



CRESCO LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2022

November 12, 2021

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 2022
[Fiscal Period]	FY2021 Q2
[Date]	November 12, 2021
[Number of Pages]	25
[Time]	15:00 – 15:53 (Total: 53 minutes, Presentation: 38 minutes, Q&A: 15 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	1 Hiroyuki Nemoto Representative Director, President, and Executive Officer

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



Presentation

Moderator: Ladies and gentlemen, thank you for your patience. CRESCO LTD. will hold a financial results briefing for the second quarter of the fiscal year ending March 31, 2022. Thank you very much for taking time out of your busy schedule to watch today's program.

I would now like to introduce today's speaker. Hiroyuki Nemoto, the president.

President Nemoto, thank you very much.

Nemoto: I'm Nemoto of CRESCO LTD. Thank you very much for joining for today's financial results briefing for the second quarter. I would like to speak for 30 to 40 minutes, followed by a question and answer period.

①

連結決算のポイント

1.1. 売上高・利益

[単位：百万円未満切捨]

- 新型コロナウイルス禍にあるものの、顧客のIT投資は、デジタル変革を背景に順調に増加。
- 主要顧客を中心に、受注は改善。コロナによるダメージが大きかった業種（旅行や空輸）も徐々に回復傾向に。
- 売上高は9.7%増収、営業利益は47.6%増益、経常利益と純利益も20%超の増益へ。
- 営業利益率は9.6%（前年同期7.1%）中期経営計画の目標値10%に向け、大きく前進。

□ 売上高 … 18億58百万円の増収(前年同期比 9.7%増)

□ 営業利益 … 6億51百万円の増益(前年同期比 47.6%増)

□ 経常利益 … 3億79百万円の増益(前年同期比 20.5%増)

□ 当期純利益 … 2億98百万円の増益(前年同期比 22.8%増)

2 Q 累 計	20/03期		21/03期		22/03期		前年 同期比	対上期 達成率	22/03期		前年 同期比
	20/03期	21/03期	22/03期	21/5/10 予想	22/03期	21/5/10 予想					
売上高	19,218	19,203	21,061		109.7%	102.7%			20,500	106.8%	
売上総利益	3,586 (18.7%)	3,255 (17.0%)	4,071 (19.3%)		125.1%						
営業利益	1,726 (9.0%)	1,366 (7.1%)	2,017 (9.6%)		147.6%	117.3%			1,720 (8.4%)	125.8%	
経常利益	1,896 (9.9%)	1,844 (9.6%)	2,223 (10.6%)		120.5%	117.0%			1,900 (9.3%)	103.0%	
純利益	1,139 (5.9%)	1,308 (6.8%)	1,606 (7.6%)		122.8%	116.4%			1,380 (6.7%)	105.5%	
注 EPS 円/株	52.74	62.34	76.44						注 65.65		

【注】（ ）内の数字は各々の利益率を表します。「純利益」は「親会社株主に帰属する四半期純利益」です。

2
Q
(7~9月)

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。18/03期の期首に当該株式分割が行われたものと仮定して、「EPS」を算定しております。

■ EPS 円/株

1 2Q	29.20
2 2Q	30.84
3 2Q	32.26
4 2Q	35.88
5 2Q	43.01

© 2021 CRESCO LTD. CRESCO Group Ambition 2030 「人が想い描く未来、その先へ」

Let's get started with an explanation of the financial results. First of all, the main points of the consolidated financial results. This is sales and profits. Although we were in a difficult situation until September due to the state of emergency for COVID-19, I believe that our customers' IT investments are steadily increasing against the backdrop of digital transformation.

Orders are improving, especially from major customers, and industries that were severely damaged by COVID-19, such as the travel and air transportation industries, are gradually recovering, albeit only slightly.

Net sales increased by 9.7% YoY, operating income increased by 47.6%, and ordinary income and net income both increased by over 20%.

Support

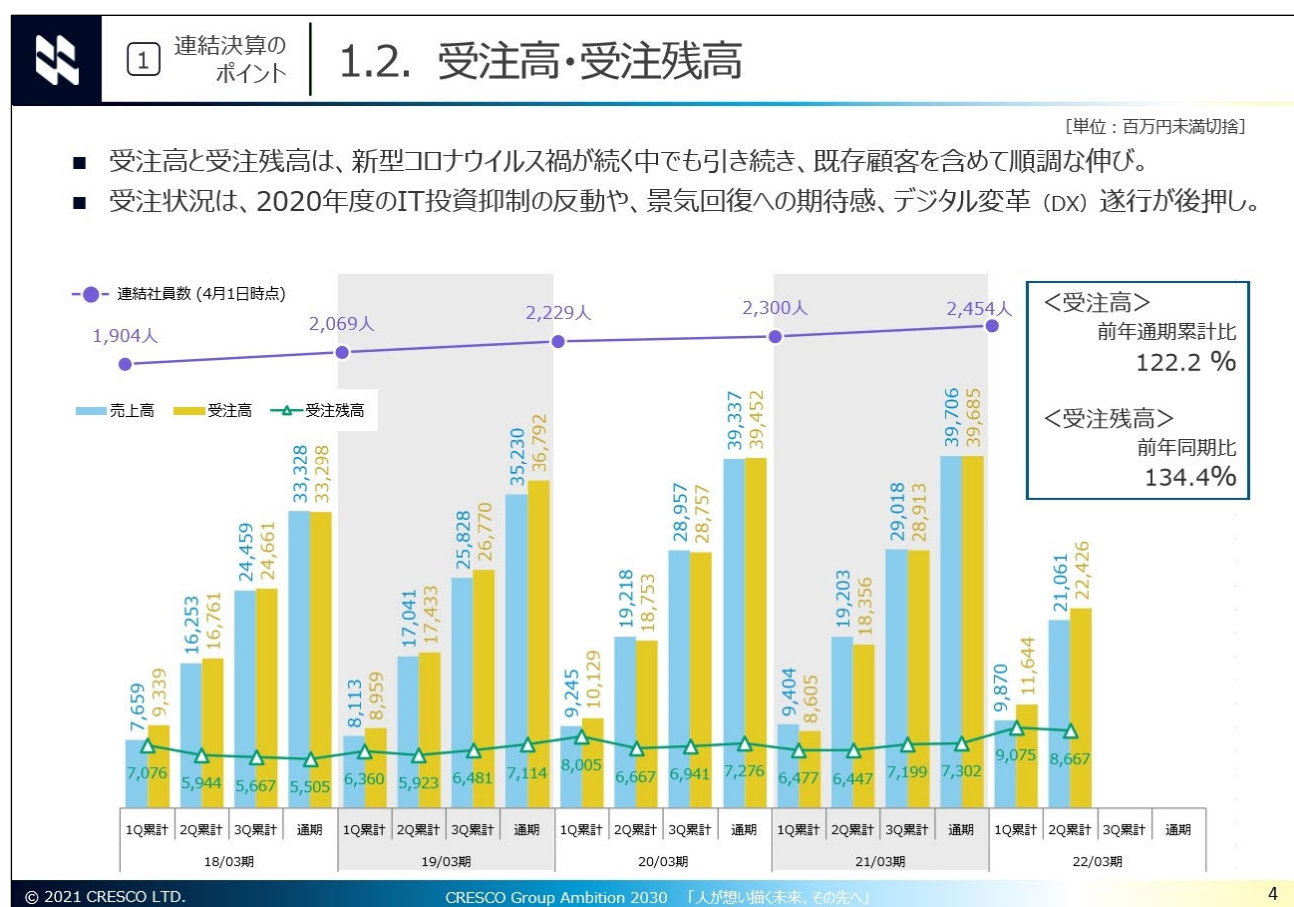
Japan	03.4405.3160	North America	1.800.674.8375
Tollfree	0120.966.744	Email Support	support@scriptsasia.com



The operating income margin was 7.1% in the same period last year, but this year it is 9.6%, which is a significant improvement. The mid-term management plan calls for 10%, so I think we can say that we have made progress toward that goal.

In terms of numbers, in the middle, sales are JPY21 billion. I think this is probably the first time we have exceeded JPY20 billion in half a year. Then, the second row down, operating income was JPY2.017 billion, which I think is the first time that it exceeded JPY2 billion in half a year. Ordinary income was JPY2.2 billion, and net income was JPY1.6 billion. This means that we have cleared the forecast value that we issued on May 10.

Compared to last year, the first quarter of last year was particularly affected by the pandemic, and there was a bit of confusion and a sudden suspension of projects, and I think there were some special circumstances last year. From the second half of the fiscal year, the situation has been recovering steadily, and we can say that the first half of this fiscal year has been quite good.



Next, I would like to talk about the number of orders received and the order backlog. The number of orders received and the backlog of orders received have also been growing steadily, mainly from existing customers. As you can see in the square on the upper right, the number of orders received was 122% of the previous year's level, and the backlog of orders received was 134%.

Last fiscal year, we saw a temporary rebound from a bit of investment restraint from COVID-19, and I believe these figures reflect expectations of an economic recovery and the push for digital transformation.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



① 連結決算の
ポイント

1.3. セグメント別売上高・利益①

[単位：百万円未満切捨]

ITサービス事業

- 売上高は、202億68百万円。「エンタープライズ」「金融」「製造」の全サブセグメントが伸長し、8.4%増収。
- セグメント利益は、売上高増加や生産性向上、不採算プロジェクトの極小化等により、34.6%増益。

- エンタープライズ … 「人材紹介・人材派遣」、「運輸」および「旅行・ホテル」の受注が回復し、8.3%増収。(前年同期比 6億85百万円増収)
- 金融 … 「銀行」は減少したものの、「保険」および「その他」の案件が増加し、8.8%増収。(前年同期比 5億27百万円増収)
- 製造 … 「自動車・輸送機器」が落ち込んだものの「機械・エレクトロニクス」が増加し、8.1%の増収。(前年同期比 3億61百万円増収)

		20/03期	21/03期	22/03期	前年同期比
2 Q 累 計	IT サービス 売上高	エンタープライズ	8,264	8,949	108.3%
		金融	5,996	6,523	108.8%
		製造	4,433	4,794	108.1%
	セグメント利益(率)	18,694	20,268	20,268	108.4%
		1,981 (10.6%)	2,666 (13.2%)	2,666 (13.2%)	134.6%



【注】2020年3月期は、新セグメントで数値算出しておりません。

© 2021 CRESCO LTD.

CRESCO Group Ambition 2030 「人が思い描く未来、その先へ」

5

I will now explain sales by segment. From this fiscal year, we reviewed our business segments for the first time in more than a decade and divided them into 2 major categories: IT Services and Digital Solutions businesses.

In the IT Services business, we have 3 sub-segments for each type of customer: enterprise, finance, and manufacturing. Sales in each segment increased by 108% compared to the same period last year.

Segment profit also increased by 34% due to the increase in net sales, steady growth compared to last year, and the minimization of unprofitable projects.

In the area of enterprise, it's related to human resources. Investment in the recruitment and staffing industry is very strong. In addition, there has been a huge increase in logistics within the transportation industry. The travel industry and hotels, which experienced a considerable decline last year, are recovering somewhat.

Continuing to finance. In the financial sector, the number of projects in the banking sector decreased, but the number of projects in the insurance and other financial sectors increased, resulting in an 8.8% increase in revenue.

In the manufacturing industry, automobiles and transportation equipment declined slightly compared to the previous year, but machinery and electronics-related products grew, resulting in an increase in revenue of 8.1%.

Inquiries in areas like automobiles have increased compared to that time, however, the shortage of semiconductors and disruptions in the supply chain have had a significant impact on the market, and our customers, the parts manufacturers themselves, are finding it difficult to produce products. We can't deny that our customers are still struggling a bit.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally



[単位：百万円未満切捨]

デジタルソリューション事業

- 売上高は、7億93百万円。クラウド関連・ロボティクス関連のソリューションの増加により、55.8%増収。
- セグメント利益は、ライセンス販売および保守の売上が増加したことにより、119.1%増益。

<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



Next, I would like to talk about the other major segment, the Digital Solutions business.

Our definition of the Digital Solutions business is a service business that generates a certain amount of sales without the direct involvement of engineers and technicians, or, as other companies call it, recurring, in which we receive a volume of usage. We call such sales, such as license fees, Digital Solutions business.

From now, we have started our 3-year mid-term management plan from this fiscal year, and we need to expand this business to strengthen our growth potential. We are in a situation where we are investing in this fiscal year, including human resources.

In the first half of this fiscal year, sales totaled JPY790 million, although this is not entirely new, as we have been doing this for some time. In particular, the increase in cloud-related and robotics-related solutions has led to a 55% increase in revenue.

Segment profit was 119.1%, due to an increase in license sales and maintenance costs. Since the numbers are small, we are focusing on increasing the top line.

The main product services are Creage, a cloud-related service, and RPA-related services, mainly UiPath. Then there are the annotation and AI-related areas, and services like that. There are other areas like education and seminars, there are many different fields.

The second half of the fiscal year has been quite strong here, and we hope to continue to grow this business in the next fiscal year as well.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



新型コロナウイルス禍の影響は、限定的。新規感染者数の減少はプラス要素に。デジタル変革が新たな企業競争力の源。DXへの期待により、システム開発の需要が高まる。

- お客様とITベンダーは、感染対策やニューノーマルが定着し、**事業活動への支障はほぼ無し。**
- 新型コロナウイルスの新規感染者が、減少傾向。緊急事態宣言等の活動制限が全面解除されたことにより、DX推進は加速の様相、引き続き**受注は増加傾向。**
- 引き合い・受注・業務量の増加により、**人材の育成・確保や、開発体制の強化が急務。**

【ご参考： 景気判断の調査等】

政府による10月の月例経済報告 [2021年10月15日発表]

「景気は、新型コロナウイルス感染症の影響により、依然として厳しい状況にあるなか、持ち直しの動きが続いているものの、そのテンポが弱まっている。」旨の判断。

IDC Japanの国内ITサービス市場予測(抜粋&要約) [2021年10月5日発表]

2021年の国内ITサービス市場は、プラス成長に回帰、ポストCOVID-19に向けた回復局面にある。2020年後半から、ITサービス事業者の受注状況は回復傾向にあり、延伸や中断となったプロジェクトも再開しているため、2021年は、プロジェクトベース市場を中心に回復が進む見込み。

COVID-19の感染拡大によってもたらされた外部環境の変化に対応するため、企業がDXに本格的に取り組む姿勢は強まっている。2022年以降は、徐々に成長率は鈍化するものの、レガシーシステムの刷新/更新需要、企業によるDX投資の本格化が同市場の成長を支える。IDCでは、2020年~2025年の年間平均成長率は2.4%で推移すると予測。

2021年9月の日銀短観 [2021年10月1日発表]

代表的な指標の大企業・製造業の業況判断指数(DI)が、前回6月調査より4ポイント改善してプラス18となり、景況感の順調な回復が継続。また、大企業・非製造業は、1ポイント悪化するもプラス2となり、5期連続で改善。

I would like to talk about the outlook for this fiscal year.

In our industry, we believe that the impact of the pandemic will be limited. We were in a state of emergency until the end of September, but even then, people were saying that digital is now the way to go, and that post-COVID-19 will be digital, so there is a lot of talk about companies looking to DX and system development as a source of competitiveness. Therefore, I believe that COVID-19 will not affect this industry that much anymore.

The third bullet point. Human resources. The point is that as the volume of orders increases, the need for human resources, training, securing, and development systems will become more urgent than ever before.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



- クレスコ本社に『コロナ緊急対策本部』を設置。クレスコグループで連携して、関係者の感染状況の確認や情報収集、各種施策の検討および運用を継続中。
- お取引先様も含めたテレワークの推進。
- 政府や自治体の要請(緊急事態宣言を含む)に準じた施策を適宜アップデートし、社内に徹底。
- 在宅勤務が主となる社員には在宅勤務にかかる光熱費・通信費等の補助のため「在宅勤務手当」を支給し、通勤が主となる社員には通勤等の心身負担軽減のため、「通勤者支援手当」を支給。
- 新型コロナワクチン接種時および副反応時の「特別休暇制度」を導入。
就業時間中に接種した場合は、「みなし勤務」とする柔軟な措置も適用。
新型コロナウイルス感染により不就業となる場合は、失効した年次有給休暇の利用許容。
- 多様な働き方の実現にむけたDX推進、ワークプレイスの整備
社内決裁書類等の電子化拡大、電子ワークフロー推進。
ワークスタイル変革を見据えたオフィススペース、レイアウトの変更。
- 「新型コロナウイルスに関する当社の対応について」は、ホームページで随時更新。

【基本対応方針】

- (1) 従業員等およびその家族の生命の安全・健康を確保する。
- (2) 事業に与える被害の最小化を図る。
- (3) お客様・取引先・株主等に悪影響を及ぼさない。
- (4) 地域経済の早期安定化へ貢献する。
- (5) 各種対応の際は、常に人道面で配慮する。

As for the response to COVID-19, our company established a task force in March last year and has been sending out information on various measures to be taken, including to our employees and business partners. Even now, in the past year and a half, we've probably sent out about 21 reports.

Since the state of emergency ended at the end of September, the situation has eased up a bit and we are now doing business activities by teleworking, and for face-to-face things that we were unable to do, we, including myself, are doing our best to meet our clients in-person as much as possible.

Also, and this is from last year, but we are doing various things such as providing teleworking allowance, special leave for vaccinations, and conducting the optimization of various workplaces and project rooms. As mentioned here, I would like to talk about office space and layout changes in more detail later. We are simultaneously working on a variety of initiatives.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



- 新型コロナウイルス禍によるクレスコグループの業績への影響は『**精緻に把握することが困難**』。
 - 現時点における**入手可能かつ合理的な情報による判断**および、**現状の認識**による見通し。
- ① 新型コロナウイルス禍の収束は当面難しいが、**影響は限定的であり、事業に大きな支障はない**。
- ・ 緊急事態宣言および、まん延防止等重点措置の全面解除やワクチン接種拡大に伴い、感染の予防対策に重点を置き、できるだけ制約のない日常生活と経済活動に戻していくための取り組みが、新たに始まっている。新型コロナウイルス禍の収束は当面難しいこと、新たな変異株の発生・流行に起因する景気の下振れリスクは依然拭い切れないこと変わらないが、オンラインや対面による営業活動やリモート開発、在宅勤務も常態化しており、影響は限定的、事業への大きな支障はない。
 - ・ 2021年度からの新ビジョン「CRESCO Group Ambition 2030」と「中期経営計画2023」に沿って、当社企業グループ全体の事業ポートフォリオの最適化に努め、コア事業であるITサービスや新たな価値を提供するデジタルソリューションを積極的に展開し、事業目標の達成と価値創出に取り組むことが必要、と認識。
- ② 景況感は、業種・業態により濃淡はあるものの、**IT投資は改善傾向であり、受注は増加する**。
- ・ 景況感は、業種・業態により濃淡はあるものの、内外のワクチン接種拡大に伴う経済正常化の期待を反映して、改善傾向にあり、IT投資の勢いも回復。加えて、新型コロナウイルス禍がもたらしたニューノーマルへの対応ニーズ増大により、新たな事業価値の創出や競争力強化、イノベーションを実現する「デジタル変革」に大きく軸足が移り、今後も需要は更に加速する見込み。
 - ・ 2021年度は、「DX認定事業者」として、環境の変化に即した様々なサービスを創出する。多様化、複雑化するニーズをしっかりと取り込み、自らも競争優位性を確保するイノベーションを実現し、着実な受注の獲得に努めることが必要、と認識。

This is the forecast for consolidated results. It is difficult to get a precise grasp of the situation, but I think we can say that we are doing almost as well as planned, and maybe even better than planned.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



② 今期の
見通し

2.4. 連結業績予想

[単位：百万円未満切捨]

- 2021年5月10日発表の**連結業績予想に、変更なし。**
- 業績予想における新型コロナウイルス禍の状況等を含む仮定については、現時点における入手可能かつ合理的な情報による判断に基づいているが、引き続き動向を注視。
- 今後、仮定の誤りにより開示すべき事象が発生した場合、速やかに公表。

通期	21/03期					22/03期	
	20/5/8 予想	前年 同期比	実績	前年 同期比	達成率	21/5/10 予想	前年 同期比
	売上高	40,000	101.7%	39,706	100.9%	99.3%	42,400
売上総利益			7,199 (18.1%)	99.3%			
営業利益	3,400 (8.5%)	95.6%	3,484 (8.8%)	98.0%	102.5%	3,850 (9.1%)	110.5%
経常利益	3,600 (9.0%)	97.0%	4,101 (10.3%)	110.5%	113.9%	4,200 (9.9%)	102.4%
純利益	2,450 (6.1%)	101.2%	2,634 (6.6%)	108.8%	107.5%	2,850 (6.7%)	108.2%
EPS 円/株	116.67		125.43			135.54	

【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。

Our earnings forecast. Although we were able to do considerably more in the first half of the fiscal year than we had originally expected, we have left our full year forecast unchanged. However, as I mentioned earlier, the second half of the year has been going smoothly, so we do not have any particular problems or concerns at the moment.

This is the forecast announced on May 10. Sales are expected to be JPY42.4 billion, with operating income of JPY3.85 billion, ordinary income of JPY4.2 billion, and net income of JPY2.85 billion.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



② 今期の
見通し

2.5. 連結配当予想

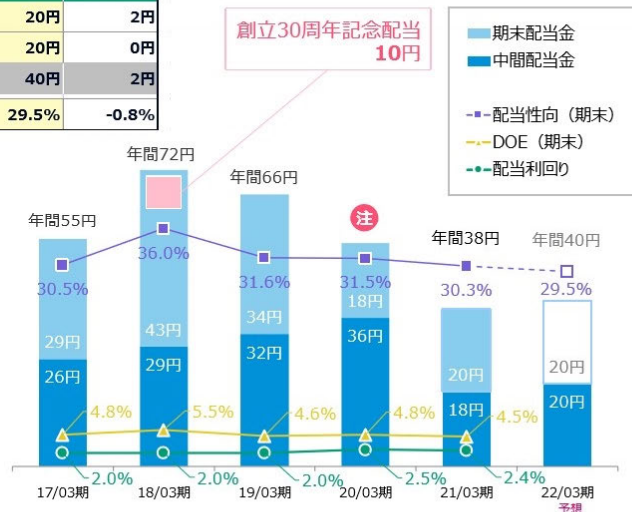
- 2021年5月10日に発表した配当予想に、変更なし。

	20/03期	21/03期	22/03期	
	実績	実績	実績	21/5/10 予想 増減
中間	36円	18円	20円	20円 2円
期末	注 18円	20円		20円 0円
年間	-	38円	20円	40円 2円
配当性向	31.5%	30.3%		29.5% -0.8%
配当利回り	2.5%	2.4%		
DOE	4.8%	4.5%		
配当金の総額	750百万円	798百万円		

[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%相当を目途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。

- 17/03期中間～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いません。

Our dividend forecast. This was also announced on May 10, as JPY20 for the interim and JPY20 for the year-end, for a total of JPY40. We have established a shareholder return policy, which is basically based on our consolidated ordinary income, as shown in the black frame on the bottom left of the page.

It states that extraordinary gains and losses will be zero and that dividends will be paid out on an ongoing basis at a level equivalent to 30% of net income attributable to the parent company, so we would like to determine dividends based on this principle.

Support

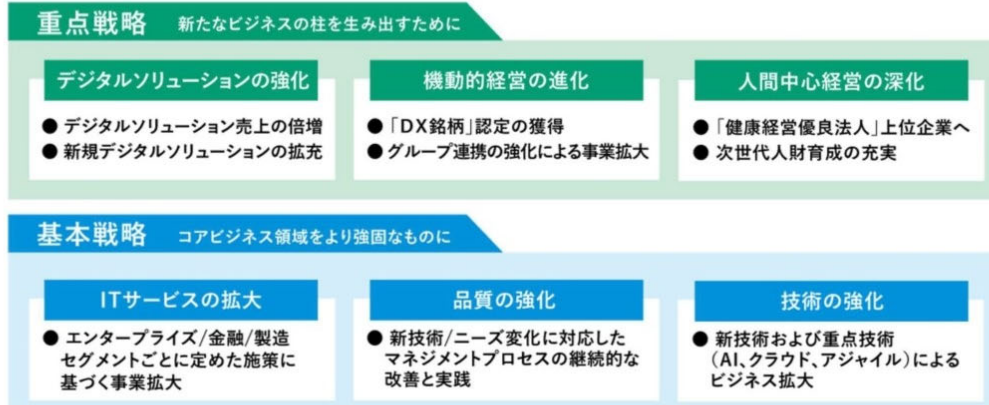
Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



公表用資料から抜粋

経営ビジョン実現に向けて2021年から2023年までの3か年の中期経営計画「中計2023」を策定いたしました。「中計2023」ではコアビジネス推進のための3つの基本戦略にてビジネスの土台を強化しつつ、新たなビジネスの柱を生み出すための3つの重点戦略に取り組んでまいります。



クレスコはESGを企業が認識すべき「社会から企業への期待」とであると捉え、取り組んでまいります
「ESGに対する当社の考えと取り組み状況」 : https://www.cresco.co.jp/ir/group_business/esg.html

This is the consolidated medium-term management plan.

6 months of the 3-year mid-term management plan have passed. As you can see here, we have 3 priority strategies and 3 basic strategies. It's not a 90-degree or 180-degree change from what we have been doing so far, but we have clearly written our strategy words.

Our priority strategy, as I mentioned earlier, is to strengthen our Digital Solutions business. We have set a goal of doubling its sales in 3 years.

As for the evolution of flexible management, we are in the business of promoting DX for our customers, but we are also working internally to make ourselves as efficient and IT-oriented as possible so that we can be certified as a DX brand.

Lastly, the evolution of human-centered management. Regarding this, we need to continue to develop human resources for our employees, and as a corporation with excellent health management, we need to focus on health management as a key strategy for our aging and senior employees, whose average age will gradually increase.

Our basic strategy is to further strengthen our core business areas. With the expansion of IT Services, overwhelmingly 95% of our sales are still here, which means we will expand our business based on the measures we have set for each segment, respectively.

Next is improving quality. As the volume of work increases, there have been a few flaws, but the most basic thing that customers want from us is to deliver quality that satisfies their needs. We will continue to maintain and improve the quality of our services.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Also, in terms of strengthening technology, new technologies are spreading rapidly now, and as I mentioned here, we would like to expand our business in areas such as AI, cloud, and agile.

Internally, we are now sorting out the numbers for these businesses, not only Digital Solutions, but also IT Services using AI, cloud computing, and agile, so I think we can talk about those in the future.

Also, ESG. The SDGs have recently been mentioned, but we are also working to meet the expectations of society.

3

連結中期
経営計画

3.2. 進捗状況

重点戦略 新たなビジネスの柱を生み出すために

デジタルソリューションの強化	<ul style="list-style-type: none"> デジタルソリューション推進部門として、「デジタルイネーブルメントサービスユニット」を設置 グレスコのデジタルソリューションブランドの再整理を開始 <li style="color: red;">デジタルソリューションサイトを公開 <li style="color: red;">クラウドマネージドサービスを、Azure対応にバージョンアップ
機動的経営の深化	<ul style="list-style-type: none"> 経済産業省のDX認定制度「DX認定事業者」の認定を取得 「株式会社OEC」社を子会社化
人間中心経営の進化	<ul style="list-style-type: none"> コロナ禍における働き方改革を推進(テレワーク推進、ワークプレイス整備、ワークチン休暇の導入) 認定試験受験推進企業として「2020年度優秀受験団体」表彰を受賞 <li style="color: red;">「ニューノーマルな交流拠点」として、多目的スタジオを設置 <li style="color: red;">都立公立小中学校のデジタル活用支援の取り組みに参加

基本戦略 コアビジネス領域をより強固なものに

ITサービスの拡大	<ul style="list-style-type: none"> 新規取引先開拓に向けた営業人員の増強。
品質の強化	<ul style="list-style-type: none"> PMO日本支部主催「PMI日本フォーラム2021」にて当社社員が講演を実施。 車載組込みシステムフォーラム（ASIF）幹事会社へ選出。
技術の強化	<ul style="list-style-type: none"> 「次世代を担う人材育成支援およびAI技術に関する研究促進」で北海道大学と協力を強化。 マイクロソフト社パートナー「Goldコンピテンシー」認定の取得。 <li style="color: red;">画像処理AI学習データ作成時のアニメーション作業負荷を軽減する手法の特許取得

© 2021 CRESCO LTD.
CRESCO Group Ambition 2030 「人が想い描く未来、その先へ」
15

In each of the strategies, we've written a little bit of what happened in the last 3 months or in the second quarter, and the areas in red are where there were updates. In terms of strengthening our Digital Solutions, we have opened a new Digital Solutions website. We are also reviewing the content a lot.

Also, on the cloud-related front, we added Azure support to our cloud services. Until now, Amazon has been our main service, but we've had a lot of requests from customers for Azure as well, so we've added an Azure version.

Also, in the area of the evolution of human-centered management, we have set up a multipurpose studio as a permanent base of exchange for the new normal, and it has been used from August as a place where we can send out various messages.


Also, we received a request from the Tokyo Metropolitan Government to support the use of digital technology, or something along those lines, in public elementary and junior high schools, so we are participating. I believe that concrete efforts will be made in the future.

Support

Japan	03.4405.3160	North America	1.800.674.8375
Tollfree	0120.966.744	Email Support	support@scriptsasias.com



Also, in the basic strategy, at the bottom of the page, there is a section on strengthening technology. In the area of image processing AI, it is quite difficult for our customers to create training data for AI, a process which is called annotation, so we have acquired a patent for a method to reduce the burden of this.




③ 連結中期
経営計画

3.3. 経営方針


**2030年度に向けた10年間の経営ビジョン
「CRESCO Group Ambition 2030」**

人が想い描く未来、その先へ

クレスコグループは最高のテクノロジーと絆で“わくわくする未来”を創造します



人が想い描く未来、その先へ
クレスコグループは、最高のテクノロジーと絆で“わくわくする未来”を創造します



**「中期経営計画2023」の
経営目標**

連結 売上高 **500**億円

連結 営業利益 **50**億円

ROE **15%**以上

© 2021 CRESCO LTD.
CRESCO Group Ambition 2030 「人が想い描く未来、その先へ」
16

As for the management targets of our mid-term management plan, we are aiming for consolidated net sales of JPY50 billion, consolidated operating income of JPY5 billion, and ROE of 15% or more in FY2023.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com





1 新規顧客の獲得およびお客様とのリレーションシップの強化

ニーズの多様化、複雑化に伴い、当社企業グループは、お客様の事業目標達成や未来構想に向けたイノベーションを実現する、まさに「ITパートナー」としての役割を期待されております。お客様の期待に応えるための、幅広いITサービス、デジタルソリューションを提供できるよう、営業体制の強化とマーケティング活動を継続的に実施し、新規顧客の獲得及びお客様とのリレーションシップの強化を図ってまいります。また、営業情報、顧客情報を共有できる仕組みを構築し、当社企業グループ間及び各事業部門の営業メンバーが連携し、戦略的、網羅的に幅広い提案型営業を展開してまいります。

1Q時

- ◆ 営業部隊を強化した結果、一定の引き合いはあり。特にクラウドやRPAの関連が多い。
- ◆ 昨年、新規で取引を開始した不動産や生命保険等の仕事が拡大。
- ◆ 既存顧客は、投資が旺盛な顧客にリソースをシフト。
- ◆ メイン顧客には、部長級の間人をアカウントマネージャーとして配置。担当営業と一緒に、顧客の話をも全部聞いて取りまとめる役割。

2 デジタルソリューションビジネスの拡大と新技術の研究・開発

「デジタル変革(DX)」が本格化する中、従来のITサービス(システムインテグレーションを含む。)のみならず、お客様のDXに直結するデジタルソリューションビジネスの拡大が競争優位性を担保するために必要であると考えております。当社企業グループが強みとするAIやクラウド分野を戦略技術に据え、これらの技術を活かした、幅広い産業向けのソリューション群を提供してまいります。また、市場ニーズに適時・的確に応えることができる技術力の保持と革新的なビジネスの組成に不可欠な知見・アイデアを募集、集約するため、他企業とのアライアンスや産学連携、お客様との共同研究、オープンイノベーション等を通じた新技術の研究・開発に努めてまいります。

1Q時

- ◆ 既存商材の戦略を見直し中。また、新しい商材の検討を開始。
- ◆ マイクロソフトのAzureに関するサービスや、AIアノテーションというAIのデータ作成ソリューションに力を入れている。メディア掲載やセミナーへの登壇し、社外へのアピール活動を実施しており、引き合いあり。

From here, we have listed 13 issues to be addressed, and I would like to explain a few of them verbally, although some of them overlap with what we have just talked about in terms of progress here.

For each issue, I wrote that we talked about this in the first quarter and that we talked about in August, but please understand that what I am going to talk about is what we did up to the second quarter, and in some cases, the first quarter is included.

The first step will be to acquire new customers and strengthen our relationship with them. In the first half of the year, it was very difficult to acquire new customers due to the pandemic, but we were able to acquire 10 new customers in the first half. Although the scale of orders received is still small, we have been able to make new proposals to existing customers and improve order conditions.

Currently, we are gathering information and making proposals for the next fiscal year, and I can sense that our customers are quite willing to invest in IT for the next fiscal year.

The second is the expansion of the Digital Solutions business and the research and development of new technologies. As I mentioned earlier, in September, we created a new website for Digital Solutions, called wakuwaku.cresco, which introduces customer case studies and seminar information, and we are working to link it to our marketing activities.

Also, throughout October, we held a digital CRESCO Fair for external communication. We have about 20 digital solutions in the group, which we disclose externally, and we also present the results of joint research at our technology research center.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



We also have an in-house digital idea contest where employees create solutions and products based on various social issues, which is streamed via video. Originally, this event was intended for internal use, but since we are in the digital age, we decided to transmit it outside the company.

We receive inquiries from existing customers about some of our technologies and ideas, and when they want to create something. I think it went reasonably well for our first public disclosure.

3 連結中期
経営計画

3.4. 対処すべき課題の対応状況②

2Qの対応状況は口頭で説明し、
後日、議事録を当社サイトで公開

3

M&A・アライアンスの推進とグループ企業に対する管理の強化

継続的なM&A・アライアンスの推進による事業の拡大や新たな事業機会の確保、人材の獲得、取引先の開拓は成長戦略の重要テーマであり、加えて、グループ連携や協業をはじめ、業務インフラの整備、技術支援、人事交流等の施策を講じ、シナジー効果による「稼ぐ力の最大化」が不可欠と考えております。当社企業グループ各社に対する管理の強化につきましては、コーポレート・ガバナンスの観点から取締役あるいは監査役に派遣するほか、グループ事業の最適化やPMI(Post Merger Integration：統合効果の最大化)の推進に取り組んでまいります。

1Q時

- ◆ 7月1日付で(株)OECをM&A。PMIを開始。
- ◆ グループ会社での協業を更に推進するため、グループ事業戦略担当チームを構成して協業推進の活動を活発化。
- ◆ M&Aは継続して進める。小規模会社は、M&A後に既存のグループ個社と合併させる方針。

4

人材採用と育成環境の拡充

人材は、お客様へ提供する付加価値の源泉であり、企業の発展を支える不可欠な存在です。企業の提供する商品やサービスが厳しく選別される時代、特にIT業界においては、人材の差が企業の競争優位性を決定づける大切な経営資源と考えております。事業戦略に沿った継続的な採用活動(新卒、キャリア)を推進するとともに、社員ひとりひとりが、心から仕事を楽しみ、能力を発揮できるよう、人材育成プログラムのブラッシュアップと実践、次世代人材の育成に注力してまいります。また、技術の研鑽と実ビジネスの具現化を通じて、お客様志向の「技術のクレスコ」を目指してまいります。

1Q時

- ◆ 今年度の新卒採用はグループ全体で150名位。オンラインでの教育が中心。
- ◆ 来年度の新卒採用はグループ全体で200名位を計画。採用活動は、ほぼ終了。
- ◆ 中途採用は非常に厳しい状況。50歳代のシニア採用は、部長級や営業での採用が進んでいる。

© 2021 CRESCO LTD.
CRESCO Group Ambition 2030 「人が思い描く未来、その先へ」
18

The third issue is to promote M&A and alliances and strengthen the management of group companies. In October, we signed an agency agreement with HIGHRESO, a GPU resource provider, as part of an alliance. There is a lot of need to use high-powered GPUs for AI and other applications. We will be a company that provides such things. University laboratories and customers' research institutes are currently using a lot of GPU resources for AI, so we would like to sell more and more of our products to them. I think it will be offered to customers who need AI and data analysis.

The second will be a company called OEC, which joined the group in July. In the 2Q, we received the results as planned. They are also contributing to our business performance, and PMI and Post Merger Integration are progressing well. We are also in the process of aggressively pursuing new M&A opportunities.

The fourth is to expand the environment for recruiting and training human resources. As I mentioned in the first quarter, mid-career hiring is still struggling. We have set a goal of hiring at least 10 people in senior or, rather management positions, but we are still at 2 to 3 people.


We have been able to hire almost all of our new graduates, and in terms of training, the attrition rate over the past 3 years has been about 5%, so I think we are doing okay.

Support

Japan	03.4405.3160	North America	1.800.674.8375
Tollfree	0120.966.744	Email Support	support@scriptsasia.com

15

However, the mid-career hiring segment in regional areas, such as Sapporo and Osaka, have been able to meet their targets, but the Tokyo metropolitan area has been particularly difficult. I've heard a lot of stories like that in other companies in the industry. I would like to continue to do my best to recruit mid-career workers by easing the conditions more, or by raising awareness of CRESCO and talking more about our appeal.

	3 連結中期 経営計画	<h2>3.4. 対処すべき課題の対応状況③</h2>	2Qの対応状況は口頭で説明し、 後日、議事録を当社サイトで公開
5 DX推進と機動的経営の実現			
<p>経営課題やビジネス課題への素早い対応を実現するためには、企業活動を加速する「仕組みづくり」と行動を促進する「マインドセットの醸成」が必要となります。『中期経営計画2023』をベースに、人材の確保・育成はもとより、組織改革や制度改革を含めたDXへの取り組みを積極的に進め、経営の機動性を高める仕組みづくりに取り組んでまいります。また、データ経営基盤の構築を視野に入れた情報システムの全体最適化やオフィスワーク・リモートワークの環境整備、時代に即した働き方改革を通じて、“継続的に挑戦していこう”とするマインドセットを醸成してまいります。</p>			
1Q時	<ul style="list-style-type: none"> ◆ 5月に経産省からDX事業者認定を受けた。 ◆ 7月に社内のデジタル化で、メールシステムをグーグルからマイクロソフトに移行。今後下期に向けて、電子帳票化の検討を開始する予定。 		
6 健康経営の推進			
<p>「健康」は個人生活の質の向上のみならず、企業の利益にも繋がる大切な要素でもあり、企業が、能動的にマネジメントアプローチすべきテーマであります。心身の健康を維持・増進する取り組みは、企業のレピュテーションや人材採用の面でも効果が期待できるものであり、併せて、企業のリスクマネジメントとしても重要であります。2019年9月に健康経営宣言を発表し、2021年3月には、昨年度に続き、「健康経営優良法人認定制度」に基づく「健康経営優良法人2021」に認定されました。今後も社員が健康で安心・安全に、やりがいを持って働ける職場を実践するため、当社企業グループに即した諸施策を推進してまいります。</p>			
1Q時	<ul style="list-style-type: none"> ◆ 今は、コロナに罹患しないようにすることを優先し、いろいろな勤務形態を設けている。ワクチンの職域接種は、クレスコとしては実施していないが、健康保険組合／新経済連盟／顧客先での職域接種を積極的に進めている。特別休暇を付与し、ワクチン接種を推奨。 ◆ 今年度から、専任の保健師を社員として採用し、保健師による社員向けの動画の発信等による啓蒙活動、健康診断の結果フォロー等を進めている。また、健康増進手当の支給を開始。 		
© 2021 CRESCO LTD. CRESCO Group Ambition 2030 「人が思い描く未来、その先へ」 19			

This is the promotion of DX and the realization of flexible management. In terms of DX, the way we work is changing dramatically with the pandemic and post-COVID. We are currently working on various ways to improve the efficiency of our internal facilities. We have been in the process of working on it since last year.

We are continuing to invest in office layouts, telephones, electronic transactions, electronic forms storage, BI for management indicators, e-learning for internal training, increased networking, and RPA.

Of course, we will continue to work on these issues, but we also feel that it is necessary to foster an awareness among our employees.

Next, I would like to talk about the sixth topic, promotion of health management. We are doing very many things with this as well. We have also created a walking community within the company, and many people are participating in it. We also participate in events.

Also, at an online conference with about 300 managers, we have in-house public health nurses give lectures on various issues and points to keep in mind at each workplace. We also provide information on health management on our website, including a health management strategy map and various statistics. I think we are putting a lot of effort here now.

Support

Japan	03.4405.3160	North America	1.800.674.8375
Tollfree	0120.966.744	Email Support	support@scriptsasia.com





7 働き方改革の推進と健全な労働環境づくり

働き方改革は、生産性向上につながるテーマであり、社員のモチベーションや人材採用、離職防止の面でも効果が期待できるものと捉え、『働く人の立場・視点』で環境づくりや諸制度の導入に取り組んでおります。2019年9月には、女性社員だけでなく、男性社員が育児休業等を取得している点や時間外労働の削減、年次有給休暇の高取得率等が評価され、次世代育成支援対策推進法に基づく子育てサポート企業として、「プラチナくるみん」の認定を受けました。2021年度からは新人事制度へ移行し「フレックスタイム制」を導入します。この制度は、社員がこれまで以上に専門性・強みといったスペシャリティを追求し、実力に即した処遇を実現するもの、と考えております。今後も国の政策や法制度の動向を鑑み、デジタル技術を積極的に活用し、実効性の高い諸施策を推進してまいります。

1Q時

- ◆ テレワークが一般的になり、オフィス改修を進行中。
- ◆ 8月に、いろいろな発信ができる常設の多目的スタジオを開設。
- ◆ 4月から新人事制度に移行。定着化の段階で、改善はこれから。
- ◆ テレワークが進んだ影響で、有給休暇の取得率が低下。取得目標を設定して改善を図っている。

8 品質の強化

お客様に提供するサービス品質(QCD)の向上を目指すことは、結果として、当社企業グループの持続的な成長と企業価値の向上につながります。「契約・約束を守る」「仕事に責任を持つ」「品質(Q)、価格(C)、納期(D)を厳守する」等ビジネスでは当たり前のことを着実に実践し、プロジェクトマネジメントを含めたサービス品質の向上を通じて、お客様からの信頼・信用を重ね、フレックスブランドの確立を目指してまいります。2020年3月には、これまでの継続的な取り組みが評価され、一般社団法人プロジェクトマネジメント学会から「PM実施賞奨励賞」を受賞いたしました。

1Q時

- ◆ 品質のプロセス・規程等の見直しを実施中。年を経過で一部が陳腐化しているため。
- ◆ 不採算のプロジェクトが出ないように、できるだけ早くプロジェクトの問題を察知するために、重点プロジェクトを品質管理部門で監視・フォローする活動を継続。

This is followed by the seventh item, promotion of work style reform and creation of a healthy working environment. It is also closely related to health management. We have been using coaching and mentoring for several years now to create a psychologically safe work environment. We are continuing to do this.

In terms of reducing overtime hours, we have to implement regular follow-ups. We make sure to have morning and evening meetings so that we can work in a coherent manner. Also, we conduct face-to-face communication on a regular basis. I think it's necessary to improve the way we receive work from our customers, including sales negotiations.

Next is the eighth one, strengthening quality. In October, we partially revised our quality policy and released it externally. We are currently holding monthly quality strategy meetings, and since some of our processes and regulations are outdated, we are starting to revise them in preparation for the start of the next fiscal year.

We are also reviewing our internal quality control training, reviewing basic training and practical training, and preparing for e-learning, which will be available from November, since many of us work from home.

In terms of quality, we need to strengthen our training, but I think it is also very important to foster an awareness among our employees. It may sound a bit illogical, but I think it is important to continue to instill in our employees the importance of quality.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



9 生産性の追求

生産性向上の目的は、小さな工夫を積み重ねながら、業務の能率アップと効率化によって作られた「時間」「省かれたコスト」を有効に活用し、新たな価値や収益を生み出すことにあります。生産性向上は、恒常的な人手不足への対応、競争優位性の確保、労働環境の改善に資するものであり、最終的には、収益性にも直結するテーマです。当社企業グループでは、各社の状況に応じた働き方改革をはじめとして、各種情報共有ツールの導入、知的財産の活用、仕事のプロセス改善、基幹システムの刷新など、社員が、主体的にイキイキと働くことができる環境づくりに取り組んでおります。

1Q時

- ◆ 生産性を上げるために、ツールやノーコード・ローコードの開発手法等を使って対応。
- ◆ 人手不足感対策として、クラウド/AI/ロボット等の技術領域特化型のプロジェクトでは、1チームで複数のプロジェクトに対応。専任を1~2人アサインするのが厳しく、効率アップと人材育成を併せて、チームで複数プロジェクトに対応。

10 開発に従事する人材の確保と体制強化

IT投資に関わる需要の増加に伴い、開発に従事する人材不足は依然尠めず、人材の確保と体制の強化は、継続的な課題となっております。当社企業グループは、部門や企業間を横断する開発体制を構築するほか、ニアショア(子会社や協力会社との協業による国内分散開発)やクレスコベトナムを通じたオフショア(ベトナムの現地企業との協業による国外分散開発)を積極的に活用し、人材不足による機会損失(案件の失注や縮小など)が発生しないよう取り組んでおります。また、併せて、協力会社とのレーションシップの強化、人材の流出防止施策の実施、リモート開発の環境整備に努めてまいります。

1Q時

- ◆ 2Q以降は特に、全体的に人手不足感が強い。ビジネスパートナー、ニアショア、オフショアのリソースを活用。

The next step is the pursuit of productivity. As for what we are doing now, of course we are doing various things in various projects, but we are starting to promote teamwork in one of our business units.

This is because there are quite a lot of projects, and if you end up sticking a certain person with a certain project, they won't be able to accomplish a lot of work. For example, if you have a team of 5 people working on 3 jobs, they can bring these jobs back to the company and work on smaller projects together, and then the team can manage the revenue and improve operational efficiency.

The customers would like to have a full-time specialist, but due to a shortage of staff, that is no longer possible, so with the customer's understanding, we have agreed to work as a team. This is where human resource development is also carried out.

The 10th is to secure human resources for development and strengthen the system. On a stand-alone basis, we have been able to hire a little less than 100 new graduates for 2022, and we have started activities with the goal of hiring the same number for 2023.

Then there is Vietnam. We are recommending that we use our offshore Vietnam more and more, and by the end of this fiscal year, we will have a system of about 100 people, including local people, local leaders, and project management leaders, so that we can run about 100 people with 6 local people.

Also, with regard to our business partners, we will continue to do this as a way to build a relationship of trust over the medium to long term.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



11 | ダイバーシティへの取り組み

多様性の受け入れは、個人ひとりひとりが充実した人生を送り、併せて、企業が変化する市場環境や技術構造の中で競争優位性を築くために、不可欠であります。当社企業グループは、個人の「違い」を尊重し、職務に関係のない性別、年齢、国籍等の属性を考慮せず、個人の成果や能力、貢献度に応じた評価を基本としております。女性の採用や女性管理職比率の増加にも注力し、2017年9月には、女性活躍推進法認定マーク「えるぼし」を取得しました。その他、外国人や障がい者の採用にも積極的に取り組んでおります。2021年4月からは、LGBTに対する取り組みの一環として、パートナーシップ制度を導入いたします。これは、同性パートナーについても「配偶者と同様の取扱い」とし、社内の休暇や給付金の対象とするものです。今後も、多様な人材が組織に平等に参画し、その能力を最大限発揮できる機会の提供を通じて、様々なイノベーションを生み出し、価値創造に繋げてまいります。

1Q時 ◆ 今年度からLGBTに対応した取り組みとして、パートナーシップ制度を導入。

12 | コーポレート・ガバナンスの推進

持続的な成長と企業価値の向上を実現するため、コーポレート・ガバナンス体制の強化が重要と考え、的確かつ迅速な意思決定及び業務執行体制並びに適正な監督・監視体制の構築を図っております。また、経営の健全化、公正性の観点から、コーポレート・ガバナンスの実効性を一層強化するため、当社企業グループ全体で、リスク管理、内部統制、コンプライアンスへの取り組み(月次チェックや教育)を徹底するとともに、経営環境の変化に対応した投資戦略・財務管理の方針の策定や独立社外取締役の活用、取締役会の多様性など、信頼性の向上と自浄能力の増強に努めてまいります。加えて、改訂コーポレート・ガバナンス・コードへの対応も進めてまいります。

1Q時 ◆ 6月に、社外取締役を中心に構成する報酬委員会を設置。
◆ プライム市場を目指しており、プライム市場にふさわしいガバナンスを継続して推進していく。

Next, the 11th item, diversity initiatives. Regarding new graduate hires for the next fiscal year, 2022, and I think it will be the first time in our history that the percentage of female hires exceeds 50%. It wasn't something we consciously thought about, and it just happened.

We are also hiring engineers from overseas for career recruitment. We are also hiring people from France, Malaysia, and other countries that we have never hired from before. For example, we are hiring new graduates from South Korea as well as from overseas.

The 12th is to promote corporate governance. Recently, there has been a lot of talk about SDGs and ESGs in terms of sustainable growth, but since we do not have any facilities in our industry, it is quite difficult to think about it. In fact, according to my research, telecommuting and telework have become quite popular, and the cost of office utilities and paperless offices has advanced considerably, so the data shows that costs have decreased by about 30% compared to 2019.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



13 事業ポートフォリオの最適化と柔軟な組織経営

当社企業グループには、お客様との継続的な取引関係をベースとする事業特性があり、「安定性」と「依存度」の2つの側面を持ち合わせております。このような事業特性を鑑み、特定の取引先・業界や技術の動向により、業績が左右されないようリスク分散を図るため、事業ポートフォリオの最適化に取り組んでおります。また、多様化、複雑化するニーズと変化が著しい技術革新を先取りし、厳しさを増す経営環境に的確に順応するため、経営資源(ヒト・モノ・カネ・情報・時間)の有効活用(選択と集中)とマーケティング活動、研究・開発、組織・チーム・人材の活性化を通じた柔軟な組織経営に努めてまいります。

1Q時

- ◆ 投資動向が良い顧客、本業で苦戦してなかなか投資が思うようにできない顧客がある。
- ◆ 開発要員を組織横断でアサインし、苦境にある顧客をサポートする体制を取っているが、柔軟なりソースアサインまではできていない。

This is the last one. The optimization of our business portfolio and flexible organizational management.

Of course, we are doing this in the stand-alone organization as well as in the business organization, but from around the Q2, we have been quite active in sharing information on sales projects and business partners among the group companies so that we do not miss out on any orders, and we are working to reduce the loss of orders across the group companies.

It's not so much that we don't have any work at the moment, but rather that our business partners are having problems with resources, so we have started to make some introductions in that area.

That's all I have to say about these issues. The rest of the presentation will be included in the supplemental materials, so I would like to conclude my presentation and take questions from the audience.

Moderator: Thank you very much.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

Question & Answer

Moderator: We will now move on to the question-and-answer session.

Now, I would like to read the first question that we have received in advance.

Looking at the amount of orders received, it seems to be growing steadily. Is it safe to assume that sales activities are on track with regards to the pandemic? The question asks to explain what some of the remaining issues that have to be addressed are? Thank you very much.

Nemoto: As shown in this chart, orders have been growing steadily. Rather than feeling like a challenge, I would say that the point is to be able to get as many orders as possible, and to be able to link inquiries to orders. It's all about resources and how to make proposals to customers.

Instead of saying, we are not able to, if possible, I personally would like to give a response with conditions, such as we can respond to your request from this period, since you have taken the trouble to reach out to us, so I think we should talk about that. That's all.

Moderator: Thank you very much. Now for the next question.

What are the details of the order backlog? The question is asking if we can consider the composition to be the same percentage as the breakdown of the IT Services business. Thank you very much.

Nemoto: IT Services accounted for 95% of the total, which is almost the same as the previous year, but for each segment there is its own sub-segments and industries, where there is some variation. However, the order backlog in all sub-segments have grown by about 108% compared to the same period last year.

In that sense, the Digital Solutions business is the most visible, and since this business is more like a stock business, we can almost see the second half of the year. If anything, what we are doing now is more like sales for the next year.

Moderator: Thank you very much. The next question. It seems that your Digital Solutions business is also growing. Could you tell us if the number of new customers is increasing here? Thank you very much.

Nemoto: I think there is both an increase in the number of new customers as well as a growing number of existing customers who are using it.

I see cloud computing and RPA as the areas that are most likely to attract new customers. In the case of cloud computing, once customers start using it, the amount of usage grows rapidly, so even if we don't say anything about it, the amount of usage is usually positive. That's all.

Moderator: Thank you very much.

The next question. You have said that you are gradually increasing the aggressiveness of your face-to-face sales activities, but I would like to ask if you have factored the cost increase into your earnings forecast for the second half. Thank you very much.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



Nemoto: If you understand the increase in costs as an increase in our expenses, we have already completed our budget and have already factored in the costs of our sales staff, business trips, entertainment expenses, etcetera, to some extent in the budget. The answer is that we are expecting it.

Moderator: Thank you very much.

The next question. It is asking if you could tell us more about your M&A strategy, including what areas you are focusing on. Thank you very much.

Nemoto: In M&A, we specialize in IT-related industries. Diversification is not something we are considering now. In addition, our current management team, or, our team, can manage it well. In short, we are looking for a company that has a certain amount of knowledge as well as one that we can properly manage.

Within that, we would like to target large companies with sales of JPY5 billion or JPY10 billion, but such cases do not come up very often. At the moment, companies with sales of JPY2 billion or JPY1 billion are also being targeted.

It would be even better if they had customers that we do not have, or technologies in areas that we do not have. Also, we would like to be proactive in our efforts, including in rural areas. That's all.

Moderator: Thank you very much.

The next question. I believe that the DX in the world includes those that transform customer business models and those that reduce customer back-office costs. RPA and cloud computing will mainly contribute to the latter, and it is a red ocean.

Please tell us about possible examples of your company's company-wide DX support. For example, mobile devices for delivery in logistics and reservation management systems for airlines are examples of this, but I would like to know about room for horizontal development. Thank you very much.

Nemoto: Basically, we use the cloud to reduce back-office costs, and we use RPA, of course, but when our customers want to reform their businesses, add new services, or create new platforms, we need new technology. IT Services that use cloud computing, AI, and other technologies, in other words, system construction. There are quite a few of those, too.

Basically, these are order-made for the customer, and it is difficult to develop them horizontally due to rights issues. Some of our customers have basic contracts that allow us to retain their rights, so we have been trying to expand our business horizontally. We are doing our best, but there are still quite a few differences even within the same industry.

Therefore, although we can refer to such achievements, it is difficult to say whether we can develop the same products for other customers in the same industry.

The technical know-how that we have acquired is quite advanced in many areas, so I think we can use it to our advantage. I'm not sure if I answered the question.

Moderator: Thank you very much.

The next question. Operating income in the first half was about JPY300 million higher than planned, please tell me about the cause. Could you explain what areas were effective in increasing revenue, improving profitability, and controlling SG&A expenses? Thank you very much.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



Nemoto: I think one factor is that sales are up. In addition, we had estimated a lot of expenses, especially for business trips and business meals, but in the end we were unable to use them.

Then there is the utilization rate. We have employees with fixed costs, so I think the utilization rate was much higher than expected. Then, although there were a few projects that ran into trouble, they were much smaller than we had originally expected, so we saw an improved operating profit margin, which was 10.9% for the second quarter, which is a very good figure.

Moderator: Thank you very much.

It seems that all the questions have been answered, so this concludes the question and answer session.

Lastly, President Nemoto would like to make a few remarks. Thank you very much, President Nemoto.

Nemoto: Thank you very much for taking the time to participate in today's long briefing session.

As I mentioned today, the situation of the company is very favorable, with a tailwind. The industry itself is in a good situation, so I would like to take as many of these opportunities as possible and work hard in the second half of the year so that we can actually improve our performance.

Thank you for your continued support.

Thank you very much for your time today.

Moderator: Thank you very much, President Nemoto. This concludes the financial results briefing for today.

Thank you very much for watching today's program.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *This document has been translated by SCRIPTS Asia.*

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2021 SCRIPTS Asia Inc. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasiasia.com

