

**CRESCO** 

# Summary of Quarterly Financial Results Briefing

for the Six Months Ended September 30, 2023

Nov 7, 2023



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# Consolidated Results main points



## ■ Organization and structure

- With the aim of promoting further improvements in quality and operational efficiency, the Quality Control-Unit was reorganized as the Quality & Process Management-Unit effective April 1. In order to drive expansion, primarily in the digital solutions business, the Sales Division as an organization reports directly to the Business Enablement Service-Unit.
- At a meeting of its Board of Directors held on May 10, it was resolved that the Company would purchase treasury shares (to an upper limit of 1,000 million yen, or 500,000 shares) and cancel treasury shares.
- On September 29, we launched the “2023 CRESCO Integrated Report” which organizes and explains in detail the CRESCO Group’s financial information and non-financial information (management philosophy, lines of business, value creation process, sustainability/ESG initiatives, etc.).

## ■ Business

- Strengthened RPA as digital solution
  - Awarded UiPath’s Revenue Growth Partner of the Year prize.
  - Concluded a distributorship agreement with WingArc1st Inc. Started provision of paperless methods and automation solutions for accounting processes through collaboration with aforementioned WingArc1st using their electronic form platform invoiceAgent along with UIpath.
- Strengthened the field of AI as a digital solution
  - Built the CrePT generative AI chat service using Microsoft’s Azure OpenAI Service, and began operating it within the Company in May.
  - Began offering the AI Escort service provided by our own AI experts.
- Others
  - Began offering a penetration testing service as part of the Security Vulnerability Diagnostics lineup.
  - Cognavi India, an Indian corporation in which we have made a capital investment, opened a job portal site for newly graduated Indian students.
  - Invested in Vietnamese startup CAPICHI PTE. LTD., which is focused on restaurant and retail tech. We aim to contribute to promoting DX in restaurants, retail stores and accommodation facilities, etc. as Japanese distributor of Capichi OI, aforementioned CAPICHI’s QR-based mobile ordering system.
  - Consolidated subsidiary CRESCO Digital Technologies, Ltd. announced a subscription WiFi service and an integrated BOM management solution for manufacturing industry.

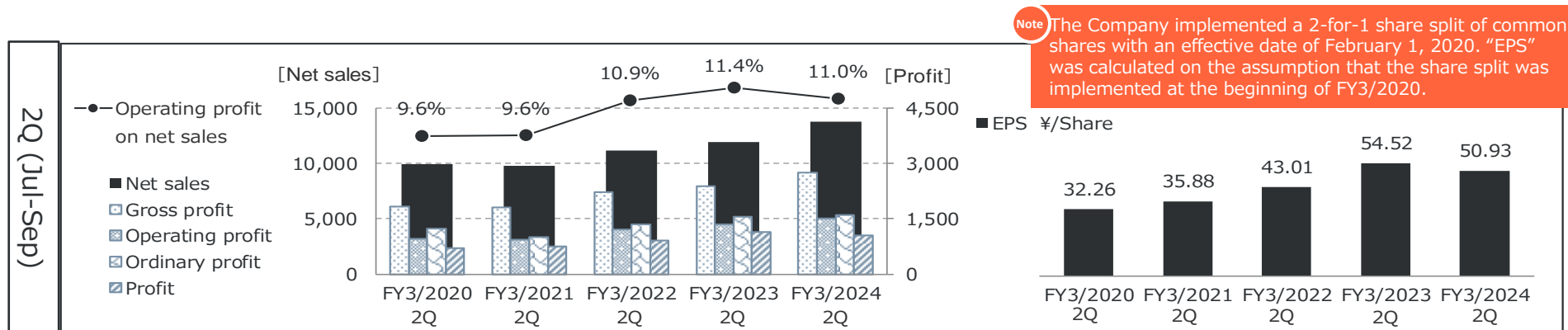


# 1.2. Income statement [highlights]

(Unit: Amounts less than 1 million yen omitted)

- Corporate IT investment demand continues to be strong, due in part to normalization of economic activities following reclassification of COVID-19 as Class V and rising interest in the use of generative AI and preventive measures for cyberattacks. Net sales significantly increased by 10.0% year on year (hereinafter the same) mainly from major customers although the extent of increase still varied by industry category.
- Operating profit significantly decreased by 11.9% due to increased hiring of new graduates, increases in salary levels, expanded investments in training, and multiple large projects turning out to be unprofitable.
- Ordinary profit significantly increased by 15.3% due to the recording of 266 million yen in gain on valuation of derivatives held (in non-operating income).

	FY3/2022		FY3/2023		FY3/2024		YoY	Half-year progress	Half-year Forecast	
									<Announced on May 10, 2023>	YoY
Cumulative	Net sales	21,061	23,309		<b>25,631</b>		<b>110.0%</b>	<b>102.9%</b>	24,900	106.8%
	Gross profit	4,071 (19.3%)	4,531 (19.4%)		<b>4,677 (18.3%)</b>		<b>103.2%</b>			
	Operating profit	2,017 (9.6%)	2,245 (9.6%)		<b>1,978 (7.7%)</b>		<b>88.1%</b>	<b>95.1%</b>	2,080 (8.4%)	92.6%
	Ordinary profit	2,223 (10.6%)	2,116 (9.1%)		<b>2,440 (9.5%)</b>		<b>115.3%</b>	<b>112.4%</b>	2,170 (8.7%)	102.5%
	Profit	1,606 (7.6%)	1,467 (6.3%)		<b>1,665 (6.5%)</b>		<b>113.5%</b>	<b>117.5%</b>	1,418 (5.7%)	96.6%
	EPS ¥/Share	76.44	69.76		<b>80.06</b>				68.29	

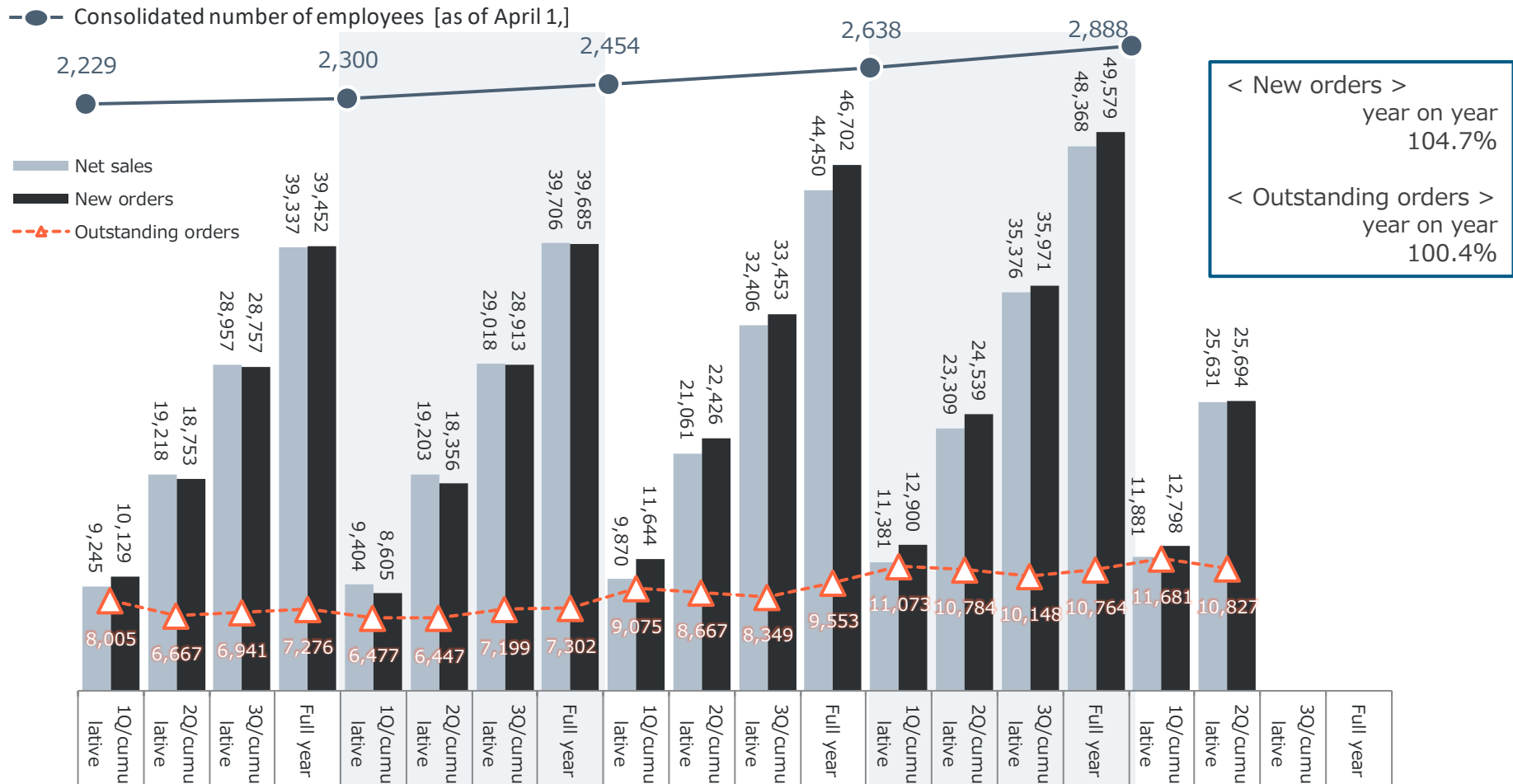




# 1.3. New orders and outstanding orders

(Unit: Amounts less than 1 million yen omitted)

- New orders increased year on year (six month basis) by 4.7%. Order backlog was more or less flat year on year.
- Due partly to the normalization of economic activities, corporations have been moving briskly to promote DX.

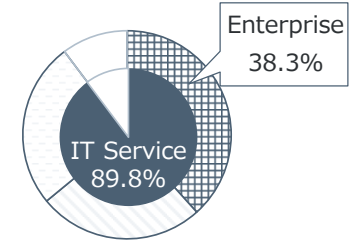




# 1.4. Results by segment: IT services business [Enterprise]

Segment	Subsegment
IT Service ・Consulting ・IT planning ・Total service of development and maintenance	Enterprise Information and communication, advertising, distribution services, transport, placement and dispatching, public services, resources and energy, construction and real estate, travel and hotels, medical and healthcare, etc.

<Share of net sales by segment: 2Q (Jul~Sep)>



**■ Net sales: 9,791 million yen (YoY 10% ↑)**

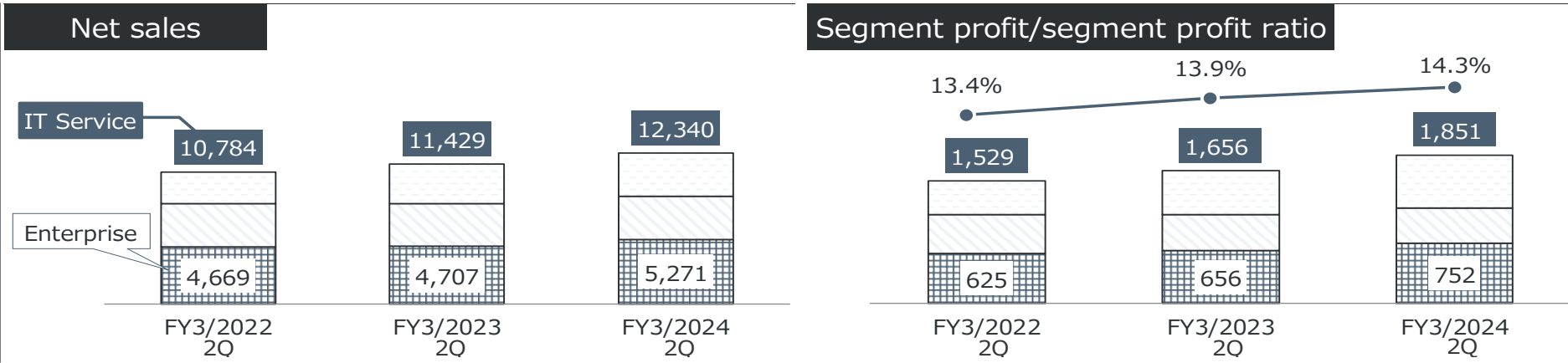
- Sales at certain consolidated subsidiaries significantly increased in both information/communications/advertising area and construction/real estate area.

**■ Segment profit: 926 million yen / 9.5% (YoY 16.3% ↓)**

- This was due to unprofitable projects in the area of personnel placement/recruiting and logistics services.

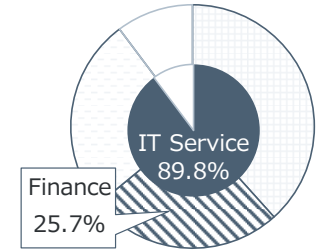
(Unit: Amounts less than 1 million yen omitted)

Cumulative  
2Q (Jul-Sep)



<Share of net sales by segment: 2Q (Jul~Sep)>

Segment		Subsegment	
IT Service	· Consulting	Finance	Banking, insurance, etc.
	· IT planning		
	· Total service of development		



Cumulative

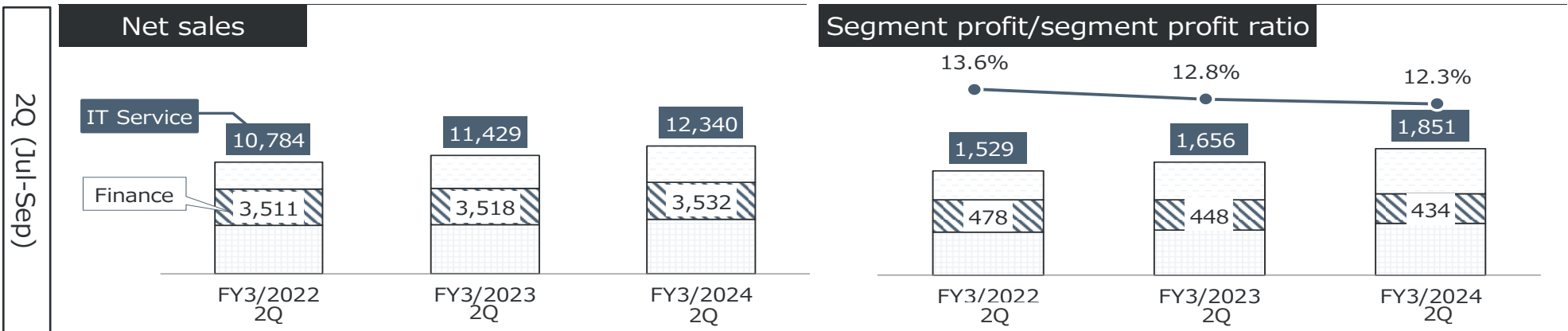
■ **Net sales: 7,027 million yen (YoY 2% ↓)**

·The Company saw an increase in orders from the banking area, but due to the conclusion of large projects in both insurance and the other areas orders received declined overall.

■ **Segment profit: 721 million yen / 10.3% (YoY 16.6% ↓)**

·In addition to the same reasons as for the increase in net sales, there were unprofitable projects in the banking area.

(Unit: Amounts less than 1 million yen omitted)

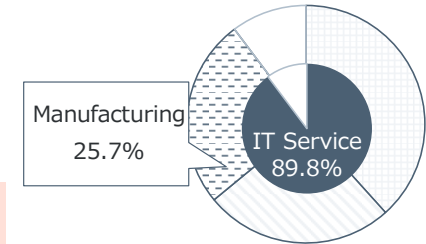




# 1.6. Results by segment: IT services business [Manufacturing]

Segment	Subsegment
IT Service ・Consulting ・IT planning ・Total service of development	Manufacturing Automotive, transport equipment, machinery, electronics, etc.

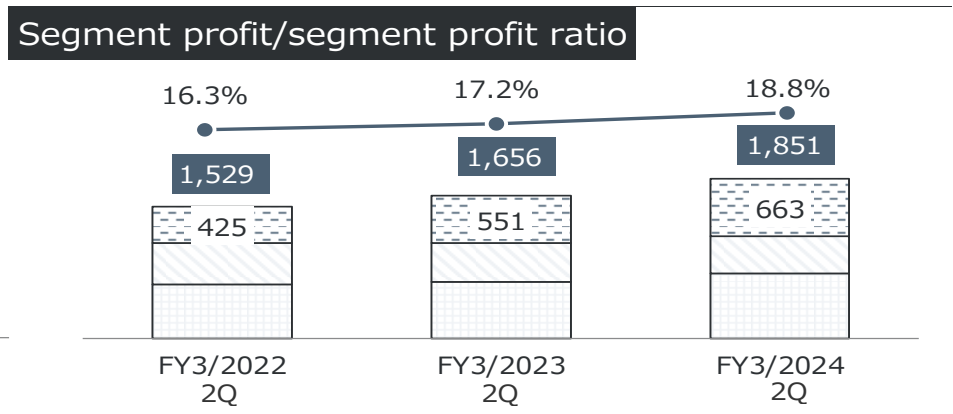
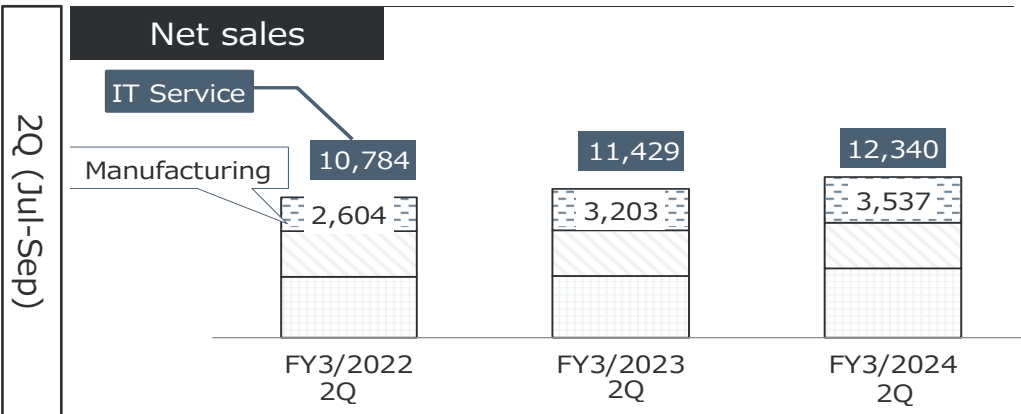
<Share of net sales by segment: 2Q (Jul~Sep)>



- Net sales: 6,786 million yen (YoY 9.1% ↑)**
- There was an increase in sales in the area of machinery and electronics at the Company and some consolidated subsidiaries.
- Segment profit: 1,100 million yen / 16.2% (YoY 11.1% ↑)**
- For the same reasons as for the increase in net sales.

Cumulative

(Unit: Amounts less than 1 million yen omitted)



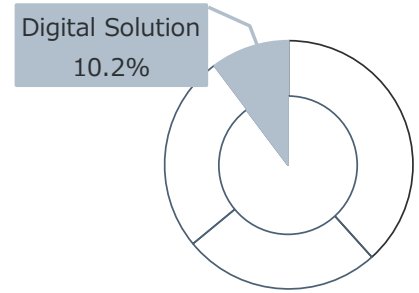




# 1.7. Results by segment: Digital solutions business

Segment	Business
Digital Solution	<p>Solution groups consisting of products and services supporting customers in realizing digital transformation (DX)</p> <p>&lt;Main products and services&gt;                      Creage : Cloud-related service      UiPath : RPA-related service                      Annotation : AI-related service      Training and seminars : AI, cloud, RPA, etc.</p>

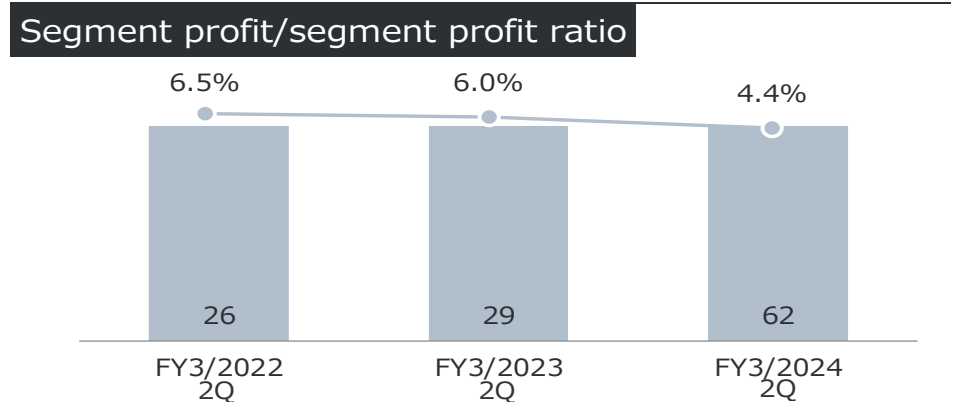
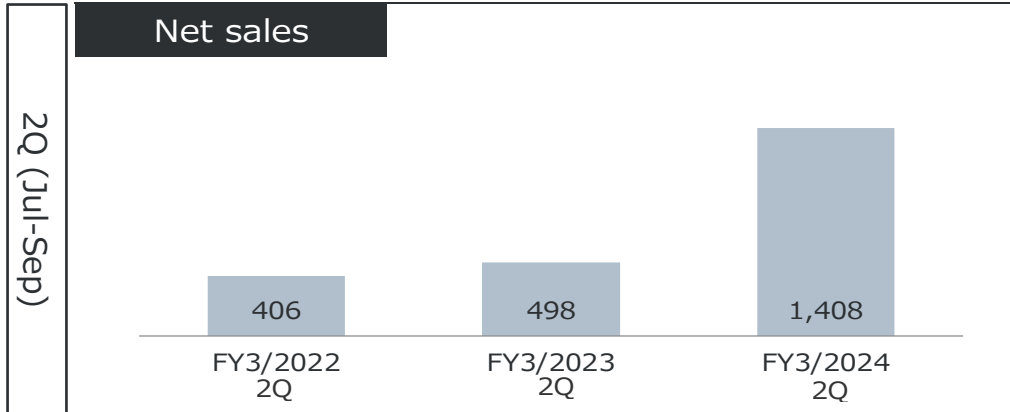
<Share of net sales by segment: 2Q (Jul~Sep)>



Cumulative

- **Net sales: 2,025 million yen (YoY 99.3% ↑)**
  - Sales of Creage, our main cloud service, and RPA licenses increased.
- **Segment profit: 90 million yen / 4.5% (YoY 118.2% ↑)**
  - For the same reasons as for the increase in net sales.

(Unit: Amounts less than 1 million yen omitted)





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## Future outlook



(Unit: Amounts less than 1 million yen omitted)

- **No change** in the consolidated earnings forecasts for the fiscal year ending March 31, 2024 announced on May 10, 2023.
- If it becomes necessary to revise the forecasts due to future conditions, business trends, etc., the revision will be disclosed promptly.

Full year	FY3/2023						FY3/2024		
	Forecast	YoY	Actual	YoY	Achievement rate	Forecast	YoY	Progress as of 2Q	
	<Announced on Feb 28, 2022>					<Announced on May 10, 2023>			
Net sales	47,500	106.9%	48,368	108.8%	101.8%	<b>52,500</b>	<b>108.5%</b>	<b>48.8%</b>	
Gross profit			9,641 (19.9%)	110.8%					
Operating profit	4,750 (10.0%)	106.6%	4,998 (10.3%)	112.1%	105.2%	<b>5,250 (10.0%)</b>	<b>105.0%</b>	<b>37.7%</b>	
Ordinary profit	5,150 (10.8%)	107.7%	5,135 (10.6%)	107.4%	99.7%	<b>5,370 (10.2%)</b>	<b>104.6%</b>	<b>45.4%</b>	
Profit	3,350 (7.1%)	103.5%	3,328 (6.9%)	102.8%	99.4%	<b>3,582 (6.8%)</b>	<b>107.6%</b>	<b>46.5%</b>	
EPS ¥/Share	158.99		158.10			<b>174.02</b>			

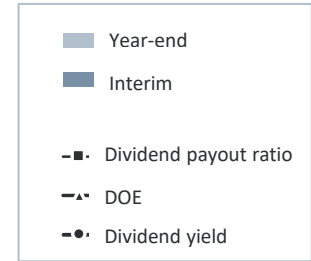
Note: Respective profit ratios shown in parentheses. "Profit" is "Profit attributable to owners of parent."



# 2.2. Consolidated Forecast of cash dividends

- Dividends will continue to be distributed in accordance with the Group’s shareholder return policy.
- No change in our previous forecast announced on May 10, 2023 of **50 yen** for the fiscal year ending March 31, 2024.

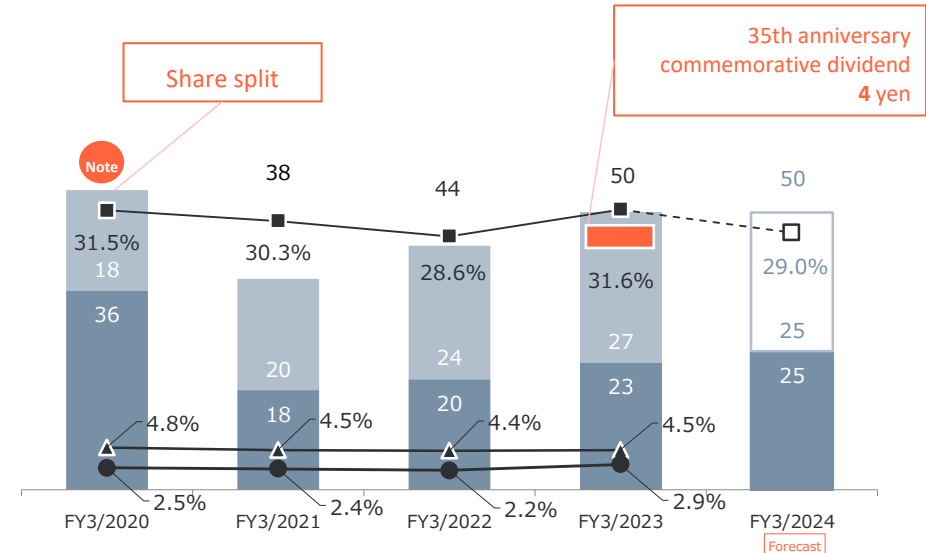
	FY3/2022	FY3/2023	FY3/2024		
	Actual	Actual	Actual	Forecast <Announced on May 10, 2023>	Change
Interim	20 yen	23 yen	25 yen	<b>25 yen</b>	<b>2 yen</b>
Year-end	24 yen	27 yen	–	<b>25 yen</b>	<b>-2 yen</b>
Full year	44 yen	50 yen	25 yen	<b>50 yen</b>	<b>0 yen</b>
Dividend payout ratio	28.6%	31.6%	–	<b>29.0%</b>	<b>-2.6%</b>
Dividend yield	2.2%	2.9%	–		
DOE	4.4%	4.5%	–		
Total dividend payments	925 Millions of yen	1053 Millions of yen	–		



(Total dividend payment: Amounts less than 1 million yen omitted)

**Shareholder return policy**

- CRESCO regards the matter of returning profits to shareholders as a key management issue, and has established a basic policy of enhancing shareholders’ equity, maintaining consistent profitability over the long term, while appropriately continuing to distribute profits backed by business performance.
- The Company does not offer any special shareholder benefits.
- As for dividends, in principle the Company aims to continually pay out about 30% of **profit attributable to owners of parent for each fiscal year**, which is calculated from **consolidated ordinary profit** and assuming extraordinary income and losses are zero.



**Note** The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020.

- The actual amounts of dividends before the share split are shown for the FY3/2020 interim dividend.
- The total amount for FY3/2020 is not shown in the table above because the implementation of the share split makes it impossible to perform a simple calculation.



# Reference

# Reference 1) Changes in the Cresco Group's consolidated subsidiaries

	FY3/2020				FY3/2021				FY3/2022				FY3/2023				FY3/2024			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CRESCO e-Solution Co., Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CRESCO Wireless, Inc.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
IOS Co., Ltd. [*1][*5][*7][*9]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CRESCO HOKURIKU. LTD.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
C3 Co. Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CRESCO Digital Technologies Ltd. [*12]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Mexess Co., Ltd. [*3][*4]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
N-System Corporation [*13]	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/	/	/	/	/
Nexus Corporation [*2][*13]	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/	/	/	/	/
ARS Corporation Ltd. [*6][*13]	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/	/	/	/	/
CRESCO J CUBE CO., LTD. [*13]	/	/	/	/	/	/	/	/	/	/	/	/	●	●	●	●	●	●	●	●
CRESCO VIETNAM CO., LTD. [*8]	/	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Enisias Co., Ltd. [*10]	/	/	/	/	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
OEC Ltd. [*11]	/	/	/	/	/	/	/	/	●	●	●	●	●	●	●	●	●	●	●	
Japan Software Design CO.,LTD. [*14]	/	/	/	/	/	/	/	/	/	/	/	/	●	●	●	●	●	●	●	
<b>Total number of subsidiaries</b>	10	11	11	11	12	12	12	12	12	13	13	13	13	11	11	12	12	12		

[\*1] Applications Co., Ltd. became a subsidiary of IOS Co., Ltd. (a sub-subsidiary of the Company) effective October 2, 2017.)

[\*2] Nexus Corporation became a subsidiary effective January 12, 2018.

[\*3] Media Magic Co., Ltd. was renamed Mexess Co., Ltd. effective March 12, 2018.

[\*4] The Kansai Office of IOS Co., Ltd. was integrated into Mexess Co., Ltd. effective April 1, 2018.

[\*5] Applications Co., Ltd. was integrated into IOS Co., Ltd. effective April 1, 2018.

[\*6] ARS Corporation Ltd. became a subsidiary effective October 1, 2018.

[\*7] e-techno. Co., Ltd. became a subsidiary of IOS Co., Ltd. (a sub-subsidiary of the Company) effective November 1, 2018.

[\*8] CRESCO VIETNAM CO., LTD. was established effective September 17, 2019. (Date of business commencement: October 1, 2019)

[\*9] e-techno. Co., Ltd. was integrated into IOS Co., Ltd. effective October 1, 2019.

[\*10] Enisias Co., Ltd. became a subsidiary effective April 1, 2020.

[\*11] OEC Ltd. became a subsidiary effective July 1, 2021.

[\*12] CREATIVE Japan, LTD. changed its name to CRESCO Digital Technologies Ltd. effective May 1, 2022.

[\*13] N-System Corporation and Nexus Corporation were integrated into ARS Corporation Ltd. effective July 1, 2022.

[\*14] Japan Software Design CO., LTD. became a subsidiary effective February 1, 2023.

# Reference 2) Launch of CRESCO Integrated Report

We launched the “CRESCO Integrated Report” which organizes and explains in detail our financial information and non-financial information (management philosophy, lines of business, value creation process, sustainability/ESG initiatives, etc.). We plan to release the English-language version of the integrated report in December.



### コアビジネスの持続的な成長

2023年3月期 売上高 1,888億3,390万円 (前年比+3.4%)

2023年3月期 営業利益 237億7,400万円 (前年比+9.3%)

2023年3月期 純利益 141億1,500万円 (前年比+3.4%)

2023年3月期 経常利益 188億2,000万円 (前年比+9.9%)

2023年3月期 株主総額 126億5,700万円 (前年比+3.4%)

2023年3月期 1株当たり利益 215円59銭 (前年比+3.4%)

2023年3月期 1株当たり純利益 126円57銭 (前年比+3.4%)

2023年3月期 1株当たり経常利益 141円65銭 (前年比+3.4%)

### ITサービス事業

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The Integrated Report can be viewed from the Company's website.  
[https://www.cresco.co.jp/ja/ir/library/annual\\_report.html](https://www.cresco.co.jp/ja/ir/library/annual_report.html)



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