

## Translation

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December 13, 2017

To whom it may concern:

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### Notice Concerning the Issuance through Third-Party Allotment of 4th Series Subscription Rights to Shares with Exercise Price Amendment Clause (Subject to Exercise Restrictions) and 5th and 6th Series Subscription Rights to Shares with Exercise Price Amendment Options (Subject to Exercise Restrictions)

CRESCO LTD. (the “Company”) hereby announces that it resolved at a meeting of its Board of Directors held on December 13, 2017 to issue through third-party allotment of the 4th Series Subscription Rights to Shares, the 5th Series Subscription Rights to Shares, and the 6th Series Subscription Rights to Shares (which are hereinafter respectively referred to as the “4th Series Subscription Rights to Shares,” the “5th Series Subscription Rights to Shares” and the “6th Series Subscription Rights to Shares,” and individually or collectively as the “Subscription Rights to Shares”) as follows:

#### 1. Overview of the offering

(1) Allotment date	December 28, 2017
(2) Total number of subscription rights to shares	6,000 units 4th Series Subscription Rights to Shares: 2,000 units 5th Series Subscription Rights to Shares: 2,000 units 6th Series Subscription Rights to Shares: 2,000 units
(3) Issue price	23,114,000 yen in total (3,165 yen per 4th Series Subscription Rights to Shares, 4,268 yen per 5th Series Subscription Rights to Shares, and 4,124 yen per 6th Series Subscription Rights to Shares)
(4) Number of potential shares arising from the issuance	Number of potential shares: 600,000 shares (100 shares per subscription right to shares) 4th Series Subscription Rights to Shares: 200,000 shares 5th Series Subscription Rights to Shares: 200,000 shares 6th Series Subscription Rights to Shares: 200,000 shares There is no maximum exercise price. The minimum exercise price is 3,357 yen for all Subscription Rights to Shares. The total number of potential shares remains to be 600,000 shares regardless of the level of exercise price including at the minimum exercise price.
(5) Amount of funds to be raised (estimated amount of net proceeds)	3,034,114,000 yen (estimated amount of net proceeds)
(6) Exercise price and amendment conditions of exercise price	Initial exercise prices 4th Series Subscription Rights to Shares: 4,316 yen 5th Series Subscription Rights to Shares: 5,035 yen 6th Series Subscription Rights to Shares: 5,754 yen The exercise price of the 4th Series Subscription Rights to Shares will be amended to an amount equivalent to 90% of the closing price (if there is no closing price on that day, the last closing price) of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the effective date of each exercise request for the 4th Series Subscription Rights to Shares (any fraction less than 1 yen will be rounded up). However, if the amended exercise price calculated as above would be less than the minimum exercise price, the minimum exercise price shall be the exercise price after the amendment. The Company also has the right to amend the exercise prices of the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares by a resolution of its Board of Directors if it is deemed necessary for its capital policy on any day falling on or after June 29, 2018 until and

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	<p>including December 26, 2019 as the amendment date. In this case, the Company will immediately notify the holders of the subscription rights to shares to that effect and the exercise price will be amended to an amount equivalent to 90% of the closing price (if there is no closing price on that day, the last closing price) of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange that falls on the date of such a resolution of the Board of Directors effective after the following trading day of such a resolution of the Board of Directors (the “Amendment Date”) (any fraction less than 1 yen will be rounded up). However, if the amended exercise price calculated as above would be less than the minimum exercise price, the minimum exercise price shall be the exercise price after the amendment.</p> <p>Notwithstanding the above, the Company cannot amend the exercise price of the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares in either of the following cases:</p> <p>(i) There is a fact concerning the Company or any company belonging to the Company’s corporate group that is not yet publicly announced, and it could have a considerable impact on the stock price of the Company once it is publicly announced (including, but not limited to, the facts prescribed in Article 166, Paragraph 2 and Article 167, Paragraph 2 of the Financial Instruments and Exchange Act).</p> <p>(ii) Six months have not passed since the last Amendment Date.</p>
(7) Offering or allotment method (proposed allotted party)	Third-party allotment to CREDIT SUISSE SECURITIES (JAPAN) LIMITED
(8) Restrictions on the exercise	<p>Concerning the 4th Series Subscription Rights to Shares, the Company plans to reach an agreement to the following effect with CREDIT SUISSE SECURITIES (JAPAN) LIMITED, the party to which the Subscription Rights to Shares will be allotted (the “Proposed Allotted Party”), in the third-party allotment agreement concerning the Subscription Rights to Shares to be concluded with the Proposed Allotted Party as soon as the notification under the Financial Instruments and Exchange Act concerning the offering of the Subscription Rights to Shares takes effect (the “Third-party Allotment Agreement”):</p> <ul style="list-style-type: none"> <li>• Restrictions on the exercise of subscription rights to shares</li> </ul> <p>Except in the case of prescribed exceptions, the Proposed Allotted Party shall not exercise the 4th Series Subscription Rights to Shares in a manner that the total number of common shares of the Company to be delivered as a result of the exercise of the 4th Series Subscription Rights to Shares in any given calendar month would exceed 10% of the total number of its listed shares as of December 28, 2017 (“Exercise in Excess of Restrictions”). If the Proposed Allotted Party intends to exercise the 4th Series Subscription Rights to Shares, it shall confirm with the Company in advance whether the proposed exercise of the 4th Series Subscription Rights to Shares would constitute an Exercise in Excess of Restrictions. Upon receiving such an inquiry from the Proposed Allotted Party, the Company shall immediately provide the answer. The Company shall ensure that no Exercise in Excess of Restrictions will be carried out by any party (other than the Proposed Allotted Party) that holds any subscription rights to shares, etc. issued by the Company that are linked to the market price of its shares.</p>
(9) Other	<p>The Company plans to reach an agreement with the Proposed Allotted Party to the following effect in the Third-party Allotment Agreement:</p> <ul style="list-style-type: none"> <li>• The Proposed Allotted Party shall request the permission from the Company for the exercise of the Subscription Rights to Shares and can exercise the Subscription Rights to Shares only if the Company gives the permission.</li> <li>• The Proposed Allotted Party can demand the purchase of the Subscription Rights to Shares by the Company by notifying the Company anytime during the period from December 13, 2019 to December 26, 2019. If such a demand is made, the Company shall purchase the Subscription Rights to Shares from the Proposed Allotted Party at the same price as the paid-in amount.</li> <li>• The Proposed Allotted Party shall not transfer the Subscription Rights to Shares without obtaining the approval of the Board of Directors of the Company.</li> </ul> <p>For further details, please refer to “2. Purpose and reason for the offering (2) Marketability of Subscription Rights to Shares” elsewhere in this document.</p>

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(Note) The amount of funds to be raised is the amount calculated by deducting the estimated amount of various issue costs for the Subscription Rights to Shares from the amount calculated by adding the total amount of the value of property contributed upon the exercise of the Subscription Rights to Shares to the total paid-in amount of the Subscription Rights to Shares. The total amount of value of property contributed upon the exercise of the Subscription Rights to Shares above is the amount calculated assuming that all Subscription Rights to Shares are exercised at the initial exercise prices. If the exercise prices are amended or adjusted, the amount of funds raised would increase or decrease. Furthermore, if the Subscription Rights to Shares are not exercised during the exercise period or if the Company cancels the Subscription Rights to Shares that it has acquired, the amount of funds raised would decrease.

## 2. Purpose and reason for the offering

### (1) Main purpose of the financing

In recent years, the industry in which the CRESCO Group (the “Group”) carries on business has seen a significant growth in the fields related to the third platform (i.e., cloud, mobility, big data, social technologies), such as transition to systems based on cloud and mobile devices, integration and restructuring of IT platform systems, effective use of big data analysis statistics, and the application of social technologies to business and has been changing even more rapidly since 2016 with the addition of advanced technologies such as artificial intelligence (AI), robotics, and IoT (Internet of Things). In particular, amid the trend toward further sophistication of business foundation, such as the creation of a management platform that can use data such as AI, IoT, and big data as management resources, effective use of the API (Application Programming Interface) economy that establishes the construction and development processes for sustainable IT platform systems, and the establishment of a security system to cope with cyberattacks that are becoming increasingly sophisticated, corporate efforts to realize “digital transformation” are expected to accelerate even further in the future.

In view of this kind of business environment, the Company believes that incessant promotion of the acquisition of advanced technologies, expansion of business domain, strengthening of development capabilities, development of human resources, etc., going forward will drive future growth of the Group. In recent years, acceleration of growth through M&A and capital/business alliances has been a major trend in the IT industry to which the Group belongs. Meanwhile, the Group has regarded M&A and capital/business alliances as one of the key components of its growth strategy and strengthened its group management structure (enhancement of technologies, acquisition of human resources, expansion of the customer base, etc.) since 2011. In our efforts for future business expansion, active investments in appropriate M&A and capital/business alliances will also be the key element for the Group to achieve sustainable growth.

While the Company is always considering multiple potential M&A deals, the cycle from M&A deal sourcing to closing is becoming shorter and shorter. Therefore, if the Company is unable to secure necessary funds in time, an opportunity loss may arise. In light of such a situation, to promote the acquisition of advanced technologies, acceleration of M&A and capital/business alliances that will lead to the expansion of business domain into new areas, and enhancement of development capabilities and research and development activities, etc., going forward, the Board of Directors of the Company decided to raise funds through the issuance of the Subscription Rights to Shares after careful deliberation from the perspectives of both necessity and reasonableness.

The Subscription Rights to Shares consist of three classes of subscription rights to shares and are designed to enable the Company to raise funds in a flexible manner in response to stock price movements over a certain period. The Company considers them as an optimal financing method to prepare for future M&A opportunities that would arise at any time, while making consideration to the interest of existing shareholders and securing flexibility in capital policy. The Subscription Rights to Shares also enable the Company to make the effective use of treasury shares by delivering them upon exercise of the Subscription Rights to Shares.

With the investment funds secured through the financing arrangement described in this document, the Company can accelerate the enhancement of service solutions to help customers to achieve growth and will thereby strive to increase the corporate value and shareholder value of the Group as a whole.

Specific uses of funds to be raised by the equity financing through the Subscription Rights to Shares and scheduled timing of use of these funds are described in “3. Amount and uses of funds to be raised and scheduled timing of use (2) Specific uses of funds to be raised” below.

### (2) Marketability of Subscription Rights to Shares

#### (i) Structure of Subscription Rights to Shares

- The number of shares underlying one Subscription Right to Shares is fixed at 100 shares and the total number of shares underlying of the Subscription Rights to Shares is 600,000 shares (200,000 shares for each class of the Subscription Rights to Shares).

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- Although the initial exercise price of the 4th Series Subscription Rights to Shares is 4,316 yen (equivalent to 90% of the closing price of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the date of the issuance resolution), the exercise price will be amended each time they are exercised to an amount equivalent to 90% of the closing price (if there is no closing price on that day, the last closing price) of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the effective date of each exercise request (any fraction less than 1 yen will be rounded up). However, the amended exercise price shall never fall below the minimum exercise price of 3,357 yen (equivalent to 70% of the closing price of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the date of the issuance resolution).
- Although the initial exercise prices of the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares are 5,035 yen and 5,754 yen, respectively, the Company has the right to amend the exercise prices by a resolution of its Board of Directors if it is deemed necessary for its capital policy on any day falling on or after June 29, 2018 until and including December 26, 2019 as the amendment date. In this case, the Company will immediately notify the holders of the subscription rights to shares to that effect and the exercise price will be amended to an amount equivalent to 90% of the closing price (if there is no closing price on that day, the last closing price) of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange that falls on the date of such a resolution of the Board of Directors effective, after the following trading day of such a resolution of the Board of Directors effective (the “Amendment Date”) (any fraction less than 1 yen will be rounded up). However, the amended exercise price shall never fall below the minimum exercise price of 3,357 yen (equivalent to 70% of the closing price of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the date of the issuance resolution).

Notwithstanding the above, the Company cannot amend the exercise price of the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares in either of the following cases:

- There is a fact concerning the Company or any company belonging to the Company’s corporate group (meaning the corporate group as prescribed in Article 4, Paragraph 1, item 1 of the Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements) that is not yet publicly announced, and it could have a considerable impact on the stock price of the Company once it is publicly announced (including, but not limited to, the facts prescribed in Article 166, Paragraph 2 and Article 167, Paragraph 2 of the Financial Instruments and Exchange Act).
- Six months have not passed since the last Amendment Date.
- As stated in (ii) below, the Proposed Allotted Party requests the permission from the Company for the exercise of the Subscription Rights to Shares and can exercise the Subscription Rights to Shares only if the Company gives the permission. Therefore, except in the case of certain exceptions, the Company can, at its discretion, control the number of the Subscription Rights to Shares that can be exercised by the Proposed Allotted Party within a certain range or prohibit such exercises altogether.
- The exercise period of the Subscription Rights to Shares is two years from the day immediately following the allotment date.
- After the notification under the Financial Instruments and Exchange Act concerning the Subscription Rights to Shares takes effect, the Company will conclude the Third-party Allotment Agreement with the Proposed Allotted Party, which mainly prescribes (ii) and (iv) below.

(ii) Exercise permission by the Company

- The Proposed Allotted Party can exercise the Subscription Rights to Shares only if it has obtained the permission for the exercise of the Subscription Rights to Shares from the Company (“Exercise Permission”) and only within the limit of the number of the Subscription Rights to Shares that can be exercised based on the Exercise Permission during the period in which the Subscription Rights to Shares can be exercised based on the same Exercise Permission (the “Exercise Permission Period”). The Company can, at its free discretion, determine whether to give such permission or non-permission when it receives a request for the permission for the exercise of the Subscription Rights to Shares from the Proposed Allotted Party. However, such exercise restrictions do not apply during the following periods:
  - (a) Period from the announcement of a merger, exchange of stocks, stock transfer, etc., resulting in delisting of the common shares of the Company (“Merger, etc.”) to the day on which such a Merger, etc. is completed or it is announced that such a Merger, etc. will not be carried out;
  - (b) Period from the day on which public notice of a tender offer concerning a tender offer for share certificates, etc. of the Company is given to the day on which the tender offer period of such a tender offer expires or the day on which

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it is announced that such a tender offer has been canceled.

(c) Period from the day on which the common shares of the Company are designated as issues under supervision or issues to be delisted by the financial instruments exchange on which they are listed to the day on which such designation is lifted.

• In principle, any request for the Exercise Permission is required to satisfy the following requirements:

(a) The number of the Subscription Rights to Shares for which an Exercise Permission is requested shall not exceed 700 units for the 4th Series Subscription Rights to Shares, 700 units for the 5th Series Subscription Rights to Shares, and 700 units for the 6th Series Subscription Rights to Shares.

(b) The Exercise Permission Period shall not exceed 20 trading days.

(c) As at the first day of the Exercise Permission Period for any Subscription Rights to Shares, there is no Subscription Right to Shares that can be exercised based on any Exercise Permission previously given.

• After obtaining an Exercise Permission, the Proposed Allotted Party can waive it anytime during its Exercise Permission Period by giving notice to the Company.

(iii) Acquisition of Subscription Rights to Shares by the Company

Anytime on or after June 29, 2018, by a resolution of the Board of Directors of the Company, the Company can acquire all Subscription Rights to Shares that are held by the Proposed Allotted Party by paying the same amount of money as their paid-in amount in accordance with the terms and conditions of each class of the Subscription Rights to Shares by giving notice to the Proposed Allotted Party in accordance with laws and regulations. Pursuant to the provisions of the Third-party Allotment Agreement, the Proposed Allotted Party can no longer exercise said the Subscription Rights to Shares on or after the day immediately following the day on which the abovementioned notice is given.

(iv) Demand for purchase of Subscription Rights to Shares by Proposed Allotted Party

The Proposed Allotted Party can demand the purchase of the Subscription Rights to Shares by the Company by notifying the Company anytime during the period from December 13, 2019 to December 26, 2019. If such a demand is made, the Company shall purchase all Subscription Rights to Shares that are held by the Proposed Allotted Party by paying the same amount of money as the paid-in amount of the Subscription Rights to Shares.

(3) Reason for selecting Subscription Rights to Shares

In selecting one among many possible financing techniques, the Company regarded it as most important whether the financing technique can be structured to reduce impact on stock price and to prevent excessive dilution to make sufficient consideration to the interest of existing shareholders.

As a result, in consideration of the characteristics of the Subscription Rights to Shares listed below, the Company resolved to issue the Subscription Rights to Shares based on the judgment that they are the best option currently available that can satisfy the needs of the Company as the issuance of the Subscription Rights to Shares which is proposed by the Proposed Allotted Party can resolve the issues of other financing techniques as explained below:

(Main characteristics of the Subscription Rights to Shares)

<Characteristics corresponding to the needs of the Company>

(i) Can prevent excessive dilution

• As the number of potential shares of the Subscription Rights to Shares is fixed at 600,000 shares (5.00% of the total number of issued shares of 12,000,000 as of September 30, 2017), the maximum number of shares that could increase by the exercise of the Subscription Rights to Shares is limited regardless of stock price movements. Even if exercise prices are amended downwards, there will be no dilution that is greater than originally expected.

For the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares, the Company can amend their exercise prices upward in a situation in which stock price is above the exercise price, thereby restraining dilution more than originally expected.

• The exercise of the Subscription Rights to Shares is subject to the permission of the Company. Therefore, in the situation in which stock price is above the minimum exercise price for the 4th Series Subscription Rights to Shares and stock price is above the exercise price for the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares, as long as the Company gives the permission for exercise, the Subscription Rights to Shares are expected to be exercised as permitted, while the Company can prevent further exercises by choosing not to give the permission in consideration of, among others, stock price trends.

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(ii) Can allow the Company to raise funds at stock price levels deemed appropriate by the Company

The Company can determine whether to give permission or non-permission for the exercise of the Subscription Rights to Shares when it receives a request for the permission from the Proposed Allotted Party. Therefore, if the Company determines that the stock price levels are inappropriate, it can choose not to give such permission. Conversely, if stock price levels are considered appropriate, the Company can choose to give such permission. In this way, the Company can raise funds at stock price levels deemed appropriate by the Company.

(iii) Can reduce impact on stock price

The Subscription Rights to Shares are structured to reduce impact on stock price by adopting the following mechanism:

- The exercise price of the 4th Series Subscription Rights to Shares will be amended based on the closing price of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the effective date of each exercise request. As such, it is expected that the Subscription Rights to Shares will be exercised in a phased manner at diverse levels of exercise price and that the temporarily excessive supply of the Company's shares may be avoided.
- As the minimum exercise price of the Subscription Rights to Shares is set at 3,357 yen (equivalent to 70% of the closing price of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the date of the issuance resolution), it is unlikely that the shares to be delivered upon exercise of the Subscription Rights to Shares will be sold in the market at a price below that level.
- As stated in "(2) Marketability of Subscription Rights to Shares (ii) Exercise permission by the Company" above, there is an upper limit to the number of the Subscription Rights to Shares for which the Company can give an Exercise Permission at once. In other words, the Subscription Rights to Shares are designed to address the concerns about the deterioration of the supply-demand balance due to the issuance of new shares.

(iv) Making consideration to the interest of existing shareholders, while securing the flexibility of the capital policy

The Subscription Rights to Shares are structured to make consideration to the interest of existing shareholders, while securing the flexibility of the capital policy by adopting the following mechanism:

- For the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares, the Company can set the exercise price at a level that is higher than the closing price of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the date of the issuance resolution and thereby can expect further funds to be raised at that stock price level in a rising market in the future. From the perspective of dilution of share value, this is a product characteristic that furthers the interest of existing shareholders.
- The exercise prices of the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares can be amended by the judgment of the Board of Directors of the Company. If the stock price rises significantly above the initial exercise prices, the Company can increase the amount of funds to be raised by amending the exercise prices upwards. On the other hand, in the case where the stock price remains significantly below the exercise prices for a considerable period, if the Company desires to raise funds through the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares albeit a lower amount, it can promote the exercise of them by amending their exercise prices downward. However, as the minimum exercise prices of through the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares are set at the level equivalent to 70% of the closing price of ordinary trading of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the date of the issuance resolution, the amended exercise price will never fall below that amount.
- The Company will reach an agreement with the Proposed Allotted Party that in the case where the Company needs to change its capital policy, the Company can acquire all remaining Subscription Rights to Shares anytime on or after June 29, 2018 at the discretion of the Company and that the Proposed Allotted Party will no longer exercise the Subscription Rights to Shares on or after the day immediately following the day on which the acquisition notice is given. In this way, the Company can secure the flexibility of the capital policy.

(v) High likelihood of successful fund raising

As the exercise price of the 4th Series Subscription Rights to Shares will be amended on a daily basis, they are expected to be exercised promptly as long as the Company gives the Exercise Permission. Regarding the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares, they are also expected to be promptly exercised once stock price rises above the exercise price on some level in a rising market, as it is known that subscription rights to shares are more likely to be exercised (or converted) than convertible bonds in cases where stock price rises above the exercise price (or the conversion price) on some level. Therefore, they are likely to secure funds sooner than convertible bonds. On the other hand, in a falling market, the Company can facilitate the exercise of the 5th Series Subscription Rights to Shares and the 6th

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Series Subscription Rights to Shares by the Proposed Allotted Party by amending their exercise prices. For these characteristics, the Company is likely to be able to raise funds sooner using the Subscription Rights to Shares.

(vi) The financing scheme that matches the funding needs of the Company

The financing through the Subscription Rights to Shares will be achieved by the combination of the 4th Series Subscription Rights to Shares with exercise price amendment clause and the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares whose exercise prices are initially fixed. By combining the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares, which are expected to be exercised at levels higher than the current stock price, with the 4th Series Subscription Rights to Shares with exercise price amendment clause that allow the exercise to start immediately, in a rising market in the future, the Company can raise further funds at the higher stock price levels, while the Company can promptly raise funds that are sufficient to allow it to respond to any opportunities for M&A and capital/business alliances that might arise sooner.

<Main cautions about Subscription Rights to Shares>

Main cautions about the Subscription Rights to Shares are listed in (vii) through (xi) below. The Company believes that the advantages listed in (i) through (vi) above outweigh these cautions.

(vii) As stated in “(2) Marketability of Subscription Rights to Shares (i) Structure of Subscription Rights to Shares” above, the minimum exercise price of the 4th Series Subscription Rights to Shares is set at 3,357 yen (equivalent to 70% of the closing price of regular way trades of common shares of the Company on the trading day of the Tokyo Stock Exchange immediately preceding the date of the issuance resolution). Depending on the prevailing stock price level, the Company may not be able to raise funds soon.

(viii) As stated in “(2) Marketability of Subscription Rights to Shares (i) Structure of Subscription Rights to Shares” above, the initial exercise prices of the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares are set at 5,035 yen and 5,754 yen, respectively, both of which are higher than the stock price level as of December 12, 2017. Depending on the prevailing stock price level, they may not be exercised soon.

(ix) If the 4th Series Subscription Rights to Shares are exercised in a falling market or if the Company amends the exercise prices of the 5th Series Subscription Rights to Shares and the 6th Series Subscription Rights to Shares downwards, the actual amount of funds raised may be less than the expected amount. However, the exercise price will never fall below the minimum exercise price (equivalent to 70% of the closing price of regular way trades of common shares of the Company at the Tokyo Stock Exchange on December 12, 2017).

(x) As the Proposed Allotted Party is not required by any provision to exercise the Subscription Rights to Shares, it may take time for the Proposed Allotted Party to exercise them or the Proposed Allotted Party may never complete the exercise of all Subscription Rights to Shares.

(xi) After the issuance of the Subscription Rights to Shares toward the end of the exercise period, the Proposed Allotted Party may demand the purchase of the Subscription Rights to Shares by the Company. In this case, the purchase price will be the same as the issue price.

(Characteristics of the issuance of Subscription Rights to Shares as compared with other financing techniques)

(i) If all new shares are issued at once through public stock offering, funds can be raised at once. At the same time, the impact on stock price could be significant as dilution of earnings per share would also occur at once. On the other hand, since the Exercise Restrictions is incorporated in the issuance of the Subscription Rights to Shares, disperse exercise is expected by observing stock price trend. In this way, the situation in which the supply of the Company’s shares temporarily becomes excessive will likely be avoided and the impact on the stock price will be reduced.

(ii) The Company could raise funds at once also through the issuance of new shares through third-party allotment. However, as this financing method would also cause dilution of earnings per share at once, the direct impact on the stock price is expected to be significant. Moreover, there is currently no suitable party to which new shares can be allotted. As explained above, since the Exercise Restrictions is incorporated in the issuance of the Subscription Rights to Shares that the Proposed Allotted Party proposed to us, disperse exercise is expected by observing stock price trend. In this way, the situation in which the supply of the Company’s shares temporarily becomes excessive will likely be avoided and the impact on the stock price will be reduced.

(iii) As for financing through bank borrowings or the issuance of corporate bonds, the financed amount would become a liability, which will raise the debt-to-equity ratio and undermine the financial soundness of the Company. Therefore, the Company judged that this is not a suitable option in view of, among others, the current financial condition of the Company.

(iv) In the case of convertible bonds, the Company is not necessarily able to set the conversion price at desired levels. On the other hand, the Subscription Rights to Shares provides high flexibility in setting issue terms so that the exercise prices can

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be set at the Company's desired levels

In the case of the financing through convertible bonds, the financed amount would be recorded initially as a liability. Therefore, if they are not converted to shares (equity), the financial soundness of the Company would continue to be undermined. It is also known that the pace of conversion of convertible bonds tends to be slower than subscription rights to shares until the time closer to the maturity even if the stock price higher than the conversion price. On the other hand, the pace of the exercise of the Subscription Rights to Shares is expected to be faster, increasing equity and reducing liabilities in the process.

- (v) Although the issue terms and exercise conditions of convertible bond-type bonds with share options (so-called MSCB), whose conversion price is amended linked to the stock price, are increasingly diverse, generally, they are structured so that the number of shares to be delivered upon conversion is determined in accordance with the conversion price. Given this structure, as compared with the Subscription Rights to Shares, which are structured to have a fixed number of potential shares, the direct impact of MSCB on the stock price would be larger than the Subscription Rights to Shares as the total number of shares to be delivered upon conversion is not determined until the completion of conversion.

### 3. Amount and uses of funds to be raised and scheduled timing of use

#### (1) Amount of funds to be raised

Total paid-in amount (yen)	Estimated amount of issue costs (yen)	Approximate amount of net proceeds (yen)
3,044,114,000	10,000,000	3,034,114,000

- (Notes)
- The total paid-in amount is the sum of total issue price and the total amount to be paid at the time of exercise of subscription rights to shares. The total paid-in amount is calculated based on the assumption that all Subscription Rights to Shares are exercised at the initial exercise price.
  - If the exercise prices are amended or adjusted, the amount of funds raised would increase or decrease. Furthermore, if the subscription rights to shares are not exercised during the exercise period or if the Company cancels the subscription rights to shares that it has acquired, the total amount to be paid at the time of exercise of subscription rights to shares and the estimated amount of issue costs would decrease.
  - The estimated amount of issue costs is the total of legal costs, valuation costs for subscription rights to shares, and other administrative costs (cost for the preparation of securities registration statements, bank handling fees, cost for registration of changes, etc.)
  - The estimated amount of issue costs above is exclusive of consumption taxes.

#### (2) Specific uses of funds to be raised

Specifically, the Company plans to use the approximate amount of net proceeds of 3,034,114,000 yen indicated in (1) above as shown in the table below. The funds raised will be invested in bank deposits and other low-risk, stable financial assets until they are used.

Uses of the proceeds	Expected amount	Timing of use
(1) Costs relating to M&A and capital/business alliances	2,334 million yen	From December 2017 to December 2020
(2) Costs relating to the improvement of development capabilities and efficiency	400 million yen	From December 2017 to December 2020
(3) Research and development expenses	200 million yen	From December 2017 to December 2020
(4) Costs relating the activities to improve the internal environment and public relations activities	100 million yen	From December 2017 to December 2020

The Company plans to use the funds as shown in the table above and the details of each use funds are explained below. Whether there will be any payment by the exercise of the Subscription Rights to Shares and the timing of the exercise depend on the judgment of the holders of the subscription rights to shares and the exercise prices of the Subscription Rights to Shares may be amended or adjusted. Therefore, the amount of funds that can actually be raised and the timing of receipts of them are not known at this point and the amount of funds to be received and the timing of the uses of these funds as currently contemplated may be different from the actual amount and timing.

Uses of funds in described in (1) through (4) above are listed in the order of priority. If there will be more opportunities for (1) M&A and capital/business alliances than expected during the scheduled timing of use shown above, the funds apportioned to (2) through (4) may instead be uses for (1). Conversely, if there will not be sufficient opportunities for (1) M&A and

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capital/business alliances, part of the funds apportioned thereto may instead be used for (2) through (4). However, in principle, the Company continues to search for and evaluate new potential deals and use these funds as costs relating to M&A and capital/business alliances even after the scheduled timing of use shown above. In this case, the use of funds will be disclosed in a timely and appropriate manner.

Therefore, the Company plans to use the funds to be raised through the 4th Series Subscription Rights to Shares, which are expected to be exercised relatively early, basically for (1) M&A and capital/business alliances and part of the funds to be raised through the 5th and 6th Series Subscription Rights to Shares for (2) through (4).

Depending on the market conditions after the issuance of the Subscription Rights to Shares, there is a possibility that the Subscription Rights to Shares will not be exercised as planned and the timing and amount shown above cannot be achieved. In this case, the Company can still execute its business plans without any trouble as the Company will use other financing methods such as bank borrowings in addition to its own equity. If the Subscription Rights to Shares are not exercised, the amount of funds raised will decrease. However, even in cases where the amount of funds raised has decreased or where subscription rights to shares are not exercised at all during the exercise period, there will be no immediate impact on the financial foundation of the Company.

(i) Costs relating to M&A and capital/business alliances

These are costs for M&A and capital/business alliances relating to the expansion of the business of the Group, strengthening of competitiveness, start-up of new businesses, etc., or for systems development that will be necessary after the closing of M&A deals and capital/business alliances.

As explained in “2. Purpose and reason for the offering (1) Main purpose of the financing” above in recent years, the industry in which the CRESCO Group (the “Group”) carries on business has seen a significant growth in the fields related to the third platform (i.e., cloud, mobility, big data, social technologies), such as transition to systems based on cloud and mobile devices, integration and restructuring of IT platform systems, effective use of big data analysis statistics, and the application of social technologies to business and has been changing even more rapidly since 2016 with the addition of advanced technologies such as artificial intelligence (AI), robotics, and IoT (Internet of Things). In particular, amid the trend toward further sophistication of business foundation, such as the creation of a management platform that can use such as AI, IoT, and big data as management resources, effective use of the API (Application Programming Interface) economy that establishes the construction and development processes for sustainable IT platform systems, and the establishment of a security system to cope with cyberattacks that are becoming increasingly sophisticated, corporate efforts to realize “digital transformation” are expected to accelerate even further. In such an environment, the Group will actively promote M&A and capital/business alliances for the purpose of expanding the scale of business and the business domain and strengthening the revenue foundation in the software development business, which is our main business, as well as in businesses related to advanced technologies and new business areas, taking advantage of the rapid expansion of the markets related to IoT (Internet of Things), artificial intelligence (AI), and cloud.

In this way, the Company can actively acquire advanced technologies through M&A and capital/business alliances in addition to internal development and enhance service solutions that can help customers to achieve growth. The Company can also strengthen the ability to accept orders, acquire new technologies, and expand the customer base, which are expected to increase the corporate value of the Group as a whole. In the past, the Company carried out many M&A deals and capital/business alliances including the acquisition of shares of IOS Co., Ltd. on April 1, 2010 (for an acquisition cost of 1,105,000,000 yen) and Sorun Hokuriku Inc. (currently CRESCO HOKURIKU. LTD.) on April 1, 2012 (for an acquisition cost of 175,000,000 yen). The Company plans to carry out multiple M&A and capital/business alliances including larger deals at a faster pace going forward. As the Company is actually receiving a number of proposals for such M&A and capital/business alliances, they can be realized once the Company secures necessary funds.

Specifically, the Company may use funds for M&A and capital/business alliances that fall under some or all of (A) through (G) below. However, specific deals and their priority are to be decided in the futures. Based on its past experience in sourcing and evaluating potential targets/partners for M&A and capital/business alliances, the Company recognizes that if the Company tries to arrange the financing after the negotiation actually starts, valuable candidates for such deals may be lost or if the Company has to negotiate under a situation in which the financing is uncertain, the Company may be forced to accept unfavorable terms. Therefore, the Company has determined that it should raise additional funds for M&A and capital/business alliances in the current relatively favorable market environment and in the current situation in which the Company holds many treasure shares, even after considering the fact that after the use of funds in a manner described in “10. Financial results and equity financing for the last three years (4) Equity financing for the last three years” below, part of the funds raised through the 1st through 3rd Series Subscription Rights to Shares (with exercise price amendment options) that had been apportioned to M&A and capital/business alliances still remains unused (133 million yen).

(A) Development of platform services in the IoT field

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- (B) Technologies and services in the field of advanced technologies including AI
- (C) Development of business application and embedded-type software
- (D) Development of cloud solution platform technologies and services
- (E) Nearshore and offshore development
- (F) Core development facilities in each region
- (G) Other new business areas

(ii) Costs relating to the improvement of development capabilities and efficiency

The main business of the Group is a labor-intensive business that is heavily dependent on human resources. Main costs are as follows:

- (A) Costs for recruiting employees (new graduates and experienced employees)
- (B) Costs for securing business partners
- (C) Costs for the expansion of offshore bases such as finding overseas development facilities
- (D) Costs for the opening of places of business (sales offices and development facilities) in regions close to customers
- (E) Costs relating to the development of human resources such as technological training and management education
- (F) Costs relating to innovations to improve efficiency

(iii) Research and development expenses

IT evolution progresses incessantly and it is important for the Group to acquire advanced technologies in anticipation of future developments based on customer needs and market trends in order to achieve sustainable growth. Main costs are as follows:

- (A) Costs relating to the acquisition of advanced technologies such as AI, cloud, IoT, and big data
- (B) Costs relating to the design, manufacture, verification tests, etc., of prototypes that use advanced technologies
- (C) Costs relating to the research and exploration on new products and services
- (D) Costs relating to the development of new products and services
- (E) Costs relating to strategies concerning patents and other intellectual property rights

(iv) Costs relating the activities to improve the internal environment and public relations activities

Measures to improve employee retention and motivation, to realize workstyle reform, and to promote the sales of products and services will be taken to strengthen corporate activities further and improve financial results. Main costs are as follows:

- (A) Costs for improving the office environment
- (B) Costs for improving the speed and flexibility of business operation such as infrastructure improvement
- (C) Costs for sales promotion activities of products and services

**4. Reasonableness of the use of funds**

By using the funds to be raised through the Subscription Rights to Shares in a manner discussed in “3. Amount and uses of funds to be raised and the scheduled timing of use (2) Specific uses of funds to be raised” above, the Company plans to strengthen the business foundation of the Group and expand revenue opportunities and will thereby strive to increase its corporate value. Therefore, despite some temporary dilution of shares resulting from the exercise of the Subscription Rights to Shares, the Company believes that the use of funds outlined above is reasonable and will drive shareholder value increase as it will support the enhancement of the interest of shareholders from the medium- to long-term perspective.

**5. Reasonableness of issue terms, etc.**

(1) Specific grounds for conclusion that the issue terms are reasonable

The Company asked Trustees Advisory Co.,Ltd., which is a third-party valuation expert located at Sanno Park Tower 5F, 2-11-1, Nagata-cho, Chiyoda-ku, Tokyo (representative: Yoshihiko Terada) (“Trustees Advisory”), to perform the valuation of the Subscription Rights to Shares taking into consideration the issue terms of the Subscription Rights to Shares and the terms and conditions of the Third-party Allotment Agreement scheduled to be concluded with the Proposed Allotted Party as soon as the notification under the Financial Instruments and Exchange Act concerning the offering of the Subscription Rights to Shares

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takes effect. Trustees Advisory decided to perform the valuation of the Subscription Rights to Shares using Monte Carlo simulation, which is one of the pricing models that are commonly used, as a pricing model that can relatively and properly reflect in the pricing result the issue terms of the Subscription Rights to Shares and the terms and conditions of the Third-party Allotment Agreement scheduled to be concluded with the Proposed Allotted Party, after comparing it with other pricing models such as the Black-Scholes model and binomial models taking into consideration that the Subscription Rights to Shares are expected to be exercised in a phased manner subject to certain restrictions on the number of shares and the exercise period. In addition, Trustees Advisory made certain assumptions on the Company's stock price and volatility, dividend yield, discount rate, liquidity of the shares of the Company, etc., taking into consideration, among others, the market environment as of the valuation base date and then made certain assumptions on the exercise behavior of the Company and the Proposed Allotted Party. (These assumptions include that if the permission for exercising the 4th Series Subscription Rights to Shares is requested by the Proposed Allotted Party, the Company will give the permission, in principle; that if the permission for exercising the 5th or 6th Series Subscription Rights to Shares is requested by the Proposed Allotted Party, the Company will give the permission only to the extent that dilution is restrained within tolerable levels, while amending the exercise price every six months to provide the Proposed Allotted Party with the opportunity to exercise, and that a purchase request will be made for any remaining subscription rights to shares.) Furthermore, regarding the cost of share disposition following the exercise of subscription rights to shares, the valuation takes into consideration the risk of stock price declines in the case where the shares of the Company are sold in the market at a certain percentage of the trading volume (about 10%). The valuation also assumes a certain reasonable level of impact of the issuance of the Subscription Rights to Shares on its stock price based on, among others, the analysis of actual cases of subscription rights to shares issued by other companies.

In reference to the valuation range calculated by Trustees Advisory based on the assumptions mentioned above (4th Series Subscription Rights to Shares: from 2,158 yen to 3,165 yen; 5th Series Subscription Rights to Shares: from 3,405 yen to 4,268 yen; and 6th Series Subscription Rights to Shares: from 3,261 yen to 4,124 yen), the Company set the paid-in amount for each of the 4th Series Subscription Rights to Shares, the 5th Series Subscription Rights to Shares, and the 6th Series Subscription Rights to Shares at 3,165 yen, 4,268 yen, and 4,124 yen, respectively, all of which are above the respective lower end of the valuation range, after negotiating with the Proposed Allotted Party. The Company also set the initial exercise prices of the 4th Series Subscription Rights to Shares, the 5th Series Subscription Rights to Shares, and the 6th Series Subscription Rights to Shares at 4,316 yen, 5,035 yen, and 5,754 yen, respectively.

Given that Trustees Advisory priced Subscription Rights to Shares at fair value taking into consideration the events that may affect fair value as assumptions and using Monte Carlo simulation, which is known to be one of the common pricing models to determine the value of subscription rights to shares, the valuation results of Trustees Advisory are considered to be reasonable. As the Company used these valuation ranges as a reference for setting the paid-in amounts and exercise prices of the Subscription Rights to Shares and set the paid-in amounts above the relevant lower ends of the valuation range, the Company has determined that the issue prices of the Subscription Rights to Shares do not constitute favorable issuance and are fair and appropriate.

In light of the basis of calculation mentioned above, the Audit and Supervisory Committee of the Company has also provided an opinion that the paid-in amounts of the Subscription Rights to Shares are not particularly favorable to the Proposed Allotted Party and are legitimate.

- (2) Grounds for conclusion that the number of subscription rights to shares to be issued and the extent of the expected dilution effect are reasonable

If all Subscription Rights to Shares are exercised, the maximum number of shares to be delivered is 600,000 shares, which is equivalent to only 5.00% of the total issued shares of the Company as of September 30, 2017 (12,000,000 shares) and 5.60% of the total number of the Company's voting rights as of September 30, 2017 (107,070) (rounded to the second decimal place).

In addition, it is also equivalent to approximately 18.06 days of the average daily trading volume of the shares of the Company for the past year (33,221 shares). As noted in "2. Purpose and reason for the offering (2) Marketability of Subscription Rights to Shares" above, in giving its permission for exercising the Subscription Rights to Shares to the Proposed Allotted Party, the Company has the ability to limit the number of the Subscription Rights to Shares that can be exercised as necessary in consideration of the then-prevailing conditions of the Company's stock price, trading volume, and trading value to allow the exercise of the Subscription Rights to Shares and ensuing sales of the delivered shares of the Company to occur in a phased manner. For these reasons, the Company determined that the number of shares to be delivered upon exercise of the Subscription Rights to Shares would not have an excessive impact on the market and the extent of the expected dilution effect is reasonable. The Company has also received a verbal explanation from the Proposed Allotted Party to the effect that when it sells the shares of the Company acquired through the exercise of the Subscription Rights to Shares, it will consider its impact on the stock price of the Company.

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## 6. Reason for the selection of Proposed Allotted Party, etc.

### (1) Overview of Proposed Allotted Party (as of March 31, 2017)

(1) Trade name	CREDIT SUISSE SECURITIES (JAPAN) LIMITED
(2) Location of the head office	Izumi Garden Tower, 1-6-1, Roppongi, Minato-ku, Tokyo
(3) Title and name of representative	Martin Keeble, Representative Director, President and CEO
(4) Description of business	Financial instruments business
(5) Amount of capital	78.1 billion yen
(6) Date established	April 1, 2006
(7) Number of issued shares	3,107,514 shares
(8) Fiscal year end date	March 31
(9) Number of employees	514 (non-consolidated)
(10) Major clients	Investors and corporations including issuers
(11) Main banks	Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and CREDIT SUISSE AG, TOKYO BRANCH
(12) Major shareholder and the percentage of its shareholdings	Credit Suisse KK Holdings (Netherlands) B.V. 100%

### (13) Relationship with the Company, etc.

Capital relationship	There are no particularly notable capital relationships between the Company and the Proposed Allotted Party. There are also no particularly notable capital relationships between the related persons and affiliates of the Company and the Proposed Allotted Party.
Personnel relationship	There are no particularly notable personnel relationships between the Company and the Proposed Allotted Party. There are also no particularly notable personnel relationships between the related persons and affiliates of the Company and the Proposed Allotted Party.
Business relationship	There are no particularly notable business relationships between the Company and the Proposed Allotted Party. There are also no particularly notable business relationships between the related persons and affiliates of the Company and the Proposed Allotted Party.
Status as related party	The Proposed Allotted Party is not a related party of the Company. In addition, none of the related persons and subsidiaries and affiliates of the Proposed Allotted Party is a related party of the Company.

### (14) Operating results and financial position for the last three years (non-consolidated)

(Millions of yen, unless noted otherwise)

Fiscal year-end	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net assets	111,928	103,916	101,058
Total assets	1,850,721	1,558,553	1,639,191
Net assets per share (yen)	36,018.75	33,440.42	32,520.74
Operating revenue	52,607	64,320	52,827
Operating profit	11,851	21,031	7,517
Ordinary profit	11,576	21,246	7,021
Profit	9,743	17,034	5,942
Earnings per share (yen)	3,135.51	5,481.73	1,912.17
Dividend per share (yen)	8,060.06	2,831.85	2,134.86

(Note) As the Proposed Allotted Party is a trading participant of Tokyo Stock Exchange, Inc., the Company has not submitted to the Tokyo Stock Exchange a written confirmation that the Proposed Allotted Party does not fall under anti-social forces. The Proposed Allotted Party has established the “Basic Policy for Preventing Harms of Anti-social Forces” and has publicly announced that it strives not to have any relationship with anti-social forces. The Company obtained the

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document of the Basic Policy and acknowledged its content. Furthermore, the Company confirmed through interviews with the Proposed Allotted Party, among others, that it collects relevant information through the close coordination with external organizations concerned and that it ensures “no relationship with anti-social forces” in its various procedures involving external parties. CREDIT SUISSE SECURITIES (JAPAN) LIMITED (Proposed Allotted Party) and its group also has an extensive track record in underwriting public offerings of shares issued by domestic and foreign listed companies and subscription rights to shares, etc. issued through third-party allotment. For all these reasons, the Company has determined that the Proposed Allotted Party has no relationship with any specified organizations including anti-social forces.

(2) Reason for the selection of the Proposed Allotted Party

In selecting the Proposed Allotted Party, the Company considered various parties from which funds can be raised and internally examined the proposals received from them. As a result, the Company selected CREDIT SUISSE SECURITIES (JAPAN) LIMITED as the Proposed Allotted Party because, as stated in “2. Purpose and reason for the offering (3) Reason for selecting Subscription Rights to Shares” above, it proposed the Subscription Rights to Shares as a financing technique that can satisfy the needs of the Company that it desires to secure necessary funds while making sufficient consideration to its stock price and the interest of existing shareholders and in comprehensive consideration of, among others, the following points: (1) The Proposed Allotted Party’s share in the trades of Japanese equities by foreign institutional investors on the Tokyo Stock Exchange is high and given its excellent share trading platform including electronic trading, any shares to be delivered upon exercise of subscription rights to shares to be issued under the proposed scheme are expected to be sold smoothly and (2) as the Proposed Allotted Party has an extensive track record in the field of financing through the issuance of subscription rights to shares, the Company can expect to raise funds smoothly while making consideration to the potential impact on stock price and the interest of existing shareholders.

The Subscription Rights to Shares will be issued subject to the purchase of them by the Proposed Allotted Party, which is a member of the Japan Securities Dealers Association. As such, the offering of the Subscription Rights to Shares will be conducted in accordance with the “Rules Concerning Handling of Allotment of New Shares to Third Party, etc.” prescribed by the Japan Securities Dealers Association.

(3) Holding policy of Proposed Allotted Party

There is no arrangement concerning continued holding and deposit with regard to the Subscription Rights to Shares between the Company and the Proposed Allotted Party. However, it will be prescribed in the Third-party Allotment Agreement to be concluded between the Company and the Proposed Allotted Party that the Proposed Allotted Party must obtain the approval of the Board of Directors of the Company if it proposes to transfer the Subscription Rights to Shares.

The Company has confirmed with the Proposed Allotted Party verbally that it intends to exercise the Subscription Rights to Shares with the Company’s permission in consideration of, among others, the trends of the Company’s stock price as well as the stock market and to sell the shares of the Company to be delivered upon exercise of the Subscription Rights to Shares mainly through market transactions in a timely and appropriate manner also in consideration of, among others the trends of the Company’s stock price as well as the stock market. Any exercise of the 4th Series Subscription Rights to Shares by the Proposed Allotted Party will be subject to the “restrictions on the exercise of subscription rights to shares” stated in (6) below.

(4) Confirmation of the existence of assets required for the payment at Proposed Allotted Party

As of the date of this document, the Proposed Allotted Party has reported to the Company that it has secured funds required for the payment of the total paid-in amount of the Subscription Rights to Shares and for the exercise of the Subscription Rights to Shares. The Company also confirmed the existence of assets required for the payment and exercise mentioned above based on the amount of net assets (as of March 31, 2017) stated in the latest financial statements of the Proposed Allotted Party contained in the explanatory document on the status of business and property (for the fiscal year ended March 31, 2017) submitted by the Proposed Allotted Party. As there are no circumstances suggesting that said financial conditions of the Proposed Allotted Party have significantly deteriorated, the Company has determined that there will be no problem regarding the payment. The Company also confirmed in the explanatory document that the financial statements of the Proposed Allotted Party had been audited by an external auditor and the Proposed Allotted Party received an audit report with an unqualified opinion.

(5) Share lending agreements

No share lending agreement has been and is scheduled to be concluded between the Company, its officers or major shareholders and the Proposed Allotted Party concerning the Company’s shares to be acquired upon exercise of the Subscription Rights to Shares.

(6) Other

Concerning the 4th Series Subscription Rights to Shares, the Company plans to reach an agreement to the following effect with the Proposed Allotted Party in the Third-party Allotment Agreement to be concluded as soon as the notification under the

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Financial Instruments and Exchange Act concerning the offering of the Subscription Rights to Shares takes effect in addition to what is stated in “2. Purpose and reason for the offering (2) Marketability of Subscription Rights to Shares” (ii) and (iv) above:

<Restrictions on exercise by Proposed Allotted Party>

- (i) Pursuant to the provisions of Article 434, Paragraph (1) of the Securities Listing Regulations prescribed by the TSE and Article 436, Paragraphs (1) through (5) of their enforcement rules and the “Rules Concerning Handling of Allotment of New Shares to Third Party, etc.” prescribed by the Japan Securities Dealers Association, the Company shall ensure that no Exercise in Excess of Restrictions of the 4th Series Subscription Rights to Shares will be carried out by the Proposed Allotted Party except in the case of prescribed exceptions to restrict conversion or exercise by the purchaser of MSCB, etc.
- (ii) The Proposed Allotted Party will agree that, except in the case of prescribed exceptions, it will not exercise the 4th Series Subscription Rights to Shares in a manner to constitute an Exercise in Excess of Restrictions and when it proposes to exercise the 4th Series Subscription Rights to Shares, it will confirm with the Company in advance whether the proposed exercise of the 4th Series Subscription Rights to Shares would constitute an Exercise in Excess of Restrictions.
- (iii) If the Proposed Allotted Party proposes to transfer the 4th Series Subscription Rights to Shares, it will ensure that the transferee will promise to the Company that it will be subject to the same restrictions concerning Exercise in Excess of Restrictions and that if the transferee proposes to transfer the 4th Series Subscription Rights to Shares further to a third-party, the transferee will have the third-party promise to the Company to the same effect.

## 7. Major shareholders and shareholding ratio

Before the offering (as of September 30, 2017)	
Iwasaki Corporation Ltd.	23.66%
Masahiro Urasaki	9.84%
Japan Trustee Services Bank, Ltd. - Trust account	7.59%
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	4.58%
Kazuhiro Sato	4.01%
Cresco Employees Holding Company	3.72%
Hiroyuki Tajima	3.70%
Toshio Iwasaki	2.53%
The Master Trust Bank of Japan, Ltd. - Trust account	1.29%
UNION TOOL CO.	1.25%

- (Notes)
1. As no long-term holding is promised for this offering, information on “major shareholders and shareholding ratio after the offering” that reflects the number of potential shares concerning the offering is not provided.
  2. The Company holds 1,259,500 treasury shares (10.49% of the total number of issued shares), but they are excluded from the table above as they have no voting rights.

## 8. Future outlook

The Company plans to realize further business and revenue expansion and to build a stronger financial foundation by using the funds to be raised through the proposed financing arrangement in a manner described in “3. Amount and uses of funds to be raised and the scheduled timing of use (2) Specific uses of funds to be raised” above.

As described in the same section, the final amount of funds raised and the timing of their receipt will be determined by the actual exercises of the Subscription Rights to Shares. The Company plans to determine the amount to be spent for each use and their timing in consideration of the status of actual exercises. If the forecast of consolidated financial results for the current fiscal year is required to be revised as a result of such expenditure during the current fiscal year, the Company will promptly disclose it.

## 9. Matters concerning the procedure required by the corporate code of conduct

The issuance of the Subscription Rights to Shares does not require the Company to follow the procedures prescribed in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange to obtain an opinion of an independent third-party or to confirm the intention of shareholders for the following reasons: (1) The number of voting rights pertaining to the common shares to be delivered as a result of the exercise of the Subscription Rights to Shares is less than 25% of the total number of voting rights pertaining to the total number of issued shares of the Company as of the date of the issuance resolution; and (2) No change in the controlling shareholders is expected (even if all Subscription Rights to Shares are exercised).

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## 10. Financial results and equity financing for the last three years

### (1) Consolidated financial results for the last three years

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	25,063,601 thousand yen	28,775,033 thousand yen	30,893,555 thousand yen
Operating profit	2,013,009 thousand yen	2,484,183 thousand yen	2,707,635 thousand yen
Ordinary profit	2,240,987 thousand yen	2,857,631 thousand yen	3,078,089 thousand yen
Profit attributable to owners of parent	1,405,738 thousand yen	1,705,144 thousand yen	2,042,751 thousand yen
Earnings per share	133.12 yen	152.26 yen	180.28 yen
Dividends per share	38.00 yen	50.00 yen	55.00 yen
Net assets per share	990.11 yen	1,078.35 yen	1,224.66 yen

### (2) Current status of the number of issued shares and the number of potential shares (as of September 30, 2017)

	Number of shares	Percentage to the total number of issued shares
Number of issued shares	12,000,000 shares	100%
Number of potential shares at the exercise price currently in effect	–	–

### (3) Recent stock price movements

#### (i) Stock price movements for the last three years

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Open	1,003 yen	1,913 yen	1,805 yen
High	2,050 yen	2,198 yen	2,980 yen
Low	964 yen	1,811 yen	1,579 yen
Close	1,913 yen	1,812 yen	2,778 yen

(Note) Stock prices above are those quoted on the Tokyo Stock Exchange 1st Section.

#### (ii) Stock price movements for the last six months

	July 2017	August	September	October	November	December
Open	3,755 yen	3,615 yen	4,245 yen	4,240 yen	4,655 yen	4,830 yen
High	3,755 yen	4,330 yen	4,315 yen	4,780 yen	5,500 yen	5,080 yen
Low	3,310 yen	3,310 yen	3,735 yen	3,985 yen	4,540 yen	4,565 yen
Close	3,315 yen	4,270 yen	4,220 yen	4,715 yen	4,830 yen	4,795 yen

(Note) 1. Stock prices above are those quoted on the Tokyo Stock Exchange 1st Section.  
2. Stock prices for December 2017 are those as of December 12, 2017.

#### (iii) Stock prices on the trading day immediately preceding the date of the issuance resolution

	December 12, 2017
Open	4,825 yen
High	4,940 yen
Low	4,780 yen
Close	4,795 yen

(Note) Stock prices above are those quoted on the Tokyo Stock Exchange 1st Section.

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 : This document is a press release to publicly announce the issuance by CRESCO LTD. of the 4th Series Subscription Rights to :  
 : Shares with exercise price amendment clause (subject to exercise restrictions) and the 5th and 6th Series Subscription Rights to :  
 : Shares with exercise price amendment options (subject to exercise restrictions) and is not prepared to solicit investors or for any :  
 : similar acts.  
 : -----

(4) Equity financing for the last three years

- Issuance of 1st through 3rd Series Subscription Rights to Shares (with exercise price amendment options) through third-party allotment

Allotment date	November 28, 2014																		
Number of subscription rights to shares issued	1,500,000 units 1st Series Subscription Rights to Shares: 500,000 units 2nd Series Subscription Rights to Shares: 500,000 units 3rd Series Subscription Rights to Shares: 500,000 units																		
Issue price	1,200,000 yen in total (1.15 yen for each of the 1st Series Subscription Rights to Shares, 0.70 yen for each of the 2nd Series Subscription Rights to Shares, and 0.55 yen for each of the 3rd Series Subscription Rights to Shares)																		
Amount of funds to be raised as estimated at issuance date	2,701,200,000 yen (approximate amount of net proceeds: 2,693,200,000 yen) (Breakdown) At issuance date: 1,200,000 yen Upon exercise: 2,700,000,000 yen																		
Party to which subscription rights to shares were allotted	Deutsche Bank AG, London Branch																		
Number of issued shares at the offering date	Common shares: 12,000,000 shares																		
Number of potential shares arising from the offering	Common shares: 1,500,000 shares (1 share per subscription right to shares)																		
Current status of exercise	850,000 units 1st Series Subscription Rights to Shares: 500,000 units 2nd Series Subscription Rights to Shares: 350,000 units 150,000 units 2nd Series Subscription Rights to Shares and 500,000 units 3rd Series Subscription Rights to Shares have already been acquired and canceled by the Company.																		
The amount of funds raised to date	1,430,000,000 yen (approximate amount of net proceeds: 1,419,120,000 yen)																		
Use of funds as contemplated at issuance date	2,000 million yen as costs relating to M&A and capital/business alliances, 300 million yen as research and development expenses and costs relating to the acquisition of intellectual property rights, 250 million yen as costs for strengthening manpower and organization and developing human resources, and 143 million yen as costs relating the activities to improve the internal environment and public relations activities																		
Period for using funds as scheduled at issuance date	From December 2014 to November 2017																		
Current status of the use of funds	<p>Costs relating to M&amp;A and capital/business alliances</p> <p>Subsidiary acquisition by share purchases</p> <table> <tr> <td>System Integration Service Co., Ltd.</td> <td>139 million yen</td> </tr> <tr> <td>Media Magic Co., Ltd.</td> <td>100 million yen</td> </tr> <tr> <td>N-System Corporation</td> <td>196 million yen</td> </tr> </table> <p>Share purchases relating to business alliances 150 million yen</p> <p>Financial and legal due diligence costs 5 million yen</p> <p>Research and development expenses and costs relating to the acquisition of intellectual property rights</p> <table> <tr> <td>Research and development expenses</td> <td>254 million yen</td> </tr> </table> <p>Costs for strengthening manpower and organization and developing human resources</p> <table> <tr> <td>Increase in education expenses including new employee training and external seminars</td> <td>120 million yen</td> </tr> </table> <p>Costs relating the activities to improve the internal environment and public relations activities</p> <table> <tr> <td>Construction works to change the floor layout of the head office</td> <td>207 million yen</td> </tr> <tr> <td>Construction works for Konan Center floor extension</td> <td>48 million yen</td> </tr> <tr> <td>Replacement of the network at the head office</td> <td>66 million yen</td> </tr> </table> <p>Remaining amount of funds raised 133 million yen</p> <p>Planned use:</p> <table> <tr> <td>Costs relating to M&amp;A and capital/business alliances</td> <td>133 million yen</td> </tr> </table>	System Integration Service Co., Ltd.	139 million yen	Media Magic Co., Ltd.	100 million yen	N-System Corporation	196 million yen	Research and development expenses	254 million yen	Increase in education expenses including new employee training and external seminars	120 million yen	Construction works to change the floor layout of the head office	207 million yen	Construction works for Konan Center floor extension	48 million yen	Replacement of the network at the head office	66 million yen	Costs relating to M&A and capital/business alliances	133 million yen
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