

CRESCO 

Summary of Quarterly Financial Results Briefing

Fiscal Year Ended March 31, 2023

May 11, 2023



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Consolidated Results main points




1.1. Main initiatives in the fiscal year ended March 31, 2023 (i)

■ Organization and structure

- **Shifted to a two-representative system** by “Chairman & CEO” and “President and Executive Officer” effective April 1 and, accompanying the formulation of “CRESCO Group Ambition 2030,” **changed our corporate logo (for the first time since the Company’s founding).**
- The Promotion Of Management Strategy-Unit was established to realize the long-term vision of CRESCO Group Ambition 2030 and the Group Supervisory-Unit to **further demonstrate group synergy by promoting the sharing of sales projects among group companies.**
- In order to speed up management decision making and implementation of measures through appropriate delegation of authority, **an organizational reform was carried out to appoint executive officers as general managers.**

-  On July 1, 2022, three consolidated subsidiaries (ARS Corporation Ltd., N-System Corporation, and Nexus Corporation) were merged and **reorganized into CRESCO J CUBE CO., LTD** for the purpose of producing further synergistic effects through the effective utilization of the Groups human and management resources.

-  In February 2023, we acquired all issued shares of **Japan Software Design CO., LTD.**, a software development company with offices in three major metropolitan areas (Osaka, Tokyo and Nagoya), and made it our consolidated subsidiary.



■ Business

- Strengthened digital solutions business by expanding business lineup in the areas of RPA, cloud, and DX.

【RPA】

- April: Became UiPath's gold partner, a category of its certified reseller.
- May: Began offering e-learning for companies that have purchased UiPath licenses.
- Mar. 2023: Became a diamond partner.

* Diamond partner: This certification is given to a partner who has the highest level of technical and support capabilities among the business partners and who has a wealth of experience in introducing and selling UiPath's products.

【In the areas of cloud and DX】

- October: Certified for AWS Public Sector Partner Program and as AWS Public Sector Solution Provider by Amazon Web Services (AWS).
Released iOS application for Intelligent Folder, a large-capacity file sharing service.
Launched DX Training Service to develop corporate DX human resources.



■ Business

- Others (cyber-attack countermeasures, image recognition AI and machine learning, capital and business alliances, etc.)
 - August: Started selling “managed security services for SIEM,” which detects and analyzes symptoms of a cyberattack and provides response and support by experts on the basis of information thus obtained.
 - September: Obtained a patent for an information processing device, method, and program for visualizing the basis of image classification results using image recognition AI.
 - November: Entered a basic agreement on capital investment in an Indian subsidiary of Forum Engineering Inc. for the purpose of global expansion of cognavi, a human resource service specializing in engineers.
 - December: Announced the development of Aircraft Engine Internal Inspection Tool utilizing image recognition technology through medical AI with Japan Airlines Co., Ltd.
 - Feb. 2023: In collaboration with JR KYUSHU HOTELS Inc., we conducted a demonstration experiment on the optimization of hotel room allocation using a mathematical optimization method, and developed a prototype for a room allocation optimization tool.



■ Business

- Encouraged self-study in technology, quality, and business transformation to raise business performance and create business opportunities.
- Continued to engage in evangelist activities, created opportunities for multiple employees of the Company to teach at colleges and universities, strongly promoting people-centered management.
- CRESCO Digital Technologies, Ltd., our subsidiary, started selling a social toilet system equipped with the company's IoT functions which it jointly developed with another company.
- CRESCO e-Solution Co., Ltd., our subsidiary, renewed MOA, a service for transitioning to SAP S/4HANA.
- CRESCO VIETNAM CO., LTD., our subsidiary, began selling the latest POS system for the Vietnamese food delivery market.
- Promoted the revision of our office spaces, including the relocation of offices and development sites, for the purpose of improving business efficiency.



1.2. Income statement [highlights]

(Unit: Amounts less than 1 million yen omitted)

Net sales

Net sales held steady, resulting in an increase of 8.8%, as demand for IT investment to renew existing systems and improve productivity through DX promotion continues to be strong.

Operating profit and profit ratio

Increased by 12.1% owing to the effect of revenue increase, the minimization of unprofitable projects, etc.
The profit ratio was 10.3% (10.0% in the same period of the previous fiscal year).

Ordinary profit

As a result of successive falls in stock prices in the U.S., profit increased by 7.4% as we recorded a valuation loss on derivatives (non-operating expenses) of 226 million yen for financial instruments held by the Company.

Net sales

Increased 3,918 million yen (up 8.8% year on year).

Operating profit

Increased 541 million yen (up 12.1% year on year).

Ordinary profit

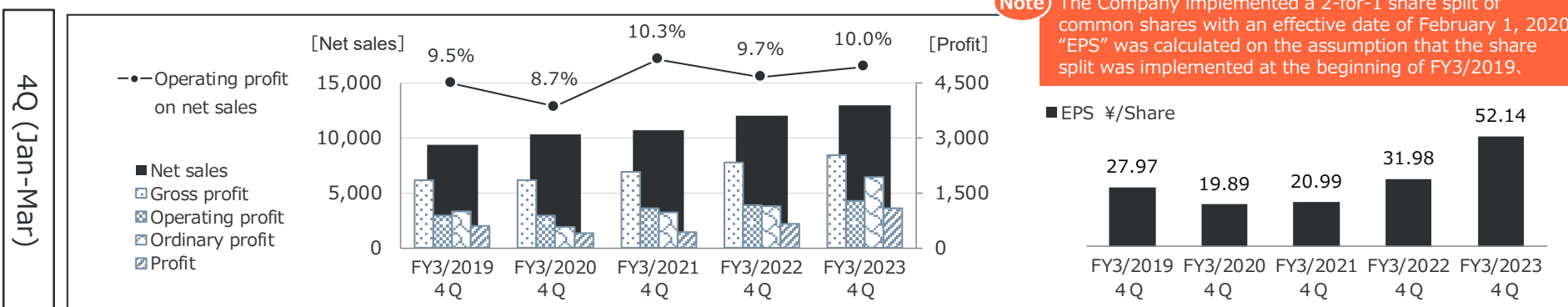
Increased 353 million yen (up 7.4% year on year).

Profit

Increased 92 million yen (up 2.8% year on year).

						Full-year Forecast		
	FY3/2021	FY3/2022	FY3/2023	YoY	Full-year progress	<Announced on Feb 28, 2022>	YoY	
Full year	Net sales	39,706	44,450	48,368	108.8%	101.8%	47,500	106.9%
	Gross profit	7,199 (18.1%)	8,698 (19.6%)	9,641 (19.9%)	110.8%			
	Operating profit	3,484 (8.8%)	4,457 (10.0%)	4,998 (10.3%)	112.1%	105.2%	4,750 (10.0%)	106.6%
	Ordinary profit	4,101 (10.3%)	4,782 (10.8%)	5,135 (10.6%)	107.4%	99.7%	5,150 (10.8%)	107.7%
	Profit	2,634 (6.6%)	3,236 (7.3%)	3,328 (6.9%)	102.8%	99.4%	3,350 (7.1%)	103.5%
	EPS ¥/Share	125.43	153.92	158.10			158.99	

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



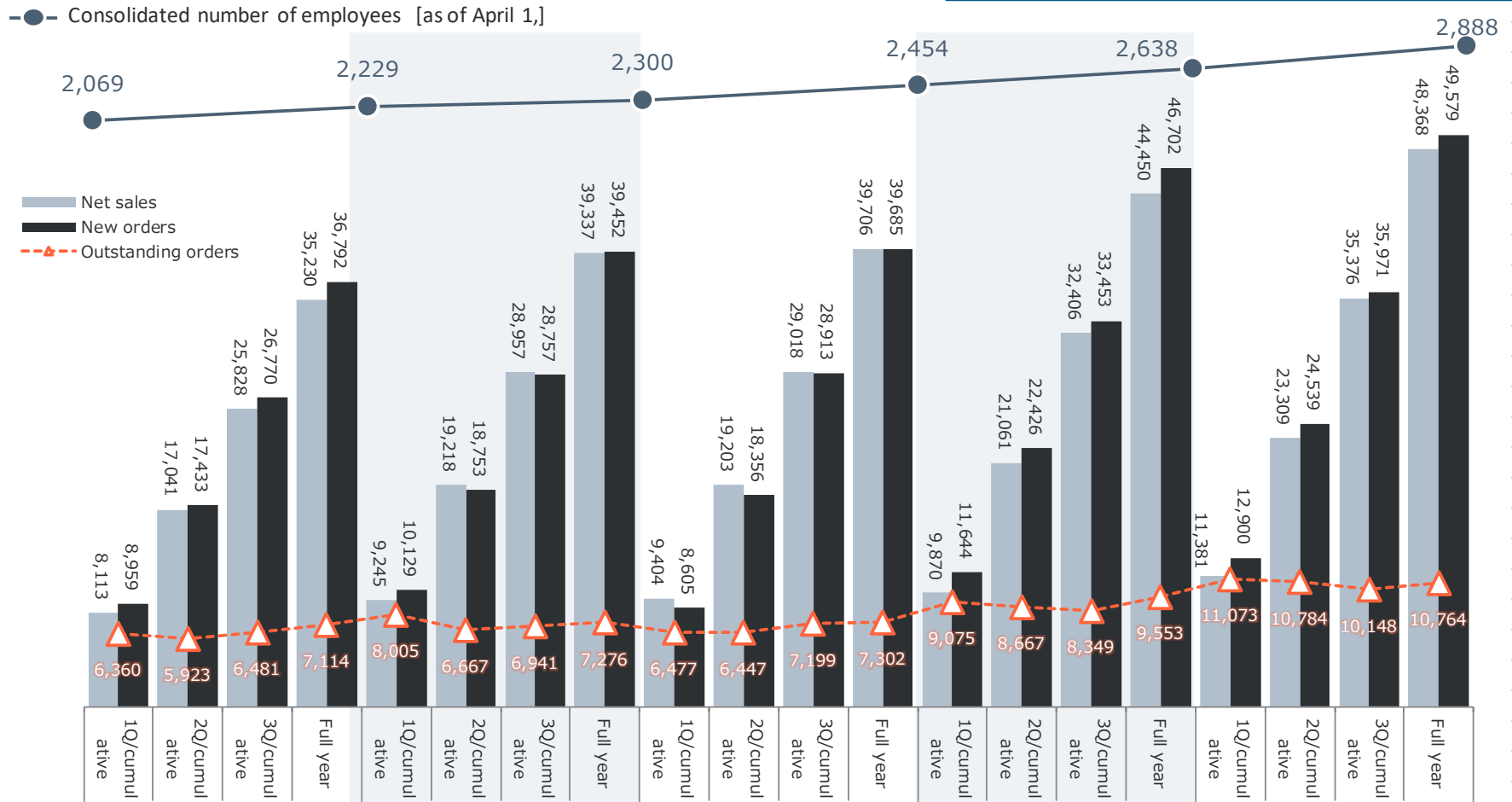


1.3. Quarterly net sales, new orders and outstanding orders

(Unit: Amounts less than 1 million yen omitted)

- The numbers of new orders and order backlog grew steadily against the backdrop of robust IT investment demand.
- Demand for IT investment for the renovation of existing systems and DX promotion by client companies bolstered their order placement with us.

< New orders > year on year 106.2%
 < Outstanding orders > year on year 112.7%

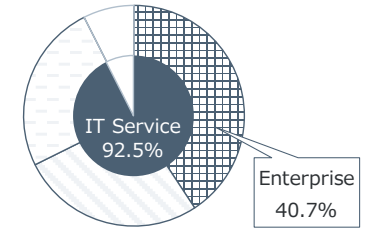




(Unit: Amounts less than 1 million yen omitted)

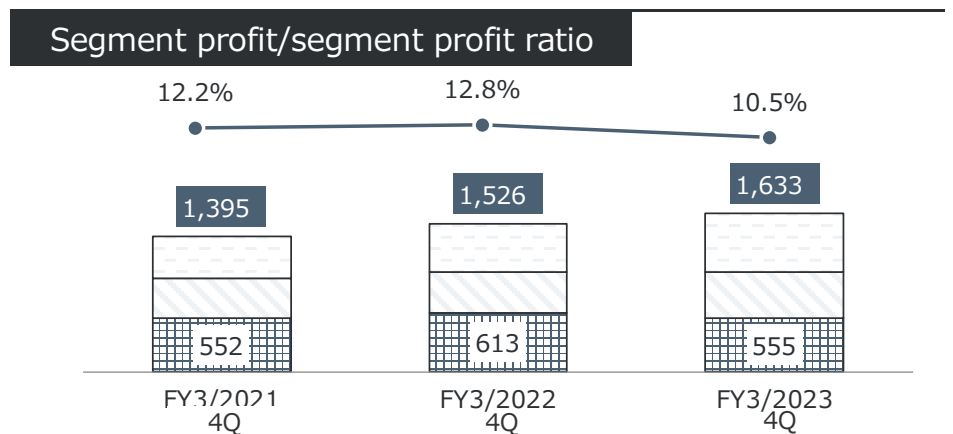
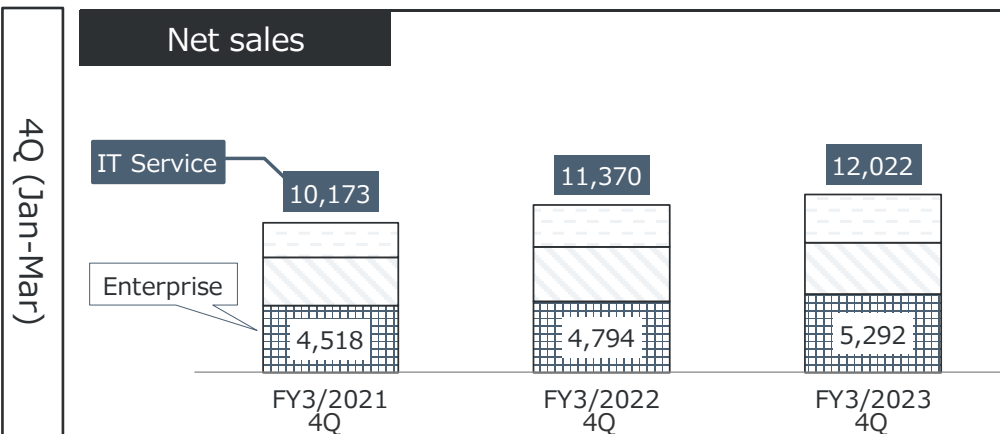
Segment		Subsegment	
IT Service	• Consulting	Enterprise	Information and communication, advertising, distribution services, transport, placement and dispatching, public services, resources and energy, construction and real estate, travel and hotels, medical and healthcare, etc.
	• IT planning		
	• Total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

<Share of net sales by segment: 4Q (Jan~Mar)>



Cumulative

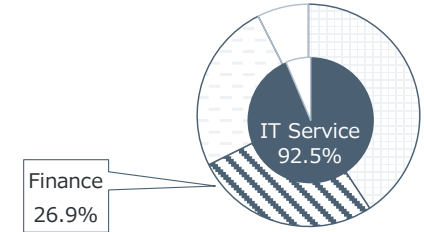
- Net sales : 18,839million yen (YoY 3.4%↑)**
 Despite the conclusion of large-scale projects in the areas of transportation and personnel placement/recruiting, sales increased in the logistics services, construction/real estate, information/communications/advertising, and public sector areas.
- Segment profit : 2,374million yen / 12.6% (YoY 5.3%↑)**
 For the same reasons as for the increase in net sales.



(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: 4Q (Jan~Mar)>



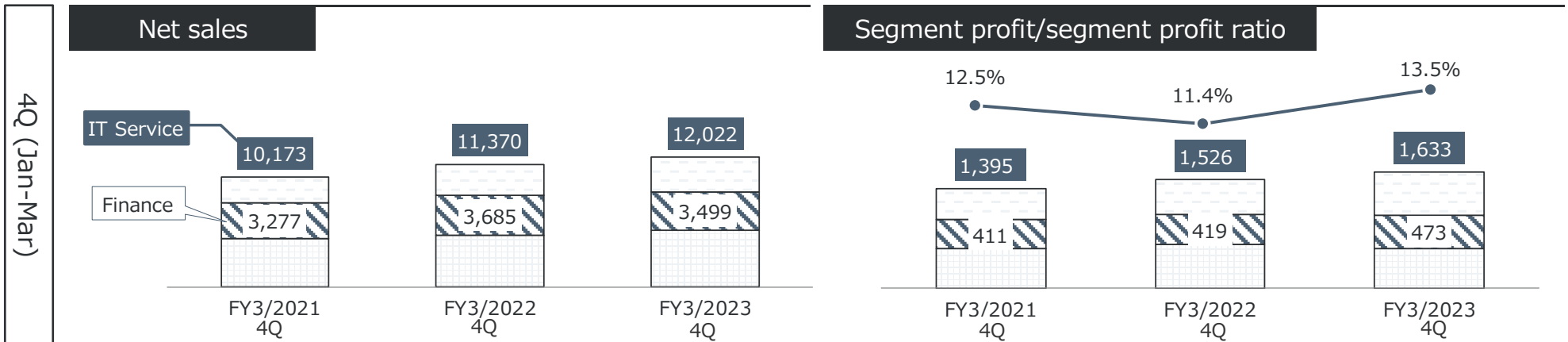
Cumulative

- Net sales : **14,115million yen** (YoY 3.1%↑)

The number of individual projects such as infrastructure construction and migration in banking increased at the Company.

- Segment profit : **1,820million yen / 12.9%** (YoY 5.9%↑)

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



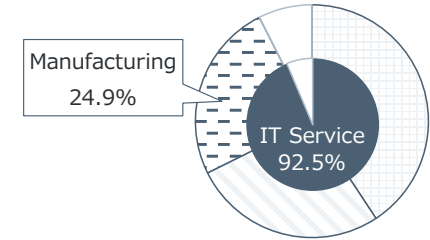


1.6. Results by segment: IT services business [Manufacturing]

(Unit: Amounts less than 1 million yen omitted)

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

<Share of net sales by segment: 4Q (Jan~Mar)>



Net sales : 12,657million yen (YoY 21.3%↑)

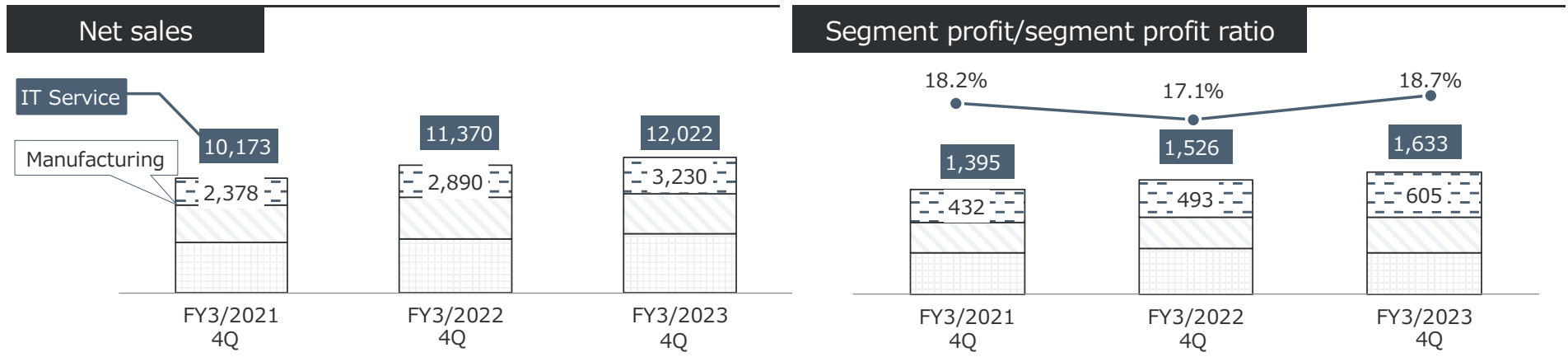
The number of cloud security projects and anticipatory investment projects increased in the areas of machinery and electronics and automotive and transport equipment.
 * Acquired new customers especially in the areas of automobiles/transportation equipment.

Segment profit : 2,159million yen / 17.1% (YoY 23.8%↑)

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

Cumulative

4Q (Jan-Mar)

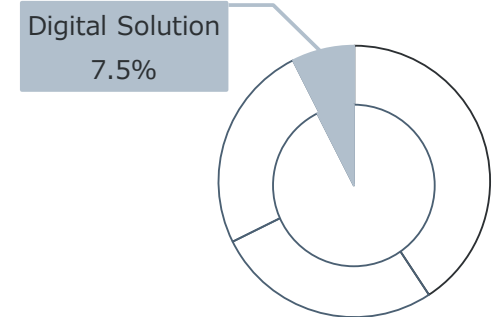


1.7. Results by segment: Digital solutions business

(Unit: Amounts less than 1 million yen omitted)

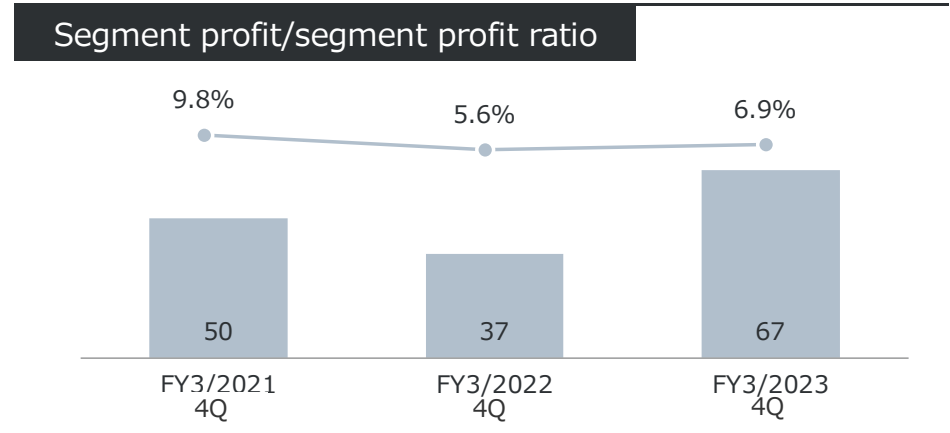
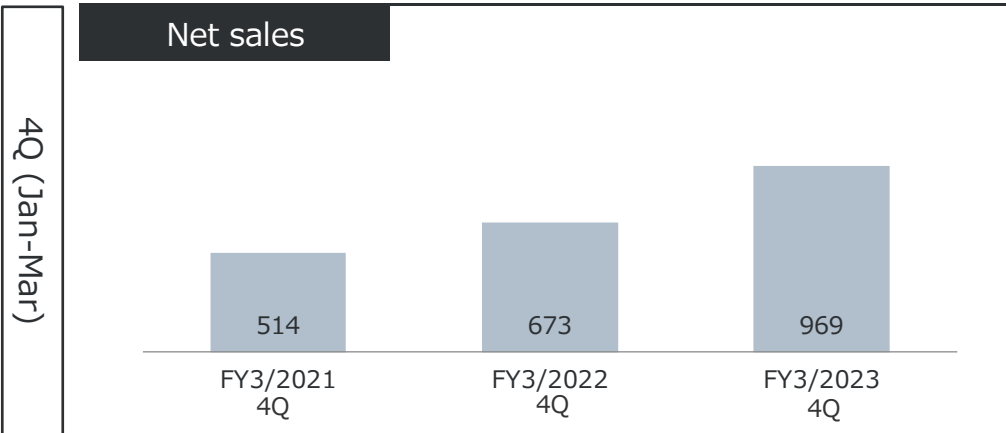
Segment	Business
Digital Solution	<p>Solution groups consisting of products and services supporting customers in realizing digital transformation (DX)</p> <p><Main products and services></p> <p>Creage : Cloud-related service UiPath : RPA-related service</p> <p>Annotation : AI-related service Training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

<Share of net sales by segment: 4Q (Jan~Mar)>



Cumulative

- **Net sales : 2,755million yen (YoY 30.7%↑)**
 Sales of Creage, our main cloud service, and RPA licenses increased.
- **Segment profit : 165million yen / 6.0% (YoY 14.3%↑)**
 There was a significant increase in license sales, while overhead costs increased as a result of implementing planning, research, and verification activities for new services and solutions in the Company's digital solutions division.





Progress of Medium-term Management Plan

The fiscal year ended March 31, 2023 is the half way point of **Medium-Term Management Plan 2023 (FY 2021 to 2023)**

Extracted from disclosure materials

CRESCO has established the Group Vision "**CRESCO Group Ambition 2030**" for the year 2030. As a starting point for actions embodying the Group Vision, we also have set forth the "**Action Guiding Principles at CRESCO Ltd.**".

- CRESCO Group Ambition 2030 -



- Action Guiding Principles at CRESCO Ltd. -

Further our goals.

We put the client first to co-create the future together.
We actively seek to enhance our technology and quality.

Advance courageously.

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

Enjoy the challenges.

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

[Note] The image has been changed due to the change in the corporate logo. There is no change in the content.



Details of "Medium-Term Management Plan 2023"
<https://www.cresco.co.jp/en/ir/operation/plan.html>

Extracted from disclosure materials

To achieve the group's vision, "Medium-Term Management Plan 2023", a three-year medium-term corporate plan, has been developed for the period from 2021 to 2023.

Under the "Medium-Term Management Plan 2023", we will **strengthen the foundations of our business through three basic strategies** to promote our core businesses. We will also work on **three key strategies to create new business pillars**.

Key strategy to create new business pillars

Strengthening digital solutions

- Doubled digital solution sales
- Expansion of new digital solutions

Evolution of agile management

- "DX Stocks" Certification.
- Strengthen group collaboration to expand business

Deepening of human-centered management

- Become a top-tier company in Corporate Health evaluation
- Developing the next generation of human resources

Basic strategy to strength core business

Expansion of IT services

- Business expansion based on measures defined for Enterprise, Finance and Manufacturing segments

Enhancing quality

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

Strengthening skills

- Business growth through new and focused technologies (AI, Cloud, Agile)

CRESCO perceives and pursues ESG as an "expectation from society to the company" that all companies should be mindful of CRESCO's views on ESG and the status of its initiatives: https://www.cresco.co.jp/ir/group_business/esg.html



Key strategy

To create new business pillars

Enhancement
of
digital
solutions

- Focused particularly on the development of new solutions & services and activities to improve profitability
<Main Initiatives>
 - Started selling "managed security services for SIEM" and "managed security services for EDR"
 - Launched educational services such as e-learning related to RPA and DX Training Service
 - Certified as AWS Public Sector Partner Program in AWS Public Sector Solution Provider
 - Became UiPath's diamond partner
 - In collaboration with JR KYUSHU HOTELS Inc., we conducted a demonstration experiment on the optimization of hotel room allocation using a mathematical optimization method, and developed a prototype for a room allocation optimization tool

Further
development
of flexible
management

- In April 2022, we established and announced a CRESCO Group's basic sustainability policy and its value creation process in order to actively promote actions toward a sustainable society
- Implemented initiatives to strengthen the sharing of business and project information within the CRESCO Group and to diversify the business portfolio
 - In July 2022, we reorganized three subsidiaries of the Group (ARS Corporation Ltd., N-System Corporation, and Nexus Corporation) and established CRESCO J CUBE CO., LTD.
 - In February 2023, Japan Software Design CO., LTD. became a subsidiary.
- Made social contributions by promoting sponsorship activities for idea contests and supporting the fostering of young people

Advancement
of people-
centered
management

- In addition to promoting telework and work space development and work style reforms in response to the post COVID-19 pandemic, as was the case in the previous fiscal year, relocation was implemented with the aim of improving the scale and environment of our bases
- Actively carried out evangelist activities at external educational institutions by making use of our technical capabilities
<Major examples>
 - Appointed as a visiting associate professor at Kanazawa Institute of Technology, Ishikawa Prefecture
 - Invited to teach as a lecturer for Smart SE DX Course at Waseda University, Tokyo
 - Invited to teach as a lecturer for Introduction to Career Design at Mechanical Engineering Program at University of the Ryukyus, Okinawa
- Recognized as a "2023 Certified Health & Productivity Management Outstanding Organization" in March 2023, as a corporation that practices particularly excellent health and productivity management
- Recognized as a "Sports Yell Company" by the Japan Sports Agency in March 2023, as a company that actively engages in sports to improve the health of employees



Basic strategy To strength core business

Expansion of IT services

- Changed the sales structure to strengthen sales capabilities in the segments of enterprise, financial, and manufacturing
- Achieved business expansion in the automotive area and growth in the manufacturing segment
- Increased business participation in public work projects, leading to the continuous expansion of existing fields as well as the cultivation of new fields
- Continued to promote near-shoring and off-shoring as a countermeasure for the shortage of domestic development personnel
- Promoted the utilization of solution building processes to acquire new projects

Enhancement of quality

- Established and improved quality management systems by the Quality Control -Unit, monitored project status and conducted an audit of quality process implementation status with the aim of realizing our quality slogan, "Reliable and Impressive Quality for Customers"
- Acquired ISMS in all development departments *Aiming to acquire ISMS company-wide in FY 2023
- Improved the value of quality activities by reporting on our management activities at project management conferences
- Shared information on "quality" in general terms and "quality" required in our Company on a company-wide level and implemented all-participating-type quality training (e-learning) with the aim of strengthening quality

Enhancement Of technologies

- In September 2022, we obtained a patent for an information processing device, method and program for visualizing the basis of image classification results using image recognition AI, in the fields of image recognition AI and machine learning, which are our specialties
- In December 2022, we announced the development of Aircraft Engine Internal Inspection Tool utilizing image recognition technology through medical AI with Japan Airlines Co., Ltd.
- Certified as an "IBM Champion" for five years in a row, and as "UiPath Japan MVP" for three years in a row
- Expanded the availability of external DX Training Services to support corporate DX human resource development
- Promoted the expansion of employee education curriculum to enhance DX literacy among employees

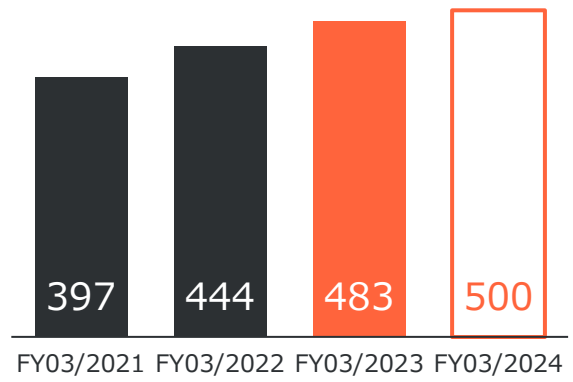


2.5. Progress of Business Objective

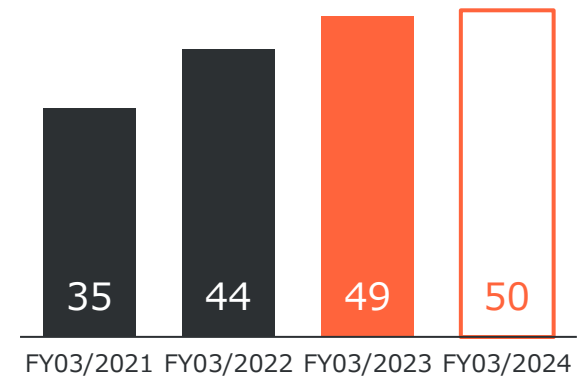
Extracted from disclosure materials

Business Objective	FY2020 Achievement	FY2023 Goal
Consolidated operating profit	39.7 billion >	50 billion
Consolidated Gross profit	3.5 billion >	5 billion
ROE	14.8% >	over 15%

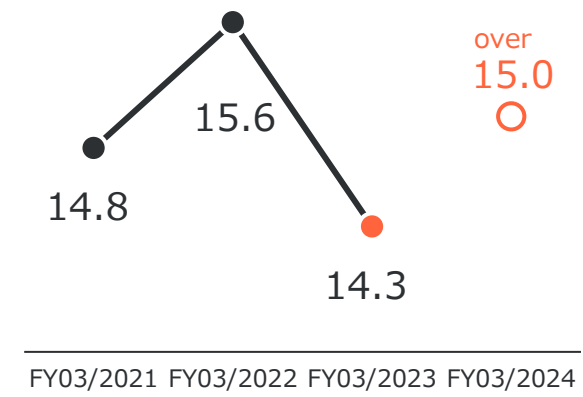
Consolidated operating profit [Unit : billion]



Consolidated Gross profit [Unit : billion]



ROE [Unit : %]





3

Future outlook



3.1. Consolidated Forecast of financial results

(Unit: Amounts less than 1 million yen omitted)

- Although there are concerns about a downturn in the economy due to the prolonged conflict between Russia and Ukraine, DX promotion in companies is likely to be showing further progress with the impact of the novel coronavirus infection being on the decline, which is **expected to** lead to the growth in IT investments and an **increase in the number of orders our corporate group will receive**.
- For the purpose of improving corporate value over the medium- to long-term, we plan to invest in various education and training programs such as DX Human Resources Development Program and Next Generation Human Resources Development Program. In addition, **personnel and education expenses are expected to increase** due to an increase in salary level for the purpose of securing employees and the hiring of new graduates on a record scale.
- 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 <Announced on Feb 28, 2022>		YoY	Actual		YoY	Achievement rate	Forecast <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		/	/	67.30	/

Full year	FY3/2023						FY3/2024		
	Forecast <Announced on Feb 28, 2022>		YoY	Actual		YoY	Achievement rate	Forecast <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		/	/	170.00	/

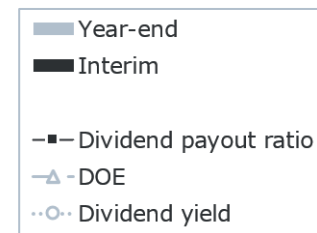
Note: Respective profit ratios shown in parentheses. "Profit" is "Profit attributable to owners of parent."



3.2. Consolidated Forecast of cash dividends

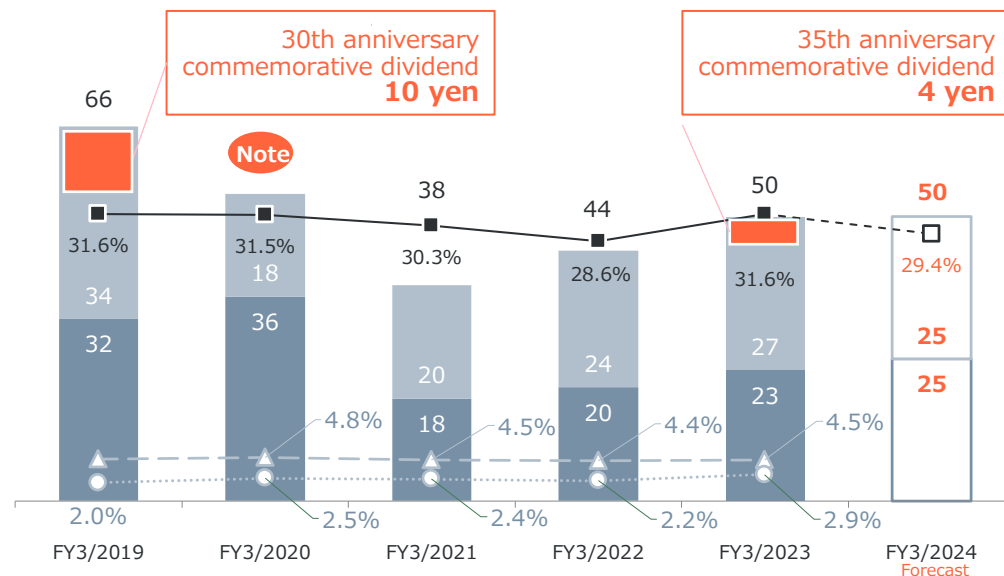
- Dividends will continue to be distributed in accordance with the Group's shareholder return policy.
- The common dividend of 50 yen [interim 25 yen, year-end 25 yen].
(Reference: 50 yen for the previous fiscal year [common dividend 46 yen, commemorative dividend 4 yen])

	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%	29.4%	-2.2%
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	<ul style="list-style-type: none"> 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.
	<ul style="list-style-type: none"> The Company does not offer any special shareholder benefits.
	<ul style="list-style-type: none"> 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 FY3/2019 interim dividend until 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.



May 10 (Wednesday) Timely disclosure
Notice Concerning Decision on Matters Relating to Purchase of Treasury Shares
and Cancellation of Treasury Shares

■ Concept of profit return

- The Company considers the return of its profits to shareholders as an important managerial issue, and its basic dividend policy is to maintain payouts that are appropriate in light of its financial results, while increasing shareholders' equity and keeping long-term and stable earning power.
- Taking into account the impact on the share price trend and management, the Company considers purchasing treasury shares to be one of the key strategies for returning profit to shareholders.

■ Reasons for the purchase and cancellation of treasury shares

- To purchase and cancel treasury shares based on the basic policy.
- To improve our capital efficiency by conducting a cancellation of treasury shares purchased or held.

■ Summary

(i) Purchase of treasury shares	
Type of shares	Common shares of the Company
Total number of shares	500,000 shares (maximum) Ratio to the number of issued shares (excluding treasury shares): 2.4%
Aggregate purchase amount	1,000,000,000 yen (maximum)
Acquisition period	From May 11, 2023 to November 30, 2023
Method of acquisition	Open-market purchase on the Tokyo Stock Exchange

(ii) Cancellation of treasury shares	
Type of shares	Common shares of the Company
Number of shares	1,000,000 shares
Scheduled date of cancellation	Once the own-share repurchase is complete, the Company will again make an announcement.

<Reference>Status of treasury shares held as of March 31, 2023

- Number of issued shares (excluding treasury shares) 21,070,066 shares
- Number of treasury shares 1,929,934 shares



Reference

Reference Changes in the Cresco Group's consolidated subsidiaries

	FY3/2019				FY3/2020				FY3/2021				FY3/2022				FY3/2023			
	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][*10]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CRESCO KYUSHU Co. Ltd. [*8]	●	●	●	●	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CRESCO HOKURIKU. LTD.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
C3 Co. Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CRESCO Digital Technologies Ltd. [*13]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Mexess Co., Ltd. [*3][*4]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
N-System Corporation [*14]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/
Nexus Corporation [*2][*14]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/
ARS Corporation Ltd. [*6][*14]	/	/	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/
CRESCO J CUBE CO., LTD. [*14]	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	●	●	●	●
CRESCO VIETNAM CO., LTD. [*9]	/	/	/	/	/	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Enisias Co., Ltd. [*11]	/	/	/	/	/	/	/	/	●	●	●	●	●	●	●	●	●	●	●	●
OEC Ltd. [*12]	/	/	/	/	/	/	/	/	/	/	/	/	●	●	●	●	●	●	●	●
Japan Software Design CO.,LTD. [*15]	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	●	●	●	●
Total number of subsidiaries	10	10	11	11	10	11	11	11	12	12	12	12	12	13	13	13	13	11	11	12

[*1] Applications Co., Ltd. became a subsidiary of IOS Co., Ltd. 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. effective November 1, 2018.

[*8] Cresco KYUSHU Co. Ltd. was integrated into the Company effective April 1, 2019.

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

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

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

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

[*13] Creative Japan, LTD. changed its name to CRESCO Digital Technologies Ltd. on May 1, 2022.

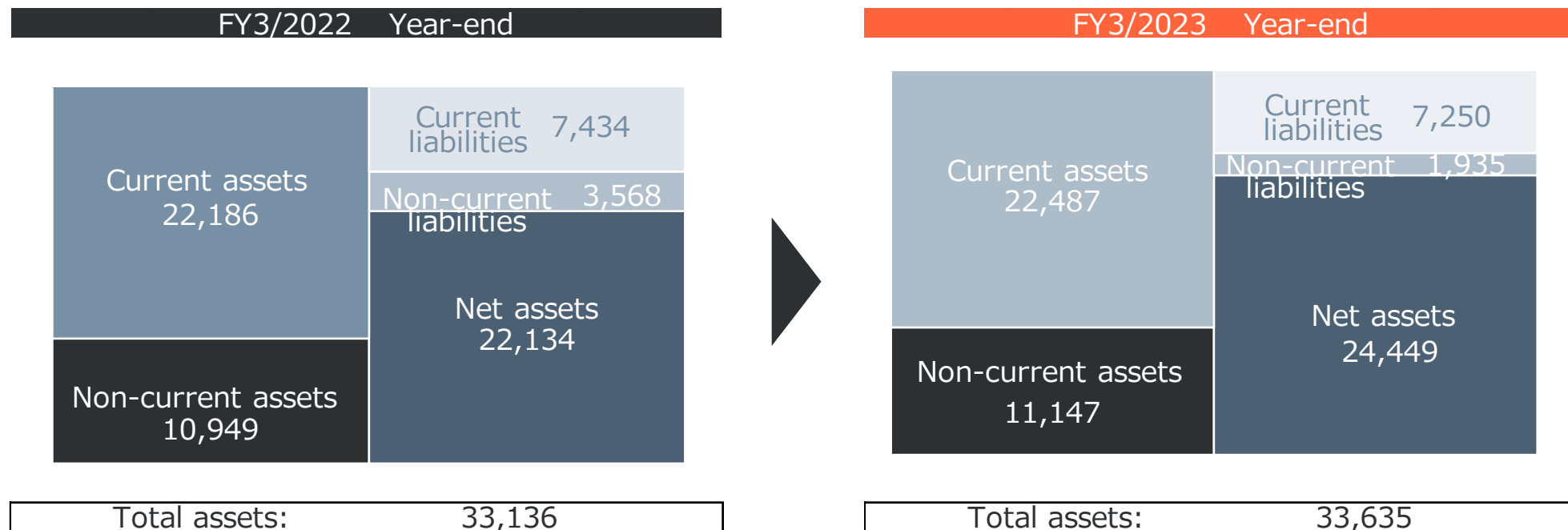
[*14] Effective July 1, 2022, N-System Corporation and Nexus Corporation were integrated into ARS Corporation Ltd., which was renamed CRESCO J CUBE CO., LTD.

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

Reference 2) Status of assets and liabilities

(Unit: Amounts less than 1 million yen omitted)

- The total assets decreased by 498 million from the end of the previous fiscal year to 33,635 million yen.



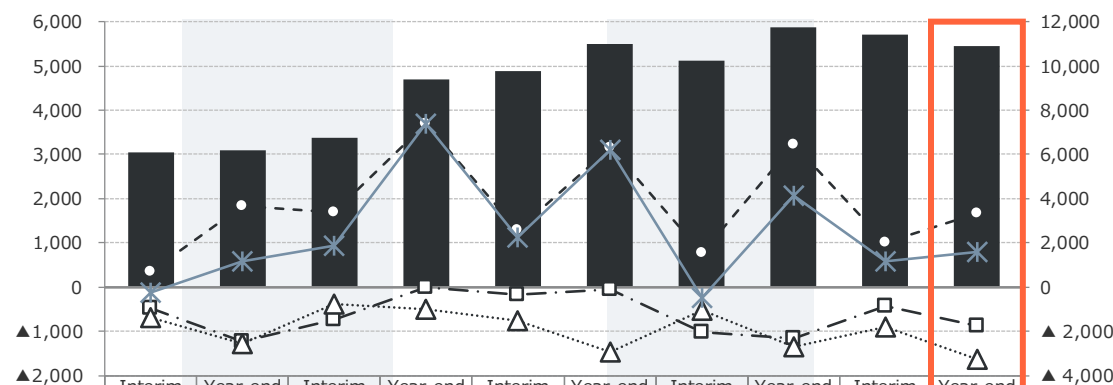
- ↑ **Current Assets** Increased by 3 million yen from the end of the previous fiscal year
 Increase: Electronically recorded monetary claims – operating ... 719 million yen, Accounts receivable - trade ... 512 million yen, Accounts receivable – other ... 394 million yen, Contract assets ... 116 million yen
 Decrease: Cash and deposits ... 819 million yen, Notes receivable – trade ... 434 million yen, Securities ... 196 million yen
- ↑ **Non-current Assets** Increased by 198 million yen from the end of the previous fiscal year
 Increase: Deferred tax assets ... 240 million yen, Buildings ... 215 million yen, Lease and guarantee deposits ... 64 million yen
 Decrease: Investment securities ... 256 million yen, Software ... 94 million yen, Insurance funds ... 67 million yen
- ↓ **Current Liabilities** Decreased by 183 million yen from the end of the previous fiscal year
 Increase: Accounts payable - trade ... 88 million yen, Provision for loss on order received ... 45 million yen
 Decrease: Current portion of long-term borrowings ... 154 million yen, Accounts payable - other ... 88 million yen, Asset retirement obligations ... 50 million yen
- ↓ **Non-current Liabilities** Decreased by 1,633 million yen from the end of the previous fiscal year
 Increase: Asset retirement obligations ... 58 million yen, Bonds payable ... 50 million yen
 Decrease: Retirement benefit liability ... 1257 million yen, Long-term borrowings ... 483 million yen
- ↑ **Net assets** Increased by 2,315 million yen from the end of the previous fiscal year
 Increase: Retained earnings ... 2,339 million yen, Remeasurements of defined benefit plans ... 50 million yen
 Decrease: Valuation difference on available-for-sale securities ... 136 million yen

Reference 3) Status of Cash flow

(Unit: Amounts less than 1 million yen omitted)

- The balance of cash and cash equivalents at end of period decreased by 822 million yen from the end of the previous fiscal year to 10,915 million yen.

		FY3/2021		FY3/2022		FY3/2023	
		Interim	Year-end	Interim	Year-end	Interim	Year-end
Cash Flow	Operating CF	1,300	3,155	774	3,222	1,015	1,679
	Investing CF	▲ 181	▲ 47	▲ 1,027	▲ 1,155	▲ 431	▲ 874
	Financing CF	▲ 755	▲ 1,479	▲ 516	▲ 1,352	▲ 894	▲ 1,631
Free CF		1,118	3,108	▲ 252	2,066	583	804
Increase or decrease in CF		363	1,630	▲ 768	722	▲ 307	▲ 822
Balance at end of period		9,748	11,015	10,247	11,737	11,430	10,915



	Interim FY3/2019	Year-end FY3/2019	Interim FY3/2020	Year-end FY3/2020	Interim FY3/2021	Year-end FY3/2021	Interim FY3/2022	Year-end FY3/2022	Interim FY3/2023	Year-end FY3/2023
■ Balance at end of period	6,094	6,201	6,774	9,384	9,748	11,015	10,247	11,737	11,430	10,915
-○- Operating CF	351	1,824	1,690	3,693	1,300	3,155	774	3,222	1,015	1,679
-□- Investing CF	▲ 466	▲ 1,238	▲ 742	2	▲ 181	▲ 47	▲ 1,027	▲ 1,155	▲ 431	▲ 874
...▲... Financing CF	▲ 683	▲ 1,278	▲ 374	▲ 511	▲ 755	▲ 1,479	▲ 516	▲ 1,352	▲ 894	▲ 1,631
-* Free CF	▲ 115	586	948	3,695	1,118	3,108	▲ 252	2,066	583	804

■ Operating cash flows Inflow of 1,679 million yen

Income taxes paid ...	1,693 million yen
Decrease in retirement benefit liability ...	1,324 million yen
Profit before income taxes ...	4,944 million yen

■ Investing Cash flows Outflow of 874 million yen

Proceeds from redemption of investment securities ...	1,705 million yen
Purchase of investment securities ...	2,043 million yen
Purchase of property, plant and equipment ...	294 million yen
Purchase of intangible assets ...	103 million yen

■ Financing cash flows Outflow of 1,631 million yen

Dividends paid ...	988 million yen
Repayments of long-term borrowings ...	639 million yen

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