Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (Based on Japanese GAAP)

May 8, 2015

Company name:	Cresco, Ltd.			
Stock exchange listing:	Tokyo			
Stock code:	4674 URL http://www.cresco.co.jp/			
Representative:	President	Hiroyuki Nemoto		
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Scheduled date of Ordinary General Shareholders' Meeting:		June 19, 2015		
Scheduled date to commence dividend payments:		June 22, 2015		
Scheduled date to file annual securities report:		June 22, 2015		
Preparation of supplementary material on financial results:		No		
Holding of financial results meeting:		No		

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(1) Consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2015	25,063	13.8	2,013	40.8	2,240	33.6	1,405	49.3
March 31, 2014	22,028	15.7	1,430	15.1	1,676	18.9	941	23.2

Note: Comprehensive income
Fiscal year ended March 31, 2015: ¥1,618 million [60.4%]
Fiscal year ended March 31, 2014: ¥1,009 million [(8.8)%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2015	133.12	133.01	14.1	13.6	8.0
March 31, 2014	87.40	–	10.7	11.4	6.5

Reference: Share of profit (loss) of entities accounted for using equity method:
Fiscal year ended March 31, 2015: ¥10 million Fiscal year ended March 31, 2014: ¥40 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2015	17,886	10,946	60.8	990.11
March 31, 2014	15,190	9,114	59.5	849.71

Reference: Equity
As of March 31, 2015: ¥10,882 million As of March 31, 2014: ¥9,044 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2015	1,681	178	8	5,504
March 31, 2014	960	(466)	(757)	3,633

2. Cash dividends

	Annual dividends per share					Total dividend payments	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2014	–	13.00	–	17.00	30.00	321	34.3	3.7
Fiscal year ended March 31, 2015	–	17.00	–	21.00	38.00	409	28.5	4.1
Fiscal year ending March 31, 2016 (Forecast)	–	20.00	–	20.00	40.00		28.0	

3. Forecast of consolidated financial results for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2015	13,200	10.0	1,040	7.2	1,130	4.6	745	(3.6)	67.78
Full year	27,000	7.7	2,200	9.3	2,400	7.1	1,570	11.7	142.84

4. Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation: No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2015	12,000,000 shares	As of March 31, 2014	12,000,000 shares

Number of treasury shares at the end of the period

As of March 31, 2015	1,008,888 shares	As of March 31, 2014	1,355,604 shares

Average number of shares during the period

Fiscal year ended March 31, 2015	10,560,278 shares	Fiscal year ended March 31, 2014	10,772,951 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes.

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2015	15,795	16.7	1,434	33.6	1,694	30.7	1,102	37.9
March 31, 2014	13,531	8.1	1,074	10.7	1,296	16.2	799	20.2

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2015	104.45	104.36
March 31, 2014	74.24	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2015	15,536	9,933	63.9	903.76
March 31, 2014	12,866	8,394	65.2	788.65

Reference: Equity
As of March 31, 2015: ¥9,933 million As of March 31, 2014: ¥8,394 million

2. Forecast of non-consolidated financial results forecasts for the fiscal year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes.

	Net sales		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2015	8,200	8.4	910	6.4	648	5.4	58.96
Full year	17,020	7.8	1,790	5.6	1,245	12.9	113.27

*** Indication regarding execution of audit procedures**

This financial results report is not subject to the audit procedures under the Financial Instruments and Exchange Act, and at the time of disclosure hereof, the audit procedures for financial statements under the Financial Instruments and Exchange Act are in progress.

*** Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company makes no promise regarding achievement of any content in the forward-looking statements. Actual business and other results may differ substantially due to various factors. Please refer to “(1) Analysis of operating results, 1. Analysis of operating results and financial position” on page 2 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of business results forecasts.

Contents

1. Analysis of operating results and financial position

(1) Analysis of operating results

- Operating results in the fiscal year under review

During the fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015), even though consumer sentiment was slow to recover in some areas because of the economic slowdown following the consumption tax hike that there were concerns about, the business environment gradually improved, as evident by stronger corporate earnings and capital expenditures, on account of sustained stimulus measures and monetary policies that the government and the Bank of Japan have been pursuing. Under these business conditions, there was no decline in the pace of strategic ICT investments by corporations, and business in the fields of not only finance and public services, the Company's core fields, but also car electronics was firm on account of larger projects and increase in the number of orders, and for the fiscal year ended March 31, 2015, the Company recorded growth in both sales and income over the previous fiscal year.

In the software market, growth of the third platform—that is, cloud services, mobility, big data, and social technologies—is having a greater impact on the market structure. In particular, in the cloud services field, software market growth is being driven by the spread of mobile devices (smartphones, tablet computers, etc.), and ICT investment has entered a business innovation stage that is directly tied to contributing to sales growth and improving customer service quality.

As for the Group, not only have the human resources system and organizational structure been dramatically restructured and aggressive efforts been made to deepen the relationship with existing customers and develop new ones but work has also been done to strengthen cooperation within the Cresco Group, create new businesses, expand sales of the group's various services and solutions, etc. The following were the main developments during the fiscal year ended March 31, 2015.

◆ On April 1, another representative director of Cresco, Ltd. was added to create a two-representative-director system in order to reinforce the Group's business foundation and raise corporate value. Hiroyuki Nemoto was placed in charge of implementing the business strategy as the President, and Toshio Iwasaki continued to manage not only efforts to strengthen corporate governance but also the group strategy as the Chairman＆CEO of the Cresco Group.

◆ On April 1, Cresco business divisions were extensively restructured, including the merging of various organizational units, with an eye toward future business expansion and greater business efficiency.

- The Business Solutions Division, Embedded Solutions Division, and Quality Assurance Operation were merged into the newly created General Business Solutions Unit.
- The General Business Solutions Unit was then reorganized into the Sales Division, Planning and Promotion Division, Financial Solutions Division, Business Solutions Division, Infrastructure Solutions Division, Embedded Solutions Division, Leading Technology Division, and Hokkaido System Development Center.

◆ May 14–16, the Company, Wireless Technologies, Inc., and Cresco-ID Co., Ltd. jointly exhibited at the 17th Japan IT Week, which brings together the various aspects necessary to develop embedded systems, including hardware, software, components, and development environments. The companies promoted their near field communication related services and solutions, centered on Beacon.

◆ May 15–17, Cresco HOKURIKU Co. Ltd. exhibited at e-messe kanazawa 2014, the largest IT business expo on the Japan Sea side of Japan, and showcased various services and solutions, including the core operation system SMILE BS 2nd Edition, the integrated groupware eValue NS 2nd Edition, and the designer support CAE Analysis Service.

◆ June 4–5, the Company exhibited at the SCOM2014, at which a new local ICT strategy for Shinkin banks was proposed, and promoted its Creage for SAP Solutions, which is based on the online storage service Intelligent Folder and the Amazon Web Service (AWS).

◆ On June 16, the Company and Cresco e-Solution Co., Ltd. launched sales of the new solution Mobick, which quickly adds mobile functionality to SAP business applications and dramatically increases operation efficiency. The support aids real-time sales using mobile devices such as smartphones and tablet computers.

◆ On August 25, the Company launched a strategic technology partnership with Skeed Co., Ltd. in the field of high-speed cloud development support service. The service increases the speed of cloud based large volume data communication and file transfers in order to respond to an era of global operations, mobile devices, and big data.

- On September 9, the Company exhibited at AWS Cloud Storage & DB Day, which was held by Amazon Data Services Japan K. K. Based on the topic of “knowing trends in the use of cloud storage and databases,” the Company showcased its disaster response solutions, file sharing services, and SAP archive services.
- On November 6, the Company held the Second Executive Seminar, a sales event.
- November 20–21, as one part of its overseas IR activities, the Company took part in the 2014 dbAccess Japan Conference sponsored by the Deutsche Bank Group and held in London. The Company used the venue to demonstrate to the world the technology possessed by the Group, its high quality, and appeal of its services.
- On November 28, the Company issued stock acquisition rights through a third party allotment and concluded an stock acquisition rights purchase agreement (targeted issue program (TIP) 2014 model with exercise approval option making use of treasury stock) mainly to implement M&As and capital and business tie-ups so that the Company can quickly move forward with various efforts including strengthening its development system and expanding its business fields.
- On December 22, as one part of its efforts to improve the growth potential of the whole Group, the Company underwrote a capital increase for AIMS Co., Ltd. through a third party allotment and transformed the company into an equity-method affiliate in order to expand business fields and reinforce the development system.
- On January 22, the subsidiary Wireless Technologies, Inc. announced that it had designed/developed the circuit board for VELDT SERENDIPITY, a Japanese smartwatch planned, manufactured, and sold by VELDT Inc.
- On February 16, the Company announced that its subsidiaries Wireless Technologies, Inc. and Cresco-ID Co., Ltd. would be merged and the surviving entity’s name changed to CRESCO Wireless, Inc. as of April 1, 2015, in order to expand its customer base and provide customers with higher value-added services by increasing its expertise in near field communication technology and integrating businesses.
- On March 12, the Company announced Minna No Tenko (Everyone’s Roll Call) solution, which easily, precisely, and quickly automates headcount checks in various travel situations, such as bus tours, using Beacon and a smart device.
- March 12–13, as one part of its overseas IR activities, the Company took part in the Japan Conference 2015 dbAccess Japanese Emerging Stocks Corporate Day sponsored by Deutsche Bank Group and held in Hong Kong. The Company used the venue to demonstrate to the world the technology possessed by the Group, its high quality, and appeal of its services.
- On March 30, the Company announced that it had transformed System Integration Service Co., Ltd., whose core business is providing support for the introduction of SAP’s core operation package system, into a wholly-owned subsidiary. This was done in an attempt to further increase growth and the corporate value of the Cresco Group’s ERP business.
- On March 30, the Company announced that it would underwrite a capital increase for Skeed Co., Ltd., whose core business is providing solutions that make use of dispersed computing technology and network control technology, through a third party allotment. Through the strategic tie-up, the Company is aiming to provide a high-speed cloud development support service and to establish a technological foundation for an Internet of Things (IoT) business.
- On March 30, the Company announced that it would switch from a company with the board of auditors to one with an audit and supervisory committee conditioned on gaining approval at the 27th Ordinary General Meeting of Shareholders expected to be held on June 19, 2015. This was done to strength the supervisory function of the board of directors, further reinforce corporate governance, realize more transparent management, and increase the functionality of management.

As a result of the above, both profits and income increased, and for the fiscal year ended March 31, 2015, the Company recorded 25,063 million yen in net sales (22,028 million yen for the previous fiscal year), 2,013 million yen in operating income (1,430 million yen for the previous fiscal year), 2,240 million yen in ordinary income (1,676 million yen for the previous fiscal year), and 1,405 million yen in net income (941 million yen for the previous fiscal year).

Business results for each segment are as follows.

(i) Software development business

For the software development business, net sales rose 12.5% year on year to 20,704 million yen and segment income (operating income) increased 23.2% year on year to 2,415 million yen. A breakdown of net sales by industry reveals that sales for the finance sector, which is our main field, grew 2,482 million yen year on year because of an increase in number of projects for banks and insurance businesses. In the public service sector as well, sales rose 62 million yen year on year. In the distribution and other sector, however, net sales fell 243 million yen year on year.

(ii) Embedded software development business

For the embedded software development business, net sales rose 20.3% year on year to 4,241 million yen and segment income (operating income) increased 57.1% year on year to 571 million yen. In terms of products, net sales of telecom system products fell 104 million yen year on year. On the other hand, net sales of car electronics rose 751 million yen year on year. As for information appliances, etc. and other embedded products, net sales increased 67 million yen year on year.

(iii) Other

For other businesses such as the product sales business, although net sales increased 18.6% year on year to 117 million yen, a segment loss (operating loss) of 30 million (12 million yen for the previous fiscal year) was recorded.

- Outlook for the coming year

During the fiscal year ended March 31, 2015, Japan's economy was on a gradual recovery trend because of economic stimulus measures and monetary policies even though concerns about business sentiment and future business conditions could not be wiped away. There are various points of concern, including a weaker yen, labor shortages, political instability, and fluctuation in the price of crude oil, but both domestic and overseas demand will probably be firm overall in FY2015, and the economy will continue to grow for the time being as the impact of the consumption tax hike fades.

According to the various economic trend surveys, Japan will see its employment and income environment improve on a continuous basis, the virtuous cycle continue, and the economy recover in FY2015 for various reasons, including progress in implementing the measures included in the Fiscal 2015 Economic Outlook and Basic Stance for Economic and Fiscal Management, such as Immediate Economic Measures for Extending Virtuous Cycles to Local Economies, as well as policies set by the Government-Labor-Management Meeting. The Ministry of Economy, Trade and Industry has developed an IT-related policy of promoting "aggressive management strategies utilizing IT", and ICT investments by Japanese companies, particularly cloud services related investments, will probably pick up in FY2015.

Growth in the market related to the so-called third platform (technologies related to cloud services, mobility, big data, and social technologies) will be driven by efforts to switch to systems that make use of the cloud and mobile devices (smartphones, tablet computers, etc.), to integrate and rebuild ICT system infrastructure, to analyze and make use of big data, and to apply social technologies to businesses, and this growth is expected to accelerate as wearable technologies and Internet of Things (IoT) take off. In particular, mobility and social technologies will probably have a major impact on the market, and the software development business, which creates related frameworks and mechanisms, is expected to grow for the time being.

The services that the Group provides are positioned generally to be incorporated into this trend, and the Group can be expected to not only propose cutting-edge technological solutions related to the third platform as a systems integrator but also to make practical solutions so that end-user corporations can achieve growth through strategic IT investments.

For the commissioned software development business (business software and embedded software), its core business, the Group will further strengthen its technology and quality, expand its customer-support services and solutions (including overseas expansion support) that incorporate cutting-edge technologies and create growth and business opportunities for corporations, and contribute to a business revolution as a "Main IT Solution Partner".

(2) Analysis of financial position

(i) Assets, liabilities and net assets

Total assets at the end of the fiscal year under review totaled 17,886 million yen, a year-on-year increase of 2,695 million yen.

Currents assets rose 2,386 million yen year on year to 11,401 million yen. This was mainly because although securities declined 93 million yen, cash and deposits increased 1,751 million yen and notes and accounts receivable - trade grew 763 million yen.

Non-current assets rose 309 million yen year on year to 6,484 million yen. This was mainly because although deferred tax assets declined 90 million yen, investment securities increased 349 million yen.

Total liabilities at the end of the fiscal year under review were 6,939 million yen, a year-on-year increase of 863 million yen.

Current liabilities increased 882 million yen year on year to 4,791 million yen. This was mainly the result of accounts payable - trade rising 254 million yen and accrued consumption taxes growing 461 million yen.

Non-current liabilities fell 18 million yen year on year to 2,148 million yen. This was mainly because although net defined benefit liability grew 178 million yen, long-term loans payable declined 235 million yen.

Total net assets at the end of the fiscal year under review were 10,946 million yen, a year-on-year increase of 1,832 million yen. This was mainly the result of increases in retained earnings of 1,013 million yen, capital surplus of 477 million yen, and accumulated other comprehensive income of 203 million yen.

(ii) Cash flows

The balance of cash and cash equivalents at the end of the fiscal year under review was 5,504 million yen, a year-on-year increase of 1,871 million yen.

Cash flows from operating activities

There was a net cash inflow of 1,681 million yen from operating activities, compared to a net cash inflow of 960 million yen for the previous fiscal year.

This was primarily for the following reasons. The Company recorded income taxes paid of 848 million yen and an increase in notes and accounts receivable - trade of 761 million yen, while the Company also recorded an income before income taxes and minority interests of 2,371 million yen, an increase in accrued consumption taxes of 461 million yen, and an increase in notes and accounts payable - trade 253 million yen.

Cash flows from investing activities

There was a net cash inflow of 178 million yen from investing activities, compared to a net cash outflow of 466 million yen for the previous fiscal year.

This was primarily for the following reasons. The Company used 1,456 million yen for purchase of securities and 1,481 million yen for purchase of investment securities but recorded proceeds from sales of securities of 1,586 million yen, proceeds from sales of investment securities of 1,411 million yen, and proceeds from redemption of investment securities of 234 million yen.

Cash flows from financing activities

There was a net cash inflow of 8 million yen from financing activities, compared to a net cash outflow of 757 million yen for the previous fiscal year.

This was primarily for the following reasons. The Company recorded 358 million yen in cash dividends paid, 245 million yen to repayments of long-term loans payable, and 179 million yen for purchase of treasury shares, while the Company also recorded 800 million yen in proceeds from disposal of treasury shares in association with exercise of subscription rights to shares.

(Reference) Trends in cash flow indicators

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Equity ratio (%)	65.4	61.6	59.6	59.5	60.8
Market value equity ratio (%)	54.3	55.2	53.2	70.3	117.6
Interest-bearing debt to cash flow ratio (%)	0.7	0.6	1.9	0.6	0.2
Interest coverage ratio (times)	72.8	116.6	86.0	159.4	469.5

* Equity ratio: equity / total assets
Market value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / paid interest

Notes:
1. All indicators are calculated using consolidated-based financial indicators.
2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period (excluding treasury shares).
3. The figure used for operating cash flow is "net cash provided by (used in) operating activities" on the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which we paid interest. Regarding the paid interest, we use "interest expenses paid" on the consolidated statements of cash flows.

(3) Basic policy on distribution of profits and dividends for the current and coming fiscal years

The Company considers paying all shareholders a return an important business issue. The Company has adopted the basic policy of increasing Shareholders' equity, maintaining stable profitability in the long term, and continuing to fairly distribute profits in a manner that reflects earnings. As for dividends, the Company is aiming to continually pay out 40% of net income for each fiscal year in principle, which is calculated from ordinary income and assuming extraordinary profits and losses are zero.

As for dividends for the fiscal year under review, the Company plans on paying an annual dividend of 38 yen per share, which consists of an year-end dividend of 21 yen per share and interim dividend of 17 yen per share. The Company also expects to pay an annual dividend of 40 yen per share (interim dividend of 20 yen per share and year-end dividend of 20 yen per share) for the coming fiscal year.

As for internal reserves, the Company will not only strive to improve earnings by allocating such reserves to investments to strengthen the Group's competitiveness so that it can respond to business growth and rapid technological innovation expected in the future but also work to meet the expectations of shareholders, including those related to improving business performance and strengthening financial position.

(4) Risks related to businesses, etc.

This has been omitted as there have been no material changes from the information in the most recent yuka-shoken-hokokusho (securities report) submitted on June 23, 2014.

(5) Material events related to assumptions for a going concern

No items to report.

2. Management policies

(1) Basic management policies

The Company's basic management policy is to provide customers with services in a wide range of fields and contribute to a society that is rapidly making greater use of information technology by building information systems for companies and developing embedded software for information appliances as a systems integrator that has remained independent since its founding. The Company has established a Cresco Charter incorporating this basic policy and worked on its business based on this Charter as guidelines for its corporate activities, and thereby strove to expand its business.

The Company's goal is to provide the best services from a global perspective by always possessing the latest technology. As for corporate activities, the Company is also aiming to become a people-centered company overflowing with youthful vibrancy that provides freedom based on actual abilities.

In addition, when conducting business management, the Group will strengthen each company's abilities in their field of specialization based on the basic policy, demonstrate all-around abilities as the Cresco Group with each group company supplementing each other's business, and strive to improve customer satisfaction and contribute to society.

(2) Targeted business indicators

The Group considers the following indicators important and has set the corresponding target.

(i)	Return on equity (ROE)	10% or more
(ii)	Ordinary income to sales	10% or more
(iii)	Net income per share (EPS)	100 yen or more
(iv)	Growth in sales and ordinary income	10% or more

(3) Medium- and long-term business strategy

Focusing on further growth toward the next stage, the Group is striving to become the "Next-Gen Cresco" through its five-year plan that kicked off in 2011. The last year of the plan is FY3/2015, and the Group will work to increase corporate value by implementing various priority measures to achieve the plan.

Ten agendas under the "Next-Gen Cresco"

1. Becoming one of the top medium-size IT company
2. Achieving excellence in its current businesses
3. Developing original products and services
4. Becoming a multi-functional IT company through a group of unique subsidiaries
5. Increasing the number of areas with sales offices
6. Expanding overseas
7. Establishing the Technology Laboratory
8. Creating a work environment that women can thrive in
9. Becoming a model company in terms of human resource training
10. Spreading the Cresco brand

Priority measures for FY3/2015

The Company is actively making the necessary investments for the Group to achieve dramatic growth. The following are the five main points of the priority measures.

1. Recruit and train human resources
   - Reinforce efforts to recruit new graduates and experienced workers
   - Strengthen cooperation with partner companies
   - Implement a training program for technology specialists
2. Reinforce its development and sales systems
   - Expand the near-shore development system (conduct development activities in a larger number of local geographical areas)

- Move forward with efforts to develop an offshore development system (conduct development activities overseas)
- Increase the number of areas with sales offices and strengthen the development system through M&As

3. Thoroughly spread quality management
   - Enhance project management
   - Conduct multi-stage reviews
   - Introduce a development standard system throughout the Cresco Group
4. Expand the third platform–related business
   - Reinforce its business model
   - Develop solutions to match the spread of near-field wireless communication technology
   - Expand its lineup of services by promoting joint business
5. Efforts related to new technologies
   - Survey needs and enter the IoT business
   - Promote joint research that incorporates cutting-edge technology
   - Increase competitiveness by creating a repository of research results

According to the Corporate IT Trend Survey 2015 conducted by Japan Users Association of Information Systems, more than 40% of companies will continue to increase their budget in their fiscal year 2015. In terms of business fields, companies in the finance, social infrastructure, and service fields have a large appetite for IT investment, and in terms of size, medium-size and small companies have strong desire to make IT investment. These results appear to be demonstrated by the Group's recent business conditions. The top priority area of investment for companies is making business visible, which supports aggressive IT management, and the areas of increasing operation processes efficiency, raising the quality and precision of operation processes, quickly ascertaining operations and information, and strengthening sales abilities also rank highly. The Company expects that in FY3/2015, there will be stronger demand for core systems and information systems directly tied to the main businesses of companies.

While the Group's main business is the development of order management software, including system integration, it also provides various services and solutions and IT consulting. It is said that the third platform field (cloud services, mobility, big data, and social technologies) will account for 40% of the overall IT market in 2020. Firmly riding this wave, the Company will quickly meet customer needs that are growing more diverse, including IoT infrastructure, Beacon infrastructure, and machine learning.

In addition, using the sales skills and experience that the Group has acquired over many years, the Company 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 alliance business with other companies.

(4) Issues to be addressed

(i) Strengthening sales activities

In addition to actively expanding sales activities through cooperation within the Group, the Company is reinforcing its system for winning large numbers of orders and developing new customers, which includes increasing the number of dedicated sales force and creating a Sales Division.

(ii) Strengthening cooperation within the Group and with other companies

The Group consists of nine subsidiaries, including overseas ones, and four affiliated companies. The Group is working to increase the number of areas with sales offices and to expand its lineup of services, and develop a synergy strategy that makes use of each company's distinctiveness and sales channels. The Group will also actively incorporate the useful products and services of other companies, move forward with alliances, and reinforce its system to expand sales through business partners (sales agents).

(iii) Expanding the service business

The Company will establish specialized divisions for its consulting operations, cloud business (Intelligent Folder), and smartphone business and provide various solutions through a business approach that differs from that of the business centered on the traditional commissioned software development.

(iv) Implementing reforms to establish a profitable corporate makeup and systems

On April 1, 2014, the Company merged the Business Solutions Division, Embedded Solution Division, and Quality Assurance Operation into the newly created General Business Solutions Unit. The unit will integrate numerous operations ranging from analyzing customers' operations, planning and proposing the optimal system to resolve problems, to developing software, selecting and introducing needed hardware, and operating and maintaining the system.

(v) Uncovering new businesses

In addition to establishing the Technology Laboratory, the Company is moving forward with not only research on and development of businesses that apply core technologies but also advancing specialized technology (human resource training) and developing and commercializing new businesses that incorporate cutting-edge technology. Furthermore, the Company will create new businesses through strategic partnerships and alliances with other companies.

(vi) Improving the profitability of projects

The Company will generate reasonable profits from projects and eliminate unprofitable projects through numerous efforts including streamlining the development process, securing appropriate resources, improving productivity, and strengthening project review and management.

(vii) Actively conducting recruiting

Taking into consideration what is required to achieve the best possible balance with its business plans, the Company is creating appropriate human resource plans and recruiting a wide range of people, including new graduates, experienced workers, and persons with disabilities. In particular, the Company is aggressively hiring sales staff. As for persons with disabilities, the Company is recruiting year round in order to at least achieve or surpass statutory employment rate.

(viii) Creating an easy-to-work-in environment

The Company is developing and introducing a system that takes into consideration support for training the next generation of employees and work-life balance. As for health management, the Company is working to at least maintain but improve, if possible, the health of employees through various efforts such as expanding its mental health support (including providing counseling by occupational health physicians) and providing 24-hour health counseling (commissioned specialists). Efforts are also continuing to be made to reform the various personnel systems in order to raise employee motivation.

(ix) Securing partner workers

Purchasing staff are acting as liaisons for securing outstanding partner workers required for projects. In addition to holding various events including explanatory meetings and compliance training, the Company is strengthening its system of joint projects with partner companies under the concept of "coexistence."

(x) Strengthening compliance

The Company has created a system in which the Corporate Planning Office manages compliance for the whole Group in an integrated manner. In line with the Cresco Code of Conduct for Compliance Management, the Group conducts educational and committee activities, requires that employees receive regular training, and collects written pledges when necessary.

(xi) Reinforcing PR and IR activities

The Group aggressively undertakes PR activities, which take the form of press and news releases on trends within the Group and new services. Efforts are also being made to “make disclosure easier to understand” through its website. Further, the Company considers IR activities a “way to get all shareholders and investors to properly assess the value of the Company through an understanding of its management and activities”, and strives to communicate “extensive information (business strategy, earnings, etc.)” in an “impartial, precise, and timely manner.”

(5) Other material items related to the Company’s management

No items to report.

3. Basic policy on the selection of accounting standards

Taking into consideration the ability to compare not only consolidated financial statements for different accounting periods but also the Company to other companies, the Group has adopted, for the time being, a policy of creating consolidated financial statements based on Japanese generally accepted accounting principles.

As for the application of International Financial Reporting Standards (IFRS), the Company plans on appropriately responding after considering conditions both in Japan and overseas.

4. Consolidated financial statements

(1) Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	3,761,341	5,512,778
Notes and accounts receivable - trade	3,983,656	4,747,228
Securities	280,644	187,085
Money held in trust	53,557	50,503
Merchandise and finished goods	19,745	16,023
Work in process	147,780	115,259
Raw materials and supplies	3,839	6,354
Prepaid expenses	186,918	207,586
Deferred tax assets	456,378	443,939
Other	123,010	114,760
Allowance for doubtful accounts	(1,509)	–
Total current assets	9,015,363	11,401,519
Non-current assets		
Property, plant and equipment		
Buildings	333,462	366,499
Accumulated depreciation	(206,125)	(229,679)
Buildings, net	127,337	136,819
Tools, furniture and fixtures	353,850	373,196
Accumulated depreciation	(286,947)	(289,603)
Tools, furniture and fixtures, net	66,902	83,593
Land	19,990	19,990
Leased assets	24,067	24,067
Accumulated depreciation	(20,793)	(21,838)
Leased assets, net	3,274	2,229
Total property, plant and equipment	217,504	242,632
Intangible assets		
Goodwill	381,953	313,228
Software	272,257	315,602
Other	12,187	12,149
Total intangible assets	666,398	640,981
Investments and other assets		
Investment securities	3,908,804	4,258,414
Lease and guarantee deposits	437,006	480,228
Insurance funds	173,022	166,677
Deferred tax assets	654,939	564,365
Other	220,293	235,866
Allowance for doubtful accounts	(102,669)	(104,179)
Total investments and other assets	5,291,396	5,601,373
Total non-current assets	6,175,299	6,484,987
Total assets	15,190,663	17,886,506

(Thousands of yen)

	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	1,336,159	1,590,804
Short-term loans payable	40,000	40,000
Current portion of bonds	5,000	–
Current portion of long-term loans payable	245,122	235,570
Lease obligations	1,118	884
Accounts payable - other	345,969	323,234
Income taxes payable	489,321	572,580
Accrued business office taxes	23,026	25,080
Accrued consumption taxes	129,019	590,778
Provision for bonuses	841,246	907,791
Provision for directors' bonuses	60,551	67,500
Provision for loss on order received	18,973	3,578
Provision for compensation losses	–	62,000
Other	373,210	371,241
Total current liabilities	3,908,718	4,791,045
Non-current liabilities		
Long-term loans payable	280,570	45,000
Long-term accounts payable - other	460,400	460,400
Lease obligations	2,381	1,496
Provision for directors' retirement benefits	171,749	208,513
Net defined benefit liability	1,206,948	1,385,437
Asset retirement obligations	45,593	47,987
Total non-current liabilities	2,167,641	2,148,835
Total liabilities	6,076,360	6,939,880
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	2,998,808	3,476,630
Retained earnings	4,203,209	5,217,024
Treasury shares	(794,300)	(651,332)
Total shareholders' equity	8,922,592	10,557,198
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	129,643	344,729
Foreign currency translation adjustment	5,962	11,118
Remeasurements of defined benefit plans	(13,592)	(30,660)
Total accumulated other comprehensive income	122,013	325,188
Subscription rights to shares	–	625
Minority interests	69,696	63,614
Total net assets	9,114,303	10,946,625
Total liabilities and net assets	15,190,663	17,886,506

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	22,028,318	25,063,601
Cost of sales	18,304,231	20,552,111
Gross profit	3,724,086	4,511,490
Selling, general and administrative expenses		
Advertising expenses	24,295	24,566
Directors' compensations, salaries and allowances	1,039,516	1,120,822
Bonuses	53,825	62,327
Provision for bonuses	71,124	85,995
Provision for directors' bonuses	60,551	67,500
Retirement benefit expenses	28,830	30,807
Provision for directors' retirement benefits	10,085	–
Legal welfare expenses	146,971	155,285
Recruiting expenses	70,406	85,203
Entertainment expenses	25,423	37,183
Rents	138,038	139,797
Supplies expenses	42,424	42,910
Amortization of goodwill	68,724	69,683
Enterprise tax	45,736	51,239
Other	467,953	525,158
Total selling, general and administrative expenses	2,293,909	2,498,481
Operating income	1,430,177	2,013,009
Non-operating income		
Interest income	25,739	38,421
Dividend income	99,379	92,198
Gain on sales of securities	98,670	69,153
Gain on investments in money held in trust	3,557	11,946
Subsidy income	17,777	4,863
Share of profit of entities accounted for using equity method	40,959	10,693
Other	10,536	15,223
Total non-operating income	296,620	242,500
Non-operating expenses		
Interest expenses	5,936	3,396
Loss on valuation of securities	40,112	–
Amortization of long-term prepaid expenses	3,341	3,899
Issuance cost of subscription rights to shares	–	6,870
Other	542	356
Total non-operating expenses	49,933	14,521
Ordinary income	1,676,864	2,240,987

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Extraordinary income		
Gain on change in equity	–	56,294
Gain on sales of investment securities	135,201	190,906
Other	19,725	24,164
Total extraordinary income	154,926	271,366
Extraordinary losses		
Loss on retirement of non-current assets	3,502	2,371
Loss on sales of investment securities	43,416	8,807
Office transfer expenses	5,787	2,049
Provision for directors' retirement benefits	–	38,864
Provision for compensation losses	–	62,000
Business improvement expenses	31,994	–
Establishment anniversary cost	18,752	–
Other	19,746	26,339
Total extraordinary losses	123,199	140,433
Income before income taxes and minority interests	1,708,592	2,371,920
Income taxes - current	768,814	921,474
Income taxes - deferred	(5,554)	35,545
Total income taxes	763,259	957,020
Income before minority interests	945,332	1,414,899
Minority interests in income	3,796	9,161
Net income	941,536	1,405,738

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income before minority interests	945,332	1,414,899
Other comprehensive income		
Valuation difference on available-for-sale securities	62,189	215,153
Remeasurements of defined benefit plans, net of tax	–	(17,067)
Share of other comprehensive income of entities accounted for using equity method	–	182
Foreign currency translation adjustment	1,554	4,973
Total other comprehensive income	63,744	203,242
Comprehensive income	1,009,076	1,618,142
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,005,284	1,608,912
Comprehensive income attributable to minority interests	3,792	9,229

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2014

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,514,875	2,998,808	3,552,915	(644,742)	8,421,856
Cumulative effects of changes in accounting policies					–
Restated balance	2,514,875	2,998,808	3,552,915	(644,742)	8,421,856
Changes of items during period					
Dividends of surplus			(291,422)		(291,422)
Net income			941,536		941,536
Purchase of treasury shares				(149,557)	(149,557)
Disposal of treasury shares					–
Change of scope of consolidation			181		181
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	650,294	(149,557)	500,736
Balance at end of current period	2,514,875	2,998,808	4,203,209	(794,300)	8,922,592

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other com-prehensive income			
Balance at beginning of current period	67,450	4,408	–	71,858	–	69,487	8,563,201
Cumulative effects of changes in accounting policies							–
Restated balance	67,450	4,408	–	71,858	–	69,487	8,563,201
Changes of items during period							
Dividends of surplus							(291,422)
Net income							941,536
Purchase of treasury shares							(149,557)
Disposal of treasury shares							–
Change of scope of consolidation							181
Net changes of items other than shareholders' equity	62,193	1,554	(13,592)	50,155		209	50,364
Total changes of items during period	62,193	1,554	(13,592)	50,155	–	209	551,101
Balance at end of current period	129,643	5,962	(13,592)	122,013	–	69,696	9,114,303

Fiscal year ended March 31, 2015

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,514,875	2,998,808	4,203,209	(794,300)	8,922,592
Cumulative effects of changes in accounting policies			(32,615)		(32,615)
Restated balance	2,514,875	2,998,808	4,170,593	(794,300)	8,889,977
Changes of items during period					
Dividends of surplus			(359,307)		(359,307)
Net income			1,405,738		1,405,738
Purchase of treasury shares				(179,784)	(179,784)
Disposal of treasury shares		477,822		322,752	800,575
Change of scope of consolidation					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	477,822	1,046,430	142,967	1,667,221
Balance at end of current period	2,514,875	3,476,630	5,217,024	(651,332)	10,557,198

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	129,643	5,962	(13,592)	122,013	–	69,696	9,114,303
Cumulative effects of changes in accounting policies							(32,615)
Restated balance	129,643	5,962	(13,592)	122,013	–	69,696	9,081,687
Changes of items during period							
Dividends of surplus							(359,307)
Net income							1,405,738
Purchase of treasury shares							(179,784)
Disposal of treasury shares							800,575
Change of scope of consolidation							–
Net changes of items other than shareholders' equity	215,085	5,156	(17,067)	203,174	625	(6,082)	197,716
Total changes of items during period	215,085	5,156	(17,067)	203,174	625	(6,082)	1,864,937
Balance at end of current period	344,729	11,118	(30,660)	325,188	625	63,614	10,946,625

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,708,592	2,371,920
Depreciation	137,636	135,831
Amortization of goodwill	68,724	69,683
Increase (decrease) in allowance for doubtful accounts	979	–
Increase (decrease) in provision for bonuses	123,251	66,545
Increase (decrease) in provision for directors’ bonuses	17,141	6,949
Increase (decrease) in provision for loss on order received	14,296	(15,395)
Increase (decrease) in provision for retirement benefits	(1,077,833)	–
Increase (decrease) in provision for directors’ retirement benefits	(507,014)	36,764
Increase (decrease) in net defined benefit liability	1,206,948	127,812
Interest and dividend income	(125,119)	(130,619)
Interest expenses	5,936	3,396
Loss (gain) on sales of securities	(98,670)	(69,153)
Share of (profit) loss of entities accounted for using equity method	(40,959)	(10,693)
Loss (gain) on change in equity	–	(56,294)
Loss on retirement of non-current assets	3,502	2,371
Loss (gain) on sales of investment securities	(91,785)	(182,099)
Loss (gain) on sales of shares of subsidiaries and associates	1,116	–
Decrease (increase) in notes and accounts receivable - trade	(349,294)	(761,716)
Decrease (increase) in inventories	(44,311)	33,729
Increase (decrease) in notes and accounts payable - trade	226,188	253,351
Increase (decrease) in accounts payable - other	(101,616)	15,062
Increase (decrease) in long-term accounts payable - other	387,623	–
Increase (decrease) in accrued consumption taxes	(4,961)	461,758
Other, net	(14,378)	37,897
Subtotal	1,445,991	2,397,101
Interest and dividend income received	127,172	128,656
Interest expenses paid	(6,026)	(3,582)
Income taxes paid	(612,534)	(848,396)
Income taxes refund	6,313	7,922
Net cash provided by (used in) operating activities	960,916	1,681,701

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from investing activities		
Payments into time deposits	(22,501)	(8,000)
Proceeds from withdrawal of time deposits	465,375	128,000
Purchase of securities	(1,711,442)	(1,456,185)
Proceeds from sales of securities	1,659,522	1,586,175
Purchase of money held in trust	(50,000)	–
Purchase of property, plant and equipment	(60,897)	(62,685)
Purchase of intangible assets	(192,549)	(132,194)
Purchase of investment securities	(1,481,334)	(1,481,501)
Proceeds from sales of investment securities	1,089,391	1,411,225
Proceeds from redemption of investment securities	173,554	234,014
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(277,105)	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,298)	–
Other, net	(54,910)	(40,432)
Net cash provided by (used in) investing activities	(466,194)	178,416
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100,000)	–
Proceeds from long-term loans payable	100,000	–
Repayments of long-term loans payable	(306,766)	(245,122)
Redemption of bonds	(10,000)	(5,000)
Repayments of lease obligations	(399)	(1,118)
Cash dividends paid	(290,634)	(358,987)
Purchase of treasury shares	(149,557)	(179,784)
Proceeds from issuance of subscription rights to shares	–	1,200
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	–	800,000
Other, net	(590)	(3,112)
Net cash provided by (used in) financing activities	(757,949)	8,074
Effect of exchange rate change on cash and cash equivalents	993	3,244
Net increase (decrease) in cash and cash equivalents	(262,233)	1,871,437
Cash and cash equivalents at beginning of period	3,895,574	3,633,341
Cash and cash equivalents at end of period	3,633,341	5,504,778

(5) Notes on consolidated financial statements

(Notes on premise of going concern)

There is nothing to report.

(Changes in accounting policies)

For the "Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Retirement Benefits Accounting Standard")" and the "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; hereinafter the "Retirement Benefit Application Guidance")", the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Retirement Benefits Accounting Standard and Paragraph 67 of the Retirement Benefit Application Guidance from the fiscal year ended March 31, 2015, and reviewed the calculation method for retirement benefit obligations and service costs. Accordingly, the Company changed the method of attributing expected benefit to periods from the point basis to the benefit formula basis. Concerning the determination method of discount rate, the Company has changed the bond maturity period that forms the basis for the determination of discount rate from one that is based on a period approximate to the average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Application of the Retirement Benefits Accounting Standard and the Retirement Benefit Application Guidance is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the change to the calculation method for retirement benefit obligations and service costs has been added to or deducted from retained earnings as of April 1, 2014.

As a result of this change, as of April 1, 2014, net defined benefit liability increased by 50,677 thousand yen, and retained earnings decreased by 32,615 thousand yen. Moreover, operating income, ordinary income and income before income taxes and minority interests decreased by 4,637 thousand yen each.

The impact this has on per share information is stated in the relevant section.

(Segment information, etc.)

[Segment information]

1. Summary of reportable segments

The Company's reportable segments are based on those units within the Company where separate financial information is available and where the Board of Directors periodically reviews matters such as the distribution of management resources and financial performance.

The Company has established divisions for product and service type, and each division creates a comprehensive strategy for the products and services it handles and conducts related business activities.

Therefore, the Company's product and service segments are based on its divisions. There are two reportable segments—software development segment and embedded software development segment.

Details of each segment's business are provided below.

Business segment	Main products and role
Software development business	Application development, IT infrastructure system development, solutions and services
Embedded software development business	Telecom system, Embedded software development for telecom systems, car electronics, and digital home appliances

2. Method for calculating net sales, income (loss), assets, liabilities, and other items for each segment

The accounting treatment for business segments reported is generally the same as that used for creating consolidated financial statements.

Segment income is based on operating income.

Internal earnings and transfers between segments are based on actual market prices.

3. Information regarding amounts of net sales, profit (loss), assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2014

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on consolidated financial statements (Note 3)
	Software development business	Embedded software development business	Total				
Net sales							
Sales to external customers	18,402,074	3,526,976	21,929,050	99,267	22,028,318	–	22,028,318
Inter-segment sales or transactions	3,711	16,721	20,432	54,736	75,168	(75,168)	–
Total sales	18,405,786	3,543,697	21,949,483	154,003	22,103,487	(75,168)	22,028,318
Segment profit (loss)	1,961,747	363,715	2,325,463	(12,676)	2,312,787	(882,610)	1,430,177
Segment assets	7,169,581	1,675,869	8,845,451	46,556	8,892,008	6,298,654	15,190,663
Other items							
Depreciation	95,520	25,082	120,603	2,837	123,440	14,195	137,636
Increase in property, plant and equipment and intangible assets	184,716	44,608	229,325	12,586	241,911	13,378	255,290

Notes: 1. The "Other" segment refers to business segments not included in reportable segments and includes product sales business.

2. The following adjustments have been made.

(1) The negative 882,610 thousand yen adjustment to segment profit includes negative 28,649 thousand yen in eliminations for inter-segment business and negative 853,960 thousand yen in all corporate expenses not allocated to reportable segments. All corporate expenses are mainly general and administrative expenses not attributed to reportable segments.

(2) The 6,298,654 thousand yen adjustment to segment assets includes 6,301,909 thousand yen of corporate assets not allocated to reportable segments. All corporate assets are primarily unused operating funds not attributed to reportable segments (cash and deposits and securities), long-term investments funds (investment securities), and assets, etc. related to administrative divisions.

(3) The 13,378 thousand yen adjustment to property, plant and equipment and intangible assets is for capital expenditures by the headquarters' administrative divisions.

3. Segment income is calculated by making adjustments to the operating income appearing in the consolidated statement of income.

Fiscal year ended March 31, 2015

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amounts on consolidated financial statements (Note 3)
	Software development business	Embedded software development business	Total				
Net sales							
Sales to external customers	20,704,431	4,241,462	24,945,894	117,707	25,063,601	–	25,063,601
Inter-segment sales or transactions	2,850	7,119	9,969	14,370	24,339	(24,339)	–
Total sales	20,707,282	4,248,581	24,955,863	132,077	25,087,941	(24,339)	25,063,601
Segment profit (loss)	2,415,897	571,502	2,987,400	(30,825)	2,956,575	(943,565)	2,013,009
Segment assets	8,139,680	1,862,593	10,002,274	55,136	10,057,410	7,829,096	17,886,506
Other items							
Depreciation	89,000	21,471	110,471	4,858	115,330	20,501	135,831
Increase in property, plant and equipment and intangible assets	166,055	31,849	197,905	–	197,905	13,978	211,883

Notes: 1. The "other" segment refers to business segments not included in reportable segments and includes product sales business.

2. The following adjustments have been made.

(1) The negative 943,565 thousand yen adjustment to segment profit includes negative 7,778 thousand yen in eliminations for inter-segment business and negative 951,344 thousand yen in all corporate expenses not allocated to reportable segments. All corporate expenses are mainly general and administrative expenses not attributed to reportable segments.

(2) The 7,829,096 thousand yen adjustment to segment assets is all corporate assets not allocated to reportable segments. All corporate assets are primarily unused operating funds not attributed to reportable segments (cash and deposits and securities), long-term investments funds (investment securities), and assets, etc. related to administrative divisions.

(3) The 13,978 thousand yen adjustment to property, plant and equipment and intangible assets is for capital expenditures by the headquarters' administrative divisions.

3. Segment profit calculated by making adjustments to the operating income appearing in the consolidated statement of income.

[Related information]

Fiscal year ended March 31, 2014

1. Information by product and service

This has been omitted since the same information is provided in segment information.

2. Information by geographical area

(1) Net sales

This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Name of customer or individual	Net sales	Related segment name
IBM Japan, Ltd.	3,361,995	Software development business

Fiscal year ended March 31, 2015

1. Information by product and service

   This has been omitted since the same information is provided in segment information.

2. Information by geographical area

   (1) Net sales

   This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

   (2) Property, plant and equipment

   This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Thousands of yen)

Name of customer or individual	Net sales	Related segment name
IBM Japan, Ltd.	4,464,004	Software development business

[Information on impairment loss of non-current assets by reportable segment]

There is nothing to report.

[Information on amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended March 31, 2014

(Thousands of yen)

	Reportable segments			Other	Unallocation or Elimination	Total
	Software development business	Embedded software development business	Total			
Amortization of goodwill	51,022	17,702	68,724	–	–	68,724
Unamortized balance at the fiscal year-end	317,045	64,908	381,953	–	–	381,953

Fiscal year ended March 31, 2015

(Thousands of yen)

	Reportable segments			Other	Unallocation or Elimination	Total
	Software development business	Embedded software development business	Total			
Amortization of goodwill	51,022	17,702	68,724	958	–	69,683
Unamortized balance at the fiscal year-end	266,022	47,206	313,228	–	–	313,228

[Information on gain on bargain purchase by reporting segment]

There is nothing to report.

(Per share information)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net assets per share	849.71 yen	990.11 yen
Net income per share	87.40 yen	133.12 yen
Diluted net income per share	–	133.01 yen

Notes: 1. Diluted net income per share for the fiscal year ended March 31, 2014 is not presented because there are no potential shares.

2. The basis of calculating net income per share is as follows:

Item	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net income per share		
Net income (Thousands of yen)	941,536	1,405,738
Amounts not attributable to common shareholders (Thousands of yen)	–	–
Net income related to common shares (Thousands of yen)	941,536	1,405,738
Average number of common shares during the period (Shares)	10,772,951	10,560,278
Diluted net income per share		
Increase in common shares (Shares)	–	8,744
[Of the above, subscription rights to shares (Shares)]	[–]	[8,744]
Overview of potential shares not included in the calculation of the diluted net income per share because of the lack of dilution effects	–	2nd Series Subscription Rights to Shares 500,000 units (Common shares 500,000 shares) Issue date: November 28, 2014 3rd Series Subscription Rights to Shares 500,000 units (Common shares 500,000 shares) Issue date: November 28, 2014

3. The basis of calculating net assets per share is as follows:

Item	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Total net assets (Thousands of yen)	9,114,303	10,946,625
Amount deducted from total net assets (Thousands of yen)	69,696	64,239
[Of the above, subscription rights to shares (Thousands of yen)]	[–]	[625]
[Minority interests (Thousands of yen)]	[69,696]	[63,614]
Net assets related to common shares at the fiscal year-end (Thousands of yen)	9,044,606	10,882,386
Number of common shares at the fiscal year-end used for the calculation of net assets per share (shares)	10,644,396	10,991,112

4. As noted in "Changes in accounting policies", Accounting Standard for Retirement Benefits and other accounting standards have been applied, and items are accounted for as transitory as stipulated in Paragraph 37 of the Accounting Standard for Retirement Benefits.

Therefore, net assets per share for the fiscal year ended March 31, 2015 declined 3.24 yen, and both net income and diluted net income per share fell 0.28 yen.

(Material subsequent events)

1. Restructuring of subsidiaries

   In accordance with the resolution adopted at the Board of Directors meeting held on February 16, 2015, the Company merged its subsidiaries Wireless Technologies, Inc. and Cresco-ID Co., Ltd. and then changed the trade name of the surviving company to CRESCO Wireless, Inc. as of April 1, 2015.

   (1) Reason for merger

   It was determined necessary to expand the customer base and provide customers with greater value-added services by increasing the Group's expertise in the field of near-field wireless communication technology and integrating the business, and a decision was made to merge the companies.

   (2) Merger outline

   (i) Merger method

   Absorption-type merger with Wireless Technologies, Inc. being the surviving company.

   (ii) Summary of involved companies

(Surviving company)	
Trade name	Wireless Technologies, Inc.
Representative	Shogo Moriyama, Representative Director
Location	2-3-10 Sanno, Ota-ku, Tokyo
Date established	October 2005
Capital	50 million yen
End of the fiscal year	March 31
Line of business	Design, development, and sales of devices that incorporate applied near-field wireless communication technology, such as Bluetooth, BLE, and related software

(Company to be extinguished)	
Trade name	Cresco-ID Co., Ltd.
Representative	Daisuke Chiba, Representative Director
Location	1-6-31 Konan, Minato-ku, Tokyo
Date established	April 2011
Capital	100 million yen
End of the fiscal year	March 31
Line of business	Design, development, and sales of devices that incorporate applied near-field wireless communication technology, such as RFID, NFC, and related software

2. Business combination through acquisition

   In accordance with the resolution adopted at the Board of Directors meeting held on March 30, 2015, the Company acquired all the shares of System Integration Service Co., Ltd. on April 1, 2015 and transformed the company into a wholly-owned consolidated subsidiary.

   (1) Purpose for acquiring the shares

   As a multi-functional IT company, the Group meets a broad range of needs extending from proposing corporate IT strategies to conducting development activities and operating and maintaining equipment/systems.

   System Integration Service Co., Ltd., whose main business is supporting the introduction of SAP's core operation package systems, provides consulting services related to eliminating or maintaining add-ons when introducing systems that make use of SAP standard interface technology, supports the introduction of such systems, and sells and supports the introduction of software to supplement SAP systems.

The shares were acquired in order to contribute to the further growth of the Cresco Group’s ERP business and greater corporate value.

(2) Main parties whom shares were acquired from

Manami Takahashi

Naohisa Hioki

(3) Summary of the acquired shares (As of April 1, 2015)

Trade name	System Integration Service Co., Ltd.
Representative	Yoshie Taniguchi, Representative Directors
Location	3-12-7 Kyobashi, Chuo-ku, Tokyo
Date established	April 1999
Capital	30 million yen
Line of business	Supporting the joint introduction of systems, centered on core operation package systems

(4) Timing of share acquisition

April 1, 2015

(5) Number of shares acquired and holding ratio after the acquisition

Number of shares acquired	391 shares
Share holding ratio after the acquisition	100.0%

(6) Fund raising method

Company’s own funds