



CRESCO LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 7, 2023

Event Summary

[Company Name]	CRESCO LTD.
[Company ID]	4674-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2024
[Fiscal Period]	FY2024 Q2
[Date]	November 7, 2023
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[Time]	15:00 – 16:06 (Total: 66 minutes, Presentation: 23 minutes, Q&A: 43 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	1 Hiroshi Tominaga President and Executive Officer

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Presentation

Welcome to the financial results briefing of CRESCO LTD. for Q2 of the fiscal year ending March 31, 2024. Thank you very much for taking time out of your busy schedule to join us.

Today, Hiroshi Tominaga, President and Executive Officer, will provide an overview of the financial results for Q2 of the fiscal year ending March 31, 2024 and an outlook for H2, followed by a question-and-answer session.

If you have any questions, please type your question in the “Ask a question” box on the screen and send it to us. You may ask questions even during the presentation. Your questions will be read on your behalf and answered by the attendees. Please note that it may be difficult to answer all questions due to time constraints. We kindly ask for your understanding.

The briefing is scheduled to end at 16:00. A questionnaire screen will appear after this, and we would appreciate your cooperation in answering this questionnaire.

We will now start the presentation. President Tominaga, please go ahead.

Tominaga: Hello, everyone. I am Tominaga from CRESCO. Thank you very much for your attendance at CRESCO’s financial results briefing today. I will now proceed with the briefing materials.

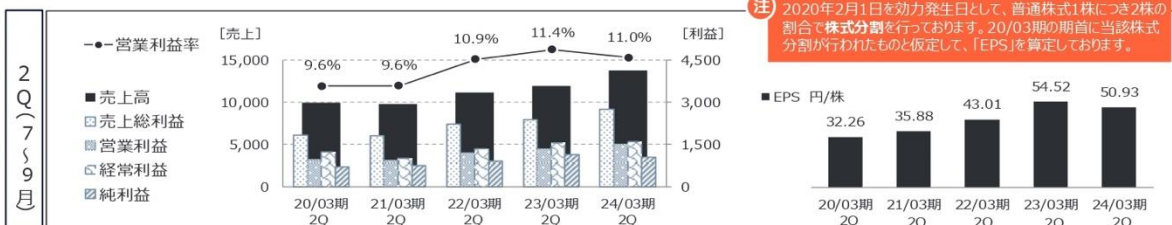
1 決算のポイント * 1.2. 売上高・利益

【注】（ ）内の数字は各々の利益率を表します。
【注】「純利益」は「親会社株主に帰属する当期(四半期)純利益」です。

[単位：百万円未満切捨]

- 新型コロナ5類移行による経済活動正常化、生成系AIの活用やサイバー攻撃対応等への関心の高まりもあり、企業のIT投資需要は依然として旺盛。業種別になお濃淡はあるものの、主要顧客を中心に売上が増加し、前同比（以下同じ）+10.0%の大幅増収。
- 新卒採用増、給与水準引き上げ、教育投資拡大に加え、複数の大型の不採算案件の発生により、営業利益は▲11.9%の大幅減益。
- 経常利益は、保有するデリバティブ評価益（営業外収益）266百万円を計上し、+15.3%の大幅増益。

2 Q 累 計		22/03期	23/03期	24/03期	前年 同期比	対2Q累計 達成率	2Q累計 業績予想	
							23/5/10 予想	前年 同期比
	売上高	21,061	23,309	25,631	110.0%	102.9%	24,900	106.8%
	売上総利益	4,071 (19.3%)	4,531 (19.4%)	4,677 (18.3%)	103.2%			
	営業利益	2,017 (9.6%)	2,245 (9.6%)	1,978 (7.7%)	88.1%	95.1%	2,080 (8.4%)	92.6%
	経常利益	2,223 (10.6%)	2,116 (9.1%)	2,440 (9.5%)	115.3%	112.4%	2,170 (8.7%)	102.5%
	純利益	1,606 (7.6%)	1,467 (6.3%)	1,665 (6.5%)	113.5%	117.5%	1,418 (5.7%)	96.6%
	EPS 円/株	76.44	69.76	80.06			68.29	



First, let me explain our major initiatives up to Q2.

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This past May, COVID-19 was moved to Class 5. With the normalization of economic activity, the use of generative AI as a recent topic of discussion, and the growing interest in cyberattack response, corporate demand for IT investment remains strong.

Although there were some shades of gray by industry, sales increased mainly to major customers, resulting in a substantial 10% increase in sales YoY. In the table below, the orange box in the middle shows the numbers for the current term.

In terms of costs, we have increased the number of new graduates hired and raised salary levels, and we have also considerably expanded our investment in education during this fiscal year.

The occurrence of several large unprofitable projects, this is what we explained in Q1, but there were four unprofitable projects, and due to the impact of these projects, operating income ended up with a significant decrease of 11.9%.

However, the situation has improved considerably from Q1, and of the four projects, three have already been completed. Since we are carefully managing the remaining project, we have achieved a reasonably good figure for Q2 alone, and we are confident that we will be able to dispel any concerns for H2.

In terms of ordinary income, we recorded a gain of over JPY260 million on valuation of derivatives held by the Company, resulting in a significant 15.3% increase in overall income.

Looking back at the table below, net sales were JPY25.6 billion and operating income was JPY1.97 billion, a slight negative figure here. Ordinary income was JPY2.44 billion, an increase of 15.3%, and we were able to finish H1 with an increase in both sales and income.

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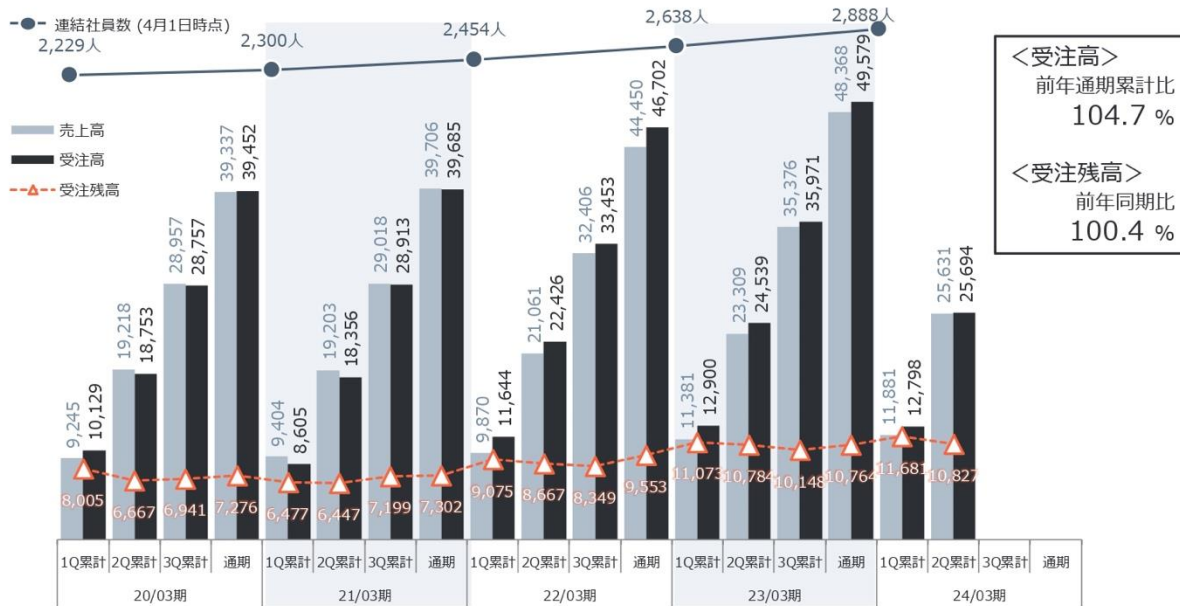
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1 決算のポイント 1.3. 受注高・受注残高

[単位：百万円未満切捨]

- 受注高は前年累計比4.7%増。受注残高はほぼ前年並みの水準。
- 経済活動正常化もあり、企業のDX推進に向けた動きは活発な状況。



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Continuing on, here is the status of orders received.

Orders received were up 4.7% YoY, and the backlog of orders was almost on the same level as the previous year. With economic activity normalizing, companies are actively moving toward the promotion of digital transformation.

In the graph on the lower right, it shows the numbers, and you can see from this line graph and other graphs from last year that the numbers are not bad, and that they are on the upswing.

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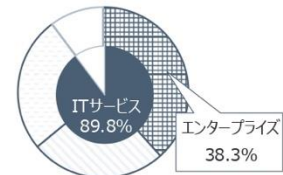
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1 決算のポイント **✳** 1.4. セグメント別売上高・利益 [ITサービス事業：エンタープライズ]

セグメント	サブセグメント
ITサービス ・コンサルティング ・IT企画 ・開発・保守の総合サービス	エンタープライズ 情報・通信、広告、流通サービス、運輸、 人材紹介・人材派遣、公共、資源・エネルギー、 建設・不動産、旅行・ホテル、医療・ヘルスケア、その他

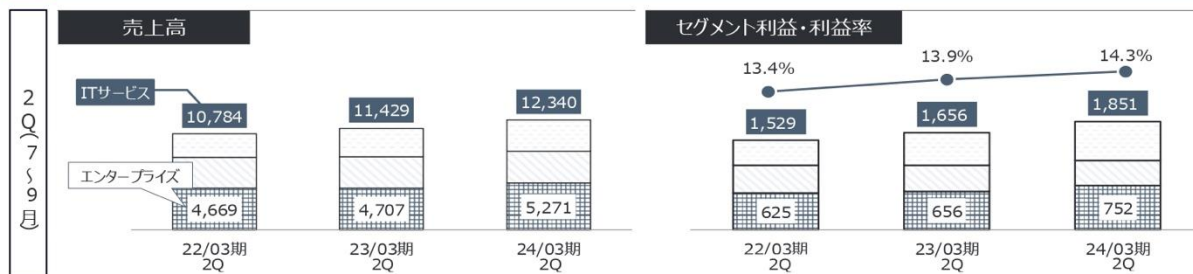
<セグメント別の売上高比率:2Q(7~9月)>



2Q累計

- **売上高：97億91百万円（前年同期比 10% ↑）**
 - ・「情報・通信・広告」「建設・不動産」の両分野において一部の連結子会社の売上が大幅に増加。
- **セグメント利益／利益率：9億26百万円／9.5%（前年同期比 16.3% ↓）**
 - ・「人材紹介・人材派遣」「流通サービス」の分野で不採算案件が発生。

[単位：百万円未満切捨]



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I will now explain this by segment.

First is the enterprise segment.

As you can see in the pie chart in the upper right corner, this is the segment that accounts for 38.3%, just under 40% of the four segments at CRESCO. IT services as a whole accounted for 89.8% or nearly 90% of the total. The 38.3% number is within that category.

It is not easy to understand what we mean by “enterprise” here, but if you look at the sub-segments in the table, you will see that we are engaged in various types of businesses.

Sales were JPY9.791 billion, a 10% increase YoY.

The reason for the growth is the significant increase in sales of some consolidated subsidiaries in the fields of information, telecommunications, and advertising, as well as in both construction and real estate. The main reason is that good customers, large customers, are also being acquired by our consolidated subsidiaries.

On the other hand, segment profit was JPY926 million, down 16.3% YoY, with the profit margin also declining slightly.

As I explained earlier, unprofitable projects were occurring in the areas of placement and temporary staffing, as well as distribution services. I mentioned earlier that there were four projects, and three of the four projects occurred in this enterprise segment. In terms of enterprise alone, two of the three projects have already been closed, and we are carefully advancing with the remaining one.

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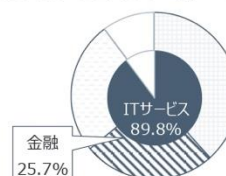


Sales, segment profit, etc. are also shown in the bar graph and line graph below, and all of them have increased from last year as well.

1 決算のポイント **1.5. セグメント別売上高・利益 [ITサービス事業：金融]**

セグメント		サブセグメント	
IT サービス	・コンサルティング	金融	銀行、保険、その他
	・IT企画		
	・開発・保守の総合サービス		

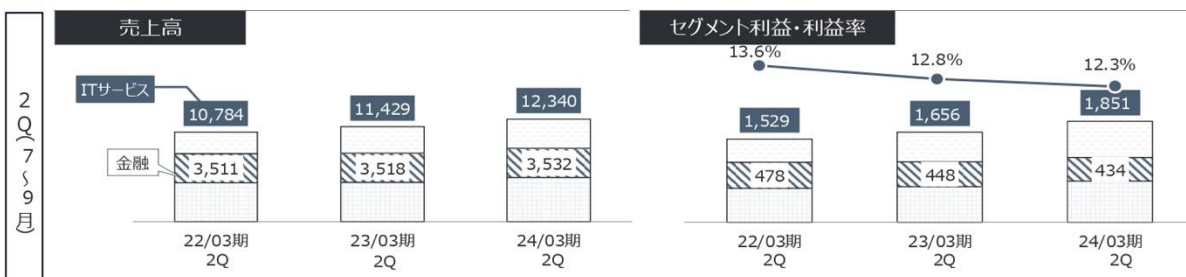
<セグメント別の売上高比率:2Q(7~9月)>



■ 売上高：70億27百万円（前年同期比 2% ↓）
 ・当社における「銀行」分野で受注が増加したものの、「保険」「その他」の両分野で大型案件収束により受注が減少。

■ セグメント利益／利益率：7億21百万円／10.3%（前年同期比 16.6% ↓）
 ・売上高の増加と同様の理由に加え、「銀行」分野で不採算案件が発生。

[単位：百万円未満切捨]



Next is the finance segment.

The finance segment has been the area in which CRESCO has excelled the most since our founding, and we do banking and insurance, life insurance being the most common, but banking and life insurance, as well as some securities and other services. These segments, as shown in the pie chart on the right, account for 25.7% of the total, or about a quarter of the revenue is generated by this enterprise segment.

Net sales were JPY7,027 million, down slightly by 2%.

The main reason here is that orders in the banking sector in our company are increasing. However, some large projects in insurance and other fields have been completed, so there has been a decrease in orders. Also, as I mentioned below, there were some unprofitable projects in the banking sector, which had a slight impact on other orders.

There were opportunities, but we had unprofitable projects that we recovered by allocating staff, so in H1, we were not able to go for them. This has been eliminated in H2, and we expect sales to grow steadily in H2.

Segment income ended H1 at JPY721 million, with a profit margin of 10.3%, down 16.6% YoY.

The figures here are lower due to the unprofitable projects in the banking sector that I mentioned earlier. I would like to state that the unprofitable projects in the banking sector have already been settled in H1, so there will be no impact on H2.

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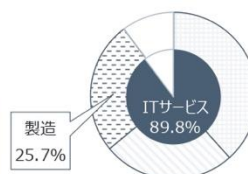


The sales and segment income are as indicated by the numbers below. Sales are growing, and so are profits. The profit margin has been reduced a little, as I mentioned earlier.

1 決算のポイント **1.6. セグメント別売上高・利益 [ITサービス事業：製造]**

セグメント	サブセグメント
ITサービス ・コンサルティング ・IT企画 ・開発・保守の総合サービス	製造 自動車、輸送機器、機械、エレクトロニクス、その他

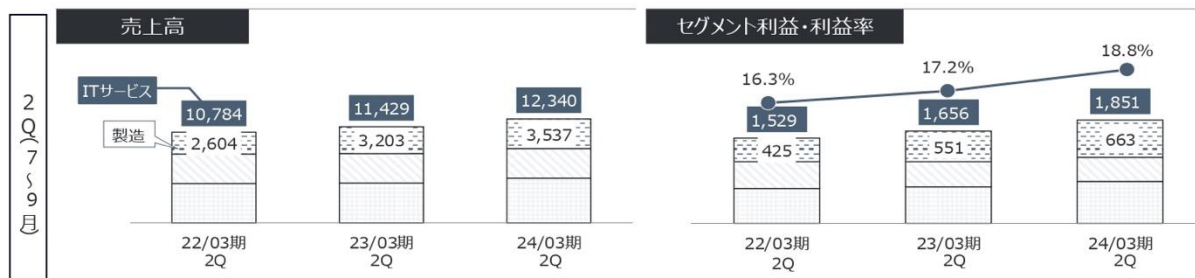
<セグメント別の売上高比率:2Q(7~9月)>



2Q累計

- **売上高：67億86百万円（前年同期比 9.1% ↑）**
・ 当社および一部の連結子会社の「機械・エレクトロニクス」分野での売上増。
- **セグメント利益／利益率：11億円／16.2%（前年同期比 11.1% ↑）**
・ 売上高の増加と同様の理由。

[単位：百万円未満切捨]



Continuing with the third segment, the manufacturing segment.

As you can see at the top, CRESCO's manufacturing segment includes the automotive segment, in which CRESCO is very strong, as well as transportation equipment and electronics, which includes machinery, electronics, and home appliances, as well as other segments. This is another segment that accounts for 25.7% of the total, as shown in the pie chart in the upper right-hand corner.

This one posted sales of JPY6.786 billion, up 9.1% YoY. Here, sales have grown for the Company and some of our consolidated subsidiaries in the fields of machinery and electronics.

In terms of segment profit and profit margin, this segment differed slightly from the previous two. I would say that everything went well, with no unprofitable projects at all, and we were able to achieve a good profit margin with a significant 11% increase YoY.

Although I mentioned the field of machinery and electronics, overall, we are being pulled by the investment of Japanese car manufacturers, and we have some very good new customers in machinery and electronics. New customer acquisitions have also been steady in this segment.

In the graph below, sales and profit margins have all grown upwards. We believe that this is a promising field in which we can make solid growth in the next fiscal year and beyond.

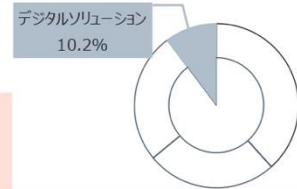
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1 決算のポイント 1.7. セグメント別売上高・利益 [デジタルソリューション事業]

セグメント	事業
デジタルソリューション	顧客のDX実現を支援する製品・サービスからなるソリューション群 <主な製品・サービス名> Creage : クラウド関連サービス UiPath : RPA関連サービス アノテーション : AI関連サービス 教育・セミナー : AI、クラウド、RPAなど

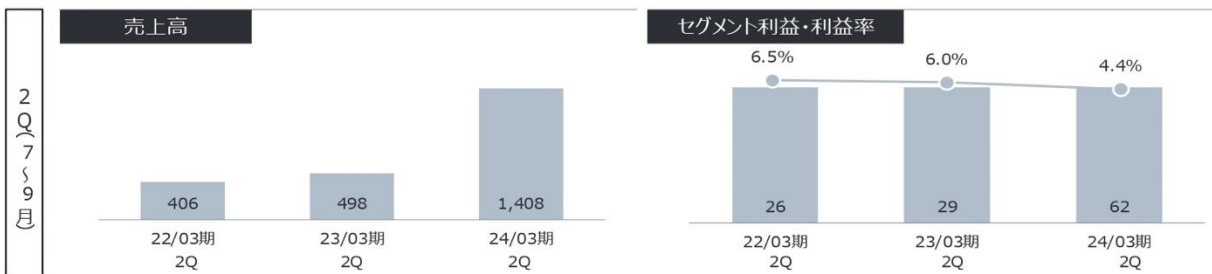
<セグメント別の売上高比率:2Q(7~9月)>



2Q累計

- **売上高 : 20億25百万円 (前年同期比 99.3% ↑)**
 - ・ 主クラウドサービスである「Creage」とRPAライセンスの販売が増加。
- **セグメント利益/利益率 : 90百万円 / 4.5% (前年同期比 118.2% ↑)**
 - ・ 上記の売上高の増加と同様の理由。

[単位 : 百万円未満切捨]



Next is the fourth segment. It is a bit of a change in style, but it is the digital solutions business, which is different from conventional IT services in that it is mainly a group of solutions consisting of products and services that support digital transformation.

As shown in the graph on the upper right, sales in this field have just exceeded 10% of CRESCO's total sales, which is still small compared to CRESCO's overall sales, but the growth rate is very high. This segment accounts for 10% of the total.

Sales totaled JPY2,025 million. This is up 99% YoY, almost doubling. The main reason for this is the increase in sales of our mainstay cloud service product, Creage, as well as RPA licenses.

Segment income and profit margin were JPY90 million, double that of the same period last year.

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[単位：百万円未満切捨]

- 2023年5月10日公表の2024年3月期連結業績予想に**変更なし**。
- 今後の状況や事業動向等を踏まえ、業績予想の修正が必要となった場合には、速やかに開示。

	23/03期					24/03期			
	22/5/10 予想	前年 同期比	実績	前年 同期比	達成率	23/5/10 予想	前年 同期比	2Q時点 進捗率	
通期	売上高	47,500	106.9%	48,368	108.8%	101.8%	52,500	108.5%	48.8%
	売上総利益			9,641 (19.9%)	110.8%				
	営業利益	4,750 (10.0%)	106.6%	4,998 (10.3%)	112.1%	105.2%	5,250 (10.0%)	105.0%	37.7%
	経常利益	5,150 (10.8%)	107.7%	5,135 (10.6%)	107.4%	99.7%	5,370 (10.2%)	104.6%	45.4%
	純利益	3,350 (7.1%)	103.5%	3,328 (6.9%)	102.8%	99.4%	3,582 (6.8%)	107.6%	46.5%
	EPS 円/株	158.99		158.10			174.02		

【注】 () 内の数字は各々の利益率を表します。「純利益」は「親会社に帰属する当期純利益」です。

Here is the forecast for the fiscal year ending March 31, 2024.

No changes have been made to the forecast of business performance. As explained in the table on the right, the targets are net sales of JPY52.5 billion and operating income of JPY5.25 billion. The situation here is that we have not reduced it at all.

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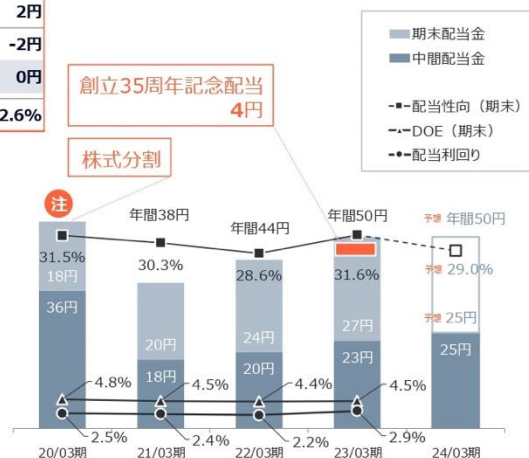
- 株主還元方針に則った配当を継続。
- 2023年5月10日公表の、2024年3月期の配当目標「50円」に変更なし。

	22/03期	23/03期	24/03期		
	実績	実績	実績	23/5/10 予想	増減
中間	20円	23円	25円	25円	2円
期末	24円	27円	-	25円	-2円
年間	44円	50円	25円	50円	0円
配当性向	28.6%	31.6%	-	29.0%	-2.6%
配当利回り	2.2%	2.9%	-	-	-
DOE	4.4%	4.5%	-	-	-
配当金の総額	925百万円	1053百万円	-	-	-

[配当金の総額：百万円未満切捨]

株主還元方針

- ▶ 当社は株主のみなさまに対する利益還元を経営の重要課題と位置づけ、株主資本の充実と長期的な安定収益力を維持するとともに、業績に裏付けられた適正な利益配分を維持することを基本方針としております。
- ▶ 特段の株主優待は行っていません。
- ▶ 配当に関しましては、原則、連結経常利益をもとに、特別損益を零とした場合に算出される親会社に帰属する当期純利益の30%相当を目的に継続的に実現することを目指してまいります。



注 2020年2月1日を効力発生日として、普通株式1株につき2株の割合で株式分割を行っております。

- ・ 20/3期中間は分割前の実際の配当金の額を記載しております。
- ・ 20/03期の合計は、株式分割の実施により単純計算ができないため記載しておりません。

The dividend forecast also remains unchanged. We are proceeding with JPY50 per year, JPY25 in H1, and JPY25 in H2.

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1 決算のポイント 1.1. 第2四半期までの主な取組み

■ 組織および体制関連

- 4月1日付で、更なる品質強化と業務効率化の促進を目的として、「品質管理本部」を「品質・プロセス統括本部」に改組。また、デジタルソリューション事業中心に事業拡大のため「営業統括部」を「ビジネスイネーブルメントサービス本部」の直下組織に。
- 5月10日の取締役会で、自己株式の取得（上限10億円または50万株）と自己株式の消却を決議。
- 9月29日、当社企業グループの財務情報と非財務情報（経営理念、事業内容、価値創造プロセス、サステナビリティ/ESGの取組みなど）を整理し、詳述した「統合報告書2023」を創刊。

■ 事業関連

- デジタルソリューションとしてのRPA強化
 - ・ UiPath社のRevenue Growth Partner of the Yearを受賞。
 - ・ ウィンゲアーク1st社と販売代理店契約を締結。同社の電子帳票プラットフォームinvoiceAgentとUiPath連携による経理業務ペーパーレス化・自動化ソリューションの提供を開始。
- デジタルソリューションとしてのAI分野強化
 - ・ Microsoft社の「Azure OpenAI Service」を利用した生成系AIチャットサービス「CrePT（クレプト）」を構築し、5月より社内向け運用開始。
 - ・ 当社AI専門家による「AIエスコート」サービス提供開始。
- その他
 - ・ 「セキュリティ脆弱性診断」のメニューにペネトレーションテストを追加したサービスを提供開始。
 - ・ 資本出資するインド法人「Cognavi India」がインド新卒学生向けジョブポータルサイトをオープン。
 - ・ ベトナムのレストラン&リテールテックスタートアップ企業CAPICHI社に出資。同社提供のQRモバイルオーダーシステム「Capichi OI」の日本国総代理店として、飲食店、小売店、宿泊施設のDX化への貢献を図る。
 - ・ 連結子会社「クレスコ・デジタルテクノロジーズ」が、サブスクリプション型WiFiサービスおよび製造業向け「統合BOM管理ソリューション」の提供を発表。

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- 3 -

Excuse me. I skipped the very first page here, partly because it was combined with what I just mentioned. I would like to explain a little about our efforts, as described here.

As for the organization and structure, on April 1, which was six months ago, we started to change our internal processes, not only for quality control but also for process management, with the goal of improving operational efficiency through the use of generative AI, which has recently become popular.

The other thing we are doing for business expansion is changing the sales management department to an organization directly under the business enablement services division, mainly in the digital solutions business.

Furthermore, in May, the Board of Directors approved a resolution to repurchase and retire treasury stock, which has already been executed during H1. This has already been completed with an upper limit of JPY1 billion and 500,000 shares.

Additionally, on September 29, CRESCO published its first integrated report, which combines financial and non-financial information of the corporate group. We hope you will take a look.

As for our businesses, we received the Revenue Growth Partner award from UiPath for strengthening RPA as a digital solution, which overlaps slightly with the previous point. This award was given for UiPath having the highest sales growth rate in Japan.

The other day, a person in charge came from the US, and we had a meaningful discussion about future UiPath business initiatives, and our engineers are also participating in UiPath events, such as in Las Vegas, and we are now stepping up our activities to develop new opportunities.

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We also signed a distributor agreement with WingArc1st and started providing paperless and automated solutions for accounting operations by linking the electronic ledger platform invoiceAgent with UiPath.

As for AI, we use Microsoft's Azure OpenAI Service. We have built CrePT with this generative AI chat service and have begun operating it for internal use.

In addition, we have several AI specialists and evangelists, and they have also launched a service called AI Escort, which has received many inquiries, and we believe that this service matches the needs of our customers.

In other areas, as explained in Q1, we have added a penetration test, a test in which a deliberate attack is made from the outside, to our menu of security vulnerability diagnostics, and we have started providing this service.

Next, Cognavi India, an Indian corporation in which we will make a capital investment from June to July, opened a job portal site for new Indian graduates and science students, which is already in use for Indian students.

Next, we have received an investment by Capichi, a Vietnamese restaurant and retail tech startup company. As the exclusive Japanese distributor of this company's QR mobile ordering system, Capichi OI, we are contributing to the digital transformation of restaurants, retail stores, and lodging facilities.

Recently, when we go to izakaya, Japanese-style pubs, ordering by QR or at the table has become quite mainstream, and this QR order system accommodating multiple languages has been selling very well in Vietnam. We reimported this, brought it to Japan, and we believe that this will help stimulate demand for tourism in Japan.

Lastly, CRESCO Digital Technologies has also announced a subscription Wi-Fi service and a service which is a solution for integrated BOM management and parts management for the manufacturing industry.

Excuse me. This went back a bit, but I have skipped a page, so I went back to explain the part just now.

The results and projections are as I explained earlier. Once again, our forecast is JPY52.5 billion, operating income JPY5.25 billion, and ordinary income JPY5.37 billion, and we have not changed this forecast. We are in a situation where the entire group is working on a solid budget to achieve these figures.

The dividend forecast is the same as before. No changes have been made. The target is JPY25, JPY25, and JPY50.

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ご参考  1) 連結子会社の変遷

	2020年3月期				2021年3月期				2022年3月期				2023年3月期				2024年3月期			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
クレスコ・イー・ソリューション	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
クレスコワイヤレス	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
アイオス 【※1】【※5】【※7】【※9】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
クレスコ北陸	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
シーズリー	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
クレスコ・デジタルテクノロジーズ 【※12】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
メクゼス 【※3】【※4】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
エヌシステム 【※13】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
ネクサス 【※2】【※13】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
アルス 【※6】【※13】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
クレスコ・ジェイキューブ 【※13】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
クレスコベトナム 【※8】	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
エニシアス 【※10】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
OEC 【※11】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
日本ソフトウェアデザイン 【※14】	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
子会社総数	10	11	11	11	12	12	12	12	12	13	13	13	13	11	11	12	12			

【※1】 2017年10月2日付で「アイオス」は「(株)アプリケーションズ」を子会社化 (当社の孫会社)
 【※2】 2018年1月12日付で「(株)ネクサス」を子会社化
 【※3】 2018年3月12日付で「メディア・マシク」は「メクゼス」に商号変更
 【※4】 2018年4月1日付で「メクゼス」は「アイオス 関西営業所」を統合
 【※5】 2018年4月1日付で「アイオス」は「アプリケーションズ」を統合
 【※6】 2018年10月1日付で「アルス(株)」を子会社化
 【※7】 2018年11月1日付で「アイオス」は「イーテック(株)」を子会社化 (当社の孫会社)

【※8】 2019年9月17日付で「CRESCO VIETNAM CO., LTD.(クレスコベトナム)」を設立 (営業開始は2019年10月1日から)
 【※9】 2019年10月1日付で「アイオス」は「イーテック」を統合
 【※10】 2020年4月1日付で「(株)エニシアス」を子会社化
 【※11】 2021年7月1日付で「(株)OEC」を子会社化
 【※12】 2022年5月1日付で「クリエイティブジャパン」は「クレスコ・デジタルテクノロジーズ」に社名変更
 【※13】 2022年7月1日付で「アルス」は「エヌシステム」「ネクサス」を統合
 【※14】 2023年2月1日付で「日本ソフトウェアデザイン(株)」を子会社化

Finally, a brief description of the reference material.

The first point is the changes in consolidated subsidiaries.

As for consolidated subsidiaries, in February 2023, one subsidiary, Japan Software Design, at the bottom, which is based in Osaka, joined the Group and has relationships with great customers in Osaka and Nagoya. About one company joins the group each year. We are in a situation where we will continue to pursue this M&A activity in parallel.

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ご参考  2) 経営ビジョンと中期経営計画の詳細URL



【注】コーポレートロゴ変更に伴い、イメージ画像を変更しました。内容に変更はありません。



「経営ビジョン」の詳細
<https://www.cresco.co.jp/ja/corpinfo/vision.html>



「中期経営計画2023」の詳細
<https://www.cresco.co.jp/ja/ir/operation/plan.html>



Next, regarding the mid-term management plan, this is the current mid-term management plan, and the blue sheet on the lower right shows FY2021 through FY2023, but we are currently in the process of reworking the mid-term management plan for FY2024 and beyond. We have formed a team to formulate the mid-term management plan and are having various discussions on a daily basis and are now moving forward with a plan to announce it next year.

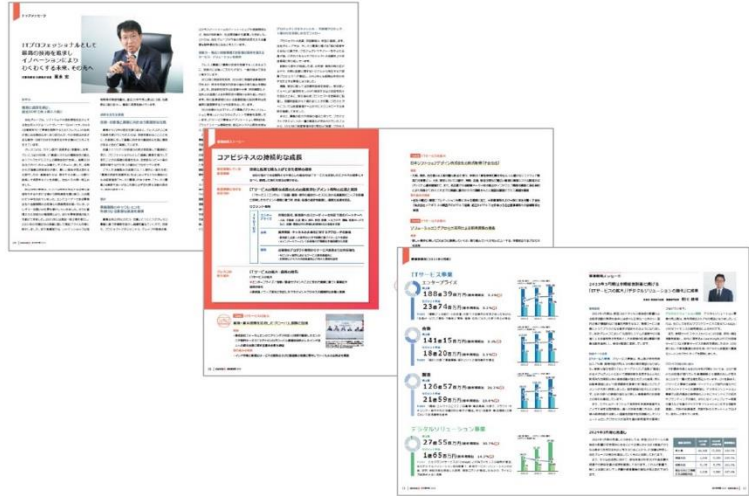
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ご参考  3) 統合報告書の創刊

財務情報と非財務情報（経営理念、事業内容、価値創造プロセス、サステナビリティ/ESGの取り組みなど）を整理し、詳述した「統合報告書」を創刊しました。



「統合報告書」は、当社Webサイトよりご覧いただけます。
https://www.cresco.co.jp/ja/ir/library/annual_report.html



Lastly, this overlaps with the previous point, but we have issued an integrated report, which is available on our website. We hope you will take a look.

That was a bit messy, but that is all I have to say. Thank you for your attention.

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Question & Answer

Moderator [M]: We will now move on to the question-and-answer session. Please send us your question by text from the “Ask a question” box on the screen. We will read your questions on your behalf and the attendees will respond to them. Now, please ask your questions.

Now, the first question.

Participant [Q]: Gross profit has increased over time. What is the reason?

Tominaga [A]: I would say that gross profit is improving a little, or increasing, and the question is what is causing this, but as you can see on this page, for the past several years, we have raised salaries. In this day and age, employee satisfaction will not increase unless salaries are raised, so we are raising salaries well.

In response to this, we have been focusing our sales team’s efforts for the past two years on appealing CRESCO’s value to customers once more since the world is still experiencing inflation. The effects of these efforts have been quite evident, and most of our clients are willing to work together with CRESCO to improve profitability. Most of our customers have also increased the unit price considerably. Therefore, we are in a situation where we are getting the results, improving profitability and increasing gross margins. That is all.

Moderator [M]: Thank you very much. I would like to continue with the next question.

Participant [Q]: Looking at other companies in the industry, I get the impression that competition for projects is tough for IT services. What is CRESCO’s unique advantage over others? Are cybersecurity-related services a business opportunity?

Tominaga [A]: Concerning CRESCO’s superiority over its competitors, as I explained earlier, CRESCO is engaged in a wide range of businesses, from financial services to embedded systems and digital solutions. We do a very wide range of technical work.

In the past, when I was in the field more than 10 years ago, each business division was mainly responsible for generating its own revenue. However, recently, we have seen a convergence of technologies among various customers, for example, financial customers are now requiring IoT and embedded solutions, and conversely, car customers are increasingly integrating information systems with a focus on connected cars, and I believe that technologies are being integrated more and more in the market. This is also one of CRESCO’s great strengths, and one of our strengths is that our technology can be horizontally deployed in various divisions.

CRESCO employees are also very eager to learn about these new technologies and are actively involved in various ventures. We are also very active with internal study groups and various communities and technical communities that employees raise their hands to start. We have a long-standing culture of new employees joining such places and mutually improving each other’s skills, and we believe that we can take advantage of this culture to expand into new technical areas for new customers and customers of existing businesses. That is all.

Moderator [M]: Thank you very much. I would like to continue with the next question. We have received several similar questions about unprofitable projects.

Participant [Q]: What is the magnitude of the impact of the three closed unprofitable projects on the operating profit of H1? Also, what is the negative impact of the one unprofitable project still remaining, the negative impact in H1, and the assumed negative impact in Q3 and beyond?

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When do you envision the end of this project? Also, in response to the impact of this unprofitability, I believe you had to intentionally narrow down the number of orders, but are you now taking orders more actively? Please also tell us if the profit margins on the projects for which you have received orders have remained stable or increased.

Tominaga [A]: This is about the unprofitable projects. As explained earlier, three of the four have been completed. The figures are shown in the separately released financial report, but the numerical figure is JPY330 million as a provision for losses on orders received. Without this, I have a feeling that the numbers on the operating income section on this page would have firmly been above the previous year's level. Conversely, everything else has been done properly.

As for the remaining project, it is now moving forward carefully, with the end scheduled for around March. That is the situation with the remaining project in the enterprise segment that I reported earlier.

Orders had to be reduced deliberately. Yes, that is the result. As I explained earlier, unprofitable projects inevitably require the investment of human resources to recover. There is the consequence of putting someone up for the job, an ace-level person, and not being able to propose new projects even if we would like them to do something else.

In that sense, the fact that we had to reduce orders, especially in the finance segment as I explained earlier, is definitely reflected in the figures, as sales were minus 2%.

As to whether orders are normalizing, they are. As you can see from the graph, H2 is looking promising, and as for the next fiscal year, I have just mentioned that other businesses and vehicle-related businesses are also picking up steam, and I still feel that orders in this industry are strong overall. That is all.

Moderator [M]: Thank you very much. I would like to continue with the next question.

Participant [Q]: I have the impression that digital solutions is not growing as fast as you would like it to. What are your specific growth drivers for the future, and what is your timeline for growth?

Tominaga [A]: I think your question is about the situation where the area of digital solutions may not be growing as much as we expect. In the area of digital solutions, we are now increasing our cloud service called Creage, which you can see here, and also our UiPath service, which is RPA. However, we are also developing products internally to create the third and fourth pillars.

As I announced a little while ago, we have also launched a service for the hotel industry called Roomagic as part of our AI-related services. By creating these new commercial products, we will be able to expand in the next fiscal year and beyond. As mentioned earlier, CRESCO is a diamond partner of UiPath and is recognized as a top company in Japan for RPA licenses. We are working with UiPath to sell not only RPA but also other solutions and products to our existing customers, and I believe that we will see considerable growth in this area as well.

In terms of the time frame, we are planning to increase the number of jobs in this field by 1.5 times or 2 times next year. However, licenses can be seasonal. For example, some customers want to purchase licenses in a lump sum for three years. Therefore, there may be a slight increase in H2 or a slight decrease in H1 depending on the period, but we will continue our activities to win orders while controlling the situation through discussions with customers.

Of course, our sales team has also been strengthened considerably, and I feel that we have also become a team that can make proposals to improve the business efficiency of our customers. That is all.

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Moderator [M]: Thank you very much. I would like to continue with the next question. We have received several questions regarding the hiring of employees.

Participant [Q]: Regarding recruitment, could you give us an update on the recent situation, including the target number of new graduates to join the Company next year, the number of people who have accepted job offers, and the status of mid-career recruitment.

Tominaga [A]: Regarding recruitment, first of all, in April 2023, we were able to hire more than 100 new graduates for CRESCO by itself, and more than 200 for the entire group. We are almost done with recruiting activities for 2024, but we are likely to end up with approximately the same number. CRESCO is also likely to reach its target of around 100 new employees although we may not be able to exceed 100.

Some of our recruiting activities include teams from CRESCO's technical research institute and teams of evangelists doing quite a bit of school visits and other activities to raise branding for new graduates. In terms of the percentage of women, CRESCO currently has 40% to 50% women in its workforce. This is a figure that is hard to find among other companies in the same industry.

We have systems in place for women, such as a system for shorter hours and a system for childcare leave, which are much more extensive than those of other IT companies. We are hiring in a manner that promotes women's participation, and I think we are doing a pretty good job of hiring women.

On the other hand, mid-career hiring continues to be a struggle. However, we have made some improvements over the past year, and we are working toward our goal of hiring a solid 30 to 40 engineers per year, and we estimate that the final achievement rate will be 70% to 80% of the target. As for mid-career recruitment, I feel that it will be difficult to attract them to our existing IT services-only fields unless we increase mid-career hires for our digital solutions business, which is shown on this page. That is all.

Moderator [M]: Thank you very much. I would like to continue with the next question. We have received several questions regarding the full-year plans.

Participant [Q]: You have left your full-year plan unchanged, but what areas will make up for the delay in Q1 due to the unprofitable projects? The profit hurdle seems high, but what makes it achievable?

Tominaga [A]: Regarding the profit hurdle, as you can see on this page, operating income is now below 40%, but we have not changed our full-year forecast. The main reason for this is that in H2, the unprofitable projects that I mentioned earlier will be settled. Another thing, which was mentioned a little earlier, will be the new hires, who will work starting this October.

In H1, almost all of the 200 group employees were in a training period, and this was costing us. However, we foresee all of these employees going to our customers for each project, and we will be compensated, thus eliminating the cost. Since all of our customers are short on human resources, they are cooperating with us to nurture our new employees. Working with them to train our new employees, we expect to see a significant improvement in H2.

In terms of the industry, of course, the car industry will also be booming, but in the banking sector, as mentioned earlier, orders were a little restrained in H1, and in terms of customer timing, we are expecting several large projects to be launched in H2 and beyond. Orders are also quite strong in the banking sector.

In other areas, we are engaged in travel and passenger services, and we expect to receive orders from airlines for passenger services since their flights are returning to normal, and we are also seeing growth in transportation services since our clients are wanting to make various investments. Our customers in the enterprise sector also generally seem to be in good spirits. That is all.

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Moderator [M]: Thank you very much. I would like to continue with the next question.

Participant [Q]: In your explanation of the manufacturing business, you mentioned that investments in the car industry are leading to work in the machinery and electronics businesses. Please provide any specific examples.

Tominaga [A]: I feel that the car business is very healthy. The other day, there was the Japan Mobility Show, which I also attended. I have the impression that many companies are communicating with each other from a business perspective, in business conversations. In this context, CRESCO is also involved in activities to provide various technologies while teaming up with a few customers.

CRESCO's specialty is car information systems. When I say car information systems, we are very good at developing displays and navigation systems for cars. The other is in the area of security and safety, safe driving. We have been providing consulting services for several clients in Nagoya, and this is an area where we have received great recognition from our clients in terms of our technology.

I'm sure you can imagine some of the customers in these areas, Japanese car customers in the Nagoya area, and since they have been completely outpaced by their European counterparts in the electric vehicle market, we hear and feel that the shift to electric vehicles is a very urgent issue for Japanese car manufacturers. In the development for electric vehicles, we are very good at information display systems, which is one of our original strengths, and, as I mentioned earlier, we are also very good at cloud integration for connected cars, and our strengths are well recognized in this area, I have the impression that we are receiving an increasing number of inquiries. That is all.

Moderator [M]: Thank you very much. We will continue to take your questions, so if you have any questions, please send us your questions by text. I would like to continue with the next question.

Participant [Q]: How many people leave the company each year? Also, do you see an increasing trend of talented people moving to other companies?

Tominaga [A]: I would like to explain the trend of job leavers. In terms of attrition rates, we are averaging about 4% to 5% per year, or just under 5%. In total, out of the 5%, some are retirees, so about 1% are retirees, about 2% are changing jobs in the same industry, and the rest are leaving the IT industry.

Therefore, I see that our turnover rate is usually very low compared with other SI companies. There are cases where people move to other companies in the same industry and some where people move to cooperative industries, but we actually haven't seen much of that in the past year. If anything, my impression, though it is just a firsthand impression, is that due to the COVID-19 work style reforms over the past few years, the number of people who say they want to work more freely and quit their jobs is about 2% of those mentioned earlier, and people who quit their jobs to become freelancers in the same industry are increasing. That is all.

Moderator [M]: Thank you very much. I would like to continue with the next question.

Participant [Q]: I believe maintenance and operation can be a stock business if there is a certain percentage. What percentage of your sales is accounted for by maintenance and operation?

Tominaga [A]: Regarding the ratio of maintenance and operation, it is difficult to define maintenance and operation, but I think that most of our customers have a cycle of investment in their systems where, after installing a new system, they have to replace it with a new one after a few years, say six to seven years, and so on. I believe that most of our customers have been continuously running this cycle.

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The timing of the changeover is a factor in whether or not we get the next project, or whether or not we are able to maintain and operate a certain system for six to seven years. There are various perspectives, but the most stock-type repeat orders come from the financial sector and the manufacturing industry, and as I mentioned earlier, there are fields in which we excel, such as onboard systems. In these fields, I would say that about 70% to 80% of our orders are repeat customers.

As for enterprise, we have seen a considerable turnover of new customers, and we estimate that the percentage of stock repeat business for enterprise is between 50% and 60%. Overall, it appears that 60% to 70% of our projects are stock-type projects. That is all.

Moderator [M]: Thank you very much. We will continue to take your questions, so if you have any questions, please send us your questions by text. I would like to continue with the next question.

Participant [Q]: You explained about the next mid-term management plan. What are the main features or soul of the next mid-term management plan?

Tominaga [A]: As for the main features of the next mid-term management plan, as was briefly discussed earlier, our policy that we must further strengthen digital solutions has not changed from the current mid-term management plan and is also a continuation of the current mid-term management plan.

I believe that there are SI companies, including competitors in the same industry, that have been doing this for more than 30 years and are good at development like CRESCO, but the needs of customers are changing rapidly, so SI companies must also change rapidly.

We live in an era that is quite different from the past, when it was possible to make a living only through development skills. Customers are now requiring a business model where we provide good products quickly by combining good external solutions. Therefore, in the area of solutions, of course, we need to consider sales methods and the training of engineers, but I feel that the major challenge is to increase the range of products we offer and to develop a lineup of products that can meet the needs of our customers. We consider this to be one of the core elements of the next mid-term management plan. That is all.

Moderator [M]: Thank you very much. We will continue to take your questions, so if you have any questions, please send us your questions by text. I would like to continue with the next question.

Participant [Q]: Do you think you will be able to continue getting good M&A deals in the future?

Tominaga [A]: Regarding M&A, as I explained earlier in the last appendix page, we would like to see at least one company per year join our group, and we have a team working on this as an organization.

We are continuously exchanging information with various partners, and I feel that we have received a large number of inquiries. We are hoping that one or two companies a year will make it to the final stage, so I believe that there are quite a few opportunities. In addition, we believe that the basic premise of an acquisition is that it should be a company that can increase synergies within the CRESCO Group, and we have a number of such companies on our shortlist. That is all.

Moderator [M]: Thank you very much. We still have a little time left, so if you have any questions, please send us your questions via text. Thank you for your question. I would like to continue with the next question.

Participant [Q]: What is the appeal of CRESCO from the perspective of a company being bought in an M&A transaction?

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Tominaga [A]: Regarding the benefits for the company being acquired in an M&A transaction, we do not exercise strict control but rather take the stance of encouraging the growth of each company, and the management team is the first to request a partnership.

Therefore, if the management of the company that is acquired still has the desire to continue to grow the company, we will work together with them to find ways to grow the company. If the management team retires or if the management team wants to completely retire due to age, then we will discuss, in great detail, from the perspective of the management of the company being acquired, about how we can create synergies in the future, before finally reaching an agreement.

Some of the groups that have joined us have been able to grow well under such circumstances. Of course, we also have a sales promotion meeting for the entire CRESCO Group, which is actually held behind the scenes today, where we share sales information. If there is a technical area that is lacking for a certain customer, the entire group will fill in the gaps and work together to approach the customer.

We tell each member of the management team that this will make one plus one equal more than two, and in this sense, I believe that each management team is able to grow their own company by making good use of the parent company's brand power and other various factors in their strategies to grow their company and is able to expand their business quite easily. I personally feel these are the advantages. That is all.

Moderator [M]: Thank you very much. Thank you for your question. The next question will be the last.

Participant [Q]: Regarding the digital solutions business, when will your own products be available?

Tominaga [A]: As for our own products in the field of digital solutions, it is difficult to say when we will release them, but we are planning to release at least one every year.

As I mentioned earlier, we have just launched RooMagic, and we are now discussing a kind of in-house intrapreneur system, in which we are making proposals for a variety of products. We believe that it will take about three to six months from the start of a project to reach the final stage of discussions. That is all.

Moderator [M]: Thank you very much. That concludes the question-and-answer session. Lastly, Tominaga, the President, would like to offer a few words. President Tominaga, please go ahead.

Tominaga [M]: Thank you very much for your many questions during the hour today. The CRESCO Group is making solid progress toward Ambition 2030 and JPY100 billion. The next mid-term management plan is also currently being formulated for 2026 as an intermediate point. We will continue to train our employees and manage with the goal of solid growth. We hope you continue to support us.

Thank you very much for your time today.

Moderator [M]: That concludes today's financial results briefing. A questionnaire screen will appear after this, and we would appreciate your cooperation in answering this questionnaire.

[END]

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