



Summary of Quarterly Financial Results Briefing

for the Nine Months Ended Desember 31, 2023

Feb 6, 2024



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Consolidated Results main points



1.1. Main initiatives up to the third quarter (i)

■ Organization and structure

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

■ Business

- Strengthened RPA as digital solution
 - Awarded UiPath’s Revenue Growth Partner of the Year prize.
 - Concluded a distributorship agreement with WingArc1st Inc. Started provision of paperless methods and automation solutions for accounting processes through collaboration with aforementioned WingArc1st using their electronic form platform invoiceAgent along with UiPath.
- Strengthened the field of AI as a digital solution
 - Built the CrePT generative AI chat service using Microsoft’s Azure OpenAI Service, and began operating it within the Company in May.
 - Began offering the AI Escort service provided by our own AI experts.
 - Released RooMagic, a tool for streamlining the hotel room assignment process using mathematical optimization techniques.



1.1. Main initiatives up to the third quarter (ii)

Others

- Began offering a penetration testing service as part of the Security Vulnerability Diagnostics lineup.
- Cognavi India, an Indian corporation in which we have made a capital investment, opened a job portal site for newly graduated Indian students.
- Invested in Vietnamese startup CAPICHI PTE. LTD., which is focused on restaurant and retail tech. We aim to contribute to promoting DX in restaurants, retail stores and accommodation facilities, etc. as Japanese distributor of Capichi OI, aforementioned CAPICHI's QR-based mobile ordering system.
- Consolidated subsidiary CRESCO Digital Technologies, Ltd. announced a subscription WiFi service and an integrated BOM management solution for manufacturing industry.
- Concluded a capital and business agreement with Secure Innovation Inc. (head office: Naha-shi, Okinawa), an information security service provider, for the purpose of strengthening the Company's security solutions.

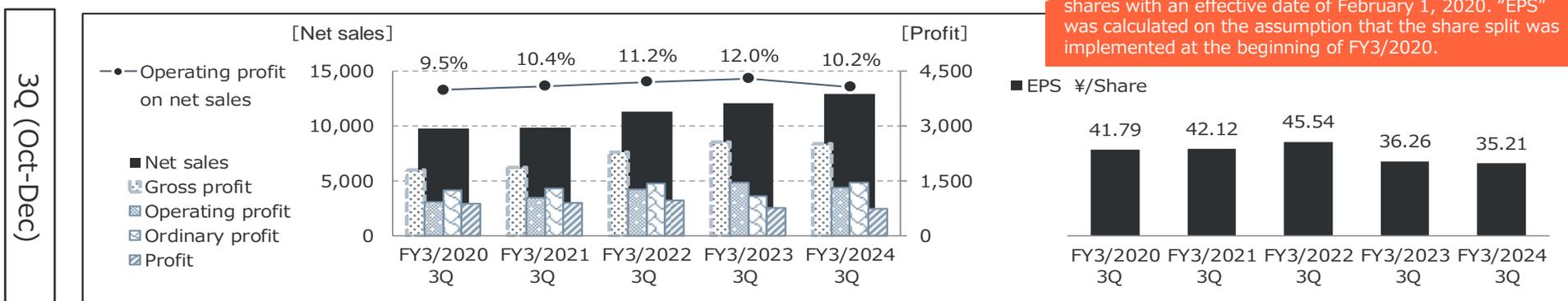


1.2. Income statement [highlights]

(Unit: Amounts less than 1 million yen omitted)

- Corporate IT investment demand continues to be strong, due in part to normalization of economic activities following reclassification of COVID-19 as Class V and rising interest in the use of generative AI and preventive measures for cyberattacks. Net sales significantly increased by 9.0% year on year (hereinafter the same) mainly from major customers although the extent of increase still varied by industry category.
- Operating profit significantly decreased by 10.8% 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 21.4% due to the recording of 301 million yen in gain on valuation of derivatives related to financial instruments (in non-operating income).
- Recorded 108 million yen in gain on redemption of investment securities as extraordinary income.

						Full-year Forecast			
	FY3/2022	FY3/2023		FY3/2024	YoY	Full-year progress	<Announced on May 10, 2023>	YoY	
Cumulative	Net sales	32,406	35,376		38,544	109.0%	73.4%	52,500	108.5%
	Gross profit	6,348 (19.6%)	7,095 (20.1%)		7,202 (18.7%)	101.5%			
	Operating profit	3,292 (10.2%)	3,697 (10.5%)		3,298 (8.6%)	89.2%	62.8%	5,250 (10.0%)	105.0%
	Ordinary profit	3,641 (11.2%)	3,202 (9.1%)		3,887 (10.1%)	121.4%	72.4%	5,370 (10.2%)	104.6%
	Profit	2,564 (7.9%)	2,230 (6.3%)		2,398 (6.2%)	107.5%	66.9%	3,582 (6.8%)	107.6%
	EPS ¥/Share	121.96	105.99		115.67			173.89	

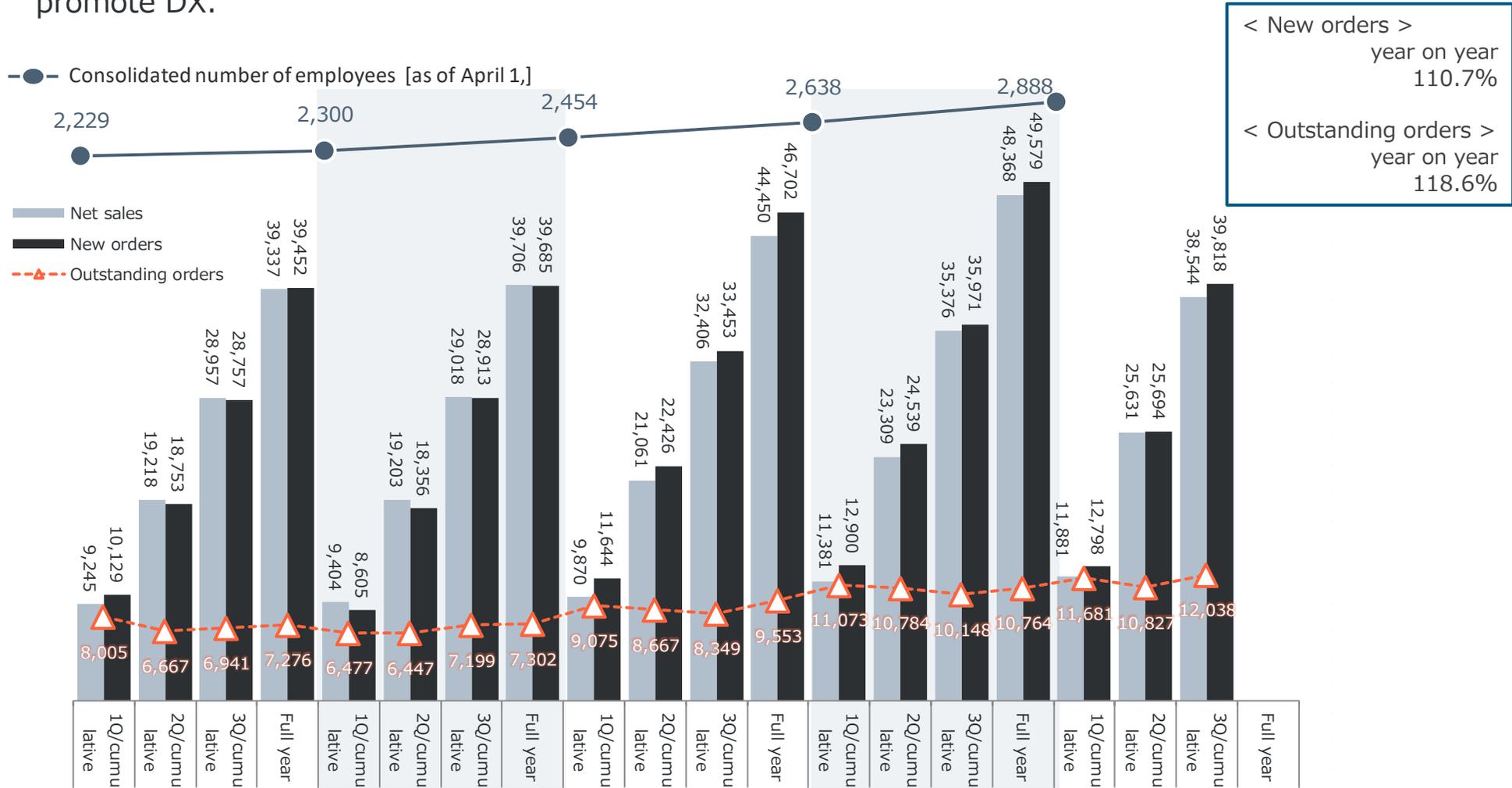




1.3. New orders and outstanding orders

(Unit: Amounts less than 1 million yen omitted)

- New orders increased year on year by 10.7%. Outstanding orders increased year on year by 18.6%.
- Due partly to the normalization of economic activities, corporations have been moving briskly to promote DX.

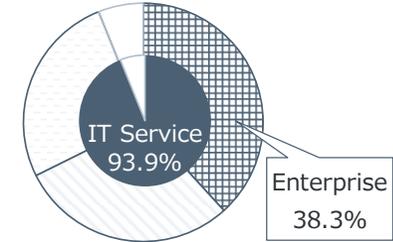




1.4. Results by segment: IT services business [Enterprise]

(Unit: Amounts less than 1 million yen omitted)
 <Share of net sales by segment: 3Q (Oct~Dec)>

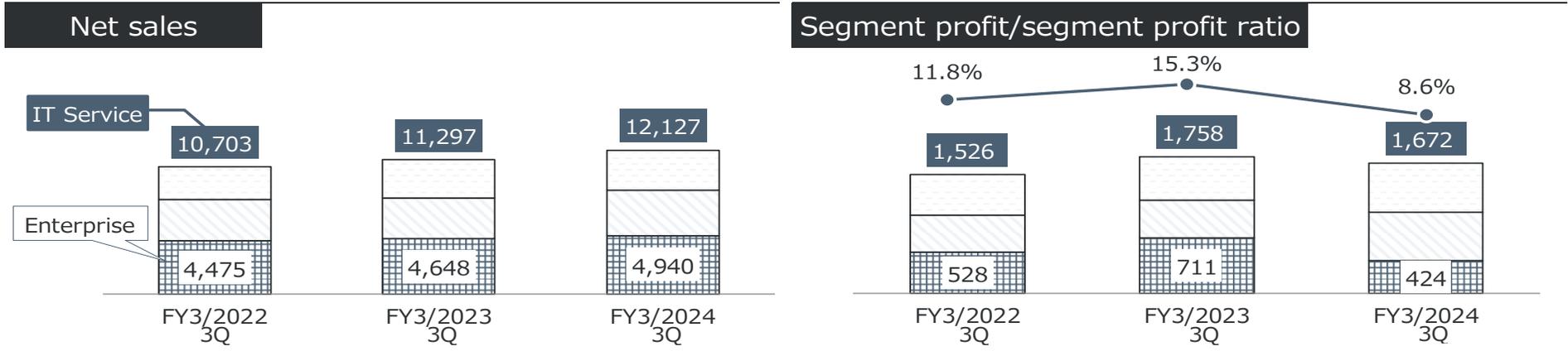
Segment		Subsegment	
IT Service	•Consulting •IT planning •Total service of development and maintenance	Enterprise	Information and communication, advertising, distribution services, transport, placement and dispatching, public services, resources and energy, construction and real estate, travel and hotels,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



- Net sales: 14,731 million yen (YoY 8.7% ↑)**
- Sales at certain consolidated subsidiaries significantly increased in both information/communications/advertising area and construction/real estate area.
- Segment profit: 1,351 million yen / 9.2% (YoY 25.7% ↓)**
- This was due to unprofitable projects in the area of personnel placement/recruiting and logistics services.

Cumulative

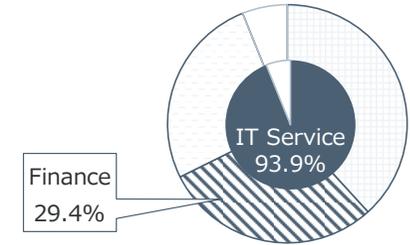
3Q (Oct-Dec)



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

Segment		Subsegment	
IT Service	<ul style="list-style-type: none"> • Consulting • IT planning • Total service of development 	Finance	Banking, insurance, etc.

(Unit: Amounts less than 1 million yen omitted)
 <Share of net sales by segment: 3Q (Oct~Dec)>



Cumulative

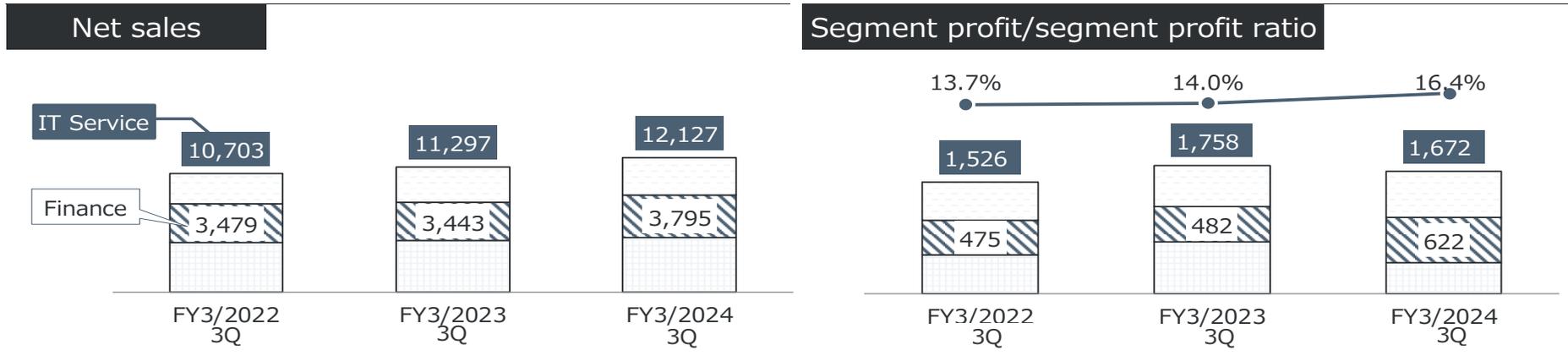
■ **Net sales: 10,822 million yen (YoY 1.9% ↑)**

• The Company saw a decrease in orders received in both insurance and the other areas due to the conclusion of large projects, but orders received increased in the banking area due to an increase in orders from existing customers.

■ **Segment profit: 1,343 million yen / 12.4% (YoY 0.3% ↓)**

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

3Q (Oct-Dec)

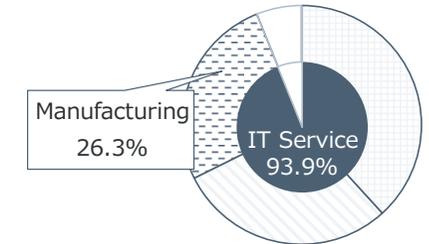




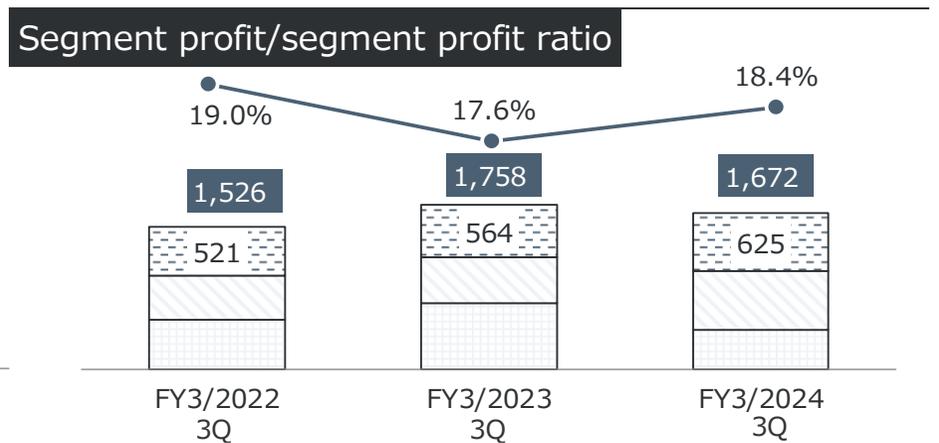
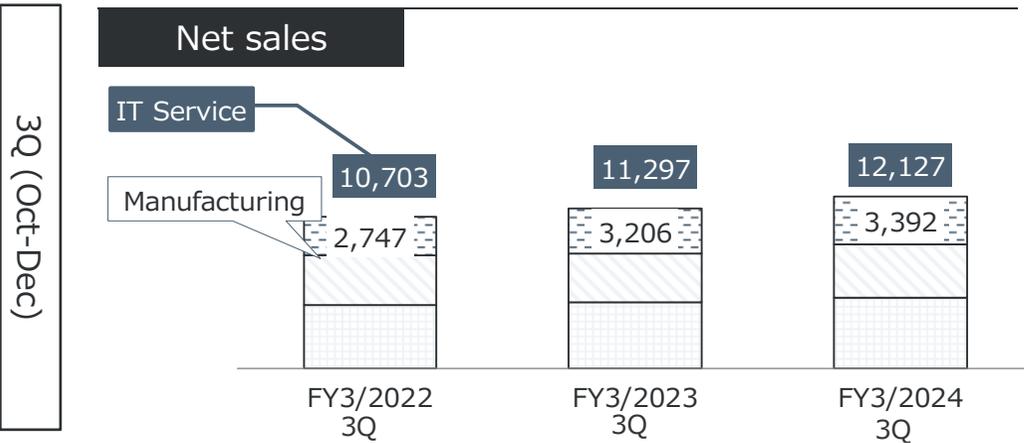
1.6. Results by segment: IT services business [Manufacturing]

(Unit: Amounts less than 1 million yen omitted)
 <Share of net sales by segment: 3Q (Oct~Dec)>

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



- Cumulative**
- Net sales: 10,178 million yen (YoY 8.0% ↑)**
 - There was an increase in sales in the area of machinery and electronics at the Company and some consolidated subsidiaries.
 - Segment profit: 1,725 million yen / 17.0% (YoY 11.0% ↑)**
 - For the same reasons as for the increase in net sales.

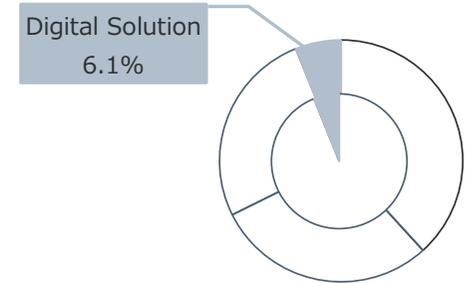




1.7. Results by segment: Digital solutions business

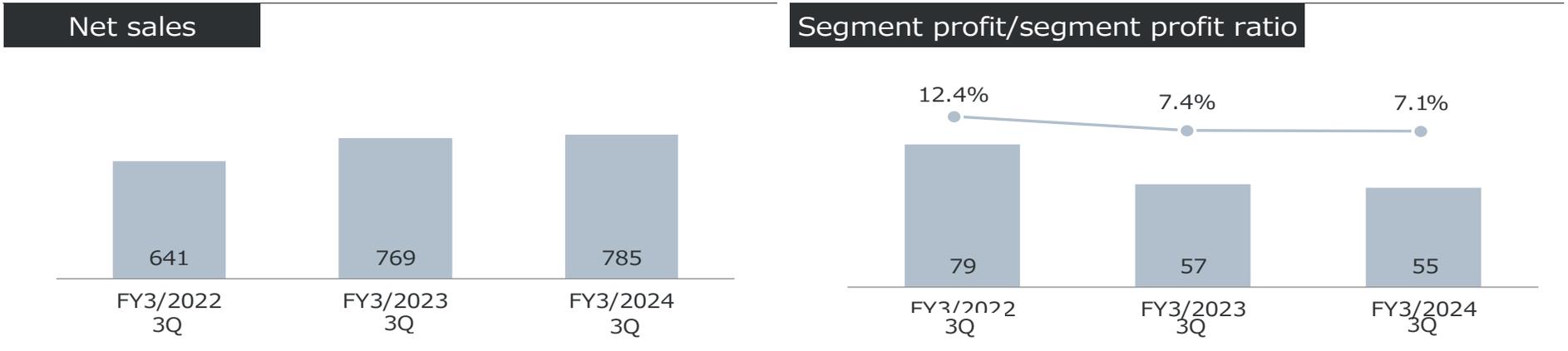
Segment	Business
Digital Solution	<p>Solution groups consisting of products and services supporting customers in realizing digital transformation (DX)</p> <p><Main products and services> Creage : Cloud-related service UiPath : RPA-related service Annotation : AI-related service Training and seminars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

(Unit: Amounts less than 1 million yen omitted)
 <Share of net sales by segment: 3Q (Oct~Dec):



- Cumulative**
- Net sales: 2,811 million yen (YoY 57.4% ↑)**
 - Sales of Creage, our main cloud service, and RPA licenses increased.
 - Segment profit: 146 million yen / 5.2% (YoY 48.1% ↑)**
 - For the same reasons as for the increase in net sales.

3Q (Oct-Dec)





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Future outlook



(Unit: Amounts less than 1 million yen omitted)

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

Full year	FY3/2023						FY3/2024	
	Forecast	YoY	Actual	YoY	Achievement rate	Forecast	YoY	
	<Announced on Feb 28, 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			173.89		

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



2.2. Consolidated Forecast of cash dividends

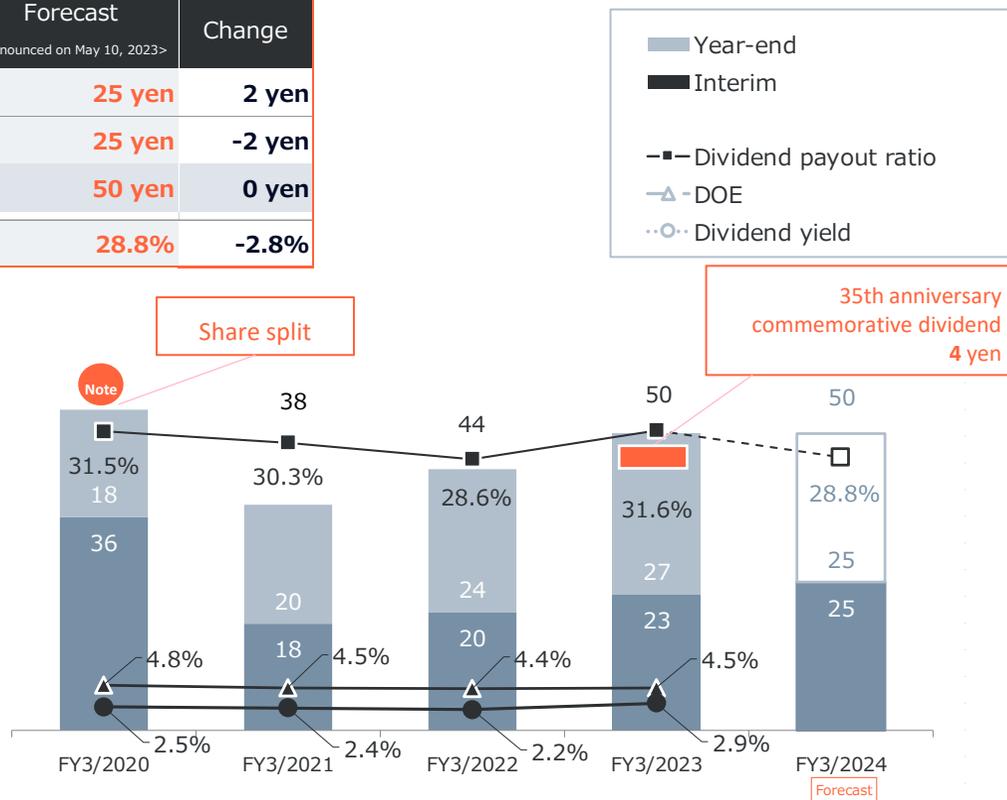
- Dividends will continue to be distributed in accordance with the Group’s shareholder return policy.
- No change in our previous forecast announced on May 10, 2023 of **50 yen** for the fiscal year ending March 31, 2024.

	FY3/2022	FY3/2023	FY3/2024		
	Actual	Actual	Actual	Forecast <Announced on May 10, 2023>	Change
Interim	20 yen	23 yen	25 yen	25 yen	2 yen
Year-end	24 yen	27 yen	–	25 yen	-2 yen
Full year	44 yen	50 yen	–	50 yen	0 yen
Dividend payout ratio	28.6%	31.6%	–	28.8%	-2.8%
Dividend yield	2.2%	2.9%	–		
DOE	4.4%	4.5%	–		
Total dividend payments	925 Millions of yen	1053 Millions of yen	–		

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

Shareholder return policy

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



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

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



Reference

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

	FY3/2020				FY3/2021				FY3/2022				FY3/2023				FY3/2024			
	1Q	2Q	3Q	4Q																
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]	/	/	/	/	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
CRESCO NEXIO CO., LTD [*11][*15]	/	/	/	/	/	/	/	/	●	●	●	●	●	●	●	●	●	●	●	●
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	12	12	12

[*1] Applications Co., Ltd. became a subsidiary of IOS Co., Ltd. (a sub-subsiary 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-subsiary 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 trade 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.

[*15] OEC Ltd. changed its trade name to CRESCO NEXIO CO., LTD. effective October 1, 2023.

Reference 2) Launch of CRESCO Integrated Report

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



The Integrated Report can be viewed from the Company's website.
https://www.cresco.co.jp/en/ir/library/annual_report.html



Following the Medium-Term Management Plan 2023, which ends this fiscal year, the new Medium-Term Management Plan 2026 will start in FY2024 as the second step “Challenge” phase toward the realization of the CRESCO Group Ambition 2030. The main points of the new Medium-Term Management Plan are as follows.

- **As the second step “Challenge” to achieving “consolidated net sales of 100 billion yen in 2030,” we aim to achieve consolidated net sales of 70 billion yen, consolidated operating profit of 8 billion yen, and a consolidated operating profit ratio of 11.5% in FY2026.**
- **To this end, we aim to become a “strategic partner” for more customers.**
- **We will also change our dividend policy in order to strengthen returns to shareholders.
(Dividend payout ratio target raised from 30% to 40% from FY2024)**

⇒Please refer to the attached “Medium-Term Management Plan 2026 Summary.”

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- ❖ Changes in risks and uncertain elements, and changes in the economic situation may force CRESCO to change the information without notice or make the actual financial and other results differ significantly. The content of this material then could differ from future outcome. Please consider this when making investment decisions.

[IR inquiries]
E-mail: ir@cresco.co.jp

(Attachment)

Medium-Term Management Plan 2026 (Summary)

(FY2024 to FY2026)

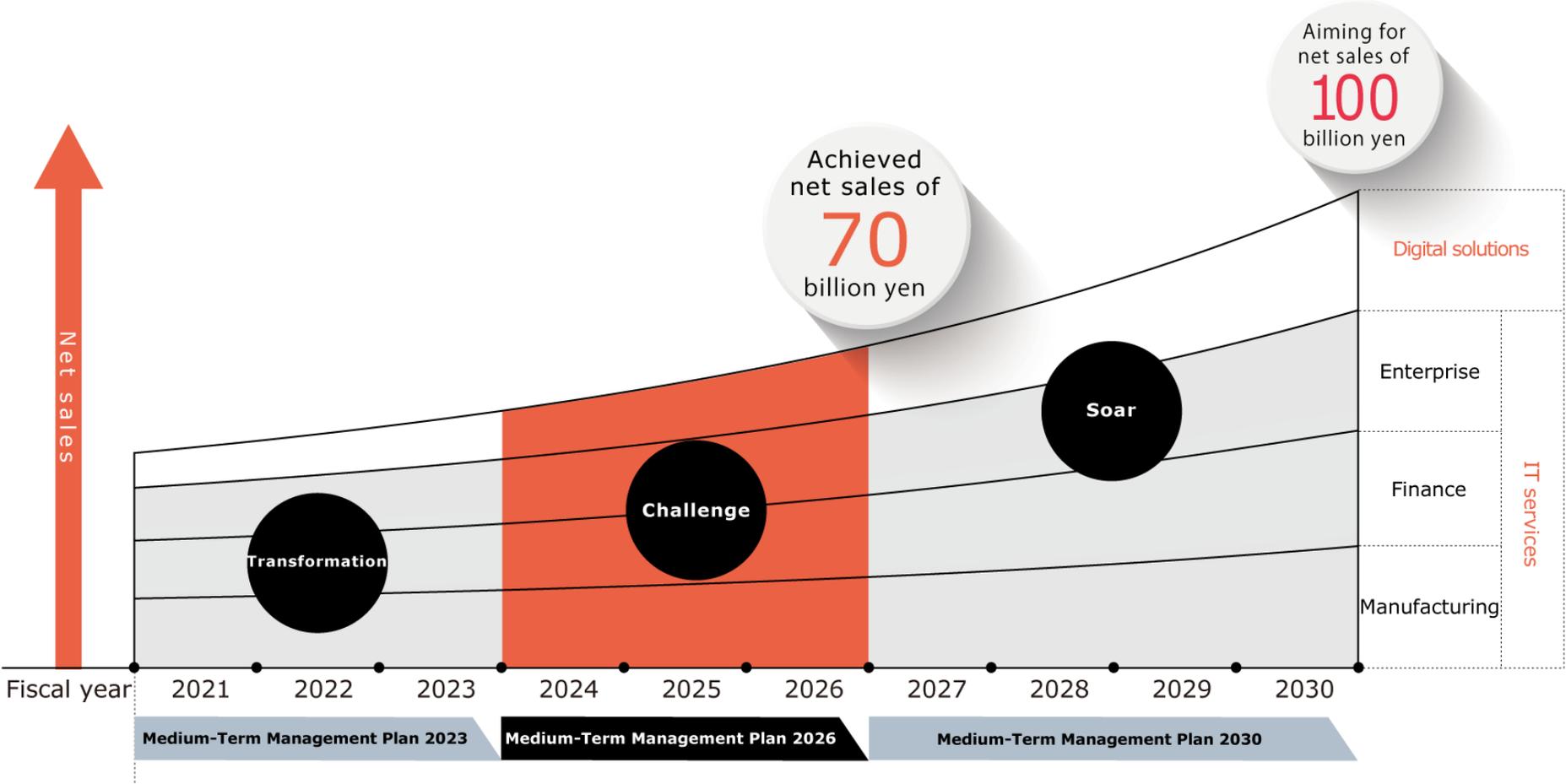
February 5, 2024



CRESCO LTD.

Positioning of Medium-Term Management Plan 2026

- The Group continues to aim to become a business with consolidated net sales of 100 billion yen by 2030. At the same time, under the theme of “Challenge” in the Medium-Term Management Plan 2026, the Group has set a target of achieving consolidated net sales of 70 billion yen.



Main points of the Medium-Term Management Plan 2026

- As the second step, “Challenge,” to achieving “consolidated net sales of 100 billion yen in 2030,” we aim to achieve consolidated net sales of 70 billion yen, consolidated operating profit of 8 billion yen, and a consolidated operating profit ratio of 11.5% in FY2026.
- To this end, we aim to become a “strategic partner” for more customers.
- We will also change our dividend policy in order to strengthen returns to shareholders.
(Dividend payout ratio target raised from 30% to 40% from FY2024)

Category	KGI	Initial Consolidated Forecast of Financial Results for FY2023 (Announced on May 10, 2023)	FY2026 Target Value
Business revenue	Consolidated net sales	52.5 billion yen	70.0 billion yen
	Consolidated operating profit	5.2 billion yen	8.0 billion yen
	Consolidated operating profit ratio	10%	11.5%
Management efficiency	ROE	-	15%
Shareholder return	Dividend payout ratio	30%	40%

Thank You



[Notes]

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Create the future,
Beyond the horizon



We will realize a stimulating future
through the best technology
and human bonds