



Summary of Quarterly Financial Results Briefing

for the Three Months Ended June 30, 2023

Aug 8, 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 began reporting directly to the Business Enablement Service-Unit effective April 1.
- 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 to enhance shareholder returns and improve capital efficiency.

■ Business

- Strengthened RPA as digital solution
 - Awarded UiPath's Revenue Growth Partner of the Year prize.
- 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.
 - Cognavia India, an Indian corporation in which we have made a capital investment, opened a job portal site for newly graduated Indian students.
 - Consolidated subsidiary CRESCO Digital Technologies, Ltd. announced a subscription WiFi service and an integrated BOM management solution for manufacturing industry.

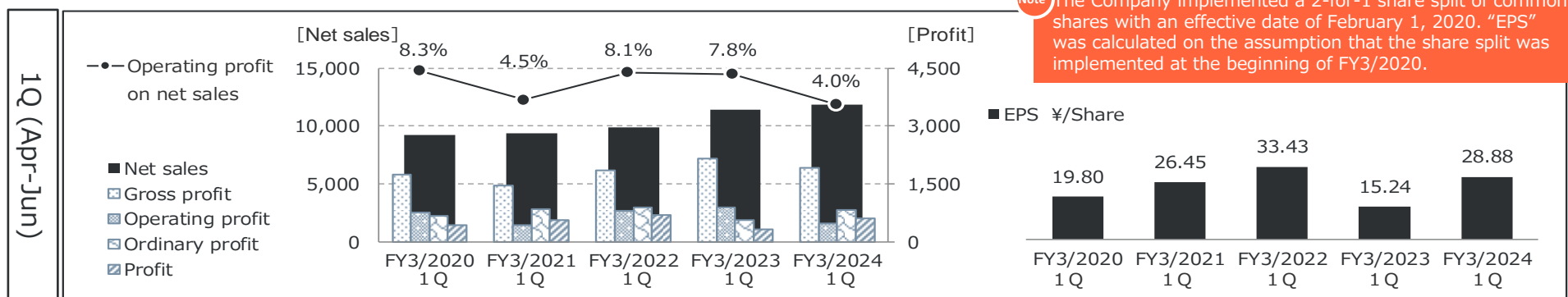


1.2. Income statement [highlights]

(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.
Net sales increased by 4.4% mainly from major customers although the extent of increase still varied by industry category.
- Operating profit significantly decreased by 47.3% 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 47.4% due to the recording of 282 million yen in gain on valuation of derivatives held (in non-operating income).

Cumulative		FY3/2022	FY3/2023	FY3/2024	YoY	Half-year progress	Half-year Forecast	
							<Announced on May 10, 2023>	YoY
	Net sales	9,870	11,381	11,881	104.4%	47.7%	24,900	106.8%
	Gross profit	1,849 (18.7%)	2,148 (18.9%)	1,926 (16.2%)	89.6%			
	Operating profit	799 (8.1%)	891 (7.8%)	470 (4.0%)	52.7%	22.6%	2,080 (8.4%)	92.6%
	Ordinary profit	883 (9.0%)	563 (4.9%)	830 (7.0%)	147.4%	38.3%	2,170 (8.7%)	102.5%
	Profit	702 (7.1%)	320 (2.8%)	606 (5.1%)	189.0%	42.7%	1,418 (5.7%)	96.6%
	EPS ¥/Share	33.43	15.24	28.88			68.29	

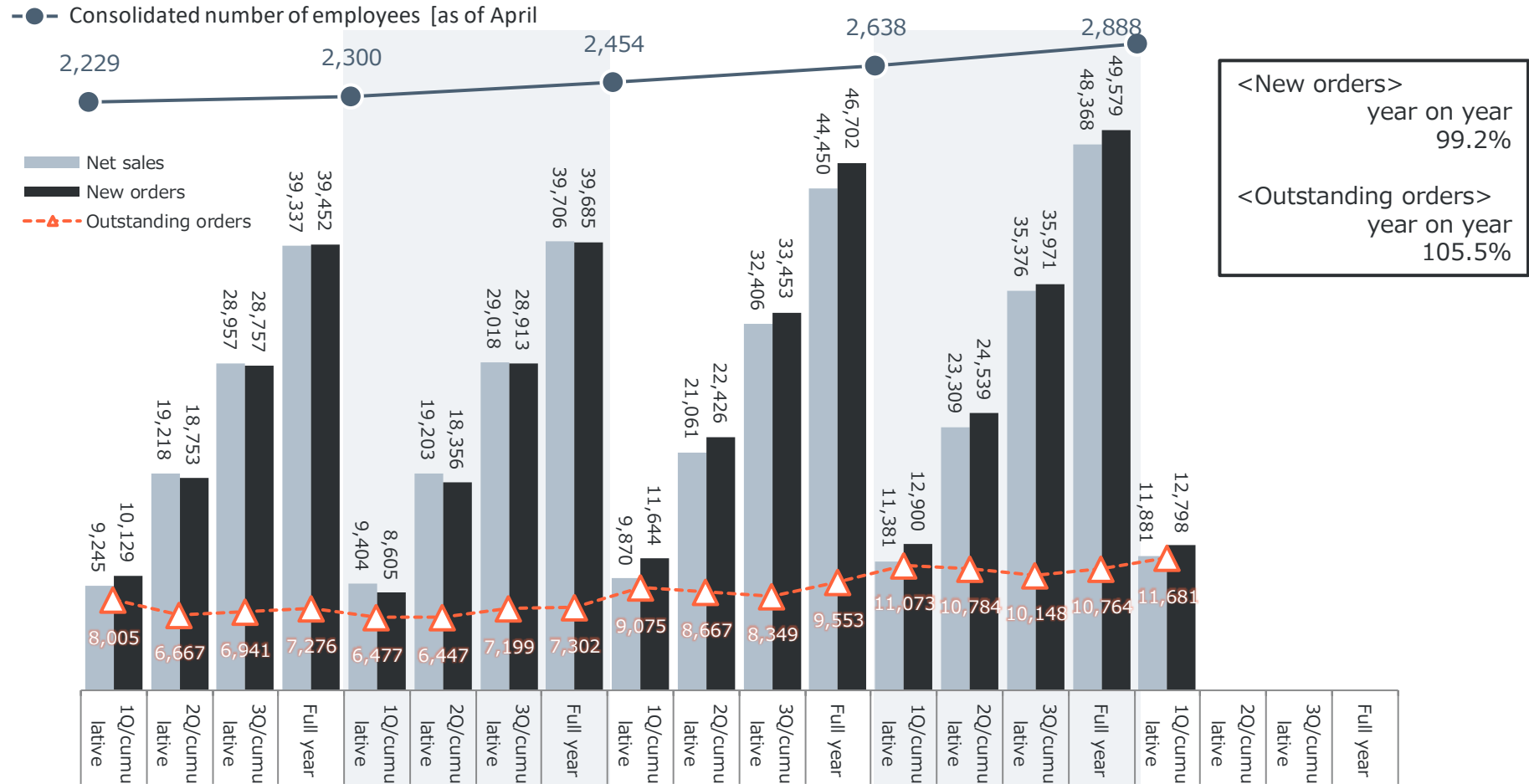




1.3. New orders and outstanding orders

(Unit: Amounts less than 1 million yen omitted)

- New orders and order backlog were more or less flat year on year.
- Due partly to the normalization of economic activities, corporations have been moving briskly to promote DX.



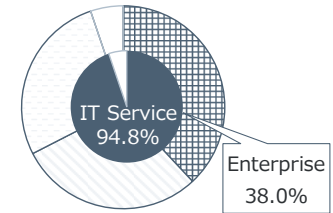


1.4. Results by segment: IT services business [Enterprise]

(Unit: Amounts less than 1 million yen omitted)

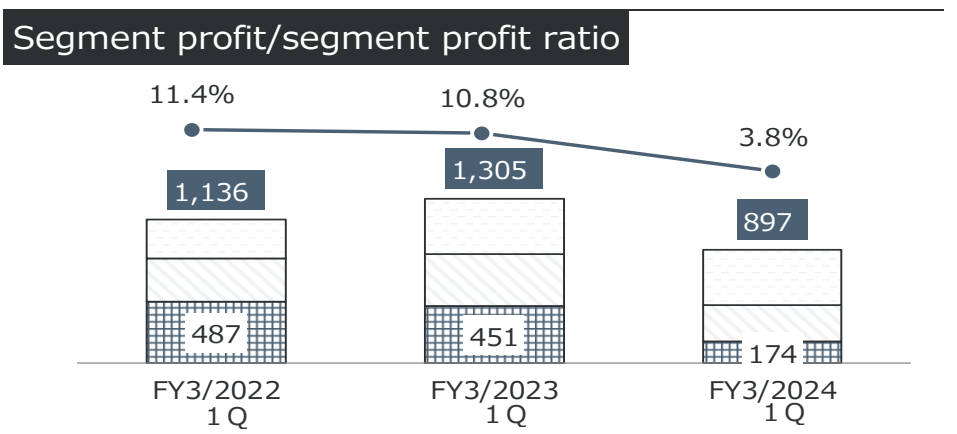
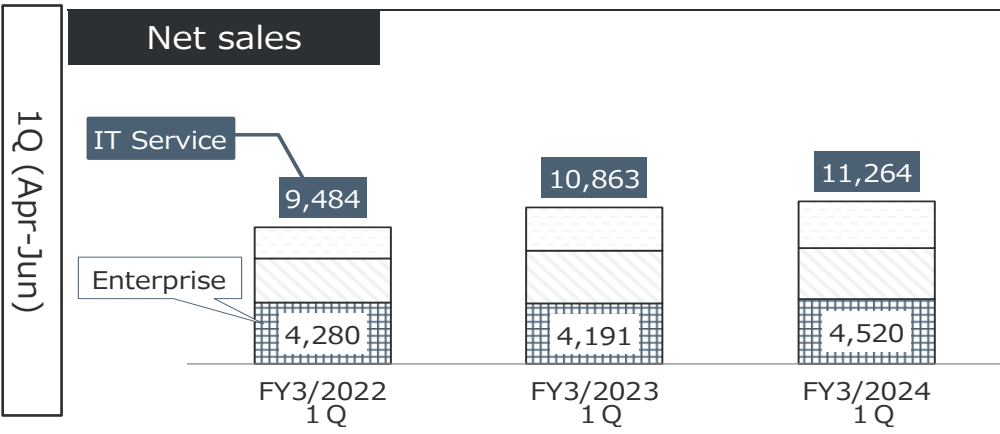
Segment		Subsegment	
IT Service	• Consulting	Enterprise	Information and communication, advertising, distribution services, transport, placement and dispatching, public services, resources and energy, construction and real estate, travel and hotels, medical and healthcare, etc.
	• IT planning		
	• Total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

<Share of net sales by segment: 1Q (Apr~Jun)>



Cumulative

- **Net sales : 4,520 million yen (YoY 7.9%↑)**
 Sales at certain consolidated subsidiaries significantly increased in the information/communications/advertising area.
- **Segment profit : 174 million yen / 3.8% (YoY 61.4% ↓)**
 This was due to unprofitable projects in the area of personnel placement/recruiting and logistics services.



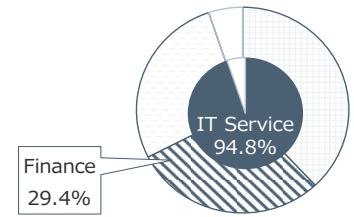


1.5. Results by segment: IT services business [Finance]

(Unit: Amounts less than 1 million yen omitted)

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

<Share of net sales by segment: 1Q (Apr~Jun)>



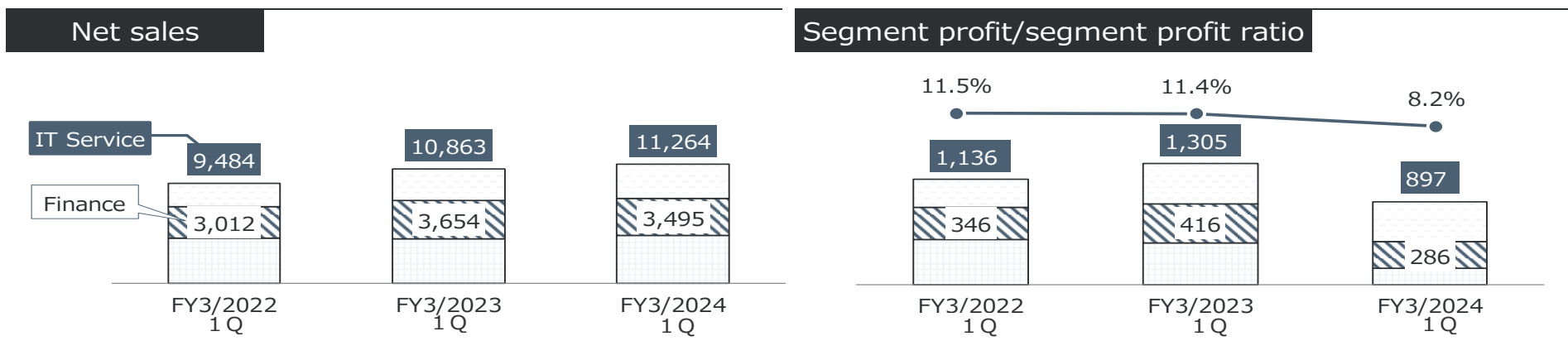
Cumulative

- **Net sales : 3,495 million yen (YoY 4.3%↓)**

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 : 286 million yen / 8.2% (YoY 31.2% ↓)**

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

1Q (Apr-Jun)

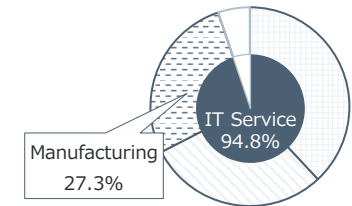




(Unit: Amounts less than 1 million yen omitted)

Segment	Subsegment	
IT Service	Manufacturing	Automotive, transport equipment, machinery, electronics, etc.
<ul style="list-style-type: none"> Consulting IT planning Total service of development and maintenance 		

<Share of net sales by segment: 1Q (Apr~Jun)>



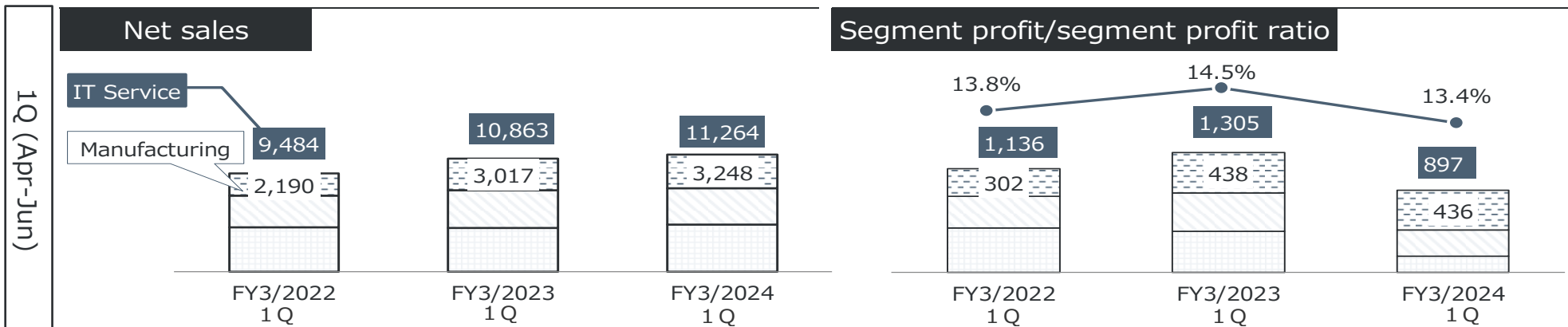
■ Net sales : 3,248 million yen (YoY 7.7% ↑)

There was an increase in sales in the area of machinery and electronics due mainly to the effect of consolidating of Japan Software Design CO., LTD.

■ Segment profit : 436 million yen / 13.4% (YoY 0.4% ↓)

The effects of the sales increase noted above were offset by increases in personnel and educational expenses, and then amortization of goodwill.

Cumulative

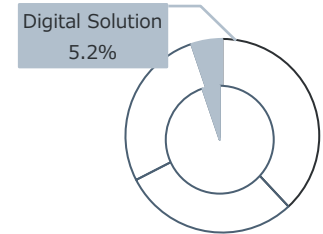




(Unit: Amounts less than 1 million yen omitted)

Segment	Business
Digital Solution	<p>Solution groups consisting of products and services supporting customers in realizing digital transformation (DX)</p> <p><Main products and services> 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: 1Q (Apr~Jun)>



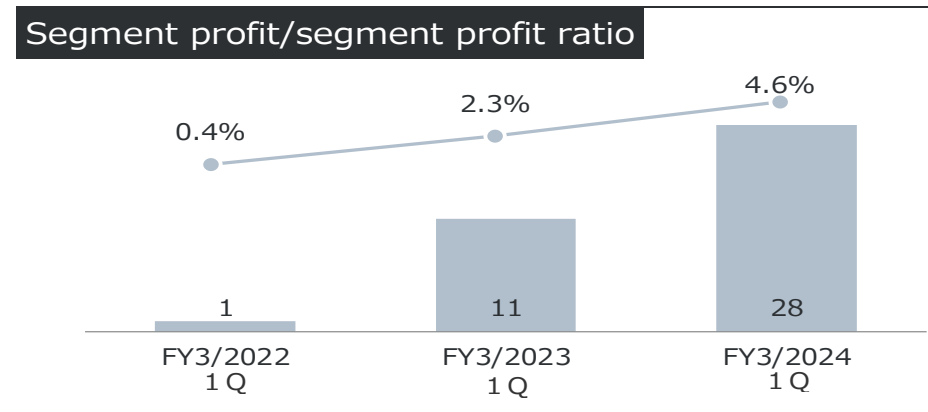
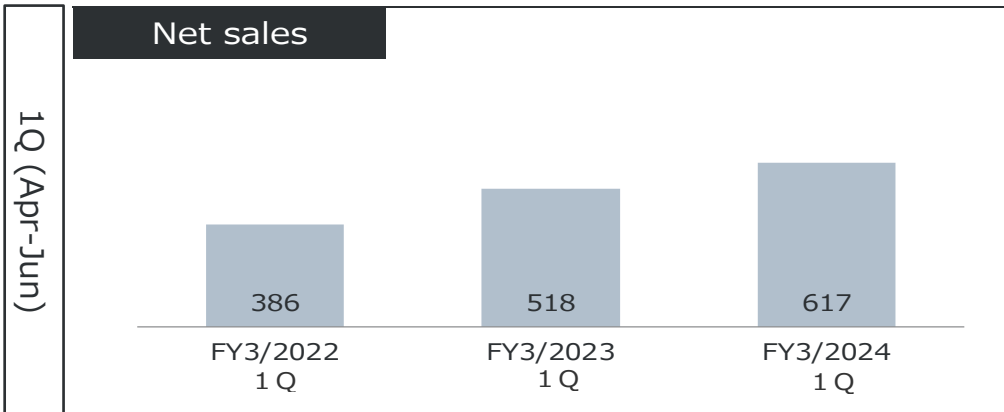
Cumulative

■ **Net sales : 617 million yen (YoY 19.1% ↑)**

Sales of Creage, our main cloud service, and RPA licenses increased.

■ **Segment profit : 28 million yen / 4.6% (YoY 141.1% ↑)**

For the same reasons as for the increase in net sales.



1Q (Apr-Jun)



Future outlook

2.1. Consolidated Forecast of financial results

(Unit: Amounts less than 1 million yen omitted)

- No change in the 1H and full-year 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.

2Q/cumulative	FY3/2023						FY3/2024	
	Forecast	YoY	Actual	YoY	Achievement rate	Forecast	YoY	
	<Announced on May 10, 2022>					<Announced on May 10, 2023>		
Net sales	22,840	108.4%	23,309	110.7%	102.1%	24,900	106.8%	
Gross profit			4,531 (19.4%)	111.3%				
Operating profit	2,090 (9.2%)	103.6%	2,245 (9.6%)	111.3%	107.4%	2,080 (8.4%)	92.6%	
Ordinary profit	2,340 (10.2%)	105.2%	2,116 (9.1%)	95.2%	90.4%	2,170 (8.7%)	102.5%	
Profit	1,420 (6.2%)	88.4%	1,467 (6.3%)	91.4%	103.4%	1,418 (5.7%)	96.6%	
EPS ¥/Share	67.49		69.76			68.29		

Full year	FY3/2023						FY3/2024	
	Forecast	YoY	Actual	YoY	Achievement rate	Forecast	YoY	
	<Announced on May 10, 2022>					<Announced on May 10, 2023>		
Net sales	47,500	106.9%	48,368	108.8%	101.8%	52,500	108.5%	
Gross profit			9,641 (19.9%)	110.8%				
Operating profit	4,750 (10.0%)	106.6%	4,998 (10.3%)	112.1%	105.2%	5,250 (10.0%)	105.0%	
Ordinary profit	5,150 (10.8%)	107.7%	5,135 (10.6%)	107.4%	99.7%	5,370 (10.2%)	104.6%	
Profit	3,350 (7.1%)	103.5%	3,328 (6.9%)	102.8%	99.4%	3,582 (6.8%)	107.6%	
EPS ¥/Share	158.99		158.10			172.50		

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



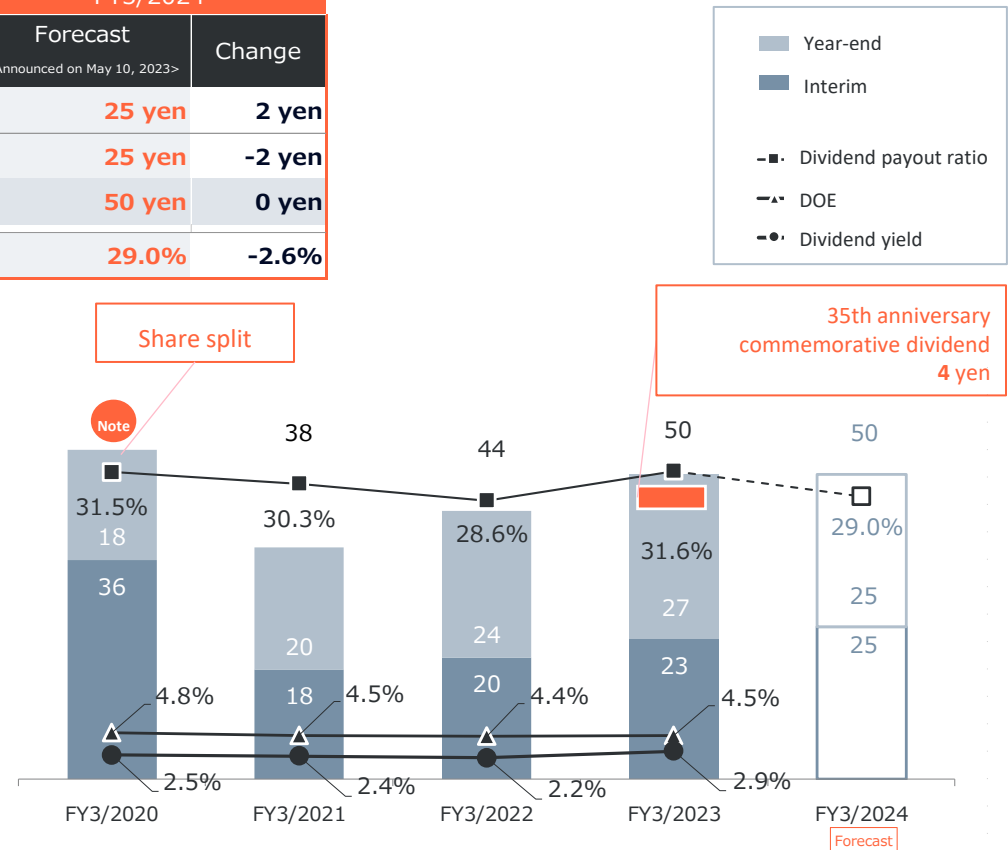
2.2. Consolidated Forecast of cash dividends

- 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.

	FY3/2021	FY3/2022	FY3/2023	FY3/2024	
	Actual	Actual	Actual	Forecast <Announced on May 10, 2023>	Change
Interim	18 yen	20 yen	23 yen	25 yen	2 yen
Year-end	20 yen	24 yen	27 yen	25 yen	-2 yen
Full year	38 yen	44 yen	50 yen	50 yen	0 yen
Dividend payout ratio	30.3%	28.6%	31.6%	29.0%	-2.6%
Dividend yield	2.4%	2.2%	2.9%		
DOE	4.5%	4.4%	4.5%		
Total dividend payments	798 Millions of yen	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 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]	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	●	●			
Total number of subsidiaries	10	11	11	11	12	12	12	12	12	13	13	13	13	11	11	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.

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[IR inquiries]

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