



Summary of
Quarterly Financial Results Press Conference
for the Six Months Ended September 30, 2021

November 5, 2021
CRESCO LTD.

1

Consolidated
Results main points



1.1. Income statement [highlights]

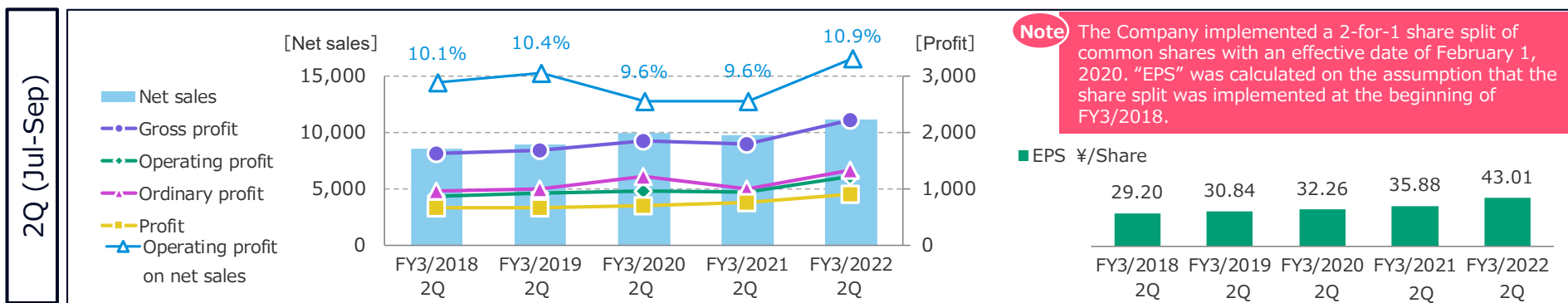
(Unit: Amounts less than 1 million yen omitted)

- Despite the novel coronavirus disease (COVID-19) crisis, customers' IT investment increased steadily against the backdrop of digital transformation.
- Orders received improved particularly from major customers. Sectors severely damaged by the COVID-19 such as travel and air transportation were also on a gradual recovery trend.
- Net sales and operating profit increased by 9.7% and 47.6%, respectively, as well as ordinary profit and profit each increased by over 20%.
- Operating profit on net sales significantly advanced to 9.6%, aiming at 10% target in the Medium-Term Management Plan (7.1% in the same period of the previous fiscal year).

■ Net sales: Increased 1,858 million yen (up 9.7% year on year).	■ Ordinary profit: Increased 379 million yen (up 20.5% year on year).
■ Operating profit: Increased 651 million yen (up 47.6% year on year).	■ Profit: Increased 298 million yen (up 22.8% year on year).

2Q/cumulative	FY3/2020		FY3/2021		FY3/2022		YoY	Half-year progress	FY3/2022 <Announced on May 10, 2021>		YoY
	Net sales	19,218		19,203		21,061		109.7%	102.7%	20,500	
Gross profit	3,586	(18.7%)	3,255	(17.0%)	4,071	(19.3%)	125.1%				
Operating profit	1,726	(9.0%)	1,366	(7.1%)	2,017	(9.6%)	147.6%	117.3%	1,720	(8.4%)	125.8%
Ordinary profit	1,896	(9.9%)	1,844	(9.6%)	2,223	(10.6%)	120.5%	117.0%	1,900	(9.3%)	103.0%
Profit	1,139	(5.9%)	1,308	(6.8%)	1,606	(7.6%)	122.8%	116.4%	1,380	(6.7%)	105.5%
EPS ¥/Share	52.74	Note	62.34		76.44				65.65		

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

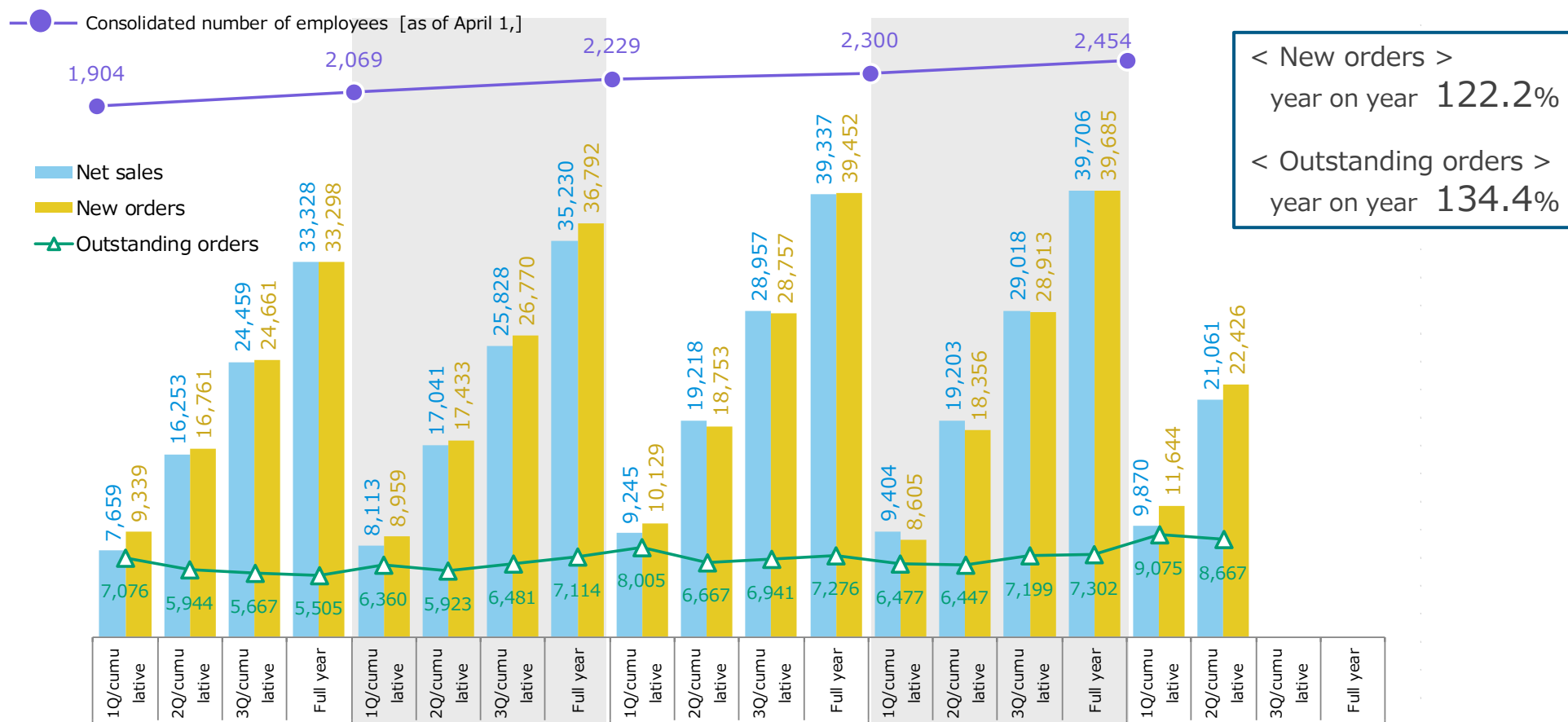




1.2. Quarterly net sales, new orders and outstanding orders

(Unit: Amounts less than 1 million yen omitted)

- Orders and order backlogs kept growing steadily, including from existing customers, despite the continuing COVID-19 crisis.
- Orders were boosted by the reaction to the curb on IT investment in FY2020, expectations for economic recovery and the implementation of digital transformation (DX).





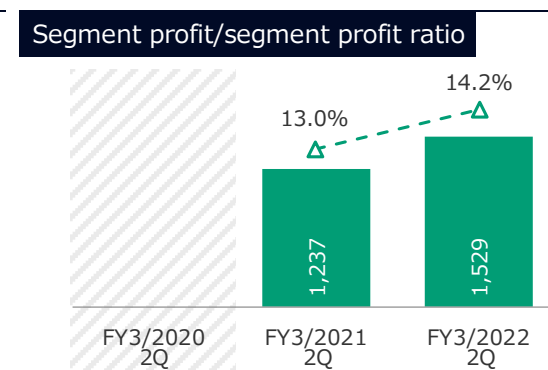
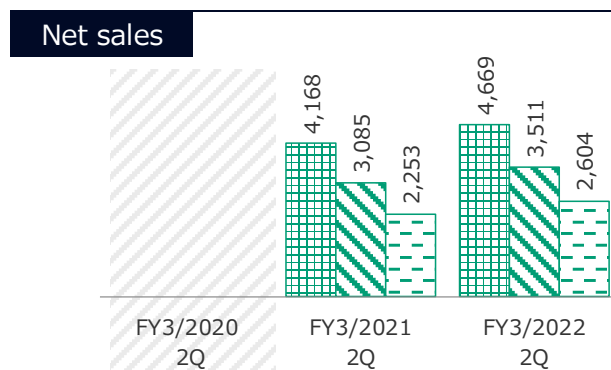
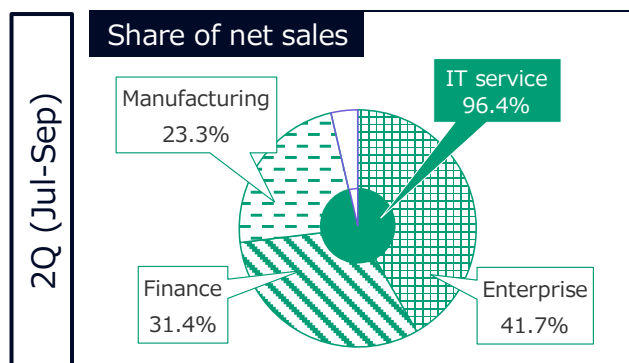
1.3. Results by segment: IT services business

(Unit: Amounts less than 1 million yen omitted)

- Net sales were 20,268 million yen. Increased by 8.4% due to growth in all subsegments of “Enterprise,” “Finance” and “Manufacturing.”
- Segment profit increased by 34.6% due to increased net sales, improved productivity, and minimization of unprofitable projects.

- ▣ **Enterprise:** Sales increased by 8.3% due to recovery in orders in “Placement and dispatching,” “Transport,” and “Travel and hotels.” (sales increased 685 million yen year on year)
- ▣ **Finance:** Sales increased by 8.8% due to an increase in projects on “Insurance, etc.,” despite a decrease in “Banking.” (sales increased 527 million yen year on year)
- ▣ **Manufacturing:** Sales increased by 8.1% due to an increase in “Machinery and electronics,” despite a drop in “Automotive and transport equipment.” (sales increased 361 million yen year on year)

2Q/cumulative				FY3/2020	FY3/2021	FY3/2022	YoY
IT Service	Net sales	Enterprise			8,260	8,949	108.3%
		Finance			5,999	6,523	108.7%
		Manufacturing			4,433	4,794	108.1%
	Segment profit			18,694	20,268	108.4%	
				1,981 (10.6%)	2,666 (13.2%)	134.5%	



* There is no data based on the new segment classification for the period prior to the fiscal year ended March 31, 2021.



1.4. Results by segment: Digital solutions business

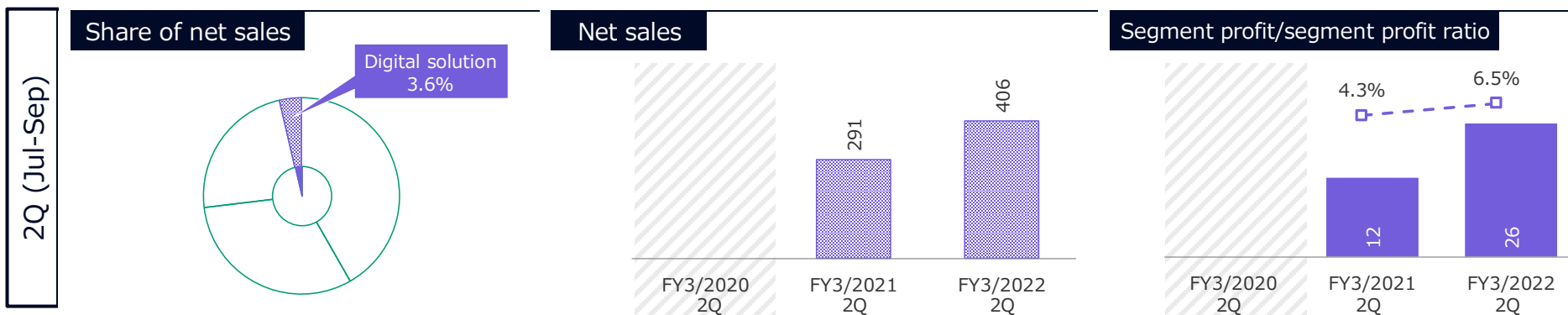
(Unit: Amounts less than 1 million yen omitted)

- Net sales were 793 million yen. Increased by 55.8% due to an increase in sales for cloud-related and robotics-related solutions.
- Segment profit increased 119.1% due to higher license sales and maintenance sales.

<Main products and services>

- ▣ **Creage** : Cloud-related service
- ▣ **Annotation** : AI-related service
- ▣ **UiPath** : RPA-related service
- ▣ **Training and seminars** : AI, cloud, RPA, etc.

		FY3/2020	FY3/2021	FY3/2022	YoY
2Q/cumulative	Digital Solution	Net sales	509	793	155.8%
			Segment profit	25 (5.1%)	28 (3.5%)



* There is no data based on the new segment classification for the period prior to the fiscal year ended March 31, 2021.

2 Future outlook



2.1. Trend of the information service industry

Impact of the COVID-19 crisis has been limited. The decrease in the number of new infections is a positive factor.

Digital transformation is the new source of corporate competitiveness. Expectations of DX will increase the demand for system development.

- The new normal and measures to prevent infection will take hold for both customers and IT vendors, and **there will be almost no disruption to business activities.**
- New COVID-19 cases are on the decline. With the full lifting of restrictions on activities such as the declaration of a state of emergency, the promotion of DX appears to be accelerating, and **orders continue to increase.**
- With the increase in inquiries, orders, and workload, **there is an urgent need to train and secure human resources, and strengthen the development system.**

<Reference: Survey on the economic assessment>

Monthly Economic Report for October by the Japanese government [released on October 15, 2021]

The report judges, "Although a rebound in the economy is continuing while it is still in a severe situation due to the impact of COVID-19, the pace of the rebound is slowing down."

IDC Japan's domestic IT services market forecast (extract & digest) [released on October 5, 2021]

The domestic IT services market is returning to positive growth in 2021, and is in a recovery phase for post-COVID-19. Since the second half of 2020, the order situation for IT service providers has been recovering, and projects that were postponed or suspended have resumed. Therefore, recovery is expected to continue in 2021, especially in the project-based market. In order to respond to the changes in the external environment brought about by the spread of COVID-19, companies are increasingly taking a full-scale approach to DX. Although the growth rate will gradually slow down after 2022, the market will be supported by demand for renewal and updating of legacy systems and full-scale investment in DX by companies. IDC forecasts that the average annual growth rate will remain at 2.4% between 2020 and 2025.

The Bank of Japan's Tankan survey for September 2021 [released on October 1, 2021]

The diffusion index (DI) for large manufacturing enterprises, a leading indicator, improved by 4 points from the previous survey in June to plus 18, continuing the steady recovery in business confidence. In addition, the index for large non-manufacturing companies worsened by 1 point but remained at plus 2, improving for the fifth consecutive quarter.



2.2. Measures Against COVID-19

- We established the “Corona Emergency Response Headquarters” at the CRESCO Main Office; **the confirmation and information** work from home are given a telecommuting allowance to help cover the cost of utilities and communications, while employees who **gathering** of the infection status of parties concerned and **the examination and implementation of various measures continue** through collaboration within the CRESCO Group.
- **Promotion of teleworking, including that of our business partners.**
- **Appropriate updates of measures** in line with government and local government requests (including declarations of a state of emergency), and **thorough implementation within the Company.**
- Employees who primarily rarily commute are **given a commuter support allowance** to reduce the physical and mental burden of commuting.
- **Introduced a special leave system for COVID-19 vaccinations and adverse reactions.**
Flexible measures were also applied to allow employees to work on a deemed basis when vaccinated during working hours.
Allowing the use of expired annual paid leave when not working due to contraction of COVID-19.
- **Promotion of DX and development of workplaces to realize diverse work styles**
Expand the use of electronic documents for internal decisions and promote digitalized workflows.

Change of office space and layout with an eye to changing work styles.
- "The Company’s Measures Against COVID-19" is updated on the Company's website as needed.

[Basic Measures Policy]

- (1) Ensure the safety and health of the lives of employees and their families.
- (2) Minimize damage to the business.
- (3) Avoid adverse impact on customers, business partners, shareholders, etc.
- (4) Contribute to the early stabilization of the regional economy.
- (5) Always consider humanitarian aspects when dealing with various matters.



- The impact of the COVID-19 crisis on the CRESCO Group's results is **"difficult to grasp precisely."**
 - This outlook is based on **the recognition of the current state of affairs** and **judgment on the basis of presently available and reasonable information.**
- ① While the COVID-19 crisis is unlikely to subside for the foreseeable future, **the impact is limited and there will be no significant impediment to the Company's business.**
- With the lifting of all the declarations of a state of emergency and of strict infection control measures, etc., as well as the expansion of vaccinations, efforts to return to daily life and economic activities with as few restrictions as possible have begun anew, with emphasis on measures to prevent infection. The COVID-19 crisis will still be difficult to contain for the time being, and the risk of a downturn in the economy due to the emergence and spread of new mutant strains remains unavoidable. However, as online and face-to-face sales activities, remote development, and working at home have become common, the impact is limited and there is no significant impediment to the Group's business.
 - The Company recognizes that it is necessary to work toward achieving business targets and creating values by trying to optimize the business portfolio of the entire Group in accordance with "CRESCO Group Ambition 2030," a new vision for FY2021 onward, and the "Medium-Term Management Plan 2023," and positively providing IT services as our core business and digital solutions that offer new values.
- ② Business confidence is **on an improving trend**, despite some variability by sector/industry, **as IT investments and orders received are improving.**
- Business confidence is on an improving trend, despite some variability by sector/industry, reflecting an expectation for the normalization of economy with the spread of vaccination in Japan and abroad, and the momentum for IT investment has also recovered. In addition, as a result of an increase in demand for responding to new normal brought about by the COVID-19 crisis, the focus has greatly shifted to "digital transformation," which realizes the creation of new business values, the enhancement of competitiveness and innovation, and demand is expected to accelerate further in the future as well.
 - In FY2021, as a "DX Certified Business Operator," we will create a variety of services that address changes in the environment. The Company recognizes that it is necessary to capture the diversifying and complicating needs, realize innovation to secure competitive edge, and make an effort to receive orders steadily.



2.4. Consolidated Forecast of financial results

(Unit: Amounts less than 1 million yen omitted)

- **There are no changes to the forecast of consolidated financial results** announced on May 10, 2021.
- The assumptions made in the forecasts, including the situation of the COVID-19 crisis, are based on judgments using information available and reasonable at the time of the forecasts. The Company will continue to monitor the situation closely.
- If any event that should be disclosed occurs due to any error in these assumptions, the Company will promptly announce it.

Full year	FY3/2021						FY3/2022		
	Forecast <Announced on May 8, 2020>		YoY	Actual		YoY	Achievement rate	Forecast <Announced on May 10, 2021>	
	Net sales	40,000	101.7%	39,706		100.9%	99.3%	42,400	106.8%
Gross profit			7,199	(18.1%)	99.3%				
Operating profit	3,400	(8.5%)	3,484	(8.8%)	98.0%	102.5%	3,850	(9.1%)	110.5%
Ordinary profit	3,600	(9.0%)	4,101	(10.3%)	110.5%	113.9%	4,200	(9.9%)	102.4%
Profit	2,450	(6.1%)	2,634	(6.6%)	108.8%	107.5%	2,850	(6.7%)	108.2%
EPS ¥/Share	116.67		125.43				135.54		

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



2.5. Consolidated Forecast of cash dividends

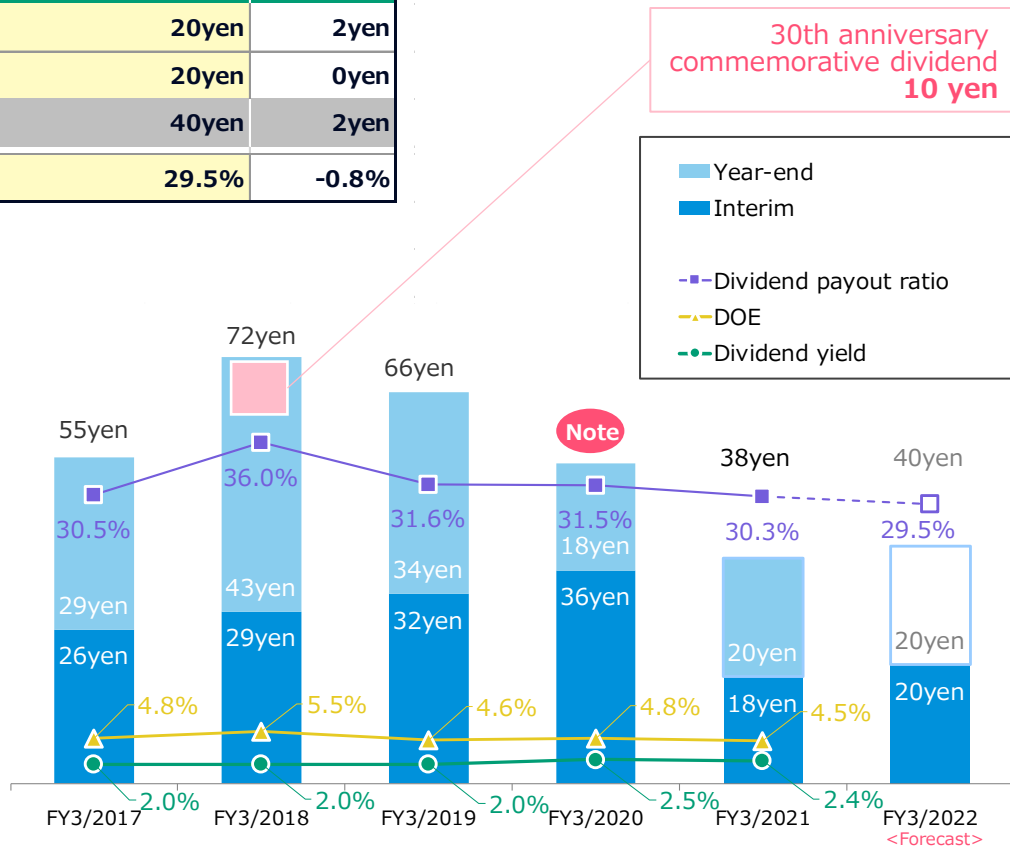
- There are no changes to the forecast of dividends announced on May 10, 2021.

	FY3/2020	FY3/2021	FY3/2022		
	Actual	Actual	Actual	<Announced on May 10, 2021>	Change
Interim	36yen	18yen	20yen	20yen	2yen
Year-end	Note 18yen	20yen	-	20yen	0yen
Full year	54yen	38yen	20yen	40yen	2yen
Dividend payout ratio	31.5%	30.3%	-	29.5%	-0.8%
Dividend yield	2.5%	2.4%	-	-	-
DOE	4.8%	4.5%	-	-	-
Total dividend payments	750Millions of yen	798Millions of yen	-	-	-

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

Shareholder return policy

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



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

- The actual amounts of dividends before the share split are shown for the FY3/2017 interim dividend until the FY3/2020 interim dividend.
- The total amount for FY3/2020 is not shown in the table above because the implementation of the share split makes it impossible to perform a simple calculation.

3

Consolidated Medium-Term Management Plan



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

Extracted from disclosure materials

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

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

Key strategy to create new business pillars

Strengthening digital solutions

- Doubled digital solution sales
- Expansion of new digital solutions

Evolution of agile management

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

Deepening of human-centered management

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

Basic strategy to strength core business

Expansion of IT services

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

Enhancing quality

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

Strengthening skills

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

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



Key strategy To create new business pillars

Enhancement of digital solutions

- The Digital Enablement Service Unit was established as the division to promote digital solutions.
- Started to reorganize Cresco's digital solutions brand.
- **Launched Digital Solutions Website**
- **Upgraded the Cloud Managed Service to support Azure**

Further development of flexible management

- Obtained certification as a "DX Certified Business" under the Ministry of Economy, Trade and Industry's DX Certification System.
- OEC Ltd. became a subsidiary.

Advancement of people-centered management

- Promoted work style reforms in the COVID-19 crisis (promotion of teleworking, improvement of workplace, introduction of vaccine leave)
- Received the "Excellent Examination Receiving Organization for 2020" award as a company promoting taking examination for certification.
- **A multipurpose studio has been set up as a "new normal social interaction hub"**
- **Participated in an initiative to support the use of digital technology in metropolitan public elementary and junior high schools**

Basic strategy To strength core business

Expansion of IT services

- Increased the number of sales staff to develop new business partners.

Enhancement of quality

- One of our employees made a presentation at the "PMI Japan Forum 2021" hosted by the PMI Japan Chapter.
- The Company was selected as a managing company of the Automotive Embedded System Industry Forum (ASIF).

Enhancement of technologies

- Strengthened cooperation with Hokkaido University in "supporting the development of human resources for the next generation and promoting research on AI technology."
- Obtained a "Gold Competency" from Microsoft Partner Network
- **Obtained a patent for a method to reduce the annotation workload when creating data for image processing AI training**

Management policies

■ 10-year Management Vision toward 2030



■ Operational Targets of the “Medium-Term Management Plan 2023”

Consolidated net sales	Consolidated operating profit	ROE
50 billion yen	5 billion yen	15% or greater

Issues to Be Addressed

1. Acquiring new customers and strengthening relationships with customers
2. Expansion of digital solution business and research and development of new technology
3. Promotion of M&A and alliance and reinforcement of Group companies management
4. Expansion and improvement of hiring activities and the training environment
5. DX promotion and the realization of agile management
6. Promotion of health and productivity management
7. Promotion of work-style reform and the creation of a sound working environment
8. Enhancement of quality
9. Pursuit of productivity
10. Acquisition and maintenance of human resources engaged in development and the reinforcement of the development system
11. Initiatives to promote diversity
12. Strengthening corporate governance
13. Business portfolio optimization and flexible organizational management

Reference



1) Changes in the Cresco Group's consolidated subsidiaries

	FY3/2018				FY3/2019				FY3/2020				FY3/2021				FY3/2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CRESKO e-Solution Co., Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
CRESKO Wireless, Inc.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
IOS Co., Ltd. [*2][*6][*8][*11]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
CRESKO KYUSHU Co. Ltd. [*9]	●	●	●	●	●	●	●	●	/	/	/	/	/	/	/	/	/	/	/	/
CRESKO HOKURIKU. LTD.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
Cresco Shanghai Software CO., LTD. [*1]	●	●	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
C3 Co. Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
CREATIVE JAPAN, LTD.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
Mexess Co., Ltd. [*4][*5]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
N-System Corporation	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
Nexus Corporation [*3]	/	/	/	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
ARS Corporation Ltd. [*7]	/	/	/	/	/	/	●	●	●	●	●	●	●	●	●	●	●	●		
CRESKO VIETNAM CO., LTD. [*10]	/	/	/	/	/	/	/	/	/	○	●	●	●	●	●	●	●	●		
Enisias Co., Ltd. [*12]	/	/	/	/	/	/	/	/	/	/	/	/	●	●	●	●	●	●		
OEC Ltd. [*13]	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	●		
Total number of subsidiaries	10	10	9	10	10	10	11	11	10	11	11	11	12	12	12	12	12	13		

- [*1] Completed the liquidation of Cresco Shanghai Software CO., LTD. Effective September 25, 2017.
- [*2] Applications Co., Ltd. became a subsidiary of IOS Co., Ltd. (a sub-subsidiary of the Company) effective October 2, 2017.
- [*3] Nexus Corporation became a subsidiary effective January 12, 2018.
- [*4] Media Magic Co., Ltd. was renamed Mexess Co., Ltd. effective March 12, 2018.
- [*5] The Kansai Office of IOS Co., Ltd. was integrated into Mexess Co., Ltd. Effective April 1, 2018.
- [*6] Applications Co., Ltd. was integrated into IOS Co., Ltd. effective April 1, 2018.

- [*7] ARS Corporation Ltd. became a subsidiary effective October 1, 2018.
- [*8] e-techno. Co., Ltd. became a subsidiary of IOS Co.,Ltd. (a sub-subsidiary of the Company) effective November 1, 2018.
- [*9] Cresco KYUSHU Co. Ltd. was integrated into the Company effective April 1, 2019.
- [*10] CRESKO VIETNAM CO., LTD. was established effective September 17, 2019. (Date of business commencement: October 1, 2019)
- [*11] e-techno. Co., Ltd. was integrated into IOS Co., Ltd. effective October 1, 2019.
- [*12] Enisias Co., Ltd. became a subsidiary effective April 1, 2020.
- [*13] OEC Ltd. became a subsidiary effective July 1, 2021.



2) Changes in reportable segments

From April 2021 (fiscal year ending March 31, 2022), the reportable segments have been changed.

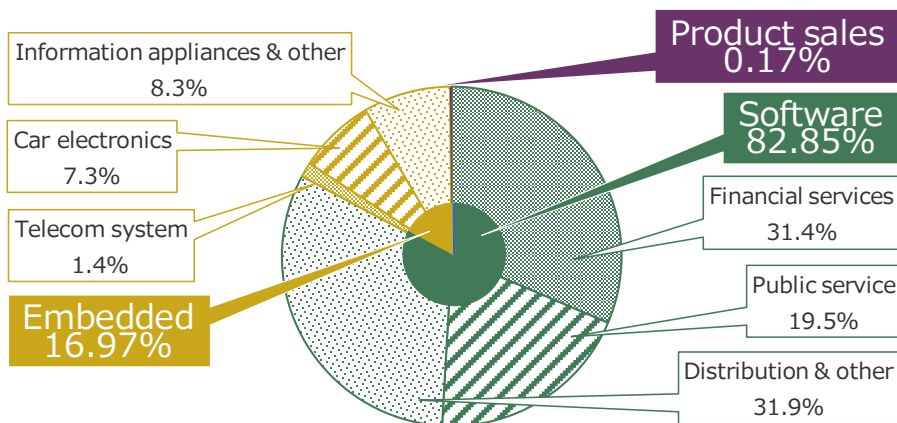


Announced on May 10, 2021

https://ssl4.eir-parts.net/doc/4674/ir_material_for_fiscal_ym5/101075/00.pdf

Old segment : FY3/2021 2Q

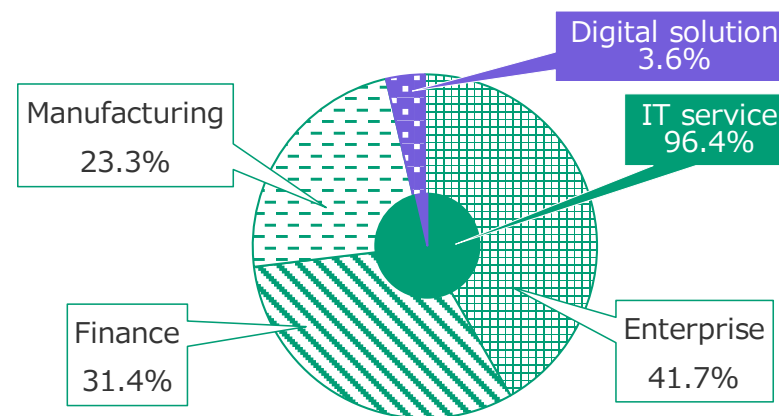
<Share of net sales by segment: 2Q (Jul~Sep)>



Segment	Business	Subsegment
Software development	<ul style="list-style-type: none"> Business application development IT infrastructure system architecture Original products and services 	<ul style="list-style-type: none"> Financial services (Banking, insurance, payment card, securities, etc.) Public services (Travel, human resources, logistics, airline, railway, electric power, broadcast, medical, etc.) Distribution & other (Retail, real estate, information and communication, manufacturing, etc.)
Embedded software development	<ul style="list-style-type: none"> Embedded software development 	<ul style="list-style-type: none"> Telecom systems (Mobile devices, etc.) Car electronics (Digital meters, center displays, etc.) Information appliances & other (Digital home appliances, medical equipment, control systems, etc.)
Product sales	<ul style="list-style-type: none"> Product sales of a subsidiary "CRESCO Wireless, Inc." 	

New segment : FY3/2022 2Q

<Share of net sales by segment: 2Q (Jul~Sep)>



Segment	Business	Subsegment
IT Service	<ul style="list-style-type: none"> Consulting IT planning Total service of development and maintenance 	<ul style="list-style-type: none"> 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.) Finance (Banking, insurance, etc.) Manufacturing (Automotive, transport equipment, machinery, electronics, etc.)
Digital Solution	<ul style="list-style-type: none"> Solution groups consisting of products and services supporting customers in realizing digital transformation (DX) 	<ul style="list-style-type: none"> "Creage," "Intelligent Folder," RPA, etc.

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- ❖ Although CRESCO takes considerable care with respect to the content of this material, it does not bear any responsibility with regard to problems caused by information errors.
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- ❖ Information relating to future predictions and forecasted values such as financial forecasts on this material have been written based on judgments and assumptions on information presently available that is considered reasonable.
- ❖ 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.

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