Net sales		4,901	5,244	5,458	104.1%
	Segment profit		662 (13.5%)	827 (15.8%)	905 (16.6%)	109.5%

Note: Respective profit ratios shown in parentheses.

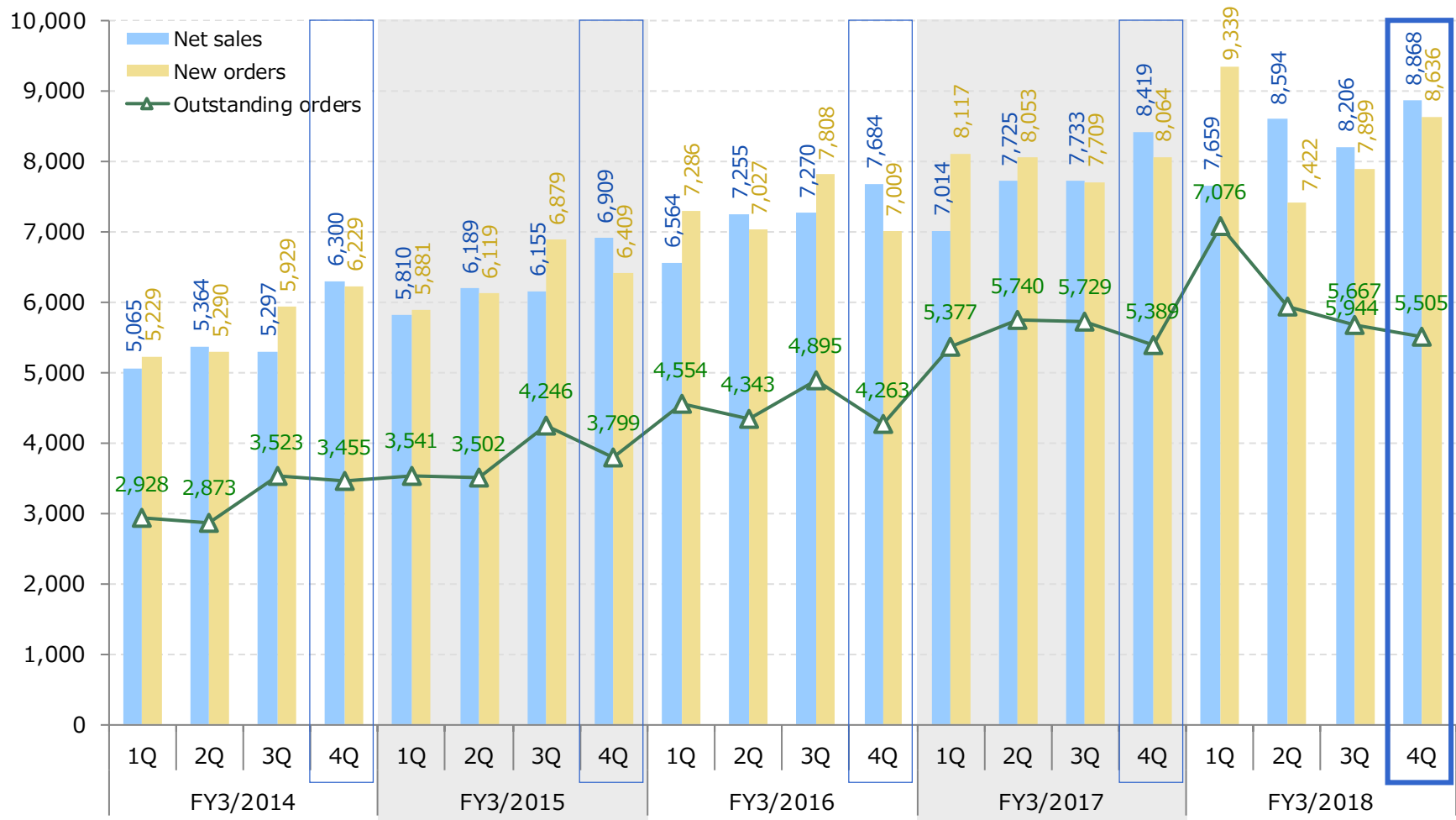


# 1.4. Consolidated quarterly net sales, new orders and outstanding orders



(Unit: Amounts less than 1 million yen omitted)

- Customer inquiries were generally steady with the continued transition to digital.
- Both new orders and outstanding orders achieved positive growth as planned on a full-year basis although quarterly results were varied.





2 Future outlook



(Unit: Amounts less than 1 million yen omitted)

2Q (cumulative)	FY3/2018				FY/2019	
	Forecast	YoY	Actual	YoY	Forecast	YoY
	<Announced on May 9, 2017>				<Announced on May 8, 2018>	
Net sales	16,000	108.5%	16,253	110.3%	<b>17,300</b>	<b>106.4%</b>
Gross profit			3,025 (18.6%)	115.0%		
Operating profit	1,360 (8.5%)	120.2%	1,469 (9.0%)	129.9%	<b>1,480 (8.6%)</b>	<b>100.7%</b>
Ordinary profit	1,480 (9.3%)	115.2%	1,687 (10.4%)	131.4%	<b>1,620 (9.4%)</b>	<b>96.0%</b>
Profit	1,000 (6.3%)	115.2%	1,157 (7.1%)	133.4%	<b>1,096 (6.3%)</b>	<b>94.7%</b>
EPS ¥/share	88.18		103.44		<b>100.18</b>	

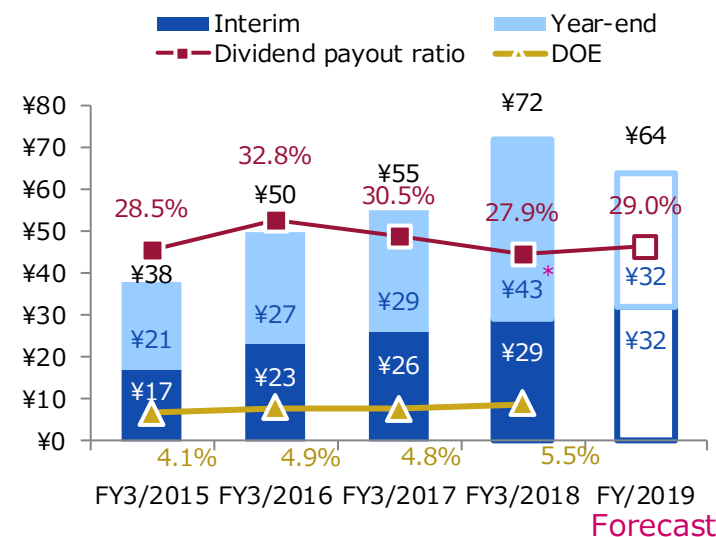
Full Year	FY3/2018				FY/2019	
	Forecast	YoY	Actual	YoY	Forecast	YoY
	<Announced on May 9, 2017>				<Announced on May 8, 2018>	
Net sales	33,200	107.5%	33,328	107.9%	<b>35,500</b>	<b>106.5%</b>
Gross profit			6,308 (18.9%)	109.8%		
Operating profit	3,000 (9.0%)	110.8%	3,091 (9.3%)	114.2%	<b>3,280 (9.2%)</b>	<b>106.1%</b>
Ordinary profit	3,280 (9.9%)	106.6%	3,492 (10.5%)	113.4%	<b>3,580 (10.1%)</b>	<b>102.5%</b>
Profit	2,230 (6.7%)	109.2%	2,202 (6.6%)	107.8%	<b>2,416 (6.8%)</b>	<b>109.7%</b>
EPS ¥/share	207.63		200.25		<b>220.84</b>	

Note: Respective profit ratios shown in parentheses.



	FY3/2016	FY3/2017	FY3/2018	FY/2019	
	Actual	Actual	Actual	<Announced on May 8, 2018>	Change
Interim	23 yen	26 yen	29 yen	<b>32 yen</b>	<b>3 yen</b>
Year-end	27 yen	29 yen	* 43 yen	<b>32 yen</b>	<b>-11 yen</b>
Full year	50 yen	55 yen	72 yen	<b>64 yen</b>	<b>-8 yen</b>
Dividend payout ratio	32.8%	30.5%	36.0%	<b>29.0%</b>	<b>-7.0%</b>
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.



### ■ 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.

The background of the slide features a repeating blue geometric pattern. The pattern consists of interconnected lines forming a grid of star-like or floral motifs, with each motif having eight points. The lines are of uniform thickness and the overall effect is a dense, textured grid.

# Overview of CRESCO LTD.

Overview of CRESCO LTD.

# Profile

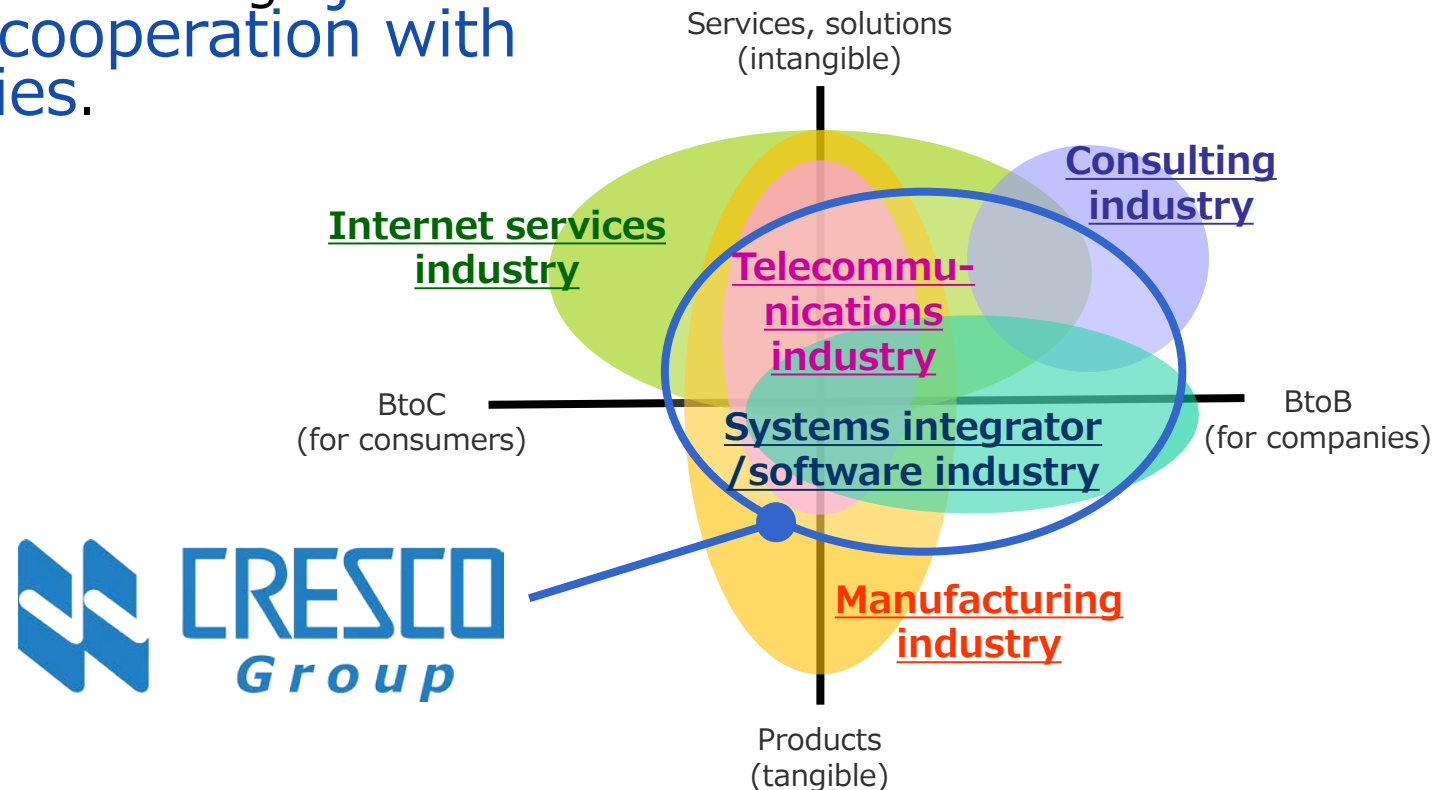
CRESCO is a system/software development company providing  
**“order made”**  
solutions that match our  
customers' needs.



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



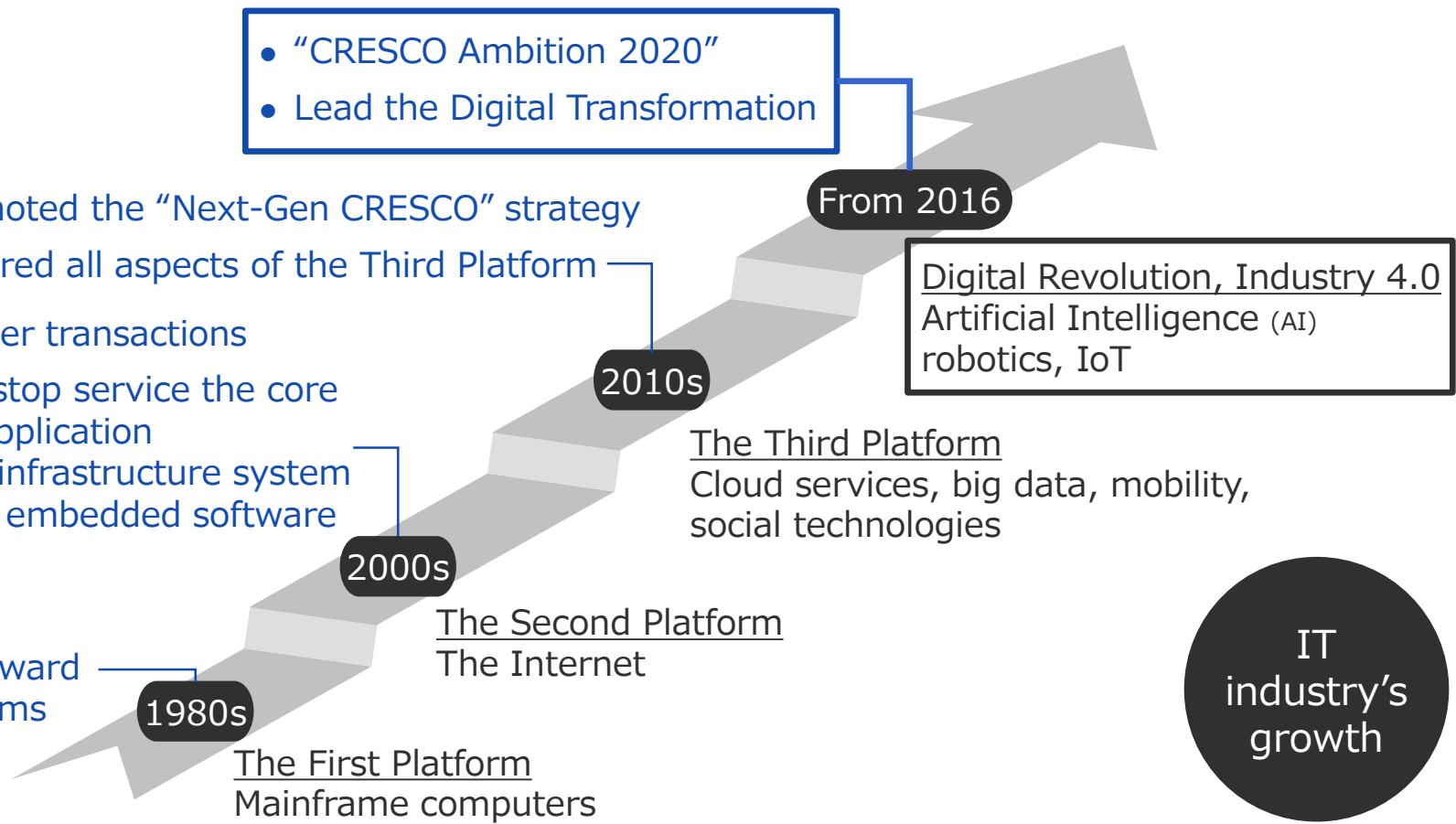
- We cover nearly the entire IT business domain spread predominantly across the BtoB axis.
- We are an **independent systems integrator** without a parent company that is a manufacturer or user corporation.
- We provide a wide range of solutions suiting client needs through **joint projects and cooperation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



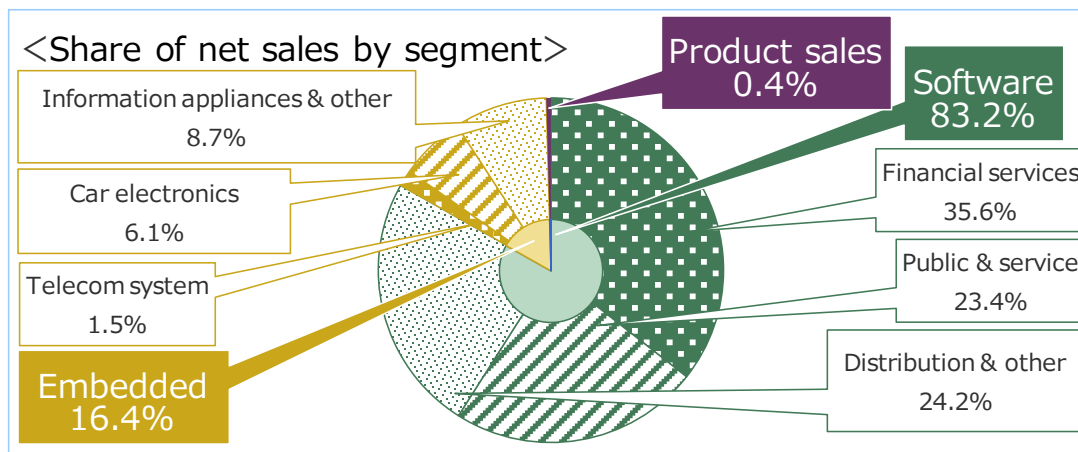
- We are proposing services suited to the changes in IT platforms.
- Technology Laboratory handles advanced technologies with sights fixed firmly on several years in the future.

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

		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 the fiscal year ended March 31, 2018												
	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.

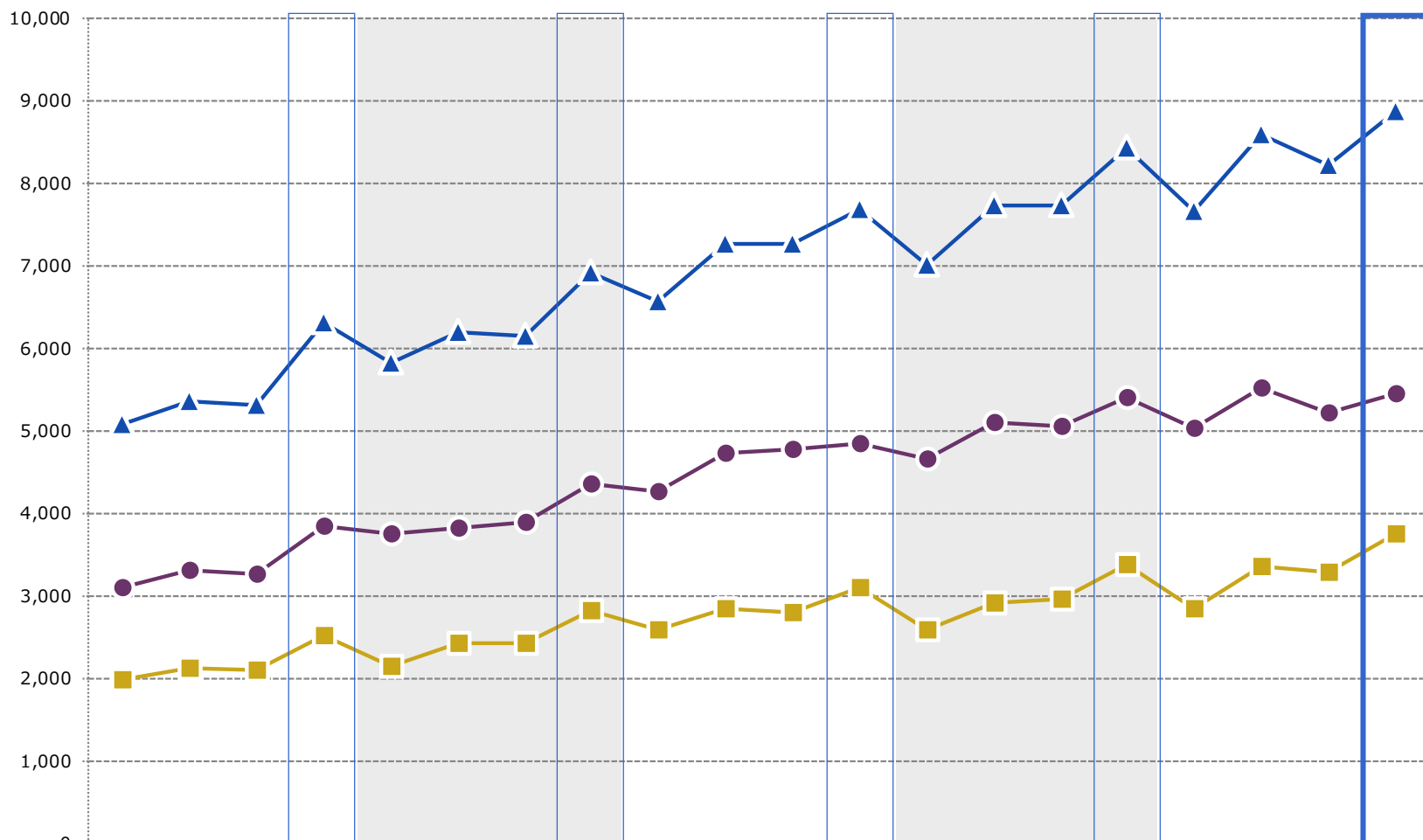
\* Media Magic Co., Ltd. was renamed Mexess Co., Ltd. effective March 12, 2018.

\* 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)

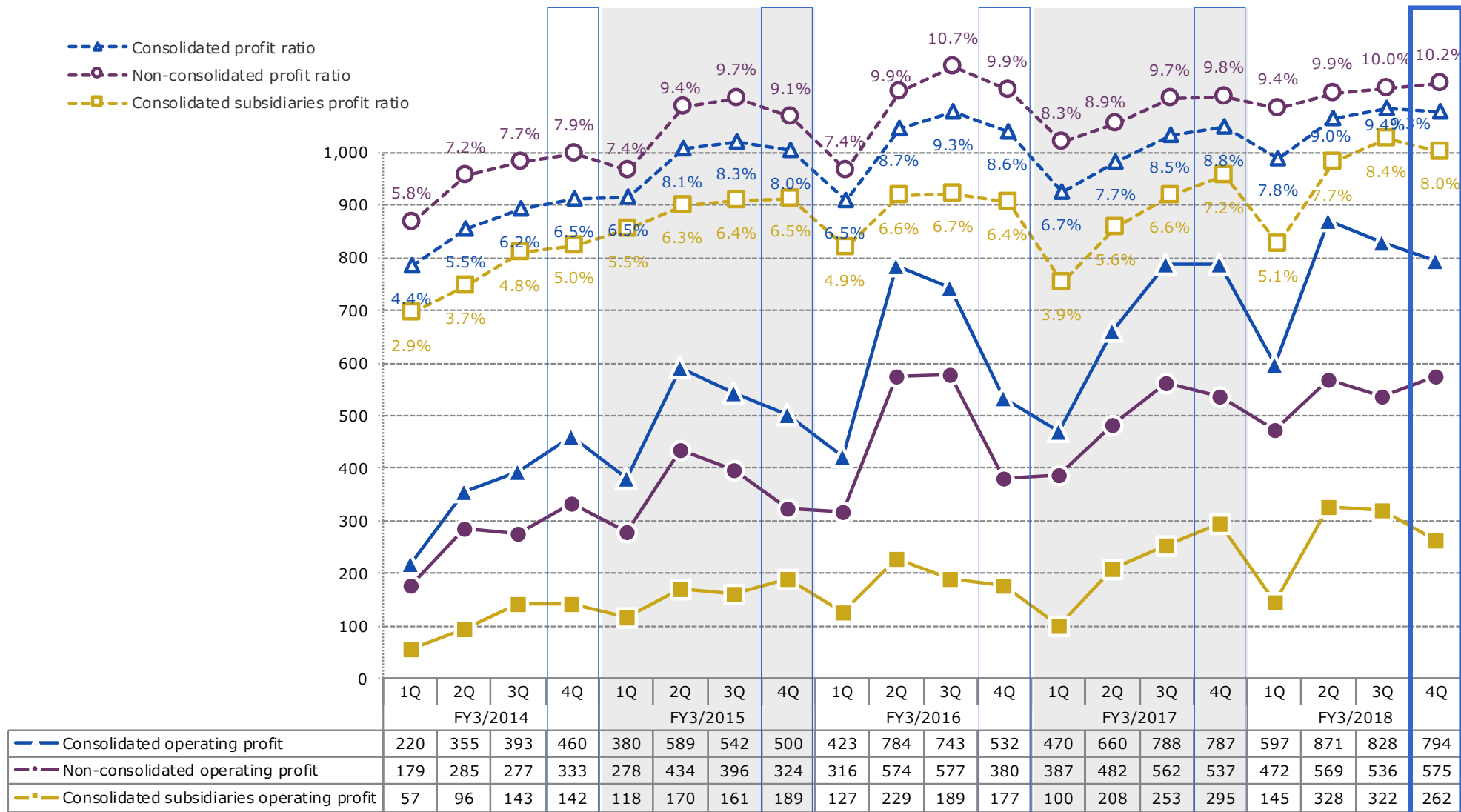


	FY3/2014				FY3/2015				FY3/2016				FY3/2017				FY3/2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Consolidated net sales	5,065	5,364	5,297	6,300	5,810	6,189	6,155	6,909	6,564	7,255	7,270	7,684	7,014	7,725	7,733	8,419	7,659	8,594	8,206	8,868
Non-consolidated net sales	3,104	3,314	3,264	3,849	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
Consolidated subsidiaries sales	1,981	2,115	2,097	2,521	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

# Non-consolidated operating profit and consolidated subsidiaries operating profit (quarterly)



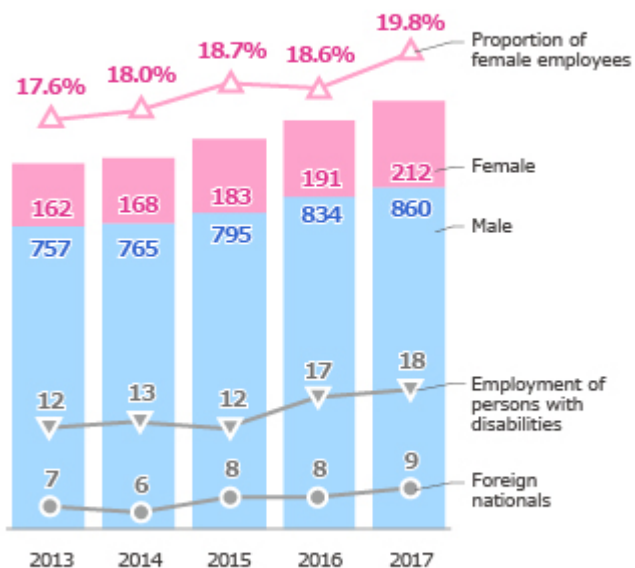
(Unit: Amounts less than 1 million yen omitted)



(Unit: Persons)

## Employee breakdown

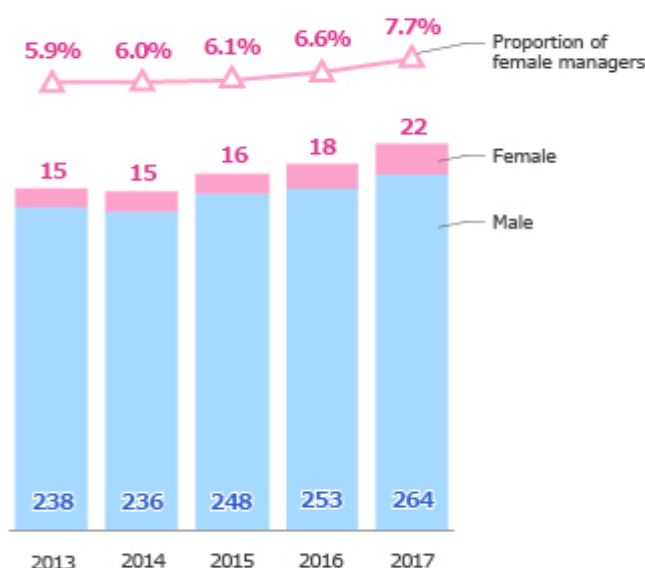
[As of March 31 of each year]



< The industry average in FY2016 (according to JISA data) >  
Proportion of female employees: 19.3%

## Manager breakdown

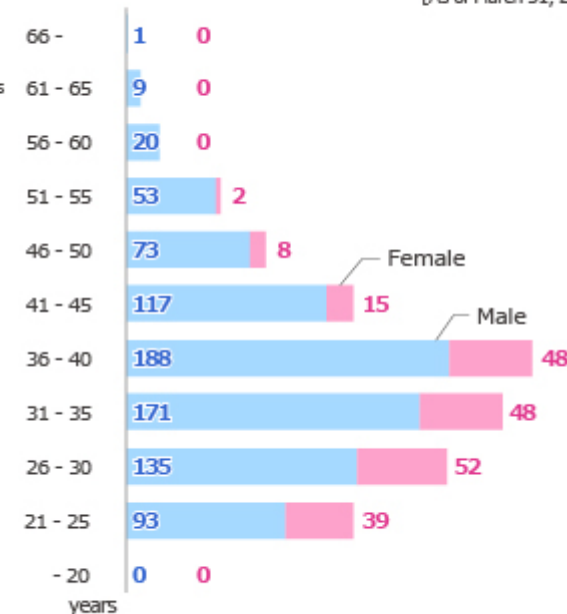
[As of April 1 of each year]



< JThe industry average in FY2016 (according to JISA data) >  
Proportion of female managers: 4.5%

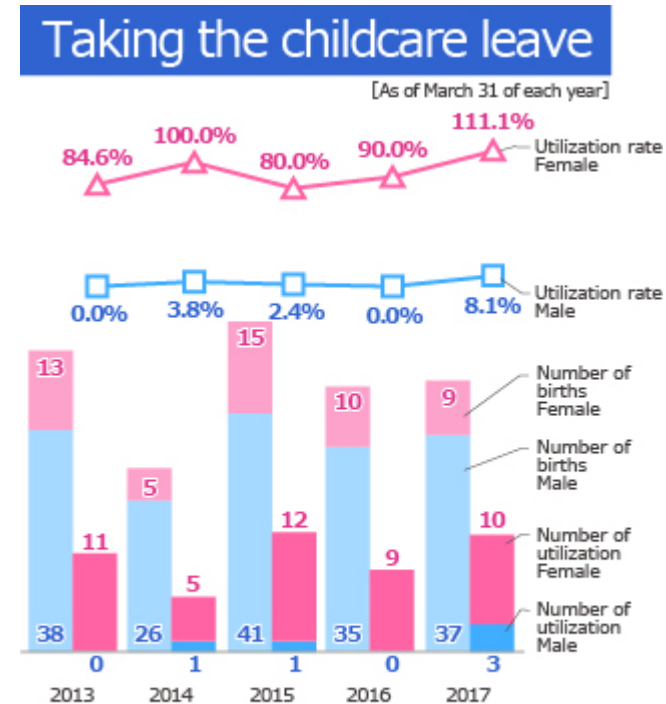
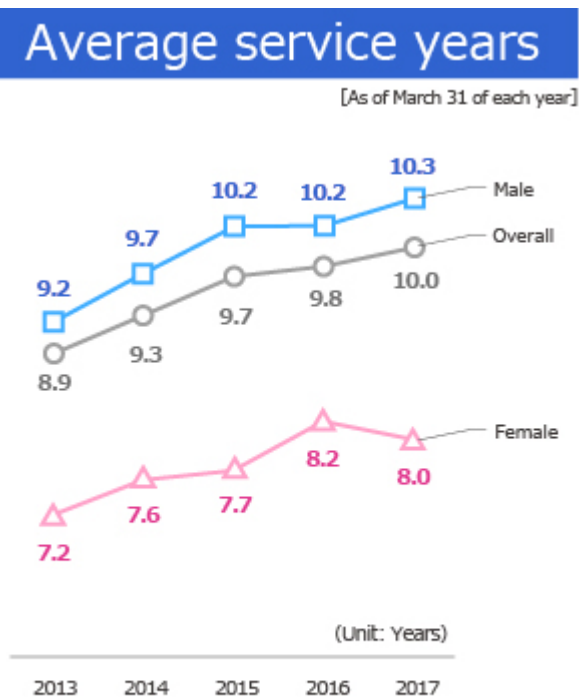
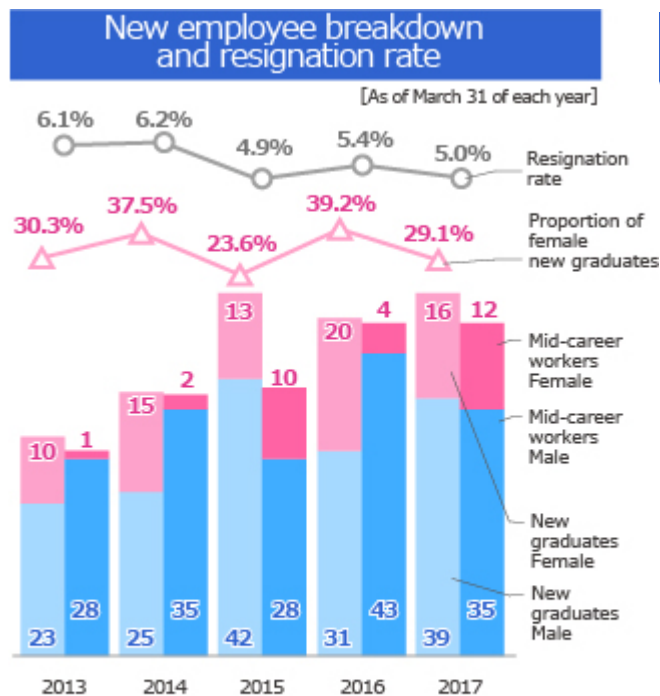
## Employee breakdown by age

[As of March 31, 2017]





(Unit: Persons)



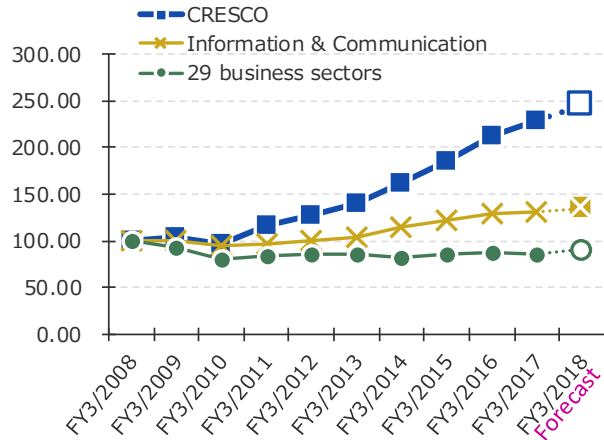
< The industry average in FY2016 (according to JISA data) >  
 Proportion of female new graduates: 30.0%

Overview of CRESCO LTD.

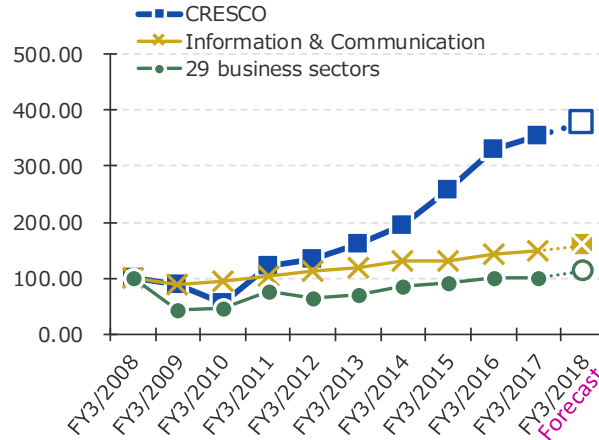
# Business indicators and shareholder return

	FY3/2014		FY3/2015		FY3/2016		FY3/2017		FY3/2018	
	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end
ROA	6.2%	6.4%	10.1%	8.5%	11.2%	9.2%	9.0%	10.2%	11.1%	9.8%
ROE	10.1%	10.7%	16.6%	14.1%	17.8%	14.8%	13.9%	15.7%	17.3%	15.2%
Ordinary profit on total assets	9.9%	11.4%	14.1%	13.6%	15.6%	15.4%	13.4%	15.4%	16.2%	15.6%
Ordinary profit on net sales	6.8%	7.6%	9.0%	8.9%	10.2%	9.9%	8.7%	10.0%	10.4%	10.5%
Operating profit on net sales	5.5%	6.5%	8.1%	8.0%	8.7%	8.6%	7.7%	8.8%	9.0%	9.3%
Turnover of total capital used (Times)	0.8	1.5	0.8	1.5	0.8	1.6	0.8	1.5	0.8	1.5
Financial leverage (Times)	1.6	1.7	1.6	1.7	1.6	1.6	1.5	1.5	1.6	1.5
Current ratio	259.6%	230.6%	242.8%	238.0%	271.6%	255.1%	282.8%	293.2%	301.5%	284.8%
Fixed assets ratio	69.9%	68.3%	67.1%	59.6%	57.5%	59.2%	61.8%	54.7%	55.9%	57.9%
Leverage ratio	60.8%	67.2%	62.0%	63.8%	52.9%	57.9%	51.1%	49.5%	62.1%	16.7%
Equity ratio	61.9%	59.5%	61.4%	60.8%	65.4%	63.3%	66.2%	66.9%	61.7%	62.5%
Debt-to-equity ratio	7.9%	6.3%	4.6%	2.9%	1.7%	1.8%	1.9%	1.5%	11.1%	9.0%
Interest coverage ratio (Times)	185.6	262.0	561.5	631.2	1171.5	1264.8	2288.3	2537.7	1684.1	851.7
Cash flows from operating activities (Millions of yen)	373	960	653	1,681	277	1,543	(40)	1,144	960	2,174
Cash flows from investing activities (Millions of yen)	(205)	(466)	99	178	(469)	(1,287)	(381)	(505)	(482)	(179)
Cash flows from financing activities (Millions of yen)	(337)	(757)	(491)	8	20	(286)	(273)	(604)	(866)	(606)
Free cash flow (Millions of yen)	167	494	752	1,860	(192)	256	(422)	638	477	1,995
EPS (Yen)	40.66	87.40	73.38	133.12	91.54	152.26	76.64	180.28	103.44	200.25
PER (Times)	18.9	11.5	19.6	14.4	18.5	11.9	33.1	15.4	40.8	17.8
DOE	-	3.7%	-	4.1%	-	4.9%	-	4.8%	-	5.5%

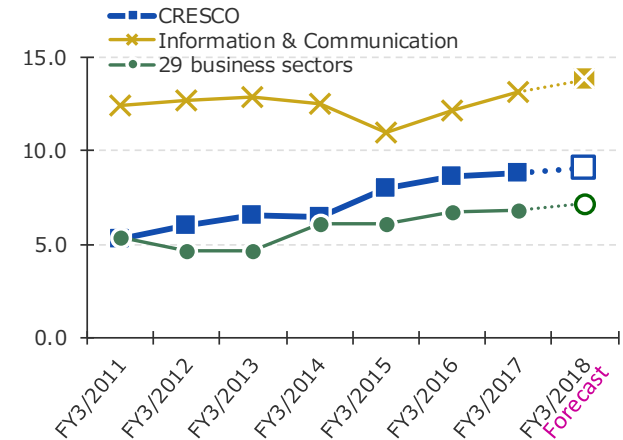
### Growth in net sales



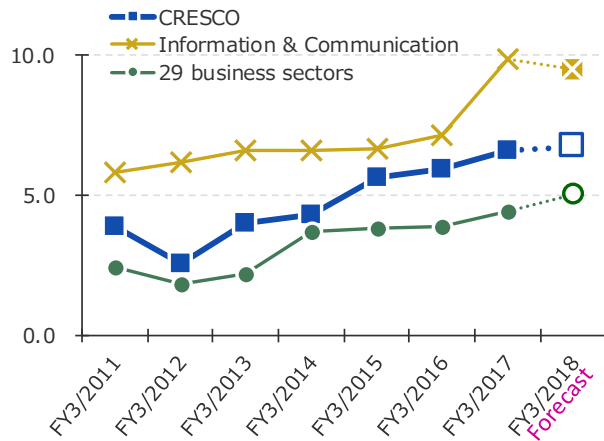
### Growth in ordinary profit



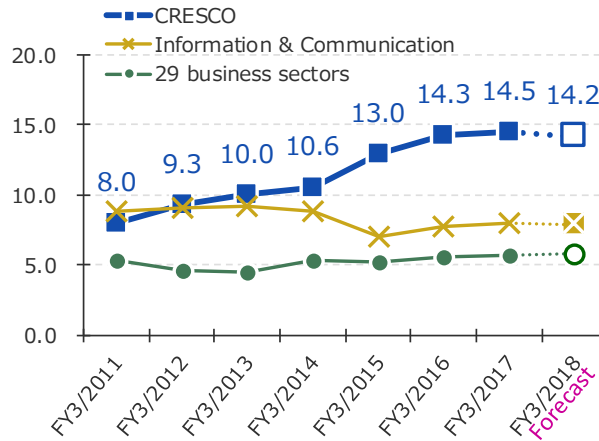
### Operating profit on net sales



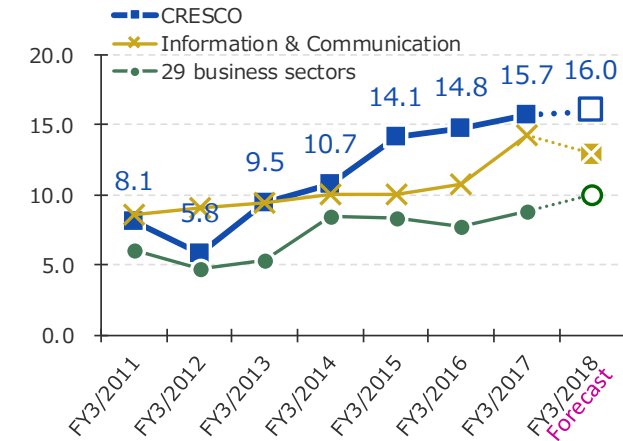
### Return on net sales



### 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.

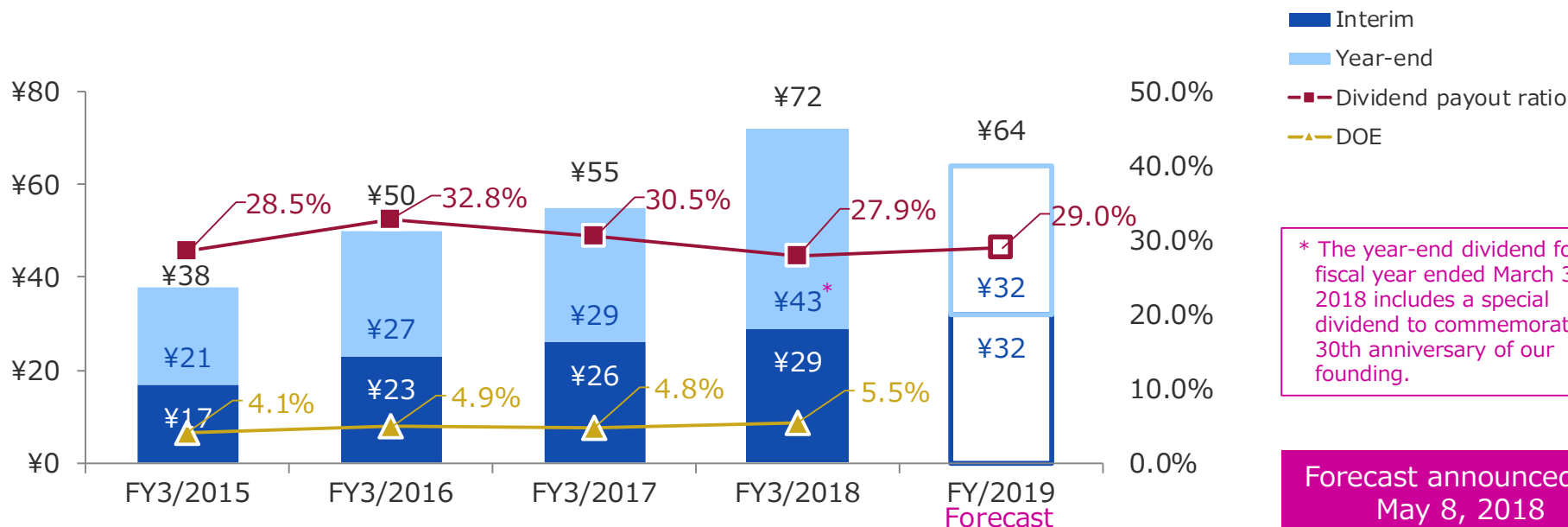
Data provided by



Spring Capital Co., Ltd.

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.



# 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



## Disclaimer

- ❖ 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.
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IR inquiries: Public Relations & IR Office  
Mail : [ir@cresco.co.jp](mailto:ir@cresco.co.jp)