CRESCO ✳

Integrated Report 2023

**Create the future,
Beyond the horizon**

Hiroyuki Nemoto
Chairman & CEO

Hiroshi Tominaga
President and Executive Officer

Launch of the Integrated Report

The production of the integrated report proved to be a very meaningful activity, not only because it entailed consolidating the financial and non-financial information we have disclosed up to now and putting new information together, but also because it provided us with an opportunity to rethink the significance of our Group's existence and discover how we differ from other companies.

We will continue to improve and make transparent our management information in order to reflect on how our group is growing and contributing to society, and what kind of value we are creating, and to communicate this information appropriately to everyone.

CRESCO

CRESCO LTD.

Integrated Report 2023

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Create the future,
Beyond the horizon

We will realize a stimulating future
through the best technology
and partnerships

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SRM GLOBAL · Forum Engineering Inc. · CRESCO
cognavi
SIGNING CEREMONY
July 12th - 2023

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Management Principle

About our name
We believe that our corporate mission is to GROW so that we can make our greatest possible contribution to people's happiness around the world, make our workers proud and happy to work here, and demonstrate our abilities to the utmost. And that is why we chose the name CRESCO, which means "to grow" in Latin.

The CRESCO Charter
CRESCO is a people-centered, merit-based company
CRESCO is a company characterized by freedom, youth and dreams
CRESCO is a company that demonstrates the most sophisticated technology
CRESCO is a company where each person participates in running the business
CRESCO is a company that is a citizen of the world

Group Vision

CRESCO Group Ambition 2030

Create the future, Beyond the horizon
We will realize a stimulating future through the best technology and partnerships

Action Guiding Principles

Action Guiding Principles at CRESCO

Further our goals.
We put the client first to co-create greater value together.
We actively seek to enhance our technology and quality.

Advance courageously.
We trust in our potential and challenge for innovation.
We persevere in the face of challenges.

Enjoy the challenges.
We inspire society with creativity and professional expertise.
We cherish growth to maximize our potential as a team.

Up to the birth of the CRESCO Charter

1980's

Targeted corporate form
"Ideal World" where the goals of the company and its employees are aligned

The IT world was still in its infancy when CRESCO was founded in the 1980s.

In these circumstances, engineers were engaged in temporary work, and the environment in which they could develop their skills and motivation was still undeveloped.

In preparation for the coming age of software, the founders decided to establish CRESCO in search of a new form of IT company.

Thoughts on the establishment of CRESCO

(1) CRESCO's mission
To make the greatest possible contribution to the happiness of people around the world through the growth of corporate activities, and to ensure that the people who work there have joy and pride together and are able to demonstrate their abilities to the fullest.
(2) Source of corporate activities
Our corporate activities are the culmination of the skills of each and every one of our employees, and we will always strive to improve our technological capabilities and self-improve our skills, and actively and boldly embrace whatever challenges are thrown at us And to realize an "Ideal World" where the company and its employees are aligned with each other's goals.

The CRESCO Charter was established

to clarify the management philosophy based on these principles as a common understanding among all employees.

Challenge to achieve net sales of 100 billion yen under "CRESCO Group Ambition 2030"

Since our founding in 1988, we have steadily progressed as "an IT company that boasts the best technology and quality," living up to the "growth" that is the origin of our company name. With the fully-fledged arrival of digitization and digital transformation (DX) in society and corporations, structural reform and innovation of the entire information service industry are now essential.

In this drastically changing business environment, the CRESCO Group has launched a new management vision for the next 10 years, "CRESCO Group Ambition 2030" and "Medium-Term Management Plan 2023," starting from FY2021, with the aim of achieving sustainable growth and increasing corporate value. We are striving to achieve consolidated net sales of 100 billion yen by realizing our "ideal state" and "stimulating future" as of the end of FY2030.

Challenge to reach 100 billion yen in net sales

Mid-term Plan 2030

Mid-term Plan 2026

Mid-term Plan 2023
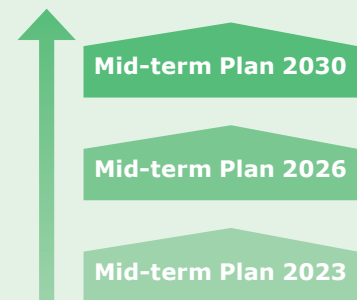
Values and Action Guiding Principles at CRESCO shared within the CRESCO Group to make our vision a reality

The thoughts of both group visioning members and management were compiled into a set of action guiding principles.

Further our goals.

Our company name means "growth," and the word "takami (heights)" expresses the spirit that CRESCO Group employees should have.

Advance courageously.

We value our spirit of facing up to difficulties and seeing things through to the end, which is the earnest culture that is typical of CRESCO

Enjoy the challenges.

To create a stimulating future, it is important for us to think of ourselves as "interesting"

In the last 10 years, sales have increased 2.5 times and the number of employees has doubled

Since its establishment in 1988, CRESCO has been an independent system integrator that creates various systems in the world with our IT development technology and high-quality services. We are committed to contributing to society through our core business of IT services and Digital solutions that provide new value, and to becoming a leading company in the industry, both in name and reality, by taking the initiative.

1988
Embedded software development company and IT system construction company merged to form CRESCO LTD.

1990
The then Ministry of International Trade and Industry registered CRESCO as a system integration company.

1997
CRESCO listed on the Tokyo OTC Stock Exchange and increased its capital to ¥758,700 thousand.

March 31, 1998
Number of subsidiaries: 2

2000
CRESCO listed on the Second Section of the Tokyo Stock Exchange.

2001
CRESCO listed on the First Section of the Tokyo Stock Exchange.

- Consolidated subsidiaries net sales (billion yen)
- Non-consolidated net sales (billion yen)
- Consolidated number of employees (persons)

Consolidated net sales

1.3

4.0

9.7

11.1

99

195

368

681

Mar. 1989

Mar. 1995

Mar. 2000

Mar. 2005
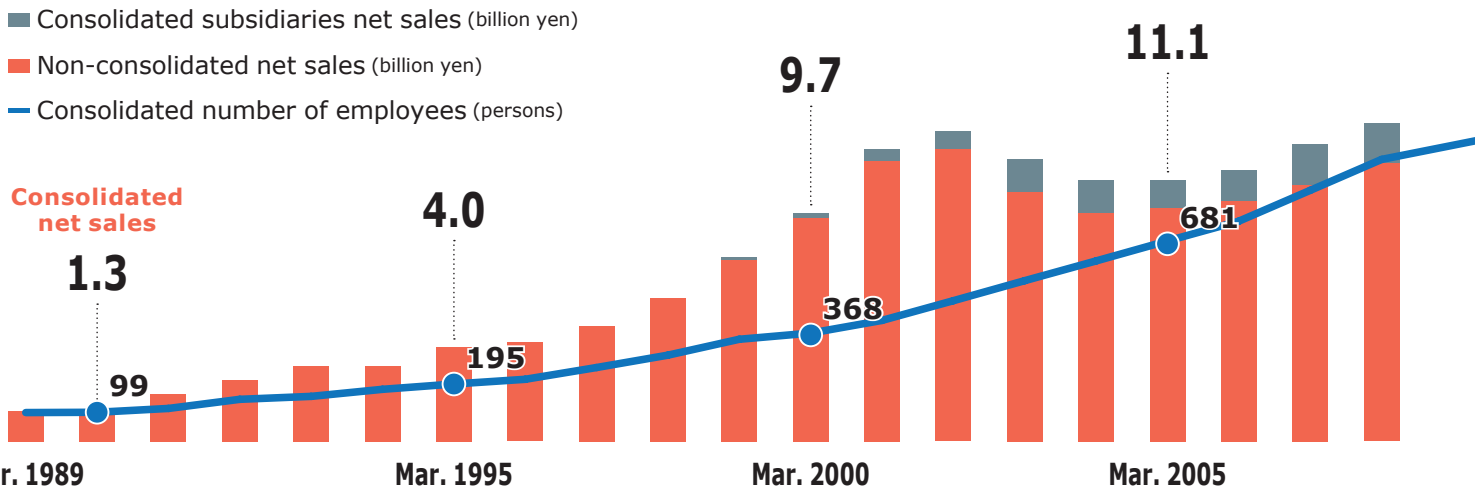
Management Vision

CRESCO Vision
- Strengthening human resource development
- Strengthening financial base
- Strengthening sales

Vision-'98
- Business expansion
- Improvement of business performance

Vision 2003
- Business enhancement
- Expansion of business performance

Change and Challenge
- Elimination of loss-making projects
- Clarification of management standards
- Standardization of development processes
- Quantification of quality standards

Changes in IT Platforms

Since the 1980s
The first platform:
Mainframe computers

2000s
The second platform:
Internet

2022
CRESCO changed its brand mark and transitioned to the Prime Market of the Tokyo Stock Exchange.

2004
Head Office (Mita, Minato-ku, Tokyo), Shiba Center, Tamachi Center, and Wireless Solution Center were integrated and relocated to Kounan, Minato-ku, Tokyo.

March 31, 2005
Number of subsidiaries: 1
Number of affiliate company: 3

March 31, 2010
Number of subsidiaries: 4
Number of affiliate company: 2

March 31, 2015
Number of subsidiaries: 9
Number of affiliate company: 4

39.3

25.0

13.1

1,102

1,701

2,300
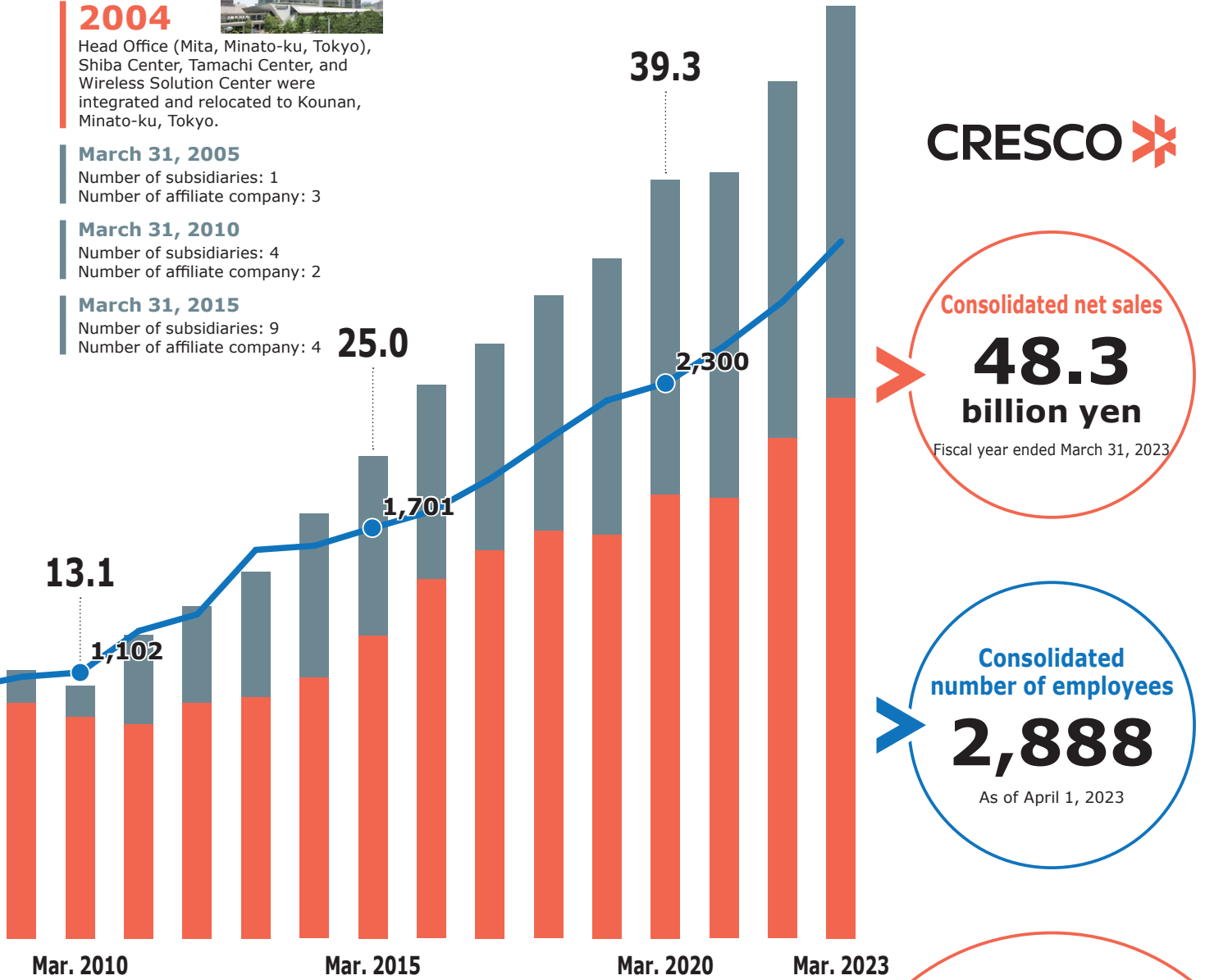
CRESCO ✳

Consolidated net sales
48.3 billion yen
Fiscal year ended March 31, 2023

Consolidated number of employees
2,888
As of April 1, 2023

Mar. 2010   Mar. 2015   Mar. 2020   Mar. 2023

Transformation and reinforcement
• Pursuit of a "distinctive character"
• End-user focus
• Establishment of new business

Next-Gen CRESCO
• Pursuit of operating profit
• Promotion of M&A, etc.

CRESCO Ambition 2020
• An enterprise group willing to take on challenges
• Sophisticated technologies and reliable quality
• Each person shines at CRESCO

CRESCO Group Ambition 2030
Further our goals.
Advance courageously.
Enjoy the challenges.

2010s
The third platform:
Cloud services, big data, mobility, social technologies

Since 2016
Digital transformation (DX), Society 5.0, Industry 4.0: IoT, big data, artificial intelligence (AI), Robotics

Contributing to society through IT services and Digital solutions

In the IT services business (consulting, IT planning, and comprehensive services for development and maintenance), we will continue to pursue technology and quality to ensure steady growth, and we will expand our Digital solutions business (solutions group from products and services that support the realization of customers' DX) lineup to meet customers' needs, positioning the business as a new pillar of growth.

IT services
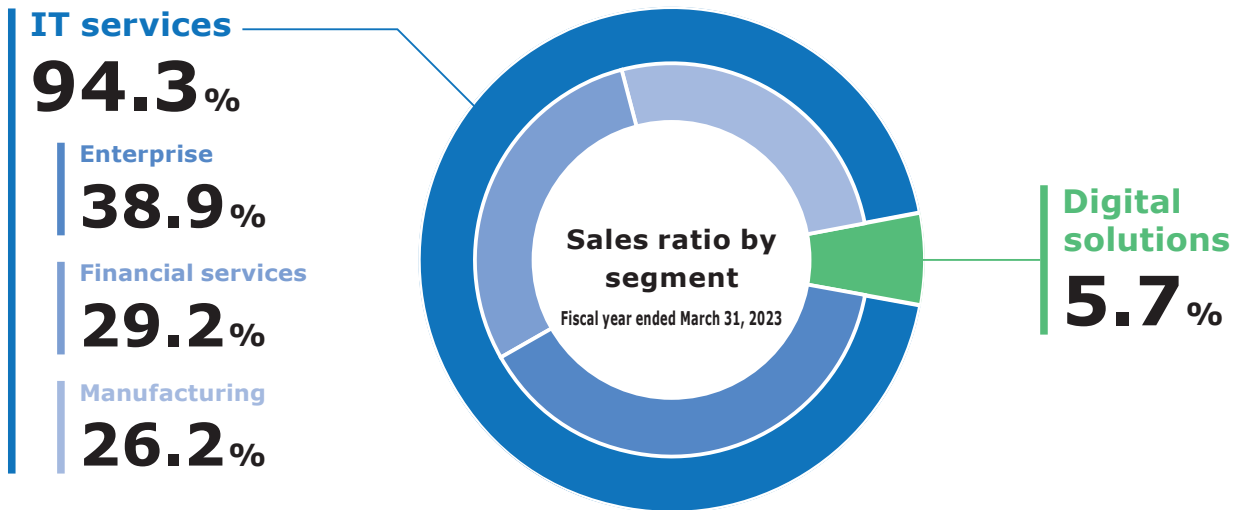**94.3**%

> **Enterprise**
> **38.9**%

> **Financial services**
> **29.2**%

> **Manufacturing**
> **26.2**%

Sales ratio by segment
Fiscal year ended March 31, 2023

Digital solutions
5.7%

Segment	Subsegment	Breakdown
IT services • Consulting • IT planning • Comprehensive services for development and maintenance	**Enterprise**	Information & communication, advertising, distribution service, transport Recruitment & dispatching, public, resources & energy Construction & real estate, travel & hotels Medical & health care, etc.
	Financial services	Banking, insurance, etc.
	Manufacturing	Automotive, transport equipment, machinery, electronics, etc.
Digital solutions Solutions group from products and services that support the realization of customers' DX	**None**	"Creage" "Intelligent Folder" RPA, etc.

Contributions to customers and society (major examples)

Automotive and electronics
Digitalization of in-vehicle display devices and Design and development of digital home appliances (smartphones, TVs, cameras, AI speakers, etc.)

Human resources
Development of AI-based human resources matching systems and business support systems for sales support, staff recruitment, contract management, etc.

Transport and passengers
Dedicated terminals for delivery personnel for transportation purposes, cargo tracking systems, work and transportation management support, SNS linkage functions, aircraft seat reservations, and fare payment systems

Banking and insurance
Platform development including applications and cloud computing for megabanks, online banks, life and non-life insurance companies, and support for data analysis operations

Medical and healthcare
AI-based diagnostic imaging in the field of ophthalmology through joint research with a medical school, and product development through collaboration with medical device manufacturers
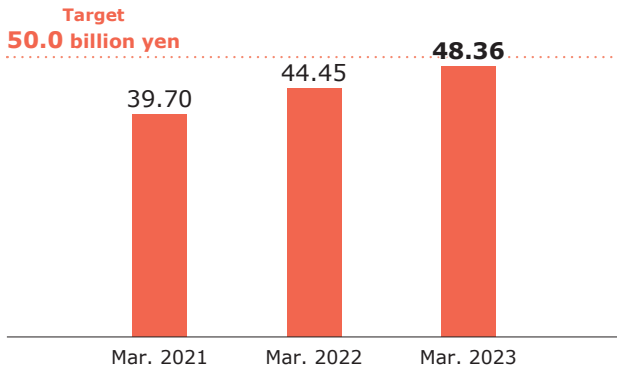
Travel and hotels
Domestic travel sales system, product creation and site rental site development for travel agencies, AI-based hotel room allocation system

Key Management Indicators

Consolidated net sales (billion yen)

Fiscal year ended March 31, 2023 **48.36** billion yen

Target
50.0 billion yen

	39.70	44.45	48.36
	Mar. 2021	Mar. 2022	Mar. 2023

Consolidated number of employees (persons)

As of April 1, 2023 **2,888** persons

■ Women ■ Men ● Percentage of women

	2,454	2,638	2,888
Women	569	640	701
Men	1,885	1,998	2,187
Percentage of women	23.2%	24.3%	24.3%
	Apr. 1, 2021	Apr. 1, 2022	Apr. 1, 2023
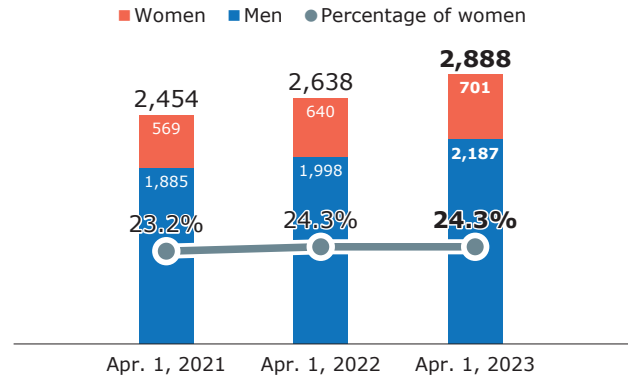
Consolidated operating profit (billion yen)

Fiscal year ended March 31, 2023 **4.99** billion yen

Target
5.0 billion yen

	3.48	4.45	4.99
	Mar. 2021	Mar. 2022	Mar. 2023
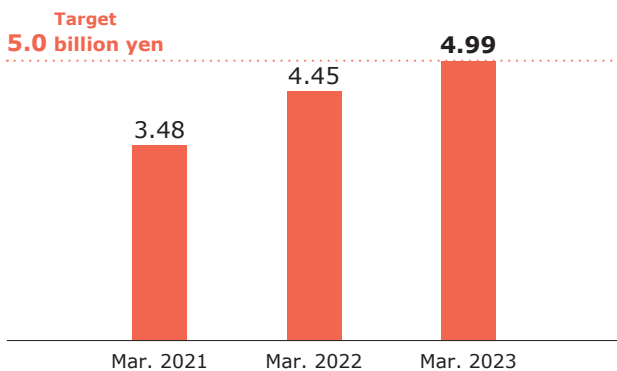
Number of women in management positions and ratio of women in management positions (non-consolidated) (persons/%)

Fiscal year ended March 31, 2023 **36** persons

	8.8%	9.5%	10.2%
	27	30	36
	Mar. 2021	Mar. 2022	Mar. 2023
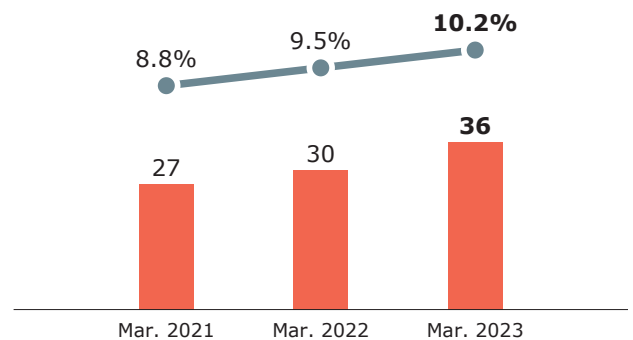
ROE (Return on equity) (%)

Fiscal year ended March 31, 2023 **14.3**%

Target
15% or more

	14.8	15.6	14.3
	March. 2021	March. 2022	March. 2023
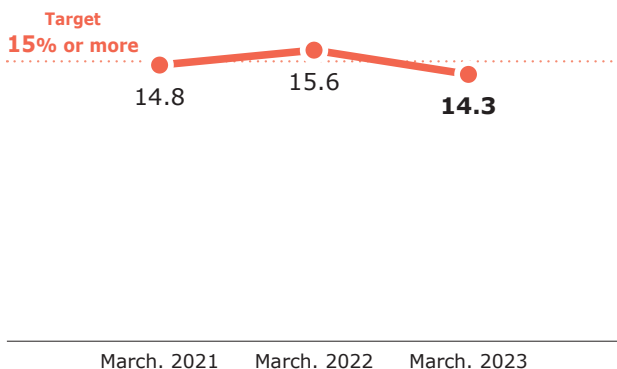
Electricity consumption (kWh)

Fiscal year ended March 31, 2023 **683,432** kWh

	715,074	618,129	683,432
	Mar. 2021	Mar. 2022	Mar. 2023
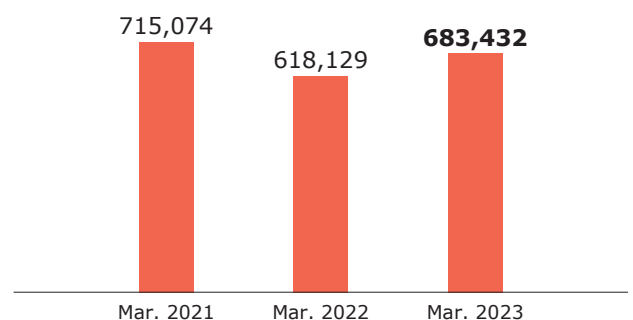
Notes (1) CRESCO's non-consolidated headquarters and offices.
(2) Osaka Office is not included before April 2022.

Pursuing the best technology as IT professionals, we will realize a stimulating future through innovation

Hiroshi Tominaga,
President and Executive Officer

Our Progress

Continued steady growth with 2.5 more sales over the last 10 years

The CRESCO Group is an independent system integrator (SIer) that mainly engages in contract software development. Although the name "CRESCO" does not appear in the public eye often due to our BtoB (business-to-business) business, our technology supports the business of leading Japanese companies in various industries and fields.

CRESCO means "to grow" in Latin. CRESCO was started in 1988 as a venture company of about 100 people when an IT infrastructure systems construction company and an embedded software systems development company merged. At the time, the IT industry was undergoing rapid technological change, and competition was expected to be fierce, but the founders decided to embrace the challenge of growing in this challenging field, and they incorporated this resolution into the name of the company.

At the time of establishment, the majority of our business was secondary contracting, undertaking development work from major IT companies that dealt directly with the companies placing orders for system development. As we built relationships of trust with our end-user customers, which were business companies and financial institutions, we gradually increased our number of primary contracting jobs. Furthermore, we have continued to expand our business domain through the lateral development of our accumulated technological capabilities. In 2001, we were listed on the First Section of the Tokyo Stock Exchange, and in 2022, when the market segmentation was reorganized, we transferred to the Prime Market of the Tokyo

Stock Exchange. In terms of business performance, the company has continued to grow steadily since the financial crisis, with sales increasing 2.5 times and the number of employees doubling over the past 10 years.

Foundation for Growth

Earnest corporate culture that takes technology and customers seriously

Looking back on our 35-year history since we were founded, I realize once again that CRESCO's continued growth to the present time is due not only to our commitment to improving our technology, but also to our earnest corporate culture of treating our customers with sincerity.

All our employees are eager to learn and improve their skills, and their professionalism and sincerity in carrying out their work has led to customer trust, dependable repeat business, as well as the creation of new business.

Underlying this corporate culture is the CRESCO Charter, a management philosophy consisting of five items, including "people-centered and merit-based" and "demonstrate the most sophisticated technology." The CRESCO Charter is the starting point of our activities to which we always return if we ever harbor doubts in our work, and it is the source of our growth.

Strengths

Accumulation of key and unique CRESCO assets acquired during business development

Over the 35 years since our founding, we have accumulated unique intellectual and social capital, including technological and project management capabilities, as well as partnerships and relationships of trust with the Group,

affiliated companies, and business partners, as each of our employees has carried out work based on the CRESCO Charter and accumulated achievements. We believe that such capital will be an important competitive advantage that will support the sustainable growth of our group in the future.

Technological capabilities - Providing services and solutions that exceed customer expectations in a wide range of technological areas

We have a strong commitment to demonstrating our technological capabilities, which we consider to be our greatest strength, based on the policy of "demonstrating the most sophisticated technology" as upheld in the CRESCO Charter.

We launched the Technology Laboratory in 2012 and the Leading Technology Division in 2014 to strengthen our technological capabilities with an eye to the future. The Technology Laboratory is engaged in joint research and development in collaboration with customers, universities, research institutions, and other external organizations. We have been particularly successful in the application of image recognition AI in the medical field by applying it to other industries.

Since FY2021, we have been developing our business in two segments: "IT services business" and "Digital solutions business." The IT services business is based on proven technologies such as application development technology, platform construction technology, and embedded system development technology.

In the Digital solutions business, which was fully launched in FY2021, we provide a variety of services and solutions based on the Group's strengths including AI, cloud computing, and other cutting-edge technologies. We believe that there are significant synergies in developing businesses in the two segments, such as by introducing IT services to customers who provide Digital solutions to solve new issues for them and, conversely, by proposing them to customers who provide IT services to solve issues through Digital solutions using advanced technologies.

Additionally, we have a "CET (CRESCO technical Expert Team)" in which highly skilled expert employees specializing in specific technical fields respond to questions from other employees via chat or e-mail, a "Solutioning Process" in which expert employees work together with customers to develop proposals that exceed their expectations in response to a vague sense of issues or problems they may have, and an "Advisory Service" in which expert employees identify customer issues and provide accurate advice on those issues. Through such efforts, we are expanding our business model to provide solutions that exceed our clients' expectations by building a unique CRESCO structure that demonstrates our high technological capabilities as an organizational force.

Project Management Capabilities – Company-wide follow-up to minimize unprofitable projects

Project quality and profit management are directly related to profits. Guided by the concept of "a company where each person is mindful of how we run our business" as stated in the CRESCO Charter, all employees of the CRESCO Group, especially project managers, are strongly committed to improving project quality and profit management.

As our range of clients and operations expanded several years after our founding, the number of unprofitable projects caused by quality-related problems gradually increased, and in 2002, the company posted its first loss since our founding.

We set a target profit margin for each proposal and order, and carefully examine the feasibility of the proposal and order through a pre-order review in order to improve profitability. In addition, after receiving an order, all projects are audited on a regular basis, and a quality control team is in place to follow up on projects that have a high risk of falling short of the target profit margin.

Additionally, in 2012, the Quality Management Unit (now renamed the Quality & Process Management-Unit) was established to meet the need for more sophisticated project management in line with business expansion and technological advancements. The said Unit has promoted the establishment of a company-wide profit and quality management system, by, for example, identifying problems at an early stage through a cross-sectional view of all projects. In 2013, we began encouraging employees to obtain PMP (Project Management Professional) certification, an international certification in project management. PMP knowledge has become a part of our culture, and many of our employees now understand the standard body of knowledge concerning project management, and this has also improved their management skills.

In the IT market, where technologies and needs are changing rapidly, our group is continuously improving our management processes to increase profitability by minimizing unprofitable projects as well as to further improve service quality (QCD).

Collaboration with group companies and business partners based on trust is a driving force for growth

The Group has been strategically pursuing M&A and alliances. As of April 2023, the Company had 12 consolidated subsidiaries, and now that these subsidiaries accounted for approximately 42% of consolidated net sales in the fiscal year ended March 31, 2023.

Business expansion through close collaboration among group companies is a driving force for growth. We continue to promote M&A, and seek to create synergies among group companies through group collaboration and cooperation, development of business infrastructure, technical support, personnel exchange, and other measures. In addition, we are working to strengthen regional distributed development with a focus on Sapporo, Nagaoka, Nagoya, Osaka, Fukuoka, and Vietnam.

In our relationships with business partners, we place the same emphasis on building long-term, win-win relationships as we do with our customers, and we encourage ongoing collaboration and the establishment of long-term business relationships by sharing strategies and holding events with each company.

Growth strategy

Management vision for the next 10 years "CRESCO Group Ambition 2030"

Since FY2021, the CRESCO Group has put in place a management vision entitled, "CRESCO Group Ambition 2030" for the next 10 years through 2030, and is working on measures to realize this vision.

Management Vision

CRESCO Group Ambition 2030
Create the future, Beyond the horizon

We will realize a stimulating future through the best technology and partnerships

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Driven by our determination to link our own reforms to the growth and development of society in this rapidly changing period, we created a team comprising employees of various generations over a period of about a year starting in 2020 to formulate a vision. Then, in FY2021, we set forth a new management vision based on the team's deliberations. The vision is based on the idea that "while no one can foretell what the future holds for IT in 10 years' time, we want to stretch the limits of our imagination."

With the coronavirus crisis, the speed of system development and changing trends in IT investment are accelerating and customers' needs are shifting toward DX. In response to these changes, we ourselves need to become more productive and acquire the ability to provide more sophisticated services.

Our management vision is a guideline and a statement of intent to ensure the significance of our corporate existence, aiming to realize a sustainable society through a combination of the Group's "best technology" and "partnerships" with people.

Aiming for net sales of 100 billion yen by strengthening Digital solutions and IT services

To realize our vision, we have established three steps: Medium-Term Management Plan (hereafter: Mid-Term Plan) 2023 (Transformation: FY2021 to FY2023), Mid-Term Plan 2026 (Challenge: FY2024 to FY2026), and Mid-Term Plan 2030 (Soar: FY2027 to FY2030).

In the first step, the Mid-Term Plan 2023, we established three key strategies to create new business pillars and three basic strategies to strengthen our core business, namely IT services.

In the key strategy, we are expanding our solution lineup in the digital domain, including AI, cloud computing, and robotics, with the aim of "strengthening Digital solutions" in particular. Currently, the sales composition ratio and profit margin have stalled at 5.7% and 6.0% respectively, but in the final year of the Mid-Term Plan 2023 "Transformation," we will step up efforts to develop new Digital solutions and improve profitability, and further connect them to the next Mid-Term Plan 2026 "Challenge," where we intend to expand proactively by applying developed Digital solutions elsewhere.

In one of our basic strategies, "Expansion of IT services," we must change the way we work, the way we treat our customers, and the way we create value, while continuing to develop IT services steadily in the future as a core business. We are striving to further strengthen our "proposal-oriented" and "co-creation" business whereby we not only respond to changes in our customers' needs, but also identify their issues and proactively offer solutions.

Fostering human resources capable of responding to the needs of the times

In order to realize our vision, a particular challenge is to strengthen our human capital. There is an urgent need to secure human resources who not only have the technological skills but also the ability to make proposals that accurately grasp the issues faced by our customers. However, it is not easy to acquire outstanding new human resources when the shortage of IT personnel has become a social issue. In addition to continuing to focus on recruitment activities, we are investing more in employee training and development within the Group, developing educational programs and creating an environment that fosters human resources with the "technological," "human," and "work-based" "occupational" competence needed to meet the needs of the times.

As part of efforts to secure human resources for development and to strengthen the organization, we promote collaboration among the group companies, and have 100 engineers or more mainly in Sapporo and Fukuoka as near-shore development bases, and 100 engineers or

more in Vietnam via group companies as off-shore development bases. We will continue to develop and expand our flexible development system to avoid opportunity losses due to lack of human resources in the future.

Sustainability

Making the greatest possible contribution to the people of society through the growth of our corporate activities

The Group believes that our corporate mission is to "make the greatest possible contribution to the happiness of people around the world through the growth of corporate activities, and to ensure that the people who work there have joy and pride together and are able to demonstrate their abilities to the fullest." As part of these efforts, we are actively promoting ESG (Environmental, Social and Governance) initiatives.

E (Environment): Decarbonization is a global challenge. Although our Group does not have factories or data centers with large-scale facilities, which limits our direct contribution, we are working to reduce travel time and electricity consumption by promoting telecommuting and a paperless work environment, and shifting to cloud computing for systems owned by the Group.

S (Society): In accordance with the CRESCO Charter's "people-centered and merit-based" approach, we are working to promote diversity and inclusion (D&I), including women's greater participation, and to create a comfortable working environment. As an example, we have created an environment in which women can give their full attention to raising their children by, for example, allowing them to take childcare leave until the first April 30 following the child's third birthday, and shortened working hours after returning to work can be taken until the child graduates from elementary school. The ratio of female employees reached 25.3% on a non-consolidated basis and the ratio of female managers reached 10.2% on a non-consolidated basis as of March 31, 2023. In terms of global recruitment, we continue to hire foreign nationals regardless of nationality, and as of March 31, 2023, 12 foreign nationals were actively working at the parent company. We also consider it our mission to educate IT human resources not only within the company but also in society as a whole, and actively support social human resource development initiatives, such as sponsoring the "National Programming Competition for Elementary School Students."

G (Governance): In June 2023, we welcomed one female outside director, bringing the number of directors to 10. Of these, 5 (50%) are outside directors and 2 (20%) are female directors. In addition, the Company places importance on the diversity and balance of experience and areas of expertise as well as gender and other attributes in the composition of the Board of Directors, and discloses a skills matrix for each director based on experience. We must continue to review from time to time the skills needed and change what needs to be changed, but at this point, each board member has a good balance of different experiences and knowledge, and we are able to discuss issues from a variety of perspectives, including those of outside directors.

Message

Always growing and remaining a necessary group for society

IT is a field that is expected to continue to grow significantly in the future. On the other hand, I feel that the role required of SIers is changing with the times.

The CRESCO Group is a corporate group that considers what it can do to contribute to the growth of its customers, proposes solutions to their problems, and creates the future together with them. I am convinced that the continuous growth of each of us as professionals will enhance the value of the CRESCO Group in society.

We will continue to move forward to provide value above and beyond that "envisioned by people" through technology. Please look forward to the future activities of the CRESCO Group as we work together with our customers to create the future.

CRESCO Group's Value Creation Process

CRESCO ✱

CRESCO Group's Mission

The company's mission is to "make the greatest possible contribution to the happiness of people around the world through the growth of corporate activities, and to ensure that the people who work there have joy and pride together and are able to demonstrate their abilities to the fullest." With this in mind, we will continue to create value for society.

Sources for Value Creation

Financial capital   Fiscal year ended March 31, 2023

● Robust financial basis enabling growth investment

Net assets	ROE	Equity ratio
24.4 billion yen	**14.3**%	**72.7**%

Human capital   As of April, June 2023

● Professional human resources having diverse IT skills and experience

Number of employees (consolidated)	Number of IT qualifications obtained by employees (consolidated)
2,888	**5,000**

Intellectual capital   As of April 2023

● The Group's Technology Laboratory (established in 2012)/Patented image analysis technology
● Engineers' blogs as intellectual property

Number of published articles
550

Social capital

● Customers and business partners in various types of industries with whom the Group has established relationships of trust over many years

Manufactured capital   As of April 2023

● Domestic and overseas service networks

Domestic	Overseas
11 companies	**1** company

Business activities' value and growth strategies

CRESCO Group's businesses

Digital solutions

● Solutions group from products and services that support the realization of customers' DX

IT services

● Consulting
● IT planning
● Comprehensive services for development and maintenance

CRESCO Group's growth strategies
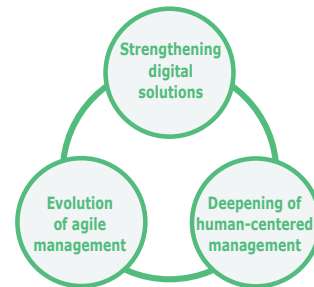
Key strategy	Basic strategy
To create new business pillars	To strength core business

Key strategy:
- Strengthening digital solutions
- Evolution of agile management
- Deepening of human-centered management

Basic strategy:
- Expansion of IT services
- Enhancing quality
- Strengthening skills
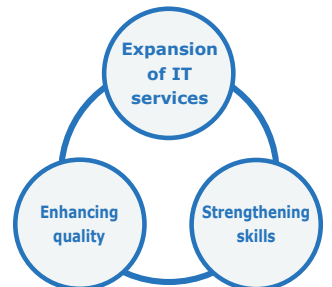
ESG integration into business / Corporate governance

Management Principle

- o **CRESCO is a people-centered, merit-based company**
- o **CRESCO is a company characterized by freedom, youth and dreams**
- o **CRESCO is a company that demonstrates the most sophisticated technology**
- o **CRESCO is a company where each person is mindful of how we run our business**
- o **CRESCO is a company that is a citizen of the world**

Action Guiding Principles at CRESCO

- **Further our goals**
- **Advance courageously**
- **Enjoy the challenges**

Values created by the CRESCO Group

Social values

For customers
- Provision of high-quality IT and digital solution services

For shareholders and investors
- Enhancement of corporate value through sustained growth

For local communities and society
- Contribution to digital society through the development of new technologies and services

For employees
- Environment in which each employee can keep growing and flourish in a lively manner

Economic value   Fiscal year ended March 31, 2023

Net sales	Operating profit	Operating profit on net sales
48.3 billion yen	**4.9** billion yen	**10.3**%

A world that the CRESCO Group wants to realize

Create the future, Beyond the horizon

We will realize a stimulating future through the best technology and partnerships

CRESCO Group Ambition 2030

Create the future, Beyond the horizon

We will realize a stimulating future through the best technology and partnerships

Toward a company with the consolidated net sales of 100 billion yen in 2030

Management capital

Financial capital

Unchanging management philosophy emphasizing earning power (profit)
- Equity ratio: 72.7%   ● Operating profit on net sales (consolidated): 10.3%
- ROE (consolidated): 14.3%   Fiscal year ended March 31, 2023

Human capital

Consolidated number of employees: 2,888人   As of April 1, 2023

Number of key IT professionals
- Project Management Professional (PMP): 316

IPA
- Advanced Information Technology Engineer: 244
- Applied Information Technology Engineer: 539
- Fundamental Information Technology Engineer: 1,265
- Registered Information Security Specialist: 120

Key Technologies
- Agile: 1,039   ● AI & Data: 1,649   ● Cloud computing: 2,195
- Robotics: 1,216

Note: Total number of external and internal certifications for Agile, AI & Data, Cloud computing, and Robotics

Employee Engagement **Diversity and Inclusion**
Health Management **Respect for Human Rights**

Intellectual capital

Research Achievements
- Developed "Aircraft Engine Internal Inspection Tool" using Medical AI Image Recognition Technology by the Technology Laboratory
- Obtained a patent for a method of visualizing the basis for image classification of image recognition AI by the Technology Laboratory
- Joint Research on embedded security technologies and vulnerability attack assessment with the Center for Embedded Computing Systems, Graduate School of Informatics, Nagoya University

Research and development costs
Fiscal year ended March 31, 2023: 93,360 thousand yen

Social capital

Solid customer base
- Consistent repeat business from over 90% of existing customers
- High direct transaction rate of over 80% with end-users
- Broad industry coverage with no bias toward any particular field (coverage ratio)

Partner relationships
Numerous certifications
UiPath Diamond Partner, AWS Public Sector Partner Program, AWS Public Sector Solution Provider, Microsoft's Gold Competency, etc.
Distributorship Agreement
HIGHRESO's GPU cloud service, SOROBAN, etc.

Manufactured capital

Domestic and overseas service networks
- Domestic: 11 companies
- Overseas: 1 company

Business locations (consolidated)
26 locations (Hokkaido, Fukushima, Ibaraki, Tokyo, Kanagawa, Shizuoka, Niigata, Ishikawa, Aichi, Osaka, and Fukuoka)

Natural capital

Strengthening the Management Base (Environment)
GHG emissions

Strengths

Relationships and partnerships

In providing high-quality services and products, customers and trusted partners are major assets.

Our relationship with our clients is one of professionalism and sincerity, and we have built a long-term relationship of trust with them, with a steady stream of repeat orders, never ending with a single project. By applying know-how accumulated through these relationships, we are able to encounter new customers.

In addition to "joint research" in which we work with customers to solve on-site problems using cutting-edge technology, the Technology Laboratory also promotes "industry-academia collaboration" with universities and other research institutions, and the know-how gained from these relationships is one of our major strengths.

In addition, partners are indispensable in providing services to our clients, and we work closely with them in the execution of our business. We have built win-win relationships with these business partners, and today, more partner engineers play an important role in our projects than in-house engineers.

Best technology and quality

We are particularly committed to "technology" and "quality" in our activities.

As an example of our commitment to technology, in 2012 we established the Technology Laboratory, which aims to create "future strengths" for CRESCO. The Technology Laboratory has been working diligently on cutting-edge technologies and this has yielded results, especially in the field of medicine. Other measures that demonstrate our commitment to technology include the CRESCO technical Expert Team (CET), which allows employees to freely ask questions of engineers who have been certified by the company, and the solutioning process, which bridges the gap between internal staff and customers and helps us to make proposals based on the customer's vague sense of the issues at hand.

With regard to quality, we are working on "enhancement of quality" as a basic strategy in our Medium-Term Management Plan to improve service quality (QCD). In addition to encouraging on-site leaders to acquire the international Project Management Professional (PMP) certification to improve their skills, we have established a company-wide quality management system to ensure continuous improvement.

Strong management base

A "strong management base" with a broad business portfolio and a solid financial position to support it will ensure Cresco's sustainable growth.

Market needs have changed significantly in recent years due to COVID-19 and changes in work styles, among others. CRESCO's business portfolio management accurately identifies the status of each business segment and efficiently utilizes management resources to achieve flexible corporate operations with "proposal-oriented" and "co-creation" type businesses that solve customers' issues without being limited to the framework of IT services and Digital solutions. The source of this business portfolio is the expansion of business through close cooperation among group companies. Since 2010, we have strategically conducted M&A and capital participation to expand our business domain, customers, and sales bases, and as of April 1, 2023, we have 12 consolidated subsidiaries and 2 equity method affiliates.

The Company's financial strength is solid, with an equity ratio of 72.7% as of March 31, 2023. The Group has also achieved a high level of profitability, with operating profit on net sales of 10.3% and ROE of 14.3% on a consolidated basis. The CRESCO Group will continue to grow further by taking advantage of this dependable and solid financial structure.

Independent "system integrator" through the best technology and

CRESCO is an independent "system integrator" that creates various systems throughout the intelligence (AI) and cloud computing, as well as other high-quality services.
We are leading the rapidly changing digital revolution by making full use of a wide range of IT systems) construction technology, application development technology that digitizes businesses automotive devices.

CRESCO Group's businesses

Strengths	Relationships and partnerships	The most sophisticated technology	Strong management base

IT services

- Embedded system development
- Platform construction
- Application development
- Development system/ methodology

Digital solutions

CRESCO ✳

- Minervae
- AI & DATA
- Security
- Robotics
- Cloud computing
- Intelligent Folder
- Creage
- CLIP
- IoT
- UI & UX

Management Base

that realizes a "stimulating future" partnerships

world with its IT development technologies, including cutting-edge technologies such as artificial

domain technologies, including platforms (the environment that serves as the foundation for and operations, and embedded development technology that controls information appliances and

Supporting the activities of various companies and your daily life

- Transport and passengers
- Human resources
- Travel and hotels
- Medical and healthcare
- Banking and insurance
- Automotive and electronics

CRESCO Group's growth strategies

While strengthening the foundation of our business with three basic strategies to promote our core business, we are working on three key strategies to create new pillars of business.

Key strategy
To create new business pillars

Enhancement of digital solutions
- Doubling of sales for digital solutions
- Expansion of new digital solutions

Advancement of flexible management
- Acquisition of " DX Stocks" certification
- Business expansion by enhancing group-wide coordination

Further development of people-centered management
- Become one of the top "Certified Health & Productivity Management Outstanding Organizations"
- Enhancement of human resource development for the next generation

Basic strategy
To make the Core Business Fields Even Stronger

Expansion of IT services
- Business expansion based on measures established separately for the enterprise, financial and manufacturing segments

Enhancement of quality
- Continuous improvement and implementation of management processes suited to new technologies and changing needs
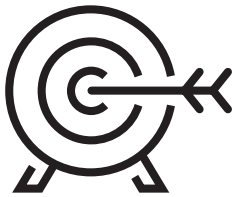
Enhancement of technologies
- Business expansion through new technologies and key technologies (AI, cloud computing and agile)

In pursuit of a world that the CRESCO Group wants to the growth of our business activities and create social shareholders, investors, local communities, society,

Business activities' value and growth strategies
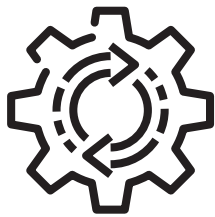
Business activities

Key strategy

Basic strategy
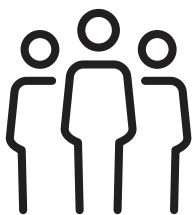
Strengthening the management base

Value creation story

Sustainable growth of core business

P21 onward

- Initiatives aimed at growth in earnings without changing existing business domains by strengthening customer relationships, expanding into new regions and segments, and improving the quality of products and services.
- Initiatives aimed at innovative productivity improvement through automation of operations, sifting through, reform of work styles, etc.

Creation and expansion of new customers and markets for Digital solutions

P23 onward

- Initiatives to realize new business models and enter new business fields by creating value, customers, and markets that never previously existed
- Innovative productivity improvement initiatives to achieve the above

Human resource strategies that make the most of people

P25 onward

- Classify important issues for corporate management into six themes based on the two axes of "activities through business" and "contributing to a sustainable society," identify 10 of the 17 international targets of the SDGs as targets to be addressed, and link business activities and initiatives to ESG

realize, we will expand our economic value through value that will bring prosperity to our customers, employees, and all other stakeholders.

Value created by the CRESCO Group

Social value

For customers
- Cost reduction, revenue improvement, and new business creation by providing high-quality IT services and Digital solutions
- Increase brand power through DX promotion

For shareholders and investors
- Enhancement of corporate value through sustainable growth, and shareholder returns
- Continuation and promotion of constructive dialogue through press conferences, information briefings, and interviews, as well as highly transparent information disclosure

For local communities and society
- Contribution to the digital society through the development of new technologies and services
- Supporting the development of youth by assisting the use of digital technology that leverages technological capabilities
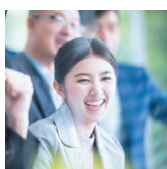
For employees
- Provide opportunities for the growth of each and every employee
- Provide an environment in which everyone can thrive and play an active role through the promotion of diversity, etc.

Economic value
Fiscal year ended March 31, 2023

Net sales	Operating profit	Operating profit on net sales
48.3 billion yen	**4.9** billion yen	**10.3**%

A world that the CRESCO Group wants to realize

Create the future, Beyond the horizon

We will realize a stimulating future through the best technology and partnerships

CRESCO Group Ambition 2030

Create the future, Beyond the horizon

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Mid-term Plan 2021-2023

<Transformation>
Achieve consolidated net sales of
50 billion yen

Mid-term plan 2024-2026

<Challenge>

Mid-term Plan 2027-2030

<Soar>

2030

Become a company with consolidated net sales of
100 billion yen

Sustainable growth of core business

Currently recognized management issues

A succession of trust built through technology and quality

We must continue to strengthen our comprehensive IT services, which are based on our core strengths of development capabilities, to provide a stable basis for our business.

Policies for addressing management issues

Developing and implementing industry segment strategies to ensure the growth of IT services

We will develop industry segment strategies that accurately reflect the IT needs of each type of business in IT services (consulting, IT planning, and comprehensive services for development and maintenance), and continue to pursue technology and quality to ensure growth.

Segment strategy

IT services		
Enterprise	**Speedy response to market changes and new technologies to become a true partner**	
	• Support for DX promotion by a wide variety of customers outside of finance and manufacturing, including human resources, real estate, public utilities, electric power, travel, airlines, medical, healthcare, transport, distribution services, etc.	
Financial services	**Promote an approach to industry restructuring and channel diversification**	
	• Providing services based on industry and IT experience to new entrants • Supporting our customers' IT strategies from the planning stage as a main partner	
Manu-facturing	**Strengthening support our customers from product development to the provision of services**	
	• Improving the value of our services in the mobility industry • Expanding proposals to provide more added value to customers' businesses	

CRESCO's initiatives

Expansion of IT services and enhancement of quality

Expansion of IT services

● Business expansion based on measures defined for Enterprise, Financial services, and Manufacturing subsegments

Enhancement of quality

● Continuous improvement and practice of management processes in response to new technologies/changing needs

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Case 1 **Expansion of IT services**

Accelerate global expansion utilizing business and capital alliances

Overview

• Concluded a basic agreement to invest capital in an Indian company for the purpose of global expansion of Cognavi, a specialized service for engineers developed jointly with Forum Engineering Inc.

Effect of initiatives

• Established a starting point for the development of optimal services for the Indian market and for the development of the manufacturing industry

From left: Mr. Sekino from Cognavi India, Mr. Tominaga from CRESCO, Mr. Sato, President at Forum Engineering, Mr. Taga, Consulate-General of Japan in Chennai, Dr. P. Sathyanarayanan from SRM Global, and Mr. Varun Modgill from Cognavi India

Acquisition of shares of Japan Software Design Co., Ltd. (subsidiary acquisition)

Overview

- With offices in the three major metropolitan areas of Osaka, Tokyo, and Nagoya, and with a solid software development capability backed by a large number of IT-certified employees, the Osaka and Tokyo offices provide business system development and system operation management in a wide range of fields, including banking, insurance, distribution, and logistics. In addition, Nagoya handles embedded software development for automobile manufacturers under contract and outsourced contracts. Through such efforts, all three offices have built a solid client business foundation based on the trust backed by our track record.

Effect of initiatives

- In addition to our partnerships in a wide range of business applications, we have achieved business collaboration in Kansai with the Osaka office and its Osaka-based subsidiary Mexess Co., Ltd. as well as with the Nagoya office, which handles embedded business.

`Case 3` **Expansion of IT services**

Promotion of new proposals by making use of the solutioning process

Overview

- Utilizing a process that reviews and strategizes how to come up with proposals and tackle new projects
- Organizing a dedicated pre-sales team as part of the solutioning process
- The pre-sales team is a virtual organization consisting of account managers serving customers, sales representatives, and specialized area representatives (CET), who discuss and propose optimal solutions based on their respective areas of expertise

Effect of initiatives

- Satisfying our clients' "real needs", providing proposals that exceed their expectations and promoting new ideas

`Case 4` **Enhancement of quality**

Organizational and system development to achieve high quality

In the quality strategy of the "Medium-Term Management Plan 2023," we have set forth our "ideal" of "providing quality that will both assure and impress our customers," and we are working to achieve even higher quality under the Quality & Process Management-Unit.

Quality that assures and impresses our customers

Minoru Koshika,
General Manager, Quality & Process Management-Unit

As an organization independent from the development department, the Quality & Process Management-Unit aims to improve the quality of service (QCD). The unit addresses company-wide quality issues by monitoring the status of projects, auditing the implementation of quality processes, and improving the productivity of project operations, including "CrePT," a generative AI chat service for employees.

In order to prevent the occurrence of quality-related problems that affect our customers' operations and the increase in unprofitable projects that cannot be implemented as planned, we have set "enhancing quality" as one of the basic strategies in our Medium-term Management Plan 2023, and are working on continuous improvement and implementation of quality management processes.

Our efforts are still at the halfway point, but we will continue to focus on solving management issues such as enhancing development capabilities, which is one of our strengths, and standardizing and systemizing business processes, and we will take measures to minimize unprofitable projects.

Creating and expanding new customers and markets for Digital solutions

Currently recognized management issues

Initiatives to respond to customer needs and changing times

The trend of IT systems from "making and developing" to "combining and using" is accelerating, and the needs of customers are diversifying accordingly. It is important for us to continue our efforts so that we can flexibly change the form of our services.

Policies for addressing management issues

"Digital solutions" as a new business pillar

We will expand our Digital solutions (solutions group from products and services that support the realization of customers' DX) to meet customer needs and become a new pillar of growth.

Main service lineup

Service name	Overview	Service name	Overview
Creage	Lineup of various cloud-related services ranging from cloud implementation consulting, integration (migration and construction), managed (operation monitoring), and cost optimization support	**CRESCO's RPA hands-on order training**	RPA consultants and RPA engineers familiar with UiPath serve as instructors. Many companies highly evaluate our training courses because they are practical and to the point. Training content can be customized to meet your needs
AI escort (released June 2023)	For customers who are planning to introduce AI, our AI experts conduct interviews, provide advice on AI and data utilization, organize issues, and select themes	**DX training service**	Supporting the development of "DX human resources" indispensable to corporate DX Training tailored to specific client issues, such as literacy courses to build awareness and workshops to design business

CRESCO's initiatives

Research and development of advanced technologies

Launch of "Technology Laboratory" and "Leading Technology Division"

- The "Technology Laboratory" was established to support and promote advanced technology research and development activities, and the "Leading Technology Division" was established to promptly respond to customers' needs for advanced technology and to introduce and apply the results of research and development to actual business operations

Contribution to healthcare

- Multiple joint research projects with medical schools and institutions through deep learning in ophthalmology and other medical subjects
- Advance research activities as a core to contribute directly to the development of medical care and to actual business

Application of medical technology

- Use knowledge gained in medical care to carry out development activities in industry (joint research into supporting maintenance work by using images)

Case 1 **Contribution to healthcare**

Obtained a patent for a method of visualizing the basis for image classification for image recognition AI

Overview
- In 2016, we began working with medical institutions to research AI-based diagnostic assistance for physicians in the field of ophthalmology
- In 2019, we realized a "screening function" that compares optical coherence tomography (OCT) images of normal and diseased eyes to indicate the degree of discrepancy, and adopted it for image filing software for ophthalmic medical devices
- In 2022, we patented an information processing device, information processing method, and information processing program that visualize the basis for image classification results by image recognition AI

Patent overview
- A method for extracting and visualizing "areas that match the findings of the disease (positive contributing areas) and areas that do not match the findings of the disease (negative contributing areas)" in medical images to determine a disease
- Clarification of factors necessary for disease determination by focusing on negative contributing areas, which have not been the focus of attention as visualization targets

Effect of initiatives
- Clearly stating the basis for disease determination will make it easier for physicians to make decisions and assist in explaining the disease to patients, and this method is also expected to be used in educational settings

Case 2 **Application of medical technology**

Joint development with JAL of an "Aircraft Engine Internal Inspection Tool" using image recognition technology based on medical AI

Overview
- Since April 2019, we have been conducting joint research on "engine endoscopic inspection support tools" using knowledge obtained from healthcare, starting with the JAL Innovation Lab
- The decision to develop this tool was based on the evaluation of the tool's functionality and future applicability in maintenance work, as well as the feasibility of predicting failures by accumulating data in the future

JAPAN AIRLINES
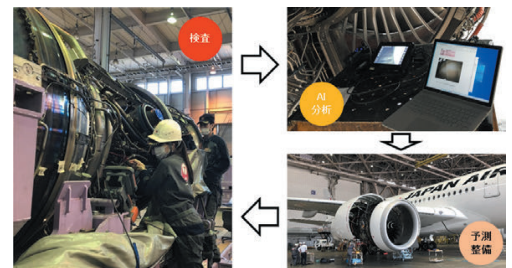
Engine inspection images/ mechanic's insight × **CRESCO** **Image recognition technology** = **New value creation** Automatic damage recognition/ Failure prediction/Technology transfer

Effect of initiatives
- At this point, there is no significant impact on business performance, and the project is still in the development stage
- There are inquiries from perspectives triggered by this initiative
- Great effect on branding
- Building on this success of deploying technologies researched in the medical field to other industries, consider further deployment in other industries and the creation of Digital solutions

Human resource strategies that make the most of people

Management issues we currently recognize

Recruiting and developing human resources adapted to the digital transformation era
In an era of chronic IT human capital shortages and mobility, human resources are the most important management asset, and threats to their stability are the greatest risk.

Policies for addressing management issues

Practicing "people-centered" and "merit-based" management
As stated in the CRESCO Charter, we are a "people-centered, merit-based company" and pursue corporate management under which employees can enjoy growth, demonstrate achievements, and feel rewarded.
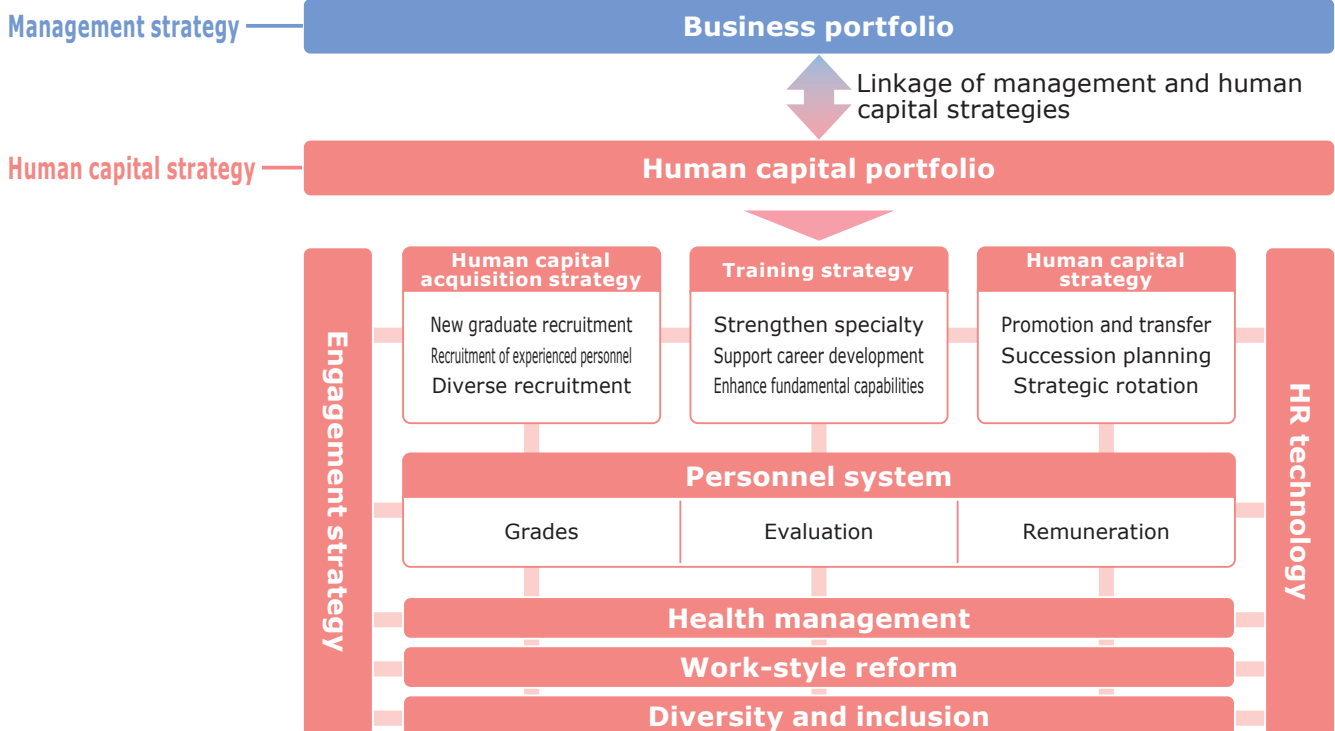
CRESCO's initiatives

Approach to human capital
The source of the CRESCO Group's competitiveness is "human capital." Based on the recognition that human resources are "assets" of great importance to the Company, we will formulate a human resources strategy linked to management strategy, and effectively link the acquisition of excellent and diverse human resources, autonomous human resources development, and strategic placement of human resources to achieve our management vision.

In order to maximize the performance of individuals and teams, we will promote health management, work-style reform, and diversity and inclusion, centered on a personnel system based on the concepts of "pursuit of specialties," "realization of multilayered career paths," and "merit-based compensation" to create an attractive workplace environment.

Along with these initiatives, we will strengthen employee and corporate engagement, and further visualize, analyze, and improve human capital data to create a virtuous cycle that will lead to sustainable enhancement of corporate value.

Human capital strategy model

Management strategy —— | **Business portfolio** |

↕ Linkage of management and human capital strategies

Human capital strategy —— | **Human capital portfolio** |

Engagement strategy	Human capital acquisition strategy	Training strategy	Human capital strategy	HR technology
	New graduate recruitment	Strengthen specialty	Promotion and transfer	
	Recruitment of experienced personnel	Support career development	Succession planning	
	Diverse recruitment	Enhance fundamental capabilities	Strategic rotation	

Personnel system

Grades	Evaluation	Remuneration

Health management

Work-style reform

Diversity and inclusion

A place where people can embrace the challenge of learning and enjoy growth = CRESCO Academia

Strengthen specialty   **Support career development**

Enhance fundamental capabilities

Independence, autonomy, positivity, spontaneity, proactivity, and a sense of challenge

A culture of enjoying growth and mutual improvement

Case 1 **Training strategy**

Various initiatives to become a "model company for human resources development"

The Company is engaged in a variety of initiatives centered on the three pillars of strengthening specialty, supporting career development and enhancing fundamental capabilities based on the culture of enjoying growth and mutual improvement as well as the mindset of autonomy and embracing challenge. The Company aims to be "a model company for human resource development where each individual can blossom and realize a career that makes the most of their own specialties" while embracing the challenge of learning and enjoying growth.

Next generation engineer training
We are contributing to the development of next-generation IT personnel and the advancement of society by sharing the practical experience and skills we have acquired with universities and other external organizations.

On-campus lecture at a university

Case 2 **Human resource acquisition strategy**

Unique recruitment activities to realize diversity

In addition to promoting continuous recruitment activities (for new graduates and mid-careers) in line with our management strategy, we are also stepping up efforts to acquire a diverse range of human resources, including foreign nationals, people with disabilities, and unique recruits with outstanding achievements and experience in Japan and abroad that they cannot afford to lose out on. We are also focusing on branding in our recruitment advertisements to create an attractive corporate image for job-seeking students.

Ozeki, who was hired as a unique recruit in 2019 to promote his Go skills, won a record fifth amateur Meijin rank in 2023 (photo courtesy of the Nihon Ki-in, a public interest incorporated foundation)

Case 3 **Human resource utilization strategy**

Systems to support individual growth

We have established an instructor system and a mentor system to help new graduates grow steadily.
Instructor system   Senior employees in the project serve as instructors and provide guidance on the skills, knowledge, and mindset required for the job through one-year on-the-job training.
Mentor system   Mentors are assigned to employees from other departments for a period of two years and provide advice from a standpoint away from their direct duties. The mentor system also applies to mid-career hires, helping them to quickly become accustomed to the Company and fulfill their potential.
In-house recruitment and FA system   We use a strategic allocation system that matches management strategies with the abilities and aptitudes of employees, together with an in-house recruitment and FA system that allows employees to request transfers to departments of their choice, ensuring the best allocation of employees that contributes to increased motivation.

Supporting "CRESCO Group Ambition 2030" from a financial perspective

Kazuo Sugiyama,
Director, Senior Managing Executive Officer, Operation Management Group

Review of FY2022 and outlook for FY2023

Acquire new customers in IT services aimed at the manufacturing industry

In FY2022 (fiscal year ended March 31, 2023), we were able to end the year with an increase in both sales and profit, mainly due to the revamping of existing systems and strong IT investment demand driven by DX promotion, which boosted orders. Although ordinary profit and the bottom line profit fell short of the plan due to factors such as valuation losses on fund management, we believe that the overall performance of the Company was solid.

By segment, in the manufacturing subsegment of the IT services business, net sales increased 21.3% year-on-year, driven by the acquisition of new customers in the automotive and transportation equipment industries. Alternatively, in the enterprise subsegment, recovery from the COVID-19 crisis was delayed for some customers in the travel and passenger industries, and this had an impact on the Group's orders received.

In FY2023 (fiscal year ending March 31, 2024), we expect further growth in the manufacturing subsegment, and in the enterprise subsegment, we expect a full recovery in the travel and passenger business, mainly due to the expansion of inbound travel. Based on these predictions, we project net sales of 52.5 billion yen (up 8.5% year-on-year), operating profit of 5.2 billion yen (up 5.0%), and profit attributable to owners of parent of 3.5 billion yen (up 7.6%).

Progress of the Medium-Term Management Plan 2023 and initiatives for the final year of the plan

Shifting from "contract-based" to "proposal-oriented" and "co-creation" type of business

The CRESCO Group launched the "CRESCO Group Ambition 2030," a management vision to become a "company with sales of 100 billion yen by 2030," in FY2021, with the three IT services business segments (enterprise, financial services, and manufacturing) and Digital solutions business as the pillars of the vision. Under the Medium-Term Management Plan (Mid-Term Plan 2023) for FY2021 to FY2023, the first step in realizing this vision, we are working to improve IT services and expand Digital solutions by further strengthening "proposal-oriented" and "co-creation" business types that solve customer issues through Digital solutions, in addition to "contract-based" businesses that simply respond to customer orders.

With regard to Digital solutions, the sales growth rate reached 189% in FY2022, compared to the target of 200% (compared to FY2020), and we hope to achieve the target in FY2023, the final year of the Mid-Term Plan 2023, to lead to the next Mid-Term Plan 2026.

In IT services, the sales growth rate targets of the Mid-Term Plan 2023 are 25% for enterprise, 14% for financial services, and 17% for manufacturing (compared to FY2020). While manufacturing and financial services performed well, at 44% and 14% respectively in FY2022, there is a delay in the enterprise subsegment, whose growth rate stagnated at 10%. However, as mentioned earlier, we are working positively to achieve these targets, given the expected improvement in customer conditions and other factors.

Additionally, in order to respond to the needs of the times and new technologies, and to further solidify our business foundation, we are focusing on improving productivity through internal DX promotion, and improving individual skills and reskilling through human resource development. As part of these efforts, in FY2023 we will invest in the expansion of new education and training programs such as the "DX Human Resource Development Program" and "Next Generation of Human Resources Development Program" to further increase the number of human resources who can continue to provide value over the medium to long term.

Growth investment from a medium- to long-term perspective

Steadily promote growth strategies and expand investment in priority areas

For future medium- and long-term growth, we envision three main areas of focused investment.

The first is to strengthen and expand Digital solutions. Although the new segment, Digital solutions business, grew with sales of 2.7 billion yen (30.7% year-on-year) in FY2022, it is small in terms of numbers, accounting for only 5.7% of sales. To achieve rapid expansion as a new group business pillar, the Company must continue to invest in activities to increase earnings, including strengthening sales of existing Digital solutions, expanding its product lineup through new alliances, and enhancing branding through marketing and evangelist activities.

The second is the development of in-house products. In the case of Digital solutions business, the profit margin has dropped slightly as a result of growth in license sales. We recognize the need to expand our business through external collaborations and at the same time focus on the expansion of our self-developed products. We plan to allocate funds to the creation of new solutions at our Technology Laboratory and to initiatives such as the Intrapreneur System, which aims to commercialize employee ideas.

The third is M&A. Our Group has strategically conducted M&A in the past, not only to simply expand the size of the group, but also to collaborate with other companies in the Group to constantly expand and enhance our services. M&A is an important option for future growth, as it is expected to help acquire new sales channels, complement and expand sales regions, and secure human resources. We plan to continue to actively pursue M&A opportunities that will contribute to the growth of our corporate group after careful examination.

Financial activities

Seize growth opportunities and allocate management resources appropriately to achieve our vision

Currently, as the Group moves forward with growth investments focusing on priority areas, it may be necessary to secure and procure funds for investments that will lead to the Group's sustainable growth and increase its corporate value. At the same time, it is essential to maintain a sound financial base and stable shareholder returns in order to flexibly raise funds in response to growth opportunities, and we continue to strive to allocate management resources in a manner that balances investment in growth, shareholder returns, and financial discipline.

Fund management   While maximizing the ability to generate cash flow from operations and generally investing with funds in hand, when external financing is necessary, we weigh up all methods, including borrowing while considering capital efficiency, and have a system in place to implement the most appropriate method after comprehensively balancing financial conditions, financial market environment, and other factors.

Capital efficiency   Since our listing, the Company has been conscious of ROE as one of its financial indicators. In our Mid-Term Plan 2023, we set ROE of 15% or more as a KPI for capital efficiency. In the Mid-Term Plan 2023, we set three key strategies (strengthening Digital solutions, evolution of agile management, and deepening of human-centered management) to create new business pillars and three basic strategies (expansion of IT services, enhancing quality, and strengthening skills) to further strengthen our core business areas. All employees are united in their efforts to achieve or even better these KPIs.

Shareholder returns   We regard the return of profits to shareholders as our most important management issue. We have continued to pay dividends based on the policy of aiming to distribute dividends equivalent to 30% of profit attributable to owners of parent, which is calculated based on consolidated ordinary profit and assuming no extraordinary gains or losses. As sustainability and human capital management come under close scrutiny, we would like to discuss the future of dividends based on how we can maintain long-term stable earning power and continue to pay appropriate dividends every year, backed by our performance. In addition to dividend payments, we will take appropriate action when we see an opportunity to increase the value of our shares, keeping in mind share repurchases, share cancellations, stock splits, and so on.

Message

Gaining understanding of CRESCO's growth potential by continuing and promoting dialogue

We recognize the importance of building a constructive dialogue with our shareholders, investors, and other stakeholders in order to help them gain a broad understanding of the Group's business development and future prospects. In investor relations activities, we emphasize opportunities for direct dialogue, such as press conferences, information meetings, and interviews, and will continue to hold individual meetings with institutional investors and information briefings for individual investors as appropriate to widen understanding of our Group among as many investors as possible. We hope to rely on your continued support of the CRESCO Group in the future.

External environment

Social trends

Recovery from the COVID-19 crisis

COVID-19 infection status under the Infectious Disease Control Law is changed, and people start to go out again

New normal is sought after the COVID-19 crisis

Sharp rise in domestic prices

Recurrence of the yen's depreciation and a sharp rise in domestic prices leads to an increase in costs such as labor, subcontracting, and electricity

Labor market

Calls for response to changes in the labor environment
(labor shortages, work style reforms, diversity)

Climate change

Search for corporate management and organizational structure required in the carbon neutral era

Industry trends

Increasing momentum for productivity improvement through DX

Business transformation needs by leveraging remarkable technological innovations in DX-enabled and AI fields

Expanding customer value needs

Expanding market opportunities through rapid development or provision of applications focused on customer value (intellectual property and external use)

Promotion of proactive IT investments

- While the impact of generative AI on companies' labor shortage measures and improved productivity is attracting attention, the threat of cyber-attacks is increasingly in the spotlight and companies' willingness to invest in IT is increasing further
- Continued strong demand for low-cost replacement/transition/operation of existing systems and business efficiency improvement needs such as RPA

Business structure changes

- Medium- to long-term decline in the need for outsourcing of system development due to the progress of in-house system development by user companies, as well as the consolidation and closure of user companies, etc.
- Intensifying competition due to consolidation of competitors and entry of new players using new technologies, etc.

Internal environment

Strengths

- **Gaining the trust of customers by completing system development that helps to solve problems, and long-term business with many leading companies in the industry**
- **Earnest corporate culture**
- **Sound human resource procurement capabilities**
- **Strong financial base**

Issues

- **Further improvement of technological capabilities**
- **Improvement of ability to make proposals to customers**
- **Strengthening collaboration among group companies and divisions**
- **Improvement of profit margin**
- **Further increasing employee engagement**

Opportunities

Action

Maximizing strengths

- Strengthening core business by pursuing technology and quality **P21**
- Developing new customers by developing and offering new services
- Stable provision of services through a well-developed human resources portfolio

Overcoming challenges

- Further reinforcement of "proposal-oriented" and "co-creation" business styles in addition to "contract-based" business **P16**
- Improvement of profit margins through in-house product development
- Improvement of business productivity
- Building a flexible management foundation

Risks

Risks of opportunity

- Strengthening investments in education and human resource acquisition to increase the number of highly specialized engineers and other personnel who will support the future **P25**
- Acquiring IT-related human resources through M&A
- Promoting human capital management

Risks of threat

- Strengthening employee engagement by reforming work styles and enhancing communication measures **P39**
- Promoting sustainability management
- Responding to risks such as information leaks and lawsuits
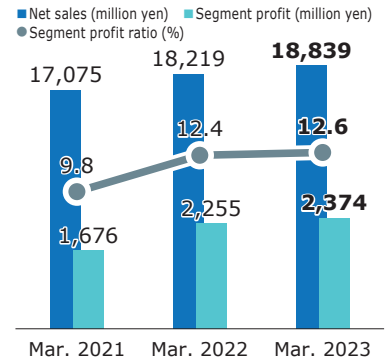
IT Services Business

Enterprise

Net sales

18,839 million yen (3.4% increase ↗ year-on-year)

Segment profit

2,374 million yen (5.3% increase ↗ year-on-year)

Point Despite the convergence of large-scale projects in the "Transport" and "Recruitment and dispatching" fields, sales increased in the "Distribution services," "Construction and real estate," "Information, communication and advertising" and "Public services" fields.
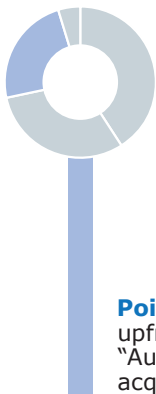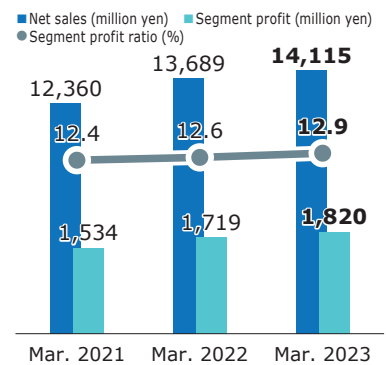
■ Net sales (million yen) ■ Segment profit (million yen)
● Segment profit ratio (%)

	Mar. 2021	Mar. 2022	Mar. 2023
Net sales	17,075	18,219	18,839
Segment profit ratio	9.8	12.4	12.6
Segment profit	1,676	2,255	2,374

Financial services

Net sales

14,115 million yen (3.1% increase ↗ year-on-year)

Segment profit

1,820 million yen (5.9% increase ↗ year-on-year)

Point Increase in individual projects such as infrastructure construction and migration in the "Banking" field.
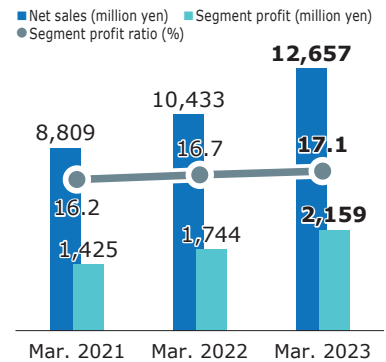
■ Net sales (million yen) ■ Segment profit (million yen)
● Segment profit ratio (%)

	Mar. 2021	Mar. 2022	Mar. 2023
Net sales	12,360	13,689	14,115
Segment profit ratio	12.4	12.6	12.9
Segment profit	1,534	1,719	1,820

Manufacturing

Net sales

12,657 million yen (21.3% increase ↗ year on year)

Segment profit

2,159 million yen (23.8% increase ↗ year on year)

Point Increased cloud computing and security projects and projects for upfront investment purposes in the "Machinery and electronics" and "Automotive and transport equipment" fields. New customers were acquired, especially in the "Automotive and transport equipment" field.

■ Net sales (million yen) ■ Segment profit (million yen)
● Segment profit ratio (%)

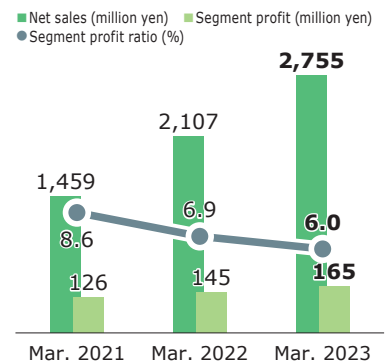|	Mar. 2021	Mar. 2022	Mar. 2023
Net sales	8,809	10,433	12,657
Segment profit ratio	16.2	16.7	17.1
Segment profit	1,425	1,744	2,159

Digital solutions business

Net sales

2,755 million yen (30.7% increase ↗ year on year)

Segment profit

165 million yen (14.3% increase ↗ year on year)

Point Sales of the "Creage" flagship cloud service and RPA licenses increased. In addition, the department in charge of Digital solutions promoted planning, research, and verification activities for new services and solutions, resulting in a large increase in license sales, despite an increase in overhead costs.

■ Net sales (million yen) ■ Segment profit (million yen)
● Segment profit ratio (%)

	Mar. 2021	Mar. 2022	Mar. 2023
Net sales	1,459	2,107	2,755
Segment profit ratio	8.6	6.9	6.0
Segment profit	126	145	165

Business strategy message

In the fiscal year ended March 31, 2023, we succeeded in achieving the "expansion of IT services" and "strengthening Digital solutions" set forth in the Medium-Term Management Plan.

Noriyuki Kogawa, Director, Senior Managing Executive Officer, Service Management Group

Business environment

In the fiscal year ended March 31, 2023, economic activities that had stagnated due to the impact of COVID-19 gradually began to normalize in the second half of the year, and positive developments for the information service industry were seen as domestic companies resumed proactive IT investments. In our Group, our sales activities are being driven by an increase in orders due to strong demand from customers who are looking to revamp existing systems and improve productivity through DX promotion.

Notable achievements

IT services business   In the IT services business, net sales increased 7.7% year-on-year and operating profit rose 11.1% year-on-year. The Company changed its sales structure in the "enterprise," "financial services," and "manufacturing" segments to strengthen its sales capabilities, and intensified sales activities to develop new customers. As a result, the "manufacturing" segment grew significantly due to the acquisition of new customers, especially in the automotive field. Not only are we expanding in existing areas, but we are also increasingly doing business with clients in new industries and sectors, such as our growing participation in the public sector.

In addition, we have taken measures to address the shortage of development personnel in Japan by continuing to promote the use of "near-shore" and "off-shore" operations, and we are also promoting the use of the solutions process as an internal activity aimed at offering new proposals that exceed customer expectations, leading to the acquisition of new projects.

Digital solutions business   Net sales in the Digital solutions business increased 30.7% year-on-year. This was mainly due to an increase in sales of "Creage," our flagship cloud service, and RPA licenses.

In addition, we promoted planning, research, and verification activities for new services and solutions, started providing educational services such as e-learning and DX training services related to RPA, and developed a prototype of a hotel room assignment optimization tool using mathematical optimization techniques in the field of AI.

Initiatives for the fiscal year ending March 31, 2024

For the fiscal year ending March 31, 2024, the final year of the Medium-Term Management Plan, we expect orders to increase further as there are signs of recovery in business categories that have been slow to recover from the COVID-19 crisis. Based on this, in the IT services business, we will strengthen our sales and marketing divisions and collaboration with business partners, and in the Digital solutions business, we will enhance sales of existing products, expand our product lineup, and increase our branding strength. Furthermore, we will promote activities to turn employee ideas into solutions, such as the introduction of the Intrapreneur System, to achieve the goals of the Mid-Term Plan and to take us to the next mid-term business plan.

Forecast for the fiscal year ending March 31, 2024

With regard to the outlook for the fiscal year ending March 31, 2024, we expect IT investments to grow and orders for the Group to increase as the impact of COVID-19 starts to subside, and the promotion of DX in the corporate sector is expected to further increase.

In addition, in preparation for further growth, the Company is raising salary levels and hiring new graduates on a record scale. Due to these factors, personnel and training expenses are expected to increase, especially in the first half of the fiscal year.

Indicators (Millions of yen)	Fiscal year ended March 31, 2023	Fiscal year ending March 31, 2024 (forecast)	Year-on-year
Net sales	48,368	52,500	108.5%
Operating profit	4,998	5,250	105.0%
Ordinary profit	5,135	5,370	104.6%
Profit attributable to owners of parent	3,328	3,582	107.6%

Management Structure

Name	Position	Remuneration Committee	Corporate Management	Digital Transformation (DX)/IT	Quality Management
Hiroyuki Nemoto	Chairman & CEO	Member	●	●	●
Hiroshi Tominaga	President and Executive Officer		●	●	●
Kazuo Sugiyama	Director, Senior Managing Executive Officer		●	●	
Noriyuki Kogawa	Director, Senior Managing Executive Officer		●	●	●
Junichi Fukui Outside	Outside Director	Chairman	●		
Yukie Sato Outside	Outside Director	Member	●		
Miyuki Sano Outside	Outside Director		●	○	○
Satoshi Takaishi	Director, Full-time Audit and Supervisory Committee Member		●		
Haruo Sato Outside	Outside Director, Audit and Supervisory Committee Member	Member	●	●	●
Masayuki Maekawa Outside	Outside Director, Audit and Supervisory Committee Member	Member	●		

Executive Officers

Takayuki Teramura
Managing Executive Officer
General Manager, Industrial Business-Unit

Kenichi Hirano
Managing Executive Officer
General Manager, Enterprise Business-Unit and
General Manager, Financial Business-Unit

Satoshi Iwami
Managing Executive Officer
General Manager,
Solution & Service Innovation-Unit

Takahiro Motoki
Executive Officer
General Manager, Promotion Of Management
Strategy-Unit

Satoshi Takatsu
Executive Officer
General Manager, Business Enablement Service-Unit
and Division Manager, Technology Laboratory

Minoru Koshika
Executive Officer
General Manager, Quality & Process Management-Unit

Yasushi Sasaki
Executive Officer
General Manager, Corporate Supervisory-Unit

Atsushi Saida
Executive Officer
General Manager, Group Supervisory-Unit

Osamu Tomeoku
Executive Officer
Vice General Manager, Enterprise Business-Unit

● Major skill ○ Minor skill

Skill					Specialty (Professional work, Business-related qualifications)	Expected role of Outside Directors
HR/Human Resource Development	Finance/Accounting	Legal /Risk/Management	Corporate Communications/Marketing	Internationality		
○		○	●			—
○			○			—
○	●	○	○			—
			○			—
●	●		●			To evaluate the current status of the Company from an objective perspective as an Outside Director and provide extensive advice and support to the Board of Directors on matters such as the effectiveness of the Board of Directors and the Company's public relations strategy
●	●		○	○		To provide advice and support to the Company as well as properly supervise business execution from an objective perspective at Board of Directors meetings, and to provide advice from the perspective of utilizing and developing the Company's human resources
●			●	●		To evaluate the status of the Company from an objective perspective as an Outside Director and provide advice and support from a broad perspective on the business activities of the Company
●		●		○		—
○				●		To provide advice to the Board of Directors regarding the development of management plans and to appropriately perform his duties including the confirmation of progress status, etc. and the supervision of Directors, from an independent and neutral position
○	●	●			Certified Public Accountant and Certified Tax Accountant	To contribute to the reinforcement of the monitoring function of the Board of Directors and to provide advice and opinions from a broad managerial perspective

Definition of skills and reasons for selection

The CRESCO Group is working to solve various social issues by developing a wide variety of IT services and Digital solutions that leverage the management resources and strengths it has cultivated over the years.

The Board of Directors of the Company shall have the role and responsibility of appropriately supervising the formulation and execution of the management plan aimed at realizing the management vision, "CRESCO Group Ambition 2030" from the viewpoint of our customers and other stakeholders. To achieve this, we have defined a skills matrix of knowledge and experience that we consider particularly important for the Board of Directors, and we select personnel who meet the requirements of each skill category in a balanced manner. We also take diversity into consideration in the composition of the Board of Directors.

Basic view to corporate governance

The Company has adopted as its management philosophy to guide its corporate activities, the CRESCO Charter, which clarifies the Company's basic attitude and views on cultivating a corporate culture and climate to respect the rights and positions of various stakeholders as well as sound and ethical business conduct. Our basic policy on corporate governance is to "Maximize corporate value for all stakeholders," "Enhance efficiency and transparency of management," and "Competently carry out its fiduciary responsibility and accountability toward all shareholders." In line with this policy, we will work to maintain accurate and speedy decision-making and business execution systems centered on the Board of Directors while developing and securing an appropriate supervision and monitoring system. We have also established a corporate governance system based on diverse and long-term perspectives.

In June 2015, we transitioned from a company with a board of auditors to a company with an audit and supervisory committee, and are working to enhance corporate governance by making further efforts to achieve both a management characterized by greater transparency and enhanced agility.

Corporate governance structure chart

Organizational structure	No. of Directors	No. of the Board of Directors held	No. of Audit and Supervisory Committee Members	Term of office of Directors
Company with an Audit and Supervisory Committee	10 persons (including 5 Outside Directors)	14 times (Actual results for FY2022)	3 persons (including 2 Outside Audit and Supervisory Committee Members)	1 year (2 years for Audit and Supervisory Committee Members)

Corporate governance system
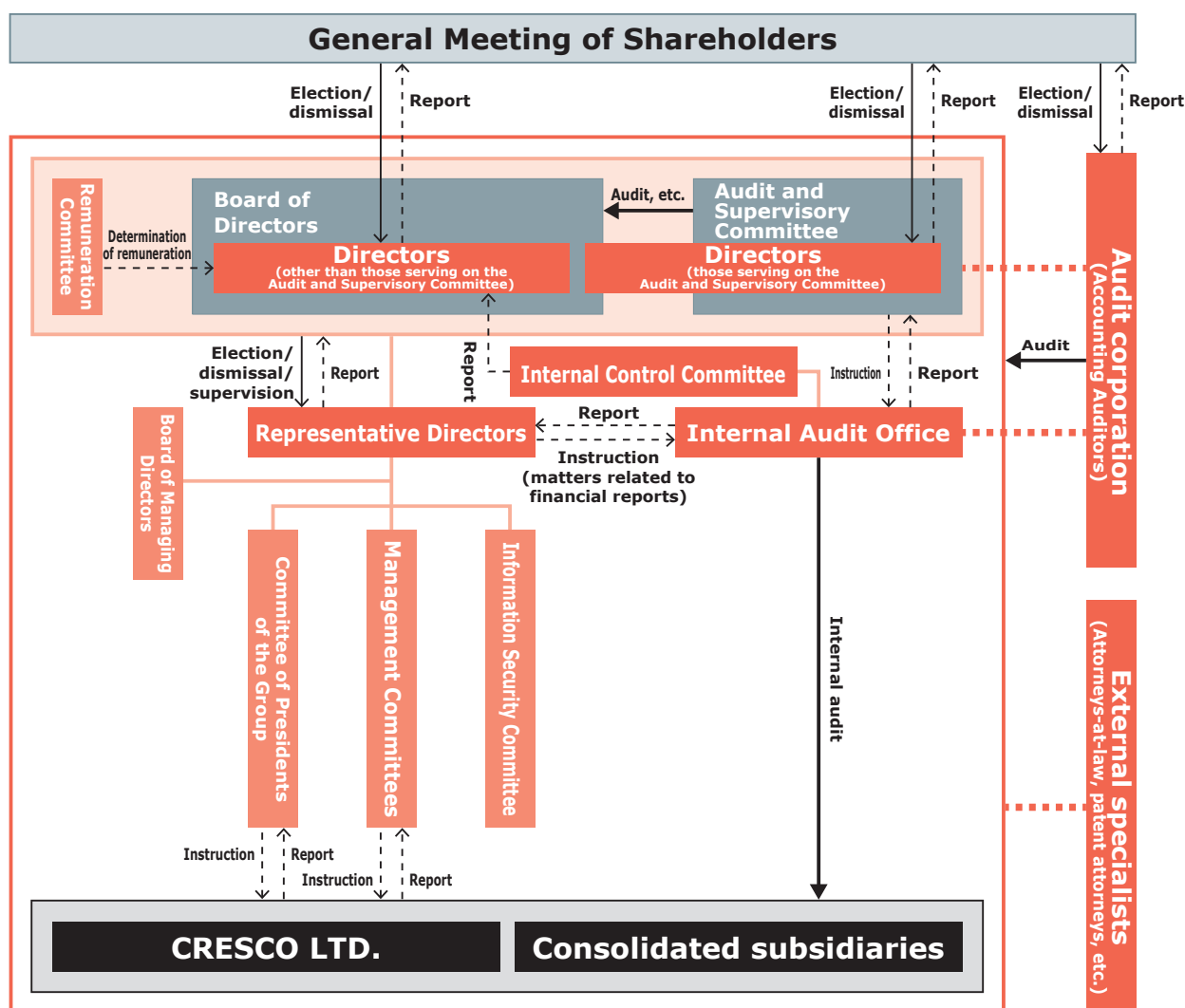
Board of Directors

Chairman	Members
Chairman & CEO	10 Directors (including 5 Independent Outside Directors)
Principal roles	
Deliberate all important matters of corporate management, including the Company's management policy, business plan and capital strategy and make decisions on these matters as well as approve important matters of each of the group companies and supervise the status of business execution of each company.	

Evaluation of the effectiveness of the Board of Directors

Evaluation methods	At the end of each fiscal year, the effectiveness of the Board of Directors is evaluated based on the result of the analysis and evaluation of all Directors performed by the Directors using a Director's Business Execution Confirmation Sheet and other documents.
Evaluation results	A positive evaluation was given by and large regarding the composition and operation of the Board of Directors. The effectiveness of the Board of Directors as a whole is thus judged to be ensured.

Board of Managing Directors

Chairman	Members
President and Executive Officer	All Full-time Executive Directors above the rank of Managing Executive Officer and Full-time Audit and Supervisory Committee Members
Principal roles	
Decide on matters to be addressed in the monthly report (including tables) and at meetings of the Board of Directors and state opinions and conduct discussions required for execution of business operations based on matters resolved by the Board of Directors	

Audit and Supervisory Committee

Chairman	Members
Chairperson elected from among Audit and Supervisory Committee Members	3 Audit and Supervisory Committee Members (including 2 Outside Directors)
Principal roles	
Perform audits and exercise supervision from the perspective of ensuring lawfulness and appropriateness of the state of execution of duties by Directors and management of each of the CRESCO group companies Request reports and investigations necessary for meetings of the Board of Directors and other meetings, and inspect important approval documents, etc.	

Remuneration Committee

Chairman	Members
Independent Outside Directors	At least 3 Directors (majority of whom are Outside Directors)
Principal roles	
Formulate policies for determining the remuneration, etc. of Directors (excluding Audit and Supervisory Committee Members) Deliberate and decide on base remuneration and bonuses for Directors (excluding Audit and Supervisory Committee Members)	

Remuneration for officers

The basic policy on determining remuneration of Directors, etc.

Remuneration for Directors (excluding Directors serving on the Audit and Supervisory Committee) is divided into basic remuneration, bonuses, and restricted shares remuneration, and the basic policy is to determine remuneration within the scope of remuneration resolved at the General Meeting of Shareholders based on the Articles of Incorporation, in-house rules and similar items, and a Board of Directors' resolution.

(a) Basic remuneration   A fixed-amount approach is applied for basic remuneration to provide a stable standard of living. The amount of remuneration for individual officers is decided, in principle, based on position, duties and other elements from the perspective of fairness in personnel administration.

(b) Bonuses   For bonuses, a certain level of incentive factor for contributions made to business results is incorporated based on a performance-linked remuneration system. Bonuses are determined in consideration of the performance and the status of execution of responsible duties, etc. for each period. The total amount of provision for bonuses for Directors (and other officers) is determined based on the operating performance, when such operating performance is generally confirmed in the process of preparing financial statements for each fiscal year, then reported to the Remuneration Committee.

(c) Restricted shares remuneration   Restricted shares remuneration shall provide monetary remuneration claims to Directors (excluding Outside Directors and Directors serving on the Audit and Supervisory Committee, hereinafter referred to as "Eligible Directors") as remuneration in order to grant shares with restriction on transfer to them, for the purpose of providing incentives for achieving sustained improvement in the corporate value of the Company and further promoting value sharing with shareholders. Regarding the number of shares, in view of that purpose, we shall decide based on the principle of continuously granting shares at a level that is considered an incentive for Eligible Directors and that does not harm the interests of our shareholders.

Total amount of remuneration (fiscal year ended March 31, 2023)

Category	Total amount of remuneration, etc. (Thousands of yen)	Total amount of remuneration, etc. by type (Thousands of yen)			Number of eligible officers
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration, etc.	
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	128,704	105,600	14,200	8,904	5
Audit and Supervisory Committee Members (excluding Outside Directors)	19,000	16,800	2,200	—	1
Outside officers	19,200	19,200	—	—	4

* Total amount of remuneration does not include employee salaries for eligible officers who concurrently serve as employees.
* Performance-linked remuneration represents the amount of provision for bonuses for Directors (and other officers) recorded for the fiscal year.
* Non-monetary remuneration represents the amount recorded as expenses for the fiscal year based on the restricted shares remuneration system.

Management Committees

Chairman	Members
President and Executive Officer	All Full-time Executive Directors and all Executive Officers
Principal roles	
Discussion of matters related to business operations based on resolutions of the Board of Directors and decisions of the Board of Managing Directors Supervisory function by receiving reports on the status of execution of duties from the members	

Committee of Presidents of the Group

- The Committee is established to communicate the management policy of the Group and discuss management issues for each group company and other important matters.
- The Committee is composed of all Full-time Executive Directors and Full-time Audit and Supervisory Committee Members of the Company, and presidents of the Group companies. Its meeting is held at least once a year.
- The Committee promotes close coordination with group companies while respecting the independence of each company within the CRESCO Group, to ensure that the Basic Compliance Policy and the "Code of Conduct for Compliance Management" are widely known to members of each group company and to strive for the compliance management and the proper enforcement of the internal control system for the Group as a whole.

Information Security Committee

Chairman	Members
Director in charge of information systems departments	Committee members chosen by each unit, and Full-time Audit and Supervisory Committee Members
Principal roles	
Develop plans for information security and system operation, evaluate their execution, propose improvements, etc., as required, in order to ensure the efficient and proper operation of information security measures and systems of the CRESCO Group	

Information management

In regard to the management of information assets of the CRESCO Group, the Company sets forth "Basic Regulations for Security," "Confidentiality Regulations," "Regulations for Insider Trading Prevention," "Regulations for Protection of Personal Information" and other rules and guidelines that serve as key standards for information management in accordance with the "Basic Policy on Information Security" and the "Risk Management Regulations" and ensures proper information management at the management line level. At the same time, the Company adopts IT controls for especially important business processes for internal control.

Internal Control Committee

Chairman	Members
President and Executive Officer	Chairman & CEO, all other Full-time Executive Directors, Manager of Internal Audit Office, Full-time Audit and Supervisory Committee Members and Executive Officers
Principal roles	
Promote the establishment and operational assessment of the internal control system, including the risk management system, and the reinforcement of the corporate governance system Establish, review, and disseminate the Basic Compliance Policy and the "Code of Conduct for Compliance Management"	

Risk management system

We study risks and identify important risks in order to build a system for preventing expansion of damage and keeping any damage to a minimum. "Risk Management Regulations" have been formulated to secure a system for preventing the risks identified and responding to such risks if they become apparent and for establishing a risk management system for each responsible department. We have a company-wide risk management system in place where the responsible department is assigned for each risk category, a plan containing specific response measures is developed by giving priority to important risks, and coordination with the Internal Control Committee is made. In addition, each group company formulates its own risk management rules by taking into account the respective business activities, characteristics, risks and other factors. With adequate understanding of the importance of managing business risks, etc., we face, efforts are made to ensure proper risk management by reinforcing our systems, increasing sophistication of control methods and controlling each risk so as to ensure management soundness and increase earnings power.

Basic Compliance Policy

- The mission of CRESCO and its group companies is to increase customer satisfaction and contribute to the development of society through engaging in the software development business and providing various services relating to the business. Accordingly, the CRESCO Group as a whole promotes management that focuses on compliance with corporate ethics, laws and regulations and other rules.
- Code of Conduct to ensure this basic policy is established and each group company and employee performs activities in compliance with the Code of Conduct.
- The Company works to implement compliance management and operate the internal control system appropriately by making the Basic Compliance Policy and code of conduct well known, providing guidance on supervision and resolving issues.

Strengthening Management Base (Society)

Employee engagement

In order to create a work environment in which all employees possess a sense of voluntary contribution and strong engagement and proactively embrace challenges in their work, we have been conducting an engagement survey since September 2021 as an indicator to identify issues and improvements.

Along with the overall score of engagement, we focused on the score of "culture of challenge" as an important KPI to confirm the penetration of the keywords "Further our goals," "Advance courageously," and "Enjoy the challenges" of the Action Guiding Principles at CRESCO, and the desire "take on the challenge of innovative ideas and development that can operate outside limiting frameworks," which is embodied in the brand logo.

Aiming to further improve the organization and the company without being satisfied with the status quo, we will maintain a high response rate for the survey and continue to make improvements that will lead to employee growth and increase corporate value by identifying the actual conditions of our employees.

Indicators	FY2021	FY2022	SIer industry average
Overall score	65.1	64.8	64
"Culture of challenge" score	61.7	62.7	56
Number of people measured	1,248 persons	1,296 persons	—
Response rate	83.6%	82.5%	—

Measurement tool: Organizational Engagement Measurement System "wevox" (average for the period)

Off-site meeting: "CRECOME"

This is an event where employees of group companies discuss the realization of CRESCO Group Ambition 2030, transcending age, position, and status. As stated in the CRESCO Charter, "CRESCO is a company where each person is mindful of how we run our business," there are many measures that arose thanks to the opinions of the participants.

Employees from group companies participating in CRECOME to discuss the group's vision

CRECOME discussion between CRESCO Osaka Office and Mexess, a group company headquartered in Osaka

"CRESCO All Hands"

This is an internal CRESCO event held once a month to deliver content tailored to the time of the year, such as the progress of the group vision and the Medium-Term Management Plan, the status of initiatives, and introductions of mid-career workers.

After the announcement of quarterly financial results, the President personally provides feedback on the results and future outlook for employees.

Rather than a one-way transmission, this is an interactive communication forum where questions from employees are also accepted.

"Yokusuru (Improve)": All-employee participatory proposals

This is a place in Microsoft Teams where CRESCO employees, regardless of age or position, can feel free to make serious suggestions to "Yokusuru," or "improve" in Japanese, the situations of company, employees, families, and customers.

It is also a place for the President to convey his thoughts to the employees, and by transmitting messages directly to the employees, there are reactions to the messages. Thus, it provides a forum for sharing feelings, which was previously difficult to achieve with e-mail.

Examples of proposals actually adopted as company-wide measures
✓ Establishment of a place to share educational know-how for new participants
✓ Holding Family Day events
✓ Partial change in the criteria for payment of health promotion allowance
✓ Establishment of official company X (formerly Twitter) account

"CRESCO AWARD" and "Action Guiding Principles Commendations"

At the kick-off event held in April every year with the participation of all CRESCO employees, an award is presented to employees who best embody the key words of the Action Guiding Principles at CRESCO, which are "Further our goals," "Advance courageously," and "Enjoy the challenges." To foster a culture of challenge, the "CRESCO AWARD (President's Award)" is presented to employees.

In addition, we hold semi-annual "Action Guiding Principles Awards" for CRESCO's general employees to promote the penetration of the Action Guiding Principles and to increase employee engagement.

Diversity and inclusion

We respect individuals with diverse attributes, expertise, experience, and values, and believe that new value can be created when each and every individual maximizes their abilities. To achieve this, we have been promoting various initiatives to create an environment in which a diverse range of human resources can play an active role, and to realize a workplace where they respect and complement each other.

Main initiatives *Figures are non-consolidated, as of March 31, 2023.*

(1) Promoting advancement of women in the workplace

We are working to not only hire women but also create a system that allows women to aim for management positions and an environment in which they can continue to work after marriage or childbirth. In September 2017, CRESCO received the highest Eruboshi certification by the Minister of Health, Labour and Welfare in recognition of its excellent efforts to promote the advancement of women.

Career development support for female employees	• Conducting "Meeting to Consider Life Events and Careers" • Systematic training of candidates for managerial positions • Introduction of a "mum-dad support" system (a system in which employees with childcare experience support employees who are experiencing childbirth and childcare for the first time and are concerned about balancing work and childcare)
Active promotion of female employees and increased ratio of female employees	• Ratio of female managers: 10.2% • Ratio of female employees: 25.3% • Appointment of the first female director (outside) at the General Meeting of Shareholders held in June 2020

(2) Promoting advancement of foreign nationals in the workplace

We are continuously hiring foreign nationals regardless of nationality, and 12 of them are currently active in the Company. We are expanding the scope of our recruiting activities not only in Japan but also overseas to secure excellent human resources. As human resources with different values and cultures work together and create a more diversified workforce, we can expect responses, ideas, and creations that are not bound by conventional values.

(3) Promoting advancement of people with disabilities in the workplace

We have been continuously hiring people with disabilities, and 24 people are currently working at the Company. Prior to their assignment, members of the department to which they are assigned are briefed by the Japan Guide Dog Association and the Vocational Skills Development Center on the characteristics of their disabilities, points to pay attention to, how to provide support, and more. We have created an environment in which people with disabilities can work comfortably.

Employment support	• In-house environment that is well accessible for people with disabilities • Regular interviews by the Human Resources Department and in-house career consultants, as well as support by mentors • Assignment of duties according to the characteristics of the employee's disability • Consideration for commuting and work location (teleworking, commuting by car or taking first class cars) • Use of text-to-speech tools for the visually impaired

(4) Balancing work and caretaking/treatment (childcare, nursing care, injury/illness)

We provide an environment where employees can balance work with childcare, nursing care, and undergoing medical treatment for injuries and illnesses. Our efforts to support the balance between work and childcare exceed statutory standards and have been recognized by external organizations, with many men and women using the system, and we have been certified as a "childcare supporting company (Kurumin)" by the Minister of Health, Labour and Welfare for four consecutive terms since 2010. In 2019, we received Platinum Kurumin certification, an even higher level of achievement among Kurumin-certified companies.

We promote the use of childcare leave and leave for childcare purposes* for both men and women, and aim to create a workplace where 100% of employees who wish to take such leave can do so.

*Leave for childcare purposes: congratulatory leave and lapsed annual paid leave taken for the purpose of childbirth or childcare

(5) "Unique recruitment" practices for new graduates P26

(6) LGBTQ-Friendly

We have established an internal environment and systems to ensure that LGBTQ (lesbian, gay, bisexual, transgender, questioning or queer, and other sexual minorities) employees are respected so that they can work with peace of mind.

Health management

"Health management" refers to the practice of health management as a corporate strategy from a managerial perspective, which elevates employee vitality and productivity, revitalizes the organization, and leads to improved corporate value and business performance. This initiative to maintain and improve the physical and mental health of employees and realize a safe, secure, and rewarding workplace for each and every employee is expected to be effective in terms of corporate reputation and human resource recruitment, and is also crucial for corporate risk management. For the fourth consecutive year, in March 2023, the Company was recognized as a "Certified Health & Productivity Management Outstanding Organization 2023" under the recognition program.

Promotion structure

The Health Management Secretariat plays a central role in the collaboration between each department and outside experts. The results of each fiscal year's initiatives and the initiatives for the next fiscal year are reported to the President, who is the chief health management officer, and the Board of Directors, and through the exchange of opinions, including those of Outside Directors, we strive to make improvements and enhancements.
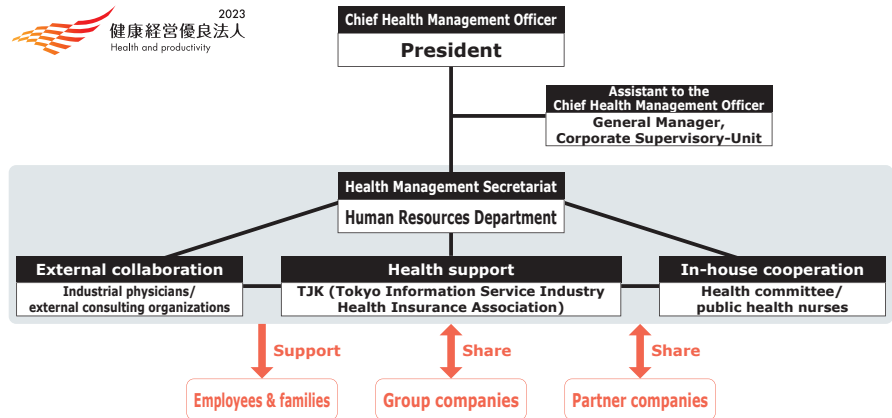
Main initiatives

(1) Walking event
This event has been held as a regular in-house event in spring and fall to increase and establish opportunities for physical exercise. There are individual and team competitions. In the individual competition, participants can receive a special prize if they walk 8,000 steps per day for a specified number of days or more. In the team competition, teams compete against each other for the average number of steps taken. The event has been well received both as an event to enjoy physical exercise together and as a means of stimulating communication among employees.

(2) Installation of health equipment
Balance balls, ping-pong tables, etc. are provided so that workers can easily exercise their bodies during work or breaks.

(3) Health promotion allowance
The program is designed to "encourage healthy behavior" by providing benefits to employees who fulfill mandatory requirements (e.g., taking a stress check, refraining from smoking, etc.) and the optional requirements (e.g., use of paid leave, habit of walking, etc.) within one year. At least 500 employees have responded that they are more health-conscious than they were before the introduction of the system.

(4) Health literacy training
Job level-based training is provided for all employees, managers, new line managers, newly-hired employees, etc.

(5) Delivery of health columns by public health nurses

(6) Health consultation by industrial physicians, public health nurses, and human resources personnel, and establishment of an outside consultation desk

(7) Subsidies for influenza and measles vaccinations and complete medical checkup for dependent spouses

(8) Promotion of diverse and flexible work styles combining working from home and working on site with the use of full-flextime system

(9) Curbing long working hours and encouraging employees to take paid leave

(10) Encouraging interworking intervals (rest periods)

(11) Implementation of no-overtime days (refresh days)

Respect for human rights

We believe that our corporate mission is to GROW so that we can make our greatest possible contribution to people's happiness around the world, make our workers proud and happy to work here, and demonstrate our abilities to the utmost.

In addition, we support and respect the human rights stipulated in the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact.

Based on these international norms, the Group will promote efforts to respect human rights and fulfill its social responsibilities.

Point of contact and remedial action

The CRESCO Group has established a whistleblowing system (Compliance Helpline) for human rights violations to ensure the effectiveness of whistleblowing. Upon receiving a whistleblowing report, we immediately investigate the content of the report and take measures to prevent recurrence. The content of the report will be kept strictly confidential, and the whistleblower and related parties are protected so that they are not treated unfairly as a result of their report. If it becomes clear that the Group's business activities have or may have a negative impact on human rights, we will work diligently to correct and remedy the situation.

Education and training

The CRESCO Group continuously provides education and training for all officers and employees to ensure their understanding of this policy.

Strengthening the Management Base (Environment)

Our approach to the environment

CRESCO, and also its subsidiaries and affiliated companies, are engaged in the IT services business and the Digital solutions business on the basis of their system development capacity backed by ample experience and technology developed over long years. Particularly in the Digital solution business, the Group strives to create a variety of services by taking 'advantage' of expertise and track record primarily on 'AI (artificial intelligence)' and 'cloud computing,' which are trending technologies. The Group is going to create added value for customers and society through its business activities.

Activities to reduce environmental impact

In October 2020, the Japanese government declared that it would strive to achieve carbon neutrality, which requires net-zero greenhouse gas emissions, by 2050. "Net-zero emissions" means subtracting absorptions of greenhouse gases including CO_2 through forestation and forest management from their emissions to make the total zero in effect. To achieve carbon neutrality, it is necessary to reduce greenhouse gas emissions and to conserve and reinforce the absorption effect.

The CRESCO Group also intends to make efforts to help change awareness and promote actions by showing externally and internally that the Group is going to take actions to realize a decarbonized society and display a positive attitude toward the solution of relevant issues together with its employees and the society including customers. Because the greatest negative impact (on CO_2 reduction and environment) of the CRESCO Group's operations is found with power consumption and paper consumption due to photocopying and other activities, the Group is working to save power and electricity and promote paperless operations. These efforts also lead to more efficient energy use and cost reduction in system development.

Financial Summary (Consolidated)

		Mar. 2013	Mar. 2014	Mar. 2015
Financial Results				
Net sales	(Million yen)	19,031	22,028	25,063
Gross profit	(Million yen)	3,129	3,724	4,511
Operating profit	(Million yen)	1,242	1,430	2,013
Ordinary profit	(Million yen)	1,409	1,676	2,240
Profit attributable to owners of parent	(Million yen)	764	941	1,405
Operating profit on net sales	(%)	6.5	6.5	8.0
Ordinary profit on total assets	(%)	10.6	11.4	13.6
Return on equity	(%)	9.5	10.7	14.1
Financial Position				
Total assets	(Million yen)	14,250	15,190	17,886
Net assets	(Million yen)	8,563	9,114	10,946
Equity	(Million yen)	8,493	9,044	10,882
Equity ratio	(%)	59.6	59.5	60.8
Cash Flows				
Cash flows from operating activities	(Million yen)	466	960	1,681
Cash flows from investing activities	(Million yen)	522	-466	178
Cash flows from financial activities	(Million yen)	-90	-757	8
Cash and cash equivalents at end of period	(Million yen)	3,895	3,633	5,504
Per Share Data				
Annual dividends per share	(Yen)	25.00	30.00	38.00
Net assets per share	(Yen)	786.92	849.71	990.11
Earnings per share	(Yen)	70.80	87.40	133.12
Dividend payout ratio	(%)	35.3	34.3	28.5

* The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020.
  Until the fiscal year ended March 31, 2019, the actual amounts of dividends before the share split is shown.
  The total for the fiscal year ended March 31, 2020 is not shown in the table above because the implementation of the share split makes it impossible to perform a simple calculation.

Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023
28,775	30,893	33,328	35,230	39,337	39,706	44,450	48,368
5,231	5,745	6,308	6,673	7,246	7,199	8,698	9,641
2,484	2,707	3,091	3,207	3,556	3,484	4,457	4,998
2,857	3,078	3,492	3,658	3,712	4,101	4,782	5,135
1,705	2,042	2,202	2,285	2,421	2,634	3,236	3,328
8.6	8.8	9.3	9.1	9.0	8.8	10.0	10.3
15.4	15.4	15.6	14.8	14.2	14.4	15.1	15.4
14.8	15.7	15.2	14.6	15.0	14.8	15.6	14.3
19,230	20,763	24,127	25,372	26,770	30,342	33,136	33,635
12,181	13,889	15,109	16,137	16,185	19,485	22,134	24,449
12,180	13,888	15,090	16,137	16,177	19,485	22,134	24,449
63.3	66.9	62.5	63.6	60.4	64.2	66.8	72.7
1,543	1,144	2,174	1,824	3,693	3,155	3,222	1,679
-1,287	-505	-179	-1,238	2	-47	-1,155	-874
-286	-604	-606	-1,278	-511	-1,479	-1,352	-1,631
5,470	5,503	6,892	6,201	9,384	11,015	11,737	10,915
50.00	55.00	72.00	66.00	*	38.00	44.00	50.00
1,078.35	1,224.66	1,379.38	1,475.07	770.72	926.96	1,051.97	1,160.39
152.26	180.28	200.25	208.92	114.30	125.43	153.92	158.10
32.8	30.5	36.0	31.6	31.5	30.3	28.6	31.6

For detailed financial information, please refer to our website ▶

Environment

Item	Unit	2020	2021	2022
GHG emissions				
Scope 1 [1]	t-CO$_2$	—	0	0
Scope 2 [2]	t-CO$_2$	—	176.96	194.97 [3]

[1] Direct emissions of greenhouse gases (fuel combustion, industrial processes) by businesses themselves.
[2] Indirect emissions related to the use of electricity, heat, and steam supplied by other companies.
[3] The amount of electricity consumption increased compared to the previous year due to an increase in the number of regional offices.

Society

Item	Unit	2020	2021	2022
Number of employees by age				
Total	Persons	1,277	1,301	1,363
20s	Persons	348	346	387
30s	Persons	382	375	362
40s	Persons	379	382	402
50s	Persons	141	163	173
60s	Persons	27	35	39
Average years of service				
Total men/women	Years	10.6	11.0	11.1
Men	Years	11.3	11.8	12.0
Women	Years	8.1	8.5	8.4
Average annual salary	Thousands of yen	6,219	6,538	6,442
Number of foreign employees	Persons	16	13	12
Employment of people with disabilities [1]				
Number of people	Persons	23	25	24
Percentage	%	2.7	2.8	2.5
Number of managers				
Total men/women	Persons	331	343	354
Men	Persons	304	313	318
Women	Persons	27	30	36
Percentage of female employees in management positions [2]	%	8.2	8.8	10.2
Number of newly-hired graduates				
Total men/women	Persons	79	56	95
Men	Persons	46	34	49
Women	Persons	33	22	46
Percentage of women among new graduates	%	41.8	39.3	48.4
Number of mid-career workers				
Total men/women	Persons	38	28	31
Men	Persons	31	22	23
Women	Persons	7	6	8

Item	Unit	2020	2021	2022
Percentage of mid-career hires during the year among all employees	%	3.0	2.2	2.9
Turnover rate	%	3.7	5.3	4.4
Number of workers taking childcare leave				
Total men/women	Persons	23	23	23
Men	Persons	12	11	13
Women	Persons	11	12	10
Utilization rate of childcare leave				
Total men/women	%	53.4	54.7	60.5
Men *3	%	33.3	36.7	44.8
Women *4	%	157.1	100.0	111.1
Percentage of employees taking childcare leave and leave for childcare purposes *3 — Men	%	63.9	50.0	79.3
Percentage of employees returning to work after taking childcare leave				
Total men/women	%	100	100	100
Men	%	100	100	100
Women	%	100	100	100
Number of employees taking nursing care leave	Persons	0	0	0
Number of employees transferred under the internal FA system	Persons	8	6	5
Number of employees working shorter hours				
Childcare	Persons	37	29	28
Nursing care	Persons	1	1	1
Average annual training hours per employee (education hours) *5	Hours	—	—	40.3
Average monthly overtime work hours	Hours	19.3	19.7	16.9
Annual paid leave				
Average number of days taken	Days	12.6	14.0	15.2
Percentage of annual paid leave utilization rate	%	67.3	74.1	80.6
Stress check examination rate	%	96.2	97.1	96.9
Health literacy training participation rate	%	100.0	100.0	99.6
Employee engagement	Points	—	65.1	64.8

*1 Calculated in accordance with the Act to Facilitate the Employment of Persons with Disabilities (Act No. 123 of 1960).
*2 Calculated in accordance with the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
*3 Calculated based on the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ministry of Labor Ordinance No. 25, 1991).
*4 "Number of female employees who took childcare leave, etc. during the year" ÷ "Number of female employees who gave birth during the year"
*5 Time spent participating in training, seminars, e-learning, study groups, etc. during working hours is counted.

Governance

Item	Unit	2020	2021	2022
Outside Directors				
Number of people	Persons	4	4	4
Ratio	%	36.4	40.0	44.4
Female officers				
Number of people	Persons	1	1	1
Ratio	%	9.1	10.0	11.1

Locations/Group Companies

Consolidated subsidiaries

IOS Co., Ltd.
Participation in the Group: April 2010
Voting ratio held by the Group: 100%

Enisias Co., Ltd.
Participation in the Group: April 2020
Voting ratio held by the Group: 100%

OEC Ltd.
*Trade name changed to CRESCO
  NEXIO CO., LTD. in October 2023
Participation in the Group: July 2021
Voting ratio held by the Group: 100%

CRESCO e-Solution Co., Ltd.
Participation in the Group: August 1999
Voting ratio held by the Group: 100%

CRESCO J CUBE CO., LTD.
Participation in the Group: September 2016
Voting ratio held by the Group: 100%

CRESCO Digital Technologies Ltd.
Participation in the Group: April 2013
Voting ratio held by the Group: 100%

CRESCO VIETNAM CO., LTD.
Participation in the Group: September 2019
Voting ratio held by the Group: 100%

CRESCO HOKURIKU. LTD.
Participation in the Group: April 2012
Voting ratio held by the Group: 100%

CRESCO Wireless, Inc.
Participation in the Group: October 2005
Voting ratio held by the Group: 100%

C3 Co. Ltd.
Participation in the Group: December 2012
Voting ratio held by the Group: 100%

Japan Software Design CO., LTD.
Participation in the Group: February 2023
Voting ratio held by the Group: 100%

Mexess Co., Ltd.
Participation in the Group: October 2015
Voting ratio held by the Group: 100%
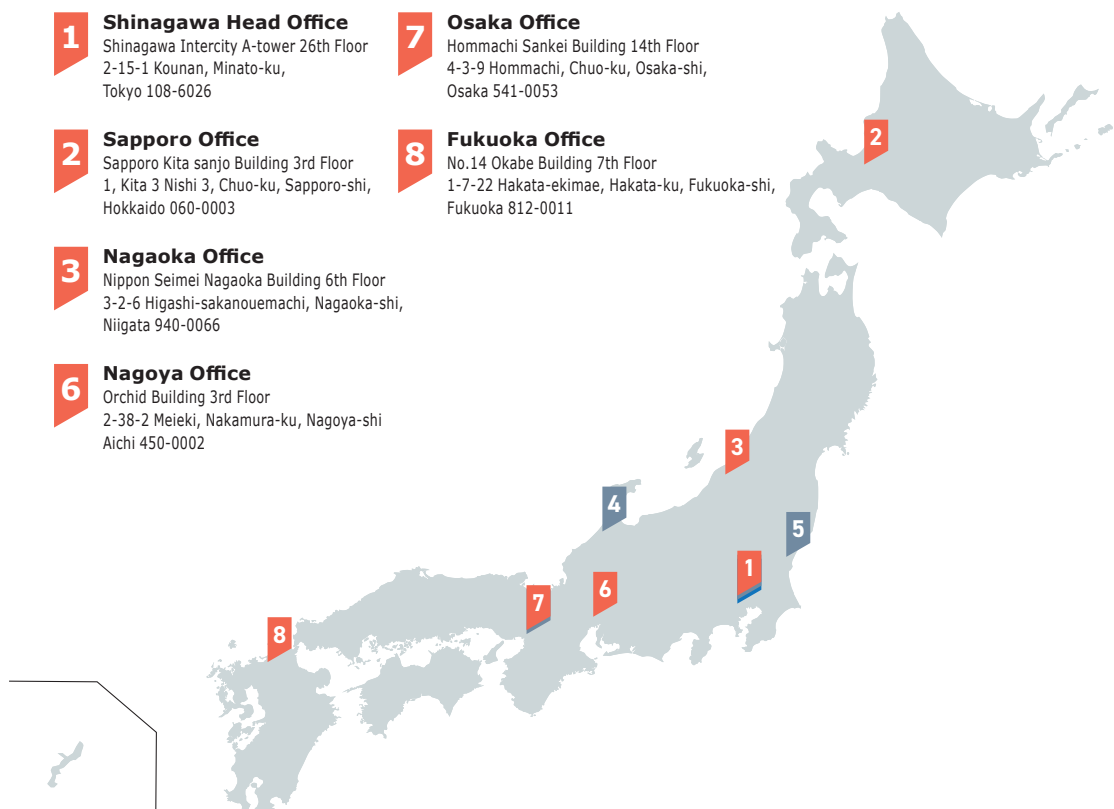
Affiliate companies

ZXY MEQQE Corporation
Participation in the Group: April 2020
Voting ratio held by the Group: 34.0%

Buerger Consulting Inc.
Participation in the Group: April 2012
Voting ratio held by the Group: 33.4%

CRESCO LTD.

1 Shinagawa Head Office
Shinagawa Intercity A-tower 26th Floor
2-15-1 Kounan, Minato-ku,
Tokyo 108-6026

2 Sapporo Office
Sapporo Kita sanjo Building 3rd Floor
1, Kita 3 Nishi 3, Chuo-ku, Sapporo-shi,
Hokkaido 060-0003

3 Nagaoka Office
Nippon Seimei Nagaoka Building 6th Floor
3-2-6 Higashi-sakanouemachi, Nagaoka-shi,
Niigata 940-0066

6 Nagoya Office
Orchid Building 3rd Floor
2-38-2 Meieki, Nakamura-ku, Nagoya-shi
Aichi 450-0002

7 Osaka Office
Hommachi Sankei Building 14th Floor
4-3-9 Hommachi, Chuo-ku, Osaka-shi,
Osaka 541-0053

8 Fukuoka Office
No.14 Okabe Building 7th Floor
1-7-22 Hakata-ekimae, Hakata-ku, Fukuoka-shi,
Fukuoka 812-0011

Company profile

Company name	CRESCO LTD.
Capital	¥2,514,875,803
Established	April 1, 1988
Listed stock exchange	Tokyo Stock Exchange (Prime Market)
Stock code	4674

Number of employees	Consolidated: 2,888 Non-consolidated: 1,448	(As of April 1, 2023)
Business Areas	For information systems: - Consulting and Solution services - Design and Development - Operations management and Maintenance services - Investigation, Analysis, Evaluation, and Technical support	

## Stock information

(As of March 31, 2023)

Stock overview	Total number of shares authorized 68,000,000 shares
	Total number of shares outstanding 21,070,066 shares (Excluding 1,929,934 treasury shares)
	Number of shareholders 3,420

Principal shareholders	Investment in the Company	
	Number of shares held (hundred shares)	Shareholding ratio (%)
Iwasaki Corporation Ltd.	44,792	21.25
The Master Trust Bank of Japan, Ltd. - Trust account	18,775	8.91
Masahiro Urasaki	12,554	5.95
NORTHERN TRUST CO. (AVFC) RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND	9,425	4.47
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	9,050	4.29

Organizational chart
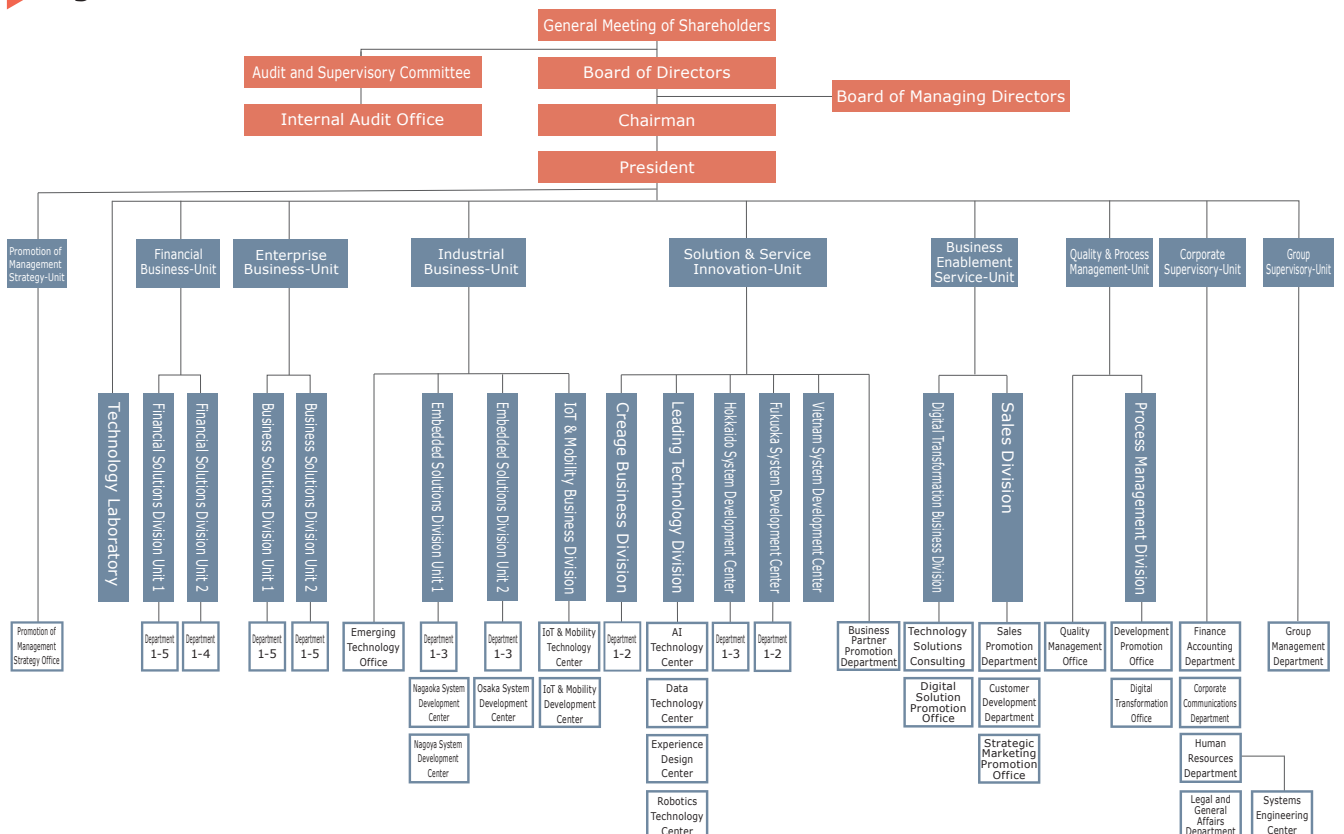
CRESCO LTD.

https://www.cresco.co.jp/en/index.html

Shinagawa Intercity A-tower 26th Floor

2-15-1 Kounan Minato-ku

Tokyo 108-6026

Telephone: +81-3-5769-8011