



Summary of Quarterly Financial Results Meeting

for the Six Months Ended September 30, 2017



2017/11/22
CRESCO LTD.

The background of the slide features a repeating blue geometric pattern. The pattern consists of interconnected lines forming a series of star-like or floral motifs, each centered within a grid of hexagonal shapes. The lines are of uniform thickness and the overall effect is a dense, rhythmic tessellation.

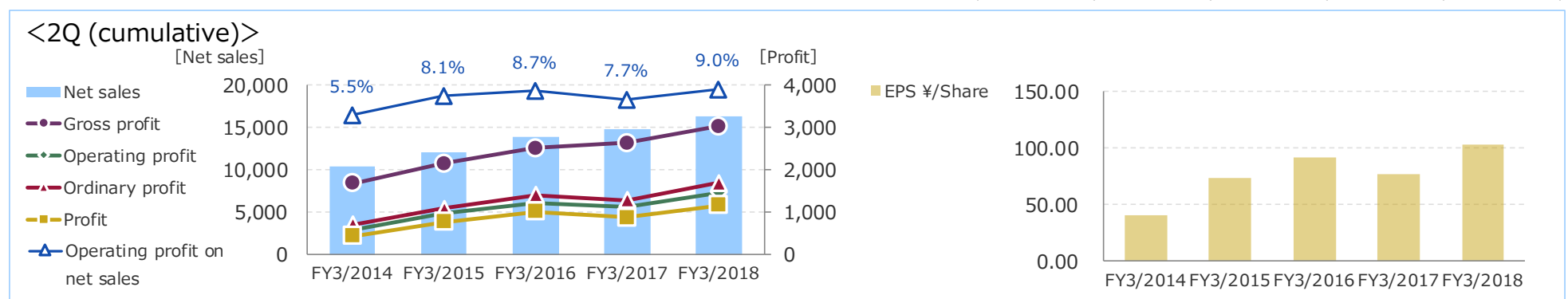
1 Results main points

(Unit: Amounts less than 1 million yen omitted)

2Q (cumulative)	FY3/2016		FY3/2017		FY3/2018		YoY	Half-year progress	FY3/2018 Forecast <Announced on May 9, 2017>		YoY
	Net sales	13,819		14,740		16,253		110.3%	101.6%	16,000	
Gross profit	2,511	(18.2%)	2,631	(17.8%)	3,025	(18.6%)	115.0%				
Operating profit	1,208	(8.7%)	1,131	(7.7%)	1,469	(9.0%)	129.9%	108.0%	1,360	(8.5%)	120.2%
Ordinary profit	1,410	(10.2%)	1,284	(8.7%)	1,687	(10.4%)	131.4%	114.0%	1,480	(9.3%)	115.2%
Profit	1,017	(7.4%)	867	(5.9%)	1,157	(7.1%)	133.4%	115.8%	1,000	(6.3%)	115.2%
EPS ¥/Share	91.54		76.64		103.44				88.18		

Note: Respective profit ratios shown in parentheses.

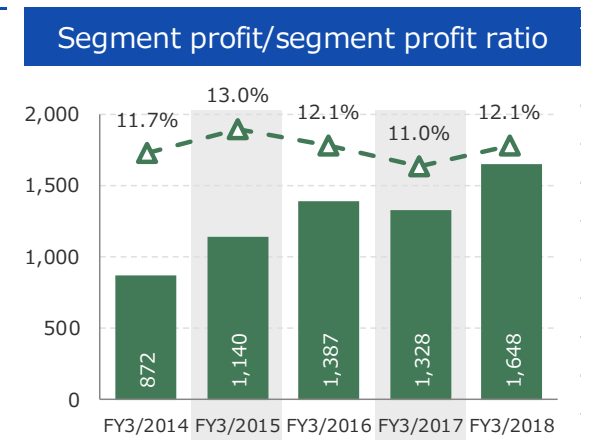
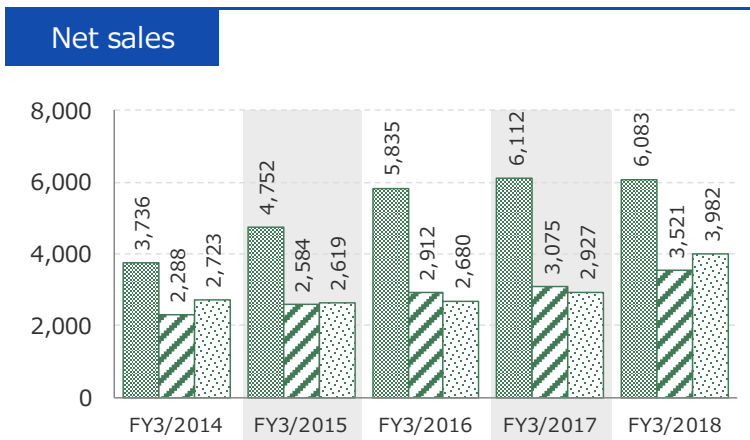
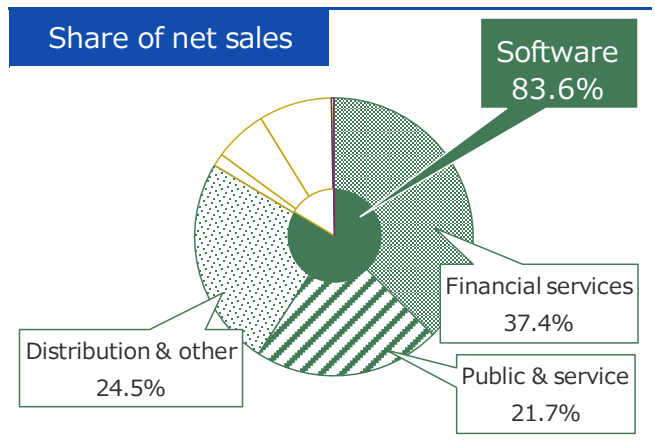
Full year		
対通期進捗率	FY3/2018 Forecast <Announced on May 9, 2017>	YoY
49.0%	33,200	107.5%
49.0%	3,000 (9.0%)	110.8%
51.4%	3,280 (9.9%)	106.6%
51.9%	2,230 (6.7%)	109.2%
	207.63	



(Unit: Amounts less than 1 million yen omitted)

		FY3/2016	FY3/2017	FY3/2018	YoY	
Software	Net sales	Financial services	5,835	6,112	6,083	99.5%
		Public & service	2,912	3,075	3,521	114.5%
		Distribution & other	2,680	2,927	3,982	136.0%
		11,429	12,115	13,586	112.1%	
	Segment profit	1,387 (12.1%)	1,328 (11.0%)	1,648 (12.1%)	124.1%	

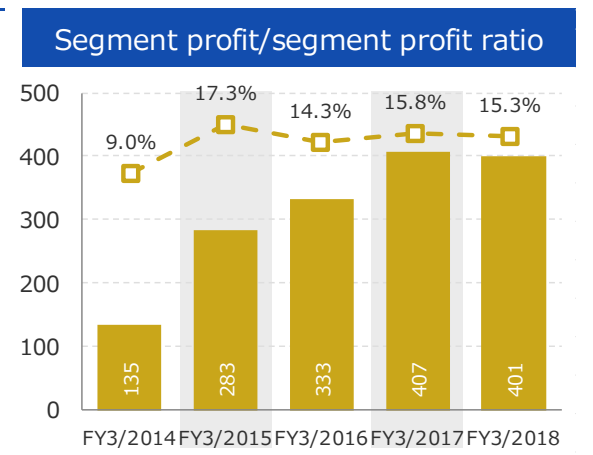
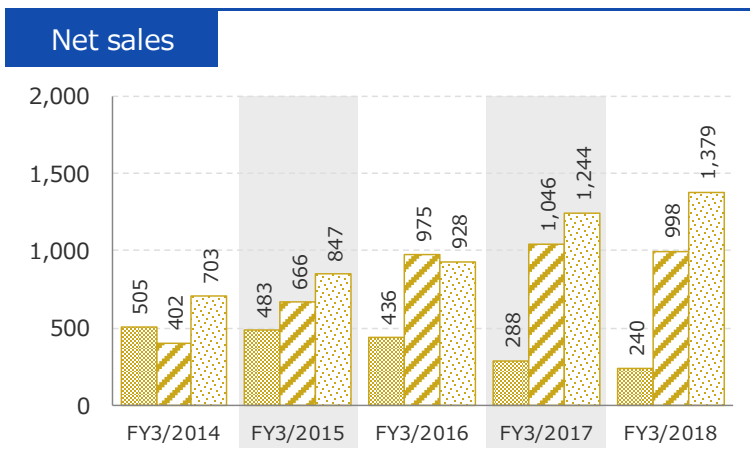
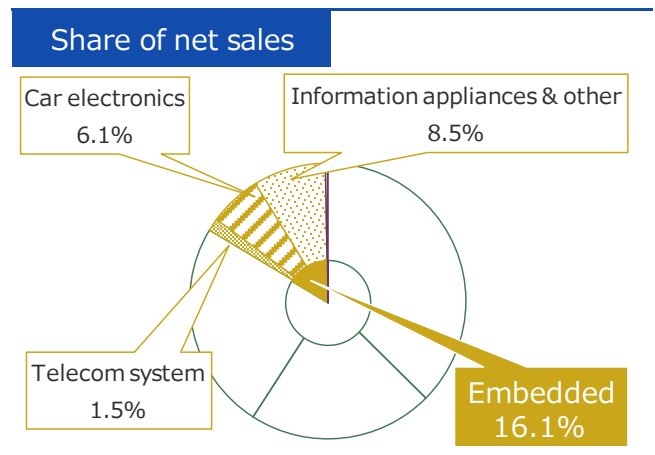
Note: Respective profit ratios shown in parentheses.



(Unit: Amounts less than 1 million yen omitted)

		FY3/2016	FY3/2017	FY3/2018	YoY	
Embedded	Net sales	Telecom system	436	288	240	83.6%
		Car electronics	975	1,046	998	95.5%
		Information appliances & other	928	1,244	1,379	110.9%
		2,340	2,578	2,619	101.6%	
	Segment profit	333 (14.3%)	407 (15.8%)	401 (15.3%)	98.5%	

Note: Respective profit ratios shown in parentheses.



■ Overall

- Net sales, operating profit, ordinary profit, and profit all increased year on year.
- We successfully conducted portfolio management suited to each client's situation.
- Subsidiaries CRESCO e-Solution Co., Ltd. and IOS Co., Ltd. are delivering steady improvements in financial results.
- We expanded prospects for new orders by strengthening cooperation within the CRESCO Group (especially sales aspects), and reinforced our development system.
- Trying to minimize unprofitable projects, we improved risk checks and project quality.

■ Software development

- Our "financial services" orders via vendors dropped as large projects came to an end.
- Orders other than orders via vendors (especially distribution) provided valuable boost.
- Subsidiary-operated ERP business and network business performed strongly.

■ Embedded software development

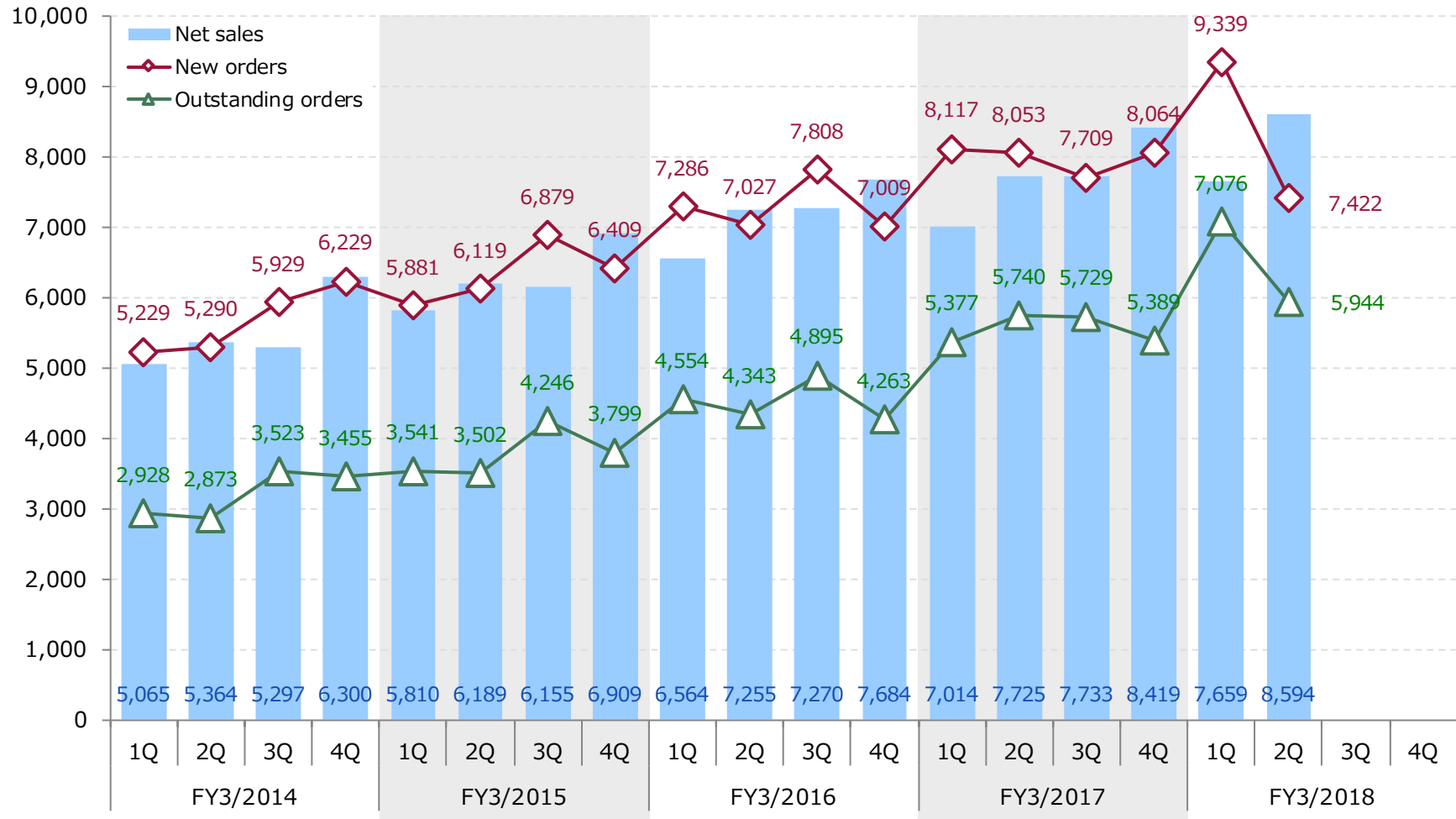
- "Information appliances & other" saw a gradual increase in digital information appliances (TV, camera, etc.), and subsidiary-operated development of control-system OS and controllers proceeded firmly.
- In "car electronics," orders from some manufacturers were affected by a transition period.

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



(Unit: Amounts less than 1 million yen omitted)

- Despite some variability by sector/industry, customer inquiries were strong.
- Both new orders and outstanding orders continue favorably.





2 Future outlook



(Unit: Amounts less than 1 million yen omitted)

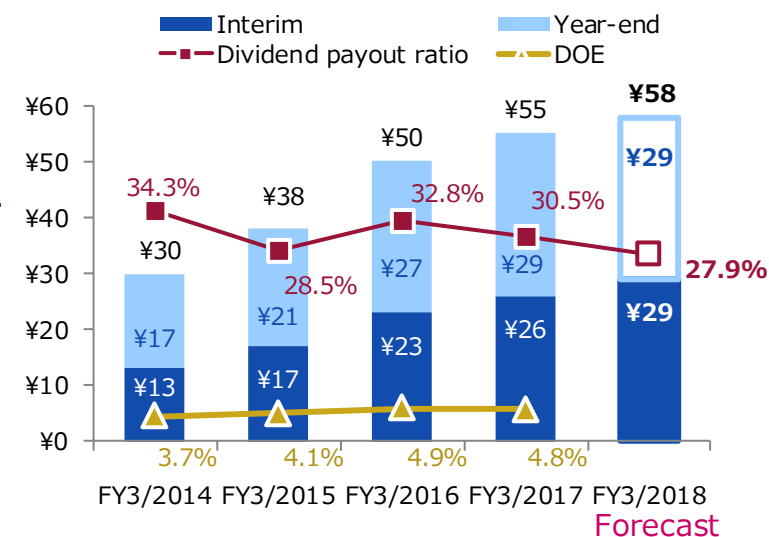
- We cleared our targets for the first half, but we recognize some uncertainties in the second half in the way of achieving full-year targets that we have not yet dispelled.
- We **leave our forecast unchanged** from the initial figures (announced May 9, 2017).

Full Year	FY3/2017				FY3/2018	
	Forecast	YoY	Actual	YoY	Forecast	YoY
	<Announced on May 9, 2016>				<Announced on May 9, 2017>	
Net sales	31,100	108.1%	30,893	107.4%	33,200	107.5%
Gross profit			5,745 (18.6%)	109.8%		
Operating profit	2,750 (8.8%)	110.7%	2,707 (8.8%)	109.0%	3,000 (9.0%)	110.8%
Ordinary profit	3,000 (9.6%)	105.0%	3,078 (10.0%)	107.7%	3,280 (9.9%)	106.6%
Profit	2,000 (6.4%)	117.3%	2,042 (6.6%)	119.8%	2,230 (6.7%)	109.2%
EPS ¥/share	176.36		180.28		207.63	

Note: Respective profit ratios shown in parentheses.

- We **leave our forecast unchanged** from the initial figures (announced May 9, 2017).

	FY3/2016	FY3/2017	FY3/2018 Forecast		
	Actual	Actual	Actual	<Announced on May 9, 2017>	Change
Interim	23 yen	26 yen	29 yen	29 yen	3 yen
Year-end	27 yen	29 yen	–	29 yen	0 yen
Full year	50 yen	55 yen	29 yen	58 yen	3 yen
Dividend payout ratio	32.8%	30.5%	–	27.9%	-2.6%
Dividend yield	2.8%	2.0%	–		
DOE	4.9%	4.8%	–		
Total dividend payments	563 Millions of yen	623 Millions of yen	–		



■ Trend of the information service industry

- IT investment will continue to be on an expansionary trend.
- Capitalizing on the trend of “digital transformation,” which promotes the transformation of business models that utilizes digital technology, in addition to more active IT investment under the backdrop of a cyclical improvement in performance of companies and “aggressive IT management,” the demand for system development incorporating advanced technologies such as AI and IoT will rapidly expand.
- As IT services become commodities and prices fall, the demand for the third platform field (cloud services, mobility, big data, and social technologies) will accelerate as advanced technologies related to AI, IoT, and robotics take off.
- Companies’ efforts for the “digital transformation” will be further accelerated under the trend seeking for advanced business infrastructure including the construction of a management infrastructure, such as AI, IoT, and big data, for using data as management resources, the utilization of API (Application Programming Interface) economy that establishes processes for constructing and developing a sustainable IT infrastructure, and the establishment of security system in response to increasingly sophisticated cyberattacks.

- Business categories such as finance, distribution and retail, services (including medical and nursing care), civil engineering and construction, information appliances, and car electronics will become areas that bring about innovations to markets. Growth is expected for the time being in our cutting-edge technology related businesses besides software development business, which is our mainstay.
- The use and application of the third platform (cloud services, mobility, big data, and social technologies) through the collaboration among various industries in a business ecosystem, an enhanced awareness of “work style reform,” and the transition to the implementation phase of IoT will provide new business opportunities.
- 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, 2017]

Consolidated : 1,904 (Male : 1,529 Female : 375)
Non-consolidated : 1,093 (Male : 866 Female : 227)

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

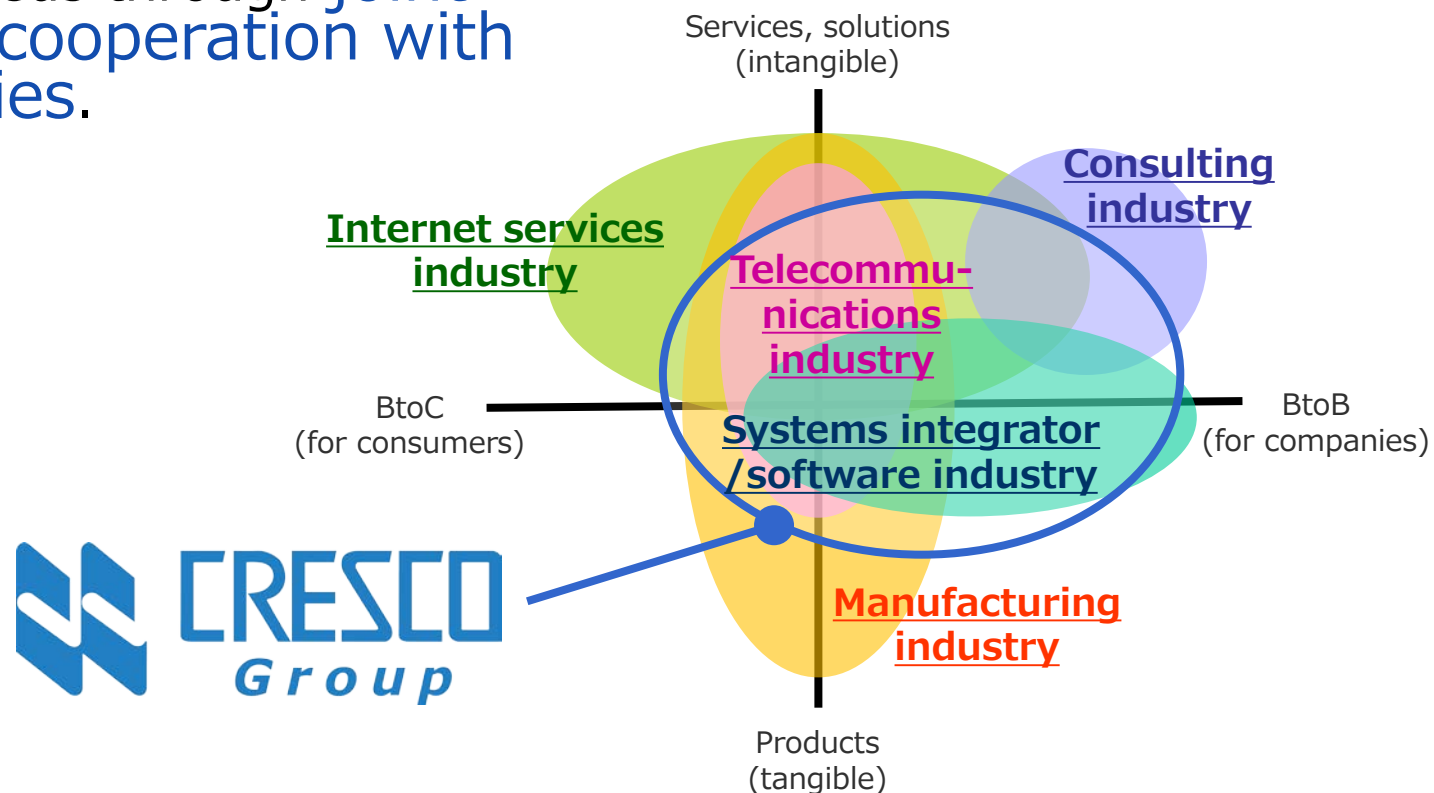
Business sector

Information & Communication

Market capitalization
[as of November 16, 2017]

¥60,480 million

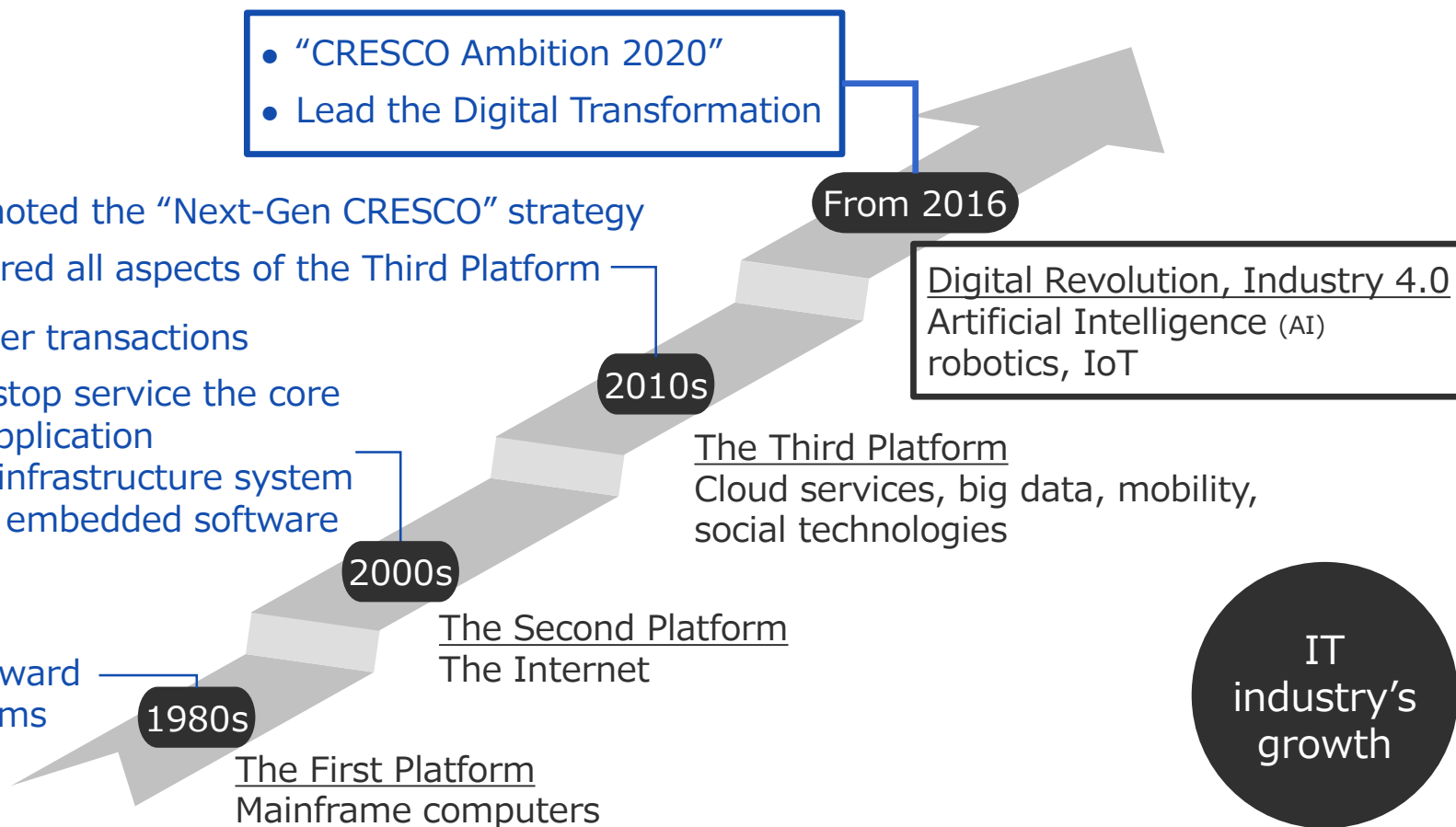
- We cover nearly the entire IT business domain spread predominantly across the BtoB axis.
- We are an **independent systems integrator** without a parent company that is a manufacturer or user corporation.
- We provide a wide range of solutions suiting client needs through **joint projects and cooperation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

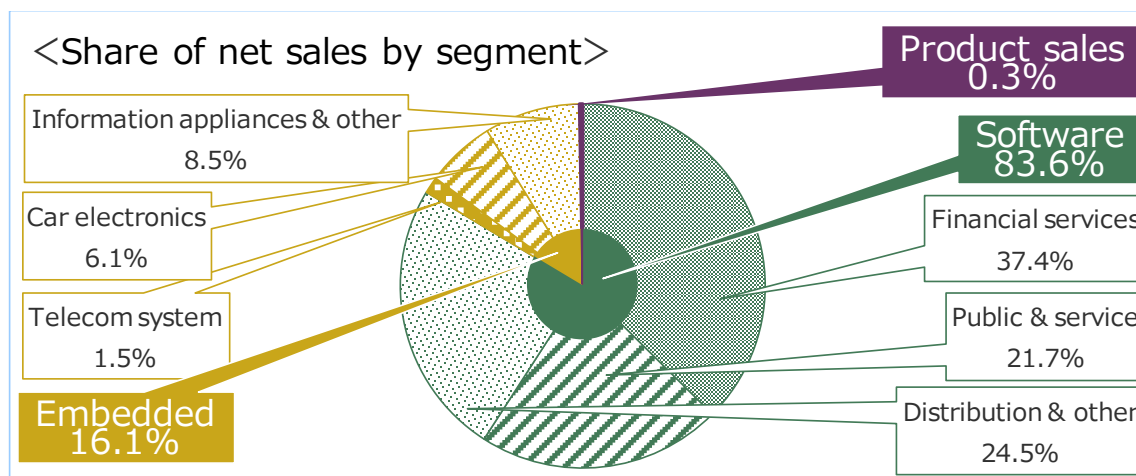
CRESCO 's
step-by-step
progress

- 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 (Airline, railway, electric power, broadcast, medical, travel, human resources, 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." 	



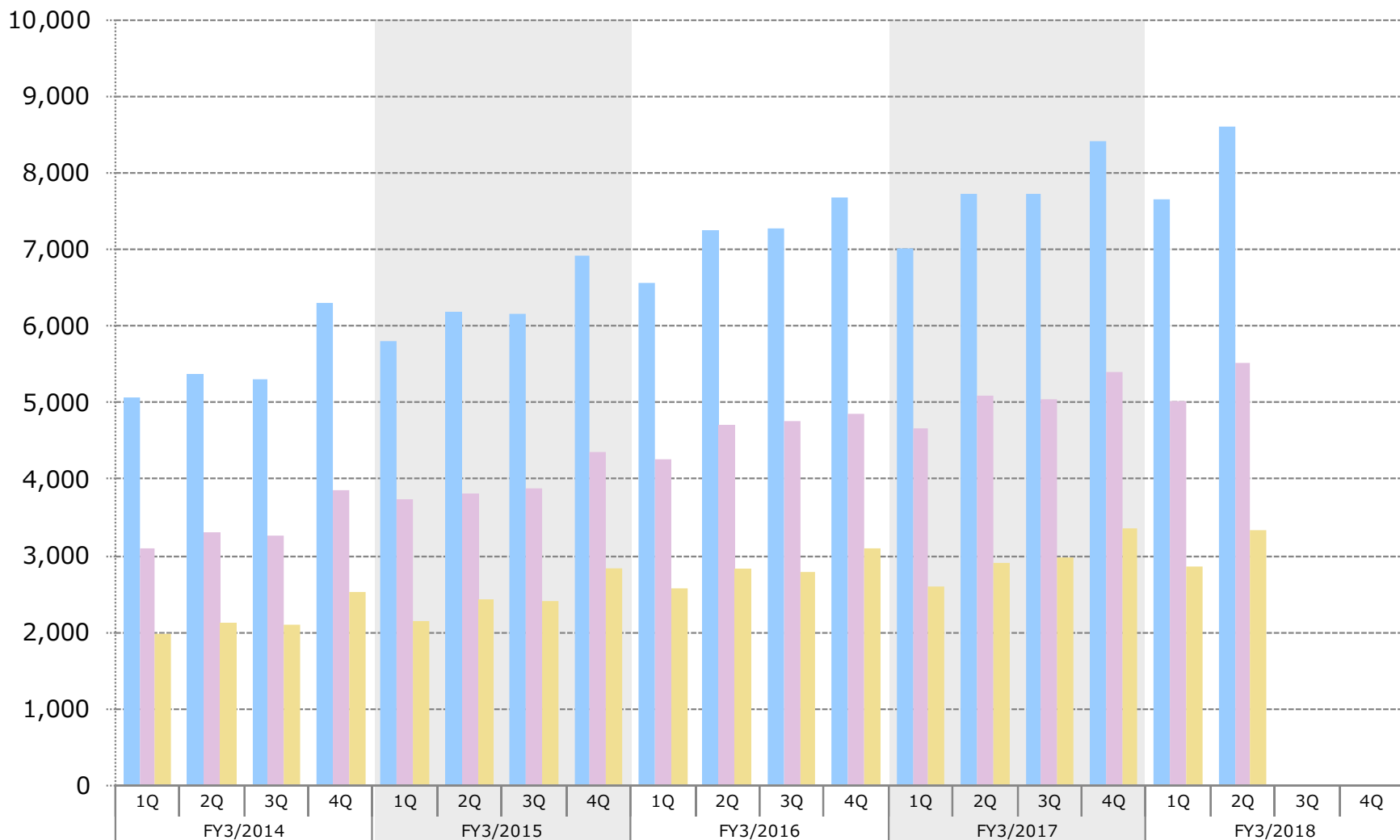
* Listed by net sales in six months ended September 30, 2017

		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.		●				●	●				
	C Three Co. Ltd.								●	●		
	CRESCO HOKURIKU, LTD.		●									
	N-System Corporation		●	●				●				
	CRESCO KYUSHU Co.Ltd.		●									
	Media Magic Co.,Ltd.		●	●				●	●			
	CRESCO Wireless, Inc.										●	●

Non-consolidated net sales and consolidated subsidiaries sales (quarterly)



(Unit: Amounts less than 1 million yen omitted)

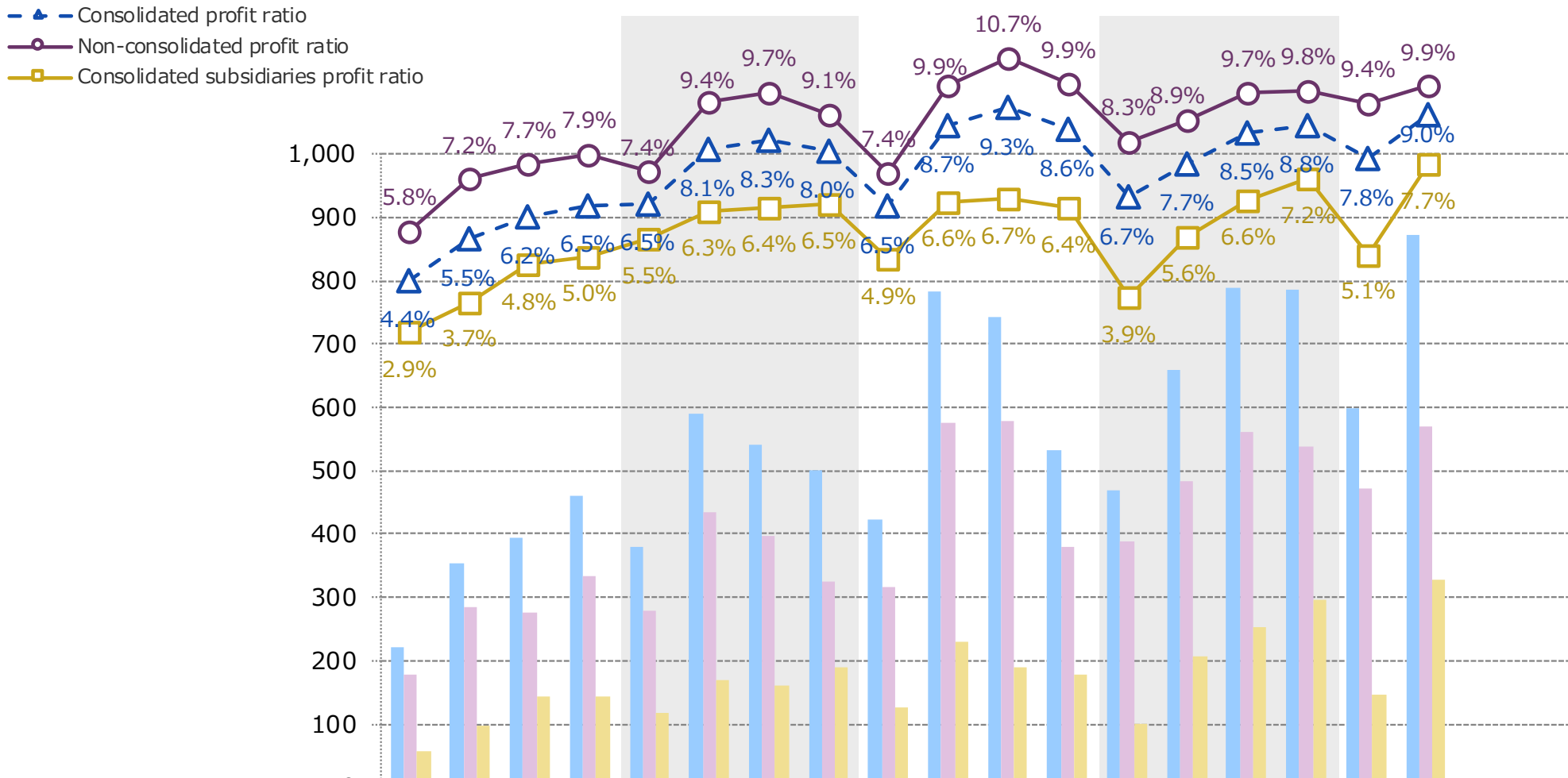


Consolidated net sales	5,065	5,364	5,297	6,300	5,810	6,189	6,155	6,909	6,564	7,255	7,270	7,684	7,014	7,725	7,733	8,419	7,659	8,594		
Non-consolidated net sales	3,104	3,314	3,264	3,849	3,745	3,817	3,881	4,350	4,269	4,721	4,760	4,850	4,659	5,090	5,045	5,402	5,028	5,515		
Consolidated subsidiaries sales	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		

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



(Unit: Amounts less than 1 million yen omitted)

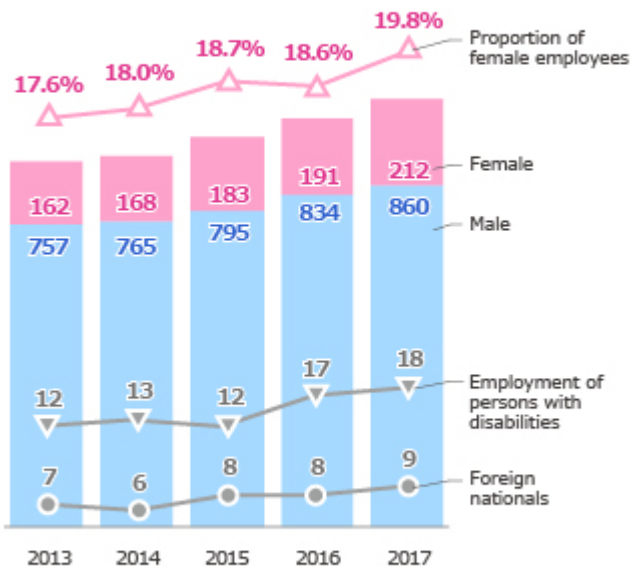


	FY3/2014				FY3/2015				FY3/2016				FY3/2017				FY3/2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Consolidated operating profit	220	355	393	460	380	589	542	500	423	784	743	532	470	660	788	787	597	871		
Non-consolidated operating profit	179	285	277	333	278	434	396	324	316	574	577	380	387	482	562	537	472	569		
Consolidated subsidiaries operating profit	57	96	143	142	118	170	161	189	127	229	189	177	100	208	253	295	145	328		

(Unit: Persons)

Employee breakdown

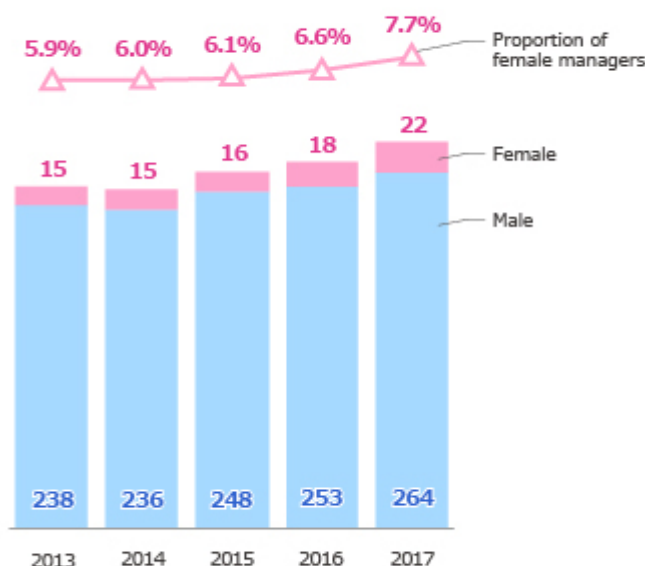
[As of March 31 of each year]



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

Manager breakdown

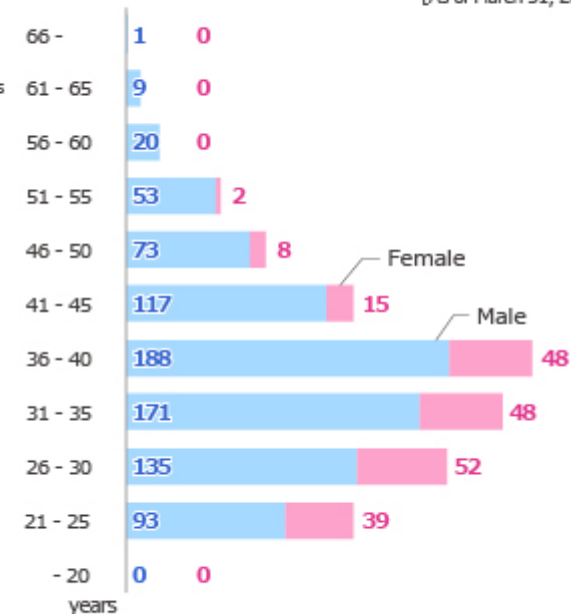
[As of April 1 of each year]



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

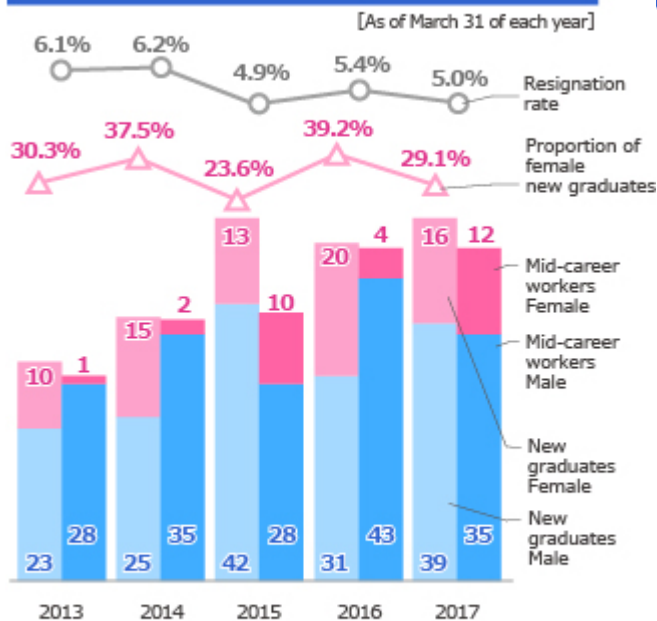
Employee breakdown by age

[As of March 31, 2017]



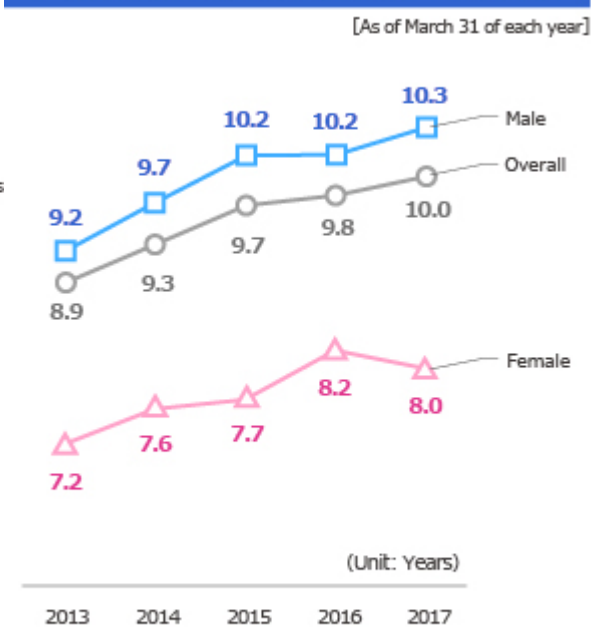
(Unit: Persons)

New employee breakdown and resignation rate

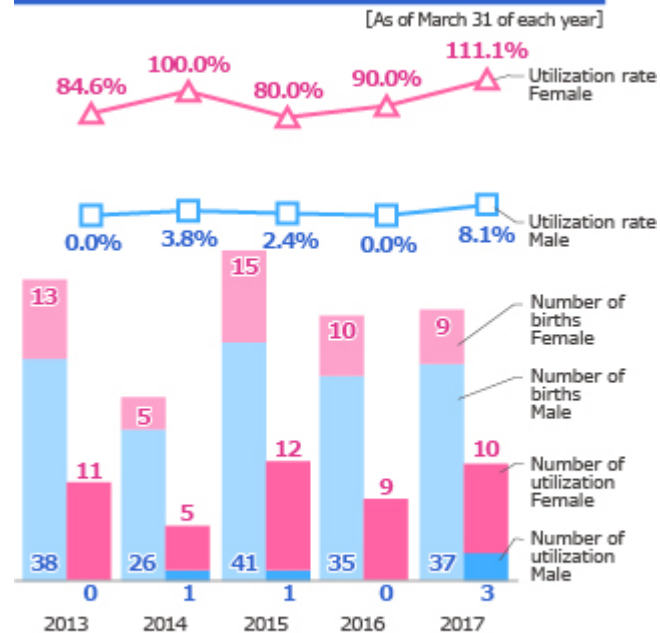


< The industry average in FY2016 (according to JISA data) >
 Proportion of female new graduates: 30.0%

Average service years



Taking the childcare leave

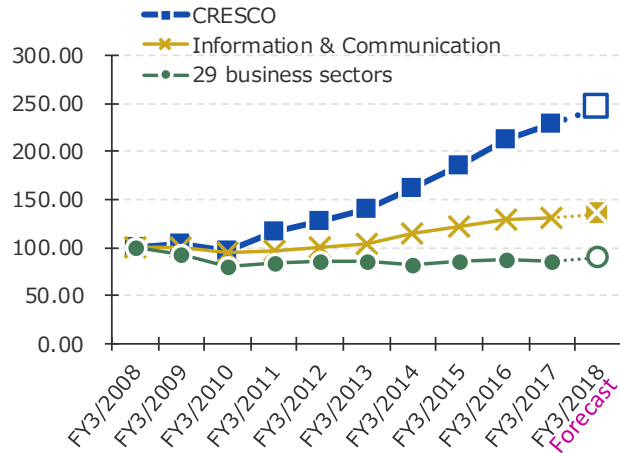


Overview of CRESCO LTD.

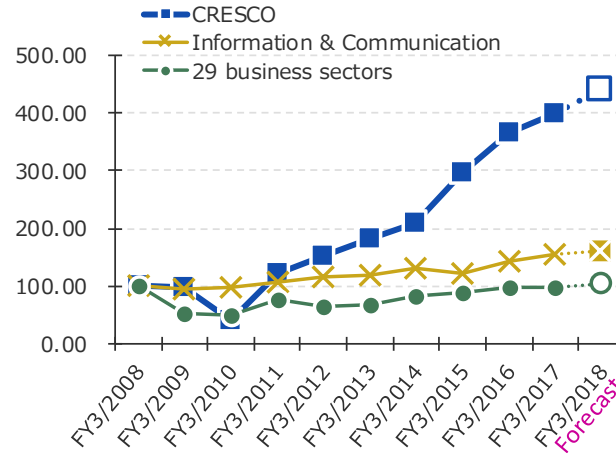
Business indicators and shareholder return

	FY3/2014		FY3/2015		FY3/2016		FY3/2017		FY3/2018		Target
	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%	-	
ROE	10.1%	10.7%	16.6%	14.1%	17.8%	14.8%	13.9%	15.7%	17.3%	-	10.0%
Ordinary profit on total assets	9.9%	11.4%	14.1%	13.6%	15.6%	15.4%	13.4%	15.4%	16.2%	-	
Ordinary profit on net sales	6.8%	7.6%	9.0%	8.9%	10.2%	9.9%	8.7%	10.0%	10.4%	-	
Operating profit on net sales	5.5%	6.5%	8.1%	8.0%	8.7%	8.6%	7.7%	8.8%	9.0%	-	10.0%
Turnover of total capital used (Times)	1.2	1.5	1.2	1.5	1.2	1.6	1.2	1.5	0.4	-	
Financial leverage (Times)	1.6	1.7	1.6	1.7	1.6	1.6	1.5	1.5	1.6	-	
Current ratio	259.6%	230.6%	242.8%	238.0%	271.6%	255.1%	282.8%	293.2%	301.5%	-	
Fixed assets ratio	55.1%	51.6%	51.8%	53.2%	56.8%	56.7%	58.8%	54.7%	51.6%	-	
Equity ratio	61.9%	59.5%	61.4%	60.8%	65.4%	63.3%	66.2%	66.9%	61.7%	-	
Leverage ratio	60.8%	67.2%	62.0%	63.8%	52.9%	57.9%	51.1%	49.5%	62.1%	-	
Debt-to-equity ratio	7.9%	6.3%	4.6%	2.9%	1.7%	1.8%	1.9%	1.5%	11.1%	-	
Interest coverage ratio (Times)	185.6	262.0	561.5	631.2	1171.5	1264.8	2288.3	2537.7	1684.1	-	
Cash flows from operating activities (Millions of yen)	373	960	653	1,681	277	1,543	(40)	1,144	960	-	
Cash flows from investing activities (Millions of yen)	(205)	(466)	99	178	(469)	(1,287)	(381)	(505)	(482)	-	
Cash flows from financing activities (Millions of yen)	(337)	(757)	(491)	8	20	(286)	(273)	(604)	(866)	-	
Free cash flow (Millions of yen)	167	494	752	1,860	(192)	256	(422)	638	477	-	
EPS (Yen)	40.66	87.40	73.38	133.12	91.54	152.26	76.64	180.28	103.44	-	
PER (Times)	18.9	11.5	19.6	14.4	18.5	11.9	33.1	15.4	40.8	-	
DOE	-	3.7%	-	4.1%	-	4.9%	-	4.8%	-	-	4.0%

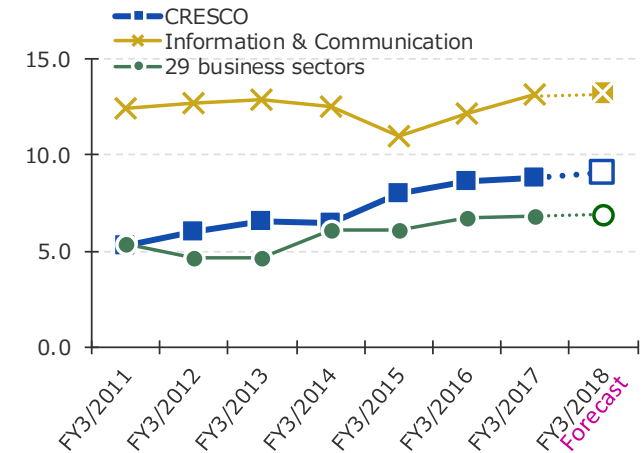
Growth in net sales



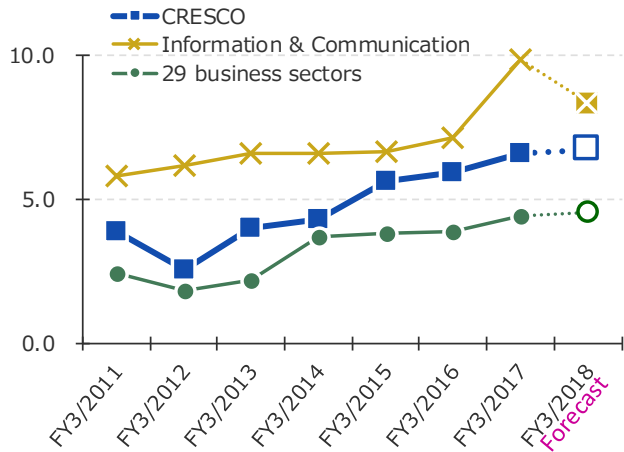
Growth in operating profit



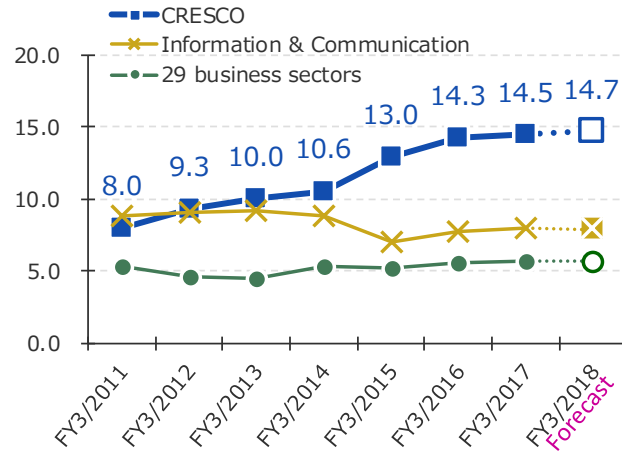
Operating profit on net sales



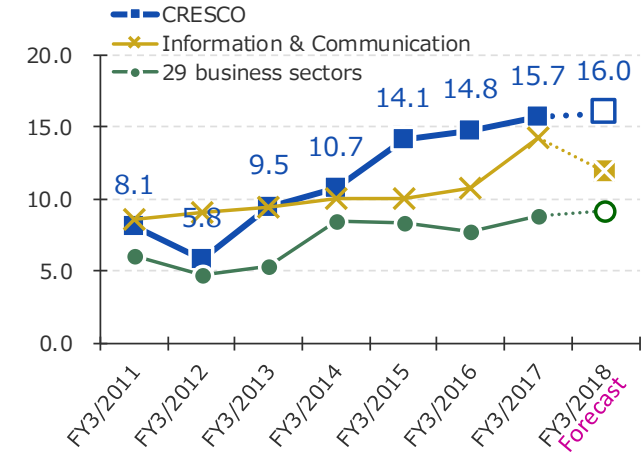
Return on net sales



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.

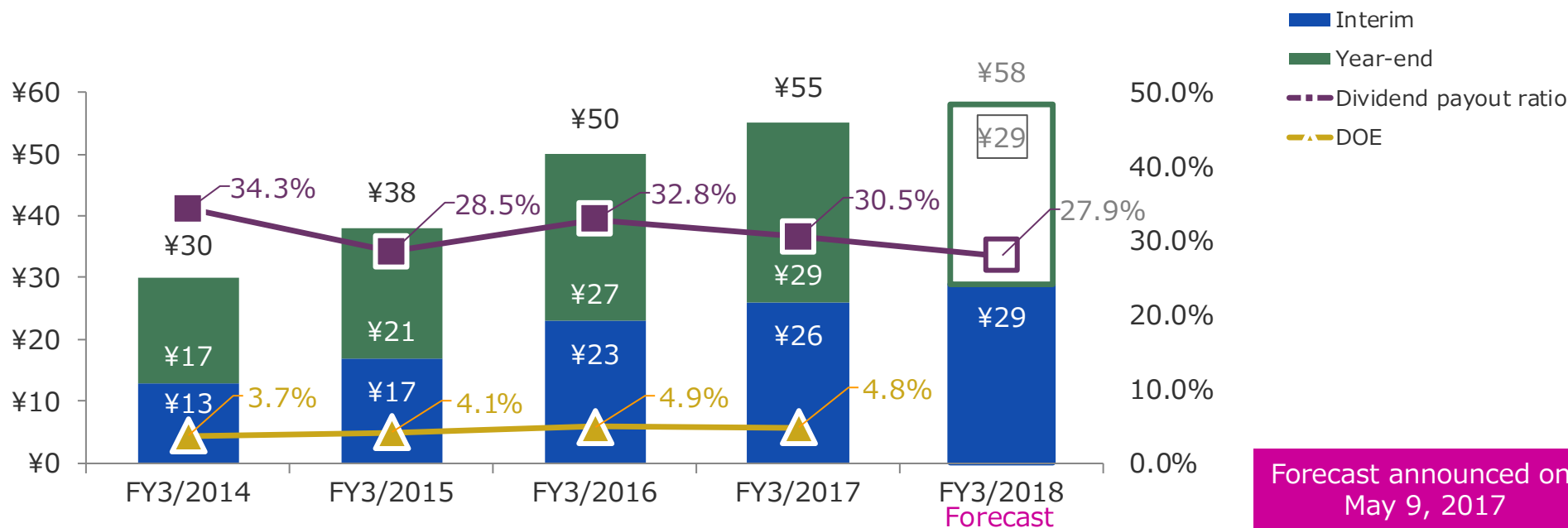
Data provided by



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.



Forecast announced on
May 9, 2017

Initiatives for fiscal year ending March 31, 2018

Exceeding all expectation, with sights on the next stage

Five-year vision started in April 2016

CRESCO Ambition 2020

~ Lead the Digital Transformation ~

創成

1. Secure human resources
(new graduates and experienced workers recruitment)
2. Strengthen development system
(near-shore and off-shore development system, joint projects with business partners)
3. Raise capital efficiency by revising Group structure and strengthening cooperation within the Group
4. Improve quality of proposals to clients and strengthen client relationships
5. Provide utmost quality and thoroughly pursue productivity
6. Pursue future technology and promote service-oriented business
(innovation for entry into new fields)
7. Develop new customers and expand business fields by increasing sales offices
8. Train and reinforce the skills of specialist
(people skills, work skills, technological skills)
9. Strengthen corporate governance and compliance
10. Reform work styles and promote stress-care

1

Organization

- ▣ Establishing dedicated organization for travel industry
- ▣ Establishing sales office to expand business in Chukyo region
- ▣ Establishing Vietnam Representative Office to begin local surveys and build a portfolio of enterprises for collaborations
- ▣ Strengthening synergies within the Group through fluid personnel exchange

2

Business

- ▣ Promoting invigoration of platform related business
- ▣ Strengthening client relationships through special sales personnel
- ▣ Strengthening development system by promoting offshoring
- ▣ Strengthening incubation role for new business creation

3

Other

- ▣ Moving forward with M&As
- ▣ Introducing a specialist system
- ▣ Implementing work style reform and creating an easy-to-work-in environment
- ▣ Reviewing the corporate governance system

Disclaimer

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IR inquiries: Public Relations & IR Office
Mail : ir@cresco.co.jp