



Summary of Quarterly Financial Results Briefing

for the Six Months Ended September 30, 2022

Nov 10, 2022



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Consolidated Results main points



1.1. Main initiatives in the first and second quarters

■ Organization and structure

- ❑ **Shifted to a two-representative system** by “Chairman & CEO” and “President and Executive Officer” effective April 1 and, accompanying the formulation of “CRESCO Group Ambition 2030,” **changed our corporate logo (for the first time since the Company’s founding)**.
- ❑ In order to speed up management decision making and implementation of measures through appropriate delegation of authority, an organizational reform was carried out to appoint executive officers as general managers.
- ❑ The Promotion Of Management Strategy-Unit was established to realize the long-term vision of CRESCO Group Ambition 2030 and the Group Supervisory-Unit to further demonstrate group synergy by promoting the sharing of sales projects among group companies.
- ❑ Increased the frequency of group officers meetings to enhance collaboration among the Group’s officers for the purpose of strengthening agile management and improving group governance.
- ❑ On July 1, three consolidated subsidiaries (ARS Corporation Ltd., N-System Corporation, and Nexus Corporation) were merged and **reorganized into CRESCO J CUBE CO., LTD** for the purpose of producing further synergistic effects through the effective utilization of the Group’s human and management resources.



■ Business

- ❑ Strengthened RPA as digital solution
 - April: Became UiPath’s gold partner, a category of its certified reseller.
 - May: Began offering e-learning for companies that have purchased UiPath licenses.
 - August: Started selling “managed security services for SIEM,” which detects and analyzes symptoms of a cyberattack and provides response and support by experts on the basis of information thus obtained.
- ❑ Encouraged self-study in technology, quality, and business transformation to raise business performance and create business opportunities. Created opportunities for multiple employees of the Company to teach at colleges and universities, strongly promoting people-centered management.
- ❑ IoT functions which it jointly developed with another company.
- ❑ CRESCO e-Solution Co., Ltd., our subsidiary, renewed MOA, a service for transitioning to SAP S/4HANA.
- ❑ Promoted the revision of our office spaces, including the relocation of offices and development sites, for the purpose of improving business efficiency.



1.2. Income statement [highlights]

(Unit: Amounts less than 1 million yen omitted)

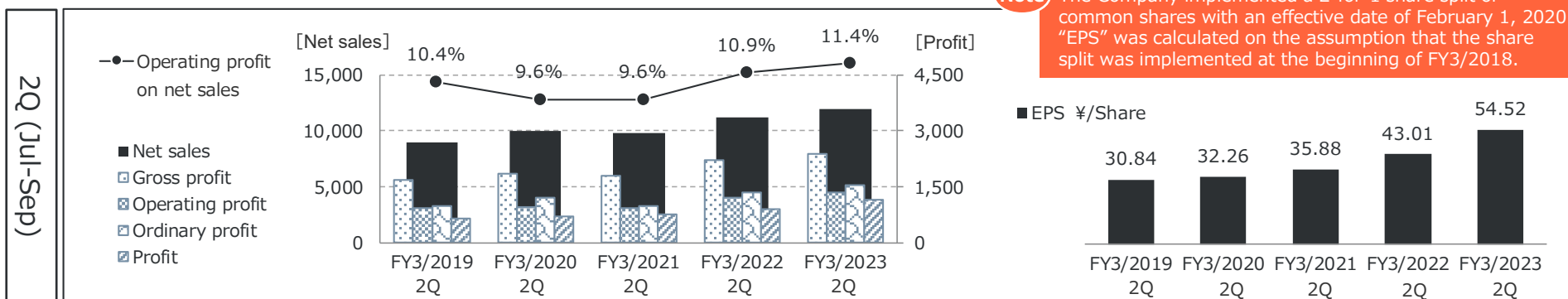
- During the first half of the fiscal year, net sales held steady, resulting in a double-digit increase of 10.7%, as demand for IT investments to improve productivity remained strong.
- Operating profit increased by 11.3% owing to the effect of revenue increase, the minimization of unprofitable projects, etc. Operating profit on net sales was 9.6% (9.6% in the same period of the previous fiscal year).
- As a result of successive falls in stock prices in the U.S., ordinary profit decreased by 4.8% as we recorded a valuation loss on derivatives (non-operating expenses) of 372 million yen for financial instruments held by the Company.

- **Net sales**
Increased 2,248 million yen (up 10.7% year on year).
- **Operating profit**
Increased 228 million yen (up 11.3% year on year).
- **Ordinary profit**
Increased 1,007 million yen (down 4.8% year on year).
- **Profit**
Increased 139 million yen (down 8.6% year on year).

	FY3/2021		FY3/2022		FY3/2023		YoY	Half-year progress	Half-year Forecast	
	<Announced on Feb 28, 2022>									YoY
Cumulative	Net sales	19,203	21,061		23,309		110.7%	102.1%	22,840	108.4%
	Gross profit	3,255 (17.0%)	4,071 (19.3%)		4,531 (19.4%)		111.3%			
	Operating profit	1,366 (7.1%)	2,017 (9.6%)		2,245 (9.6%)		111.3%	107.4%	2,090 (9.2%)	103.6%
	Ordinary profit	1,844 (9.6%)	2,223 (10.6%)		2,116 (9.1%)		95.2%	90.4%	2,340 (10.2%)	105.2%
	Profit	1,308 (6.8%)	1,606 (7.6%)		1,467 (6.3%)		91.4%	103.4%	1,420 (6.2%)	88.4%
	EPS ¥/Share	62.34	76.44		69.76				67.49	

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

Note The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. "EPS" was calculated on the assumption that the share split was implemented at the beginning of FY3/2018.

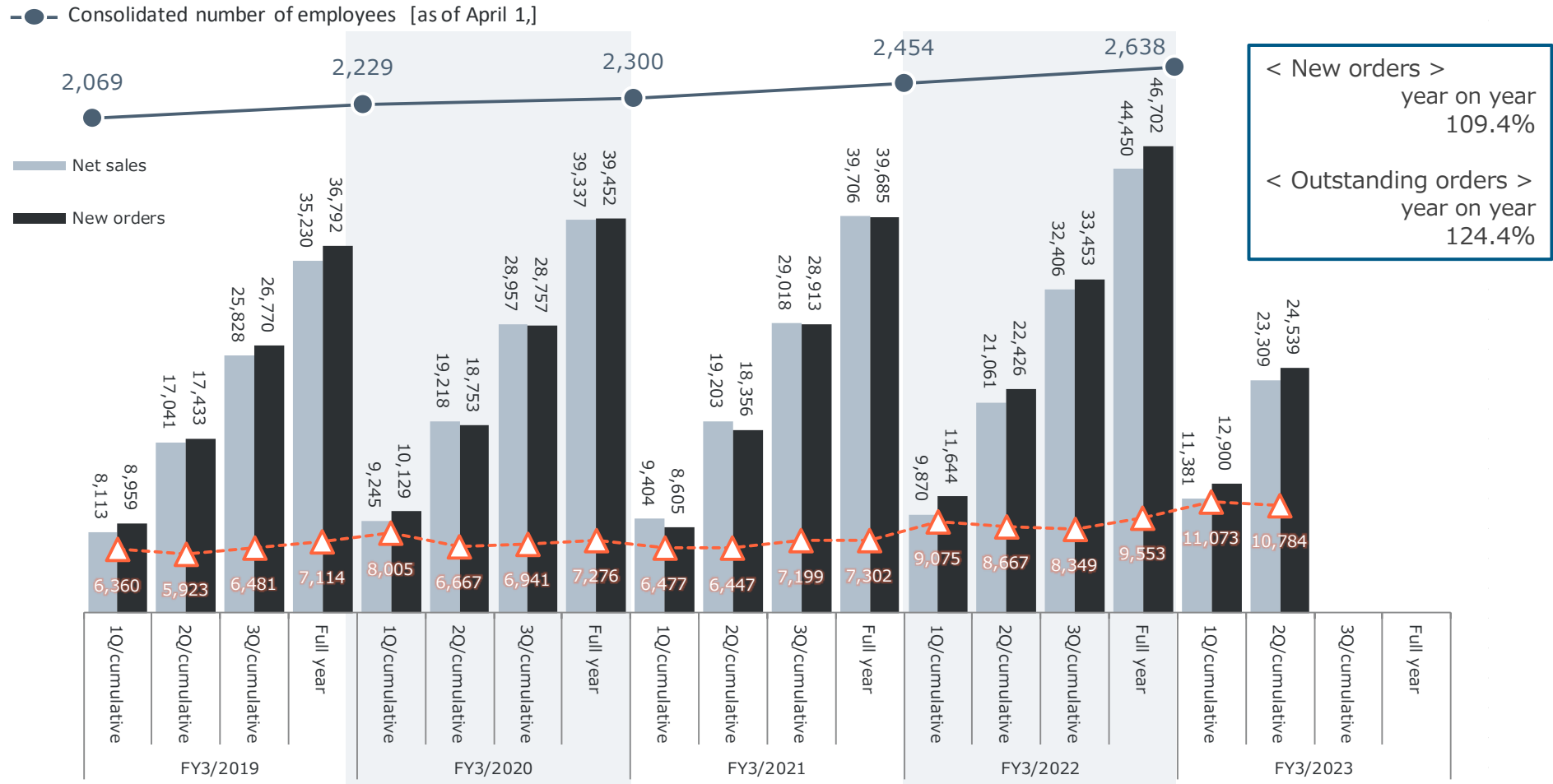




1.3. Quarterly net sales, new orders and outstanding orders

(Unit: Amounts less than 1 million yen omitted)

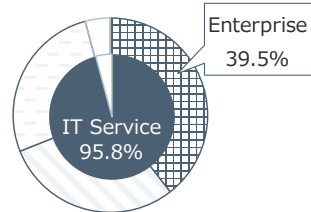
- Although the extent of growth varied by industry category, the numbers of new orders and order backlog grew steadily against the backdrop of robust IT investment demand.
- The renovation of existing systems and DX promotion by client companies bolstered their order placement with us.





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

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



■ Net sales : 8,898million yen (YoY 0.6%↓)

- New projects were acquired in areas of distribution services and construction and real estate.
- There were some lost sales opportunities in placement and dispatching, transport, etc., due to the completion of some of the major projects and the occurrence of some unprofitable projects.

■ Segment profit : 1,107million yen / 12.4% (YoY 0.5%↓)

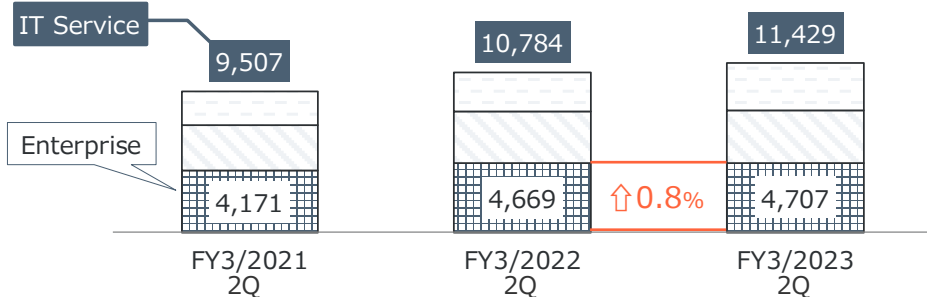
For the same reasons as for the decrease in net sales.

(Unit: Amounts less than 1 million yen omitted)

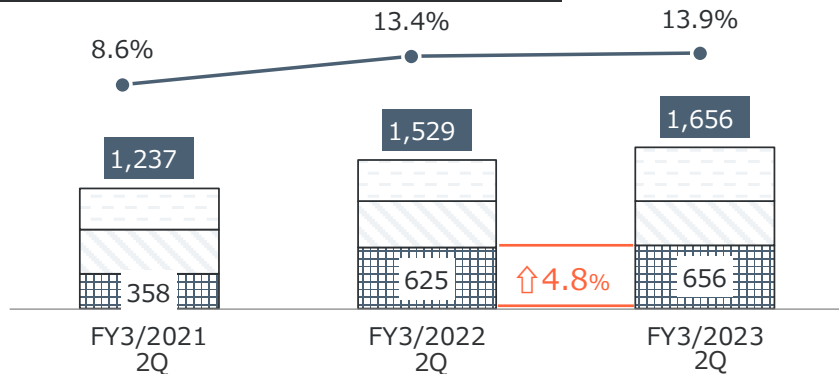
Cumulative

2Q (Jul-Sep)

Net sales



Segment profit/segment profit ratio

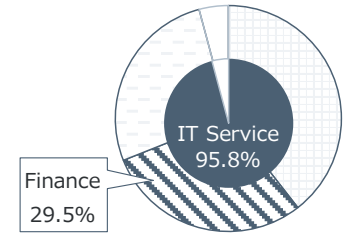




1.5. Results by segment: IT services business [Finance]

Segment	Subsegment
IT Service • Consulting • IT planning • Total service of development and maintenance	Finance Banking, insurance, etc.

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



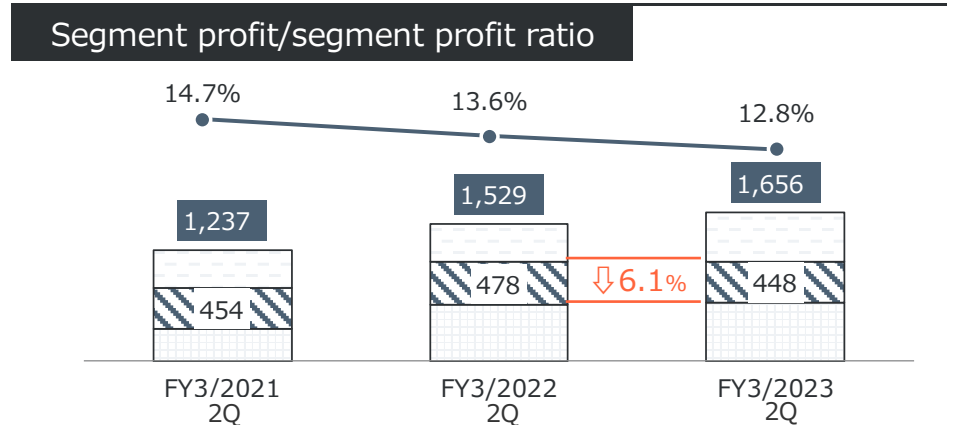
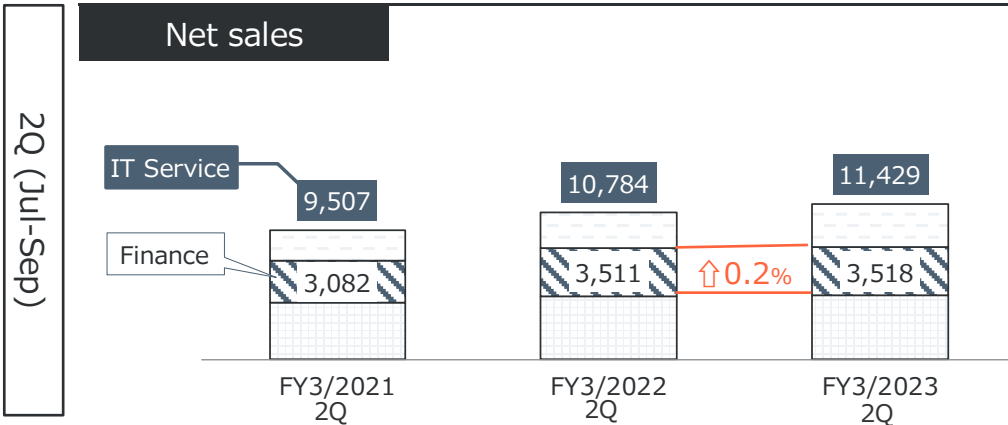
■ Net sales : 7,172million yen (YoY 9.9%↑)

- The number of infrastructure construction and migration projects in banking and insurance increased at the Company.
- The number of projects in other areas, such as securities and payment card, also increased at our consolidated subsidiaries.

■ Segment profit : 864million yen / 12.1% (YoY 4.9%↑)

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

(Unit: Amounts less than 1 million yen omitted)

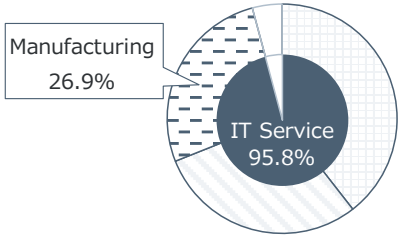


2Q (Jul-Sep)



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

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



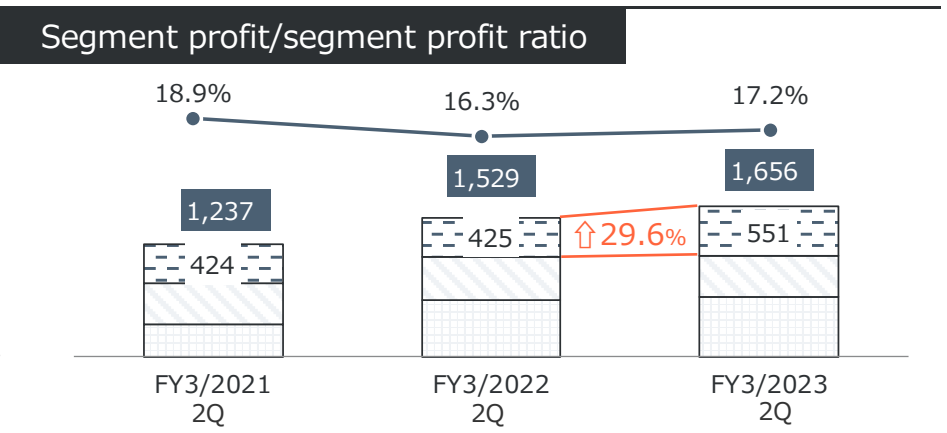
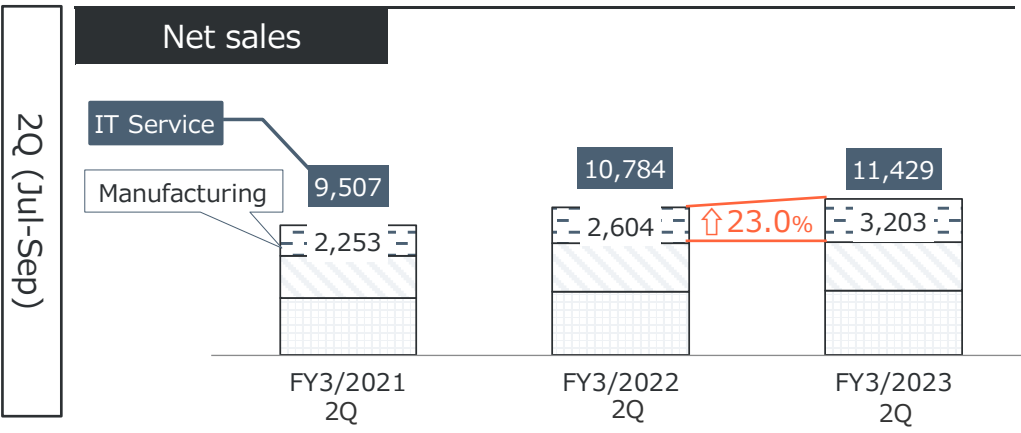
■ Net sales : 6,221million yen (YoY 29.7%↑)

The number of orders received from new clients and that of anticipatory investment projects increased in the areas of machinery and electronics and automotive and transport equipment at the Company and consolidated subsidiaries.

■ Segment profit : 990million yen / 15.9% (YoY 36.0%↑)

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

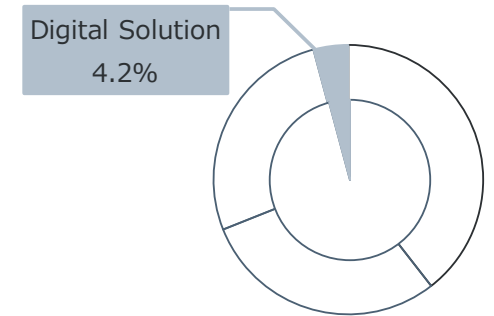
(Unit: Amounts less than 1 million yen omitted)



1.7. Results by segment: Digital solutions business

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

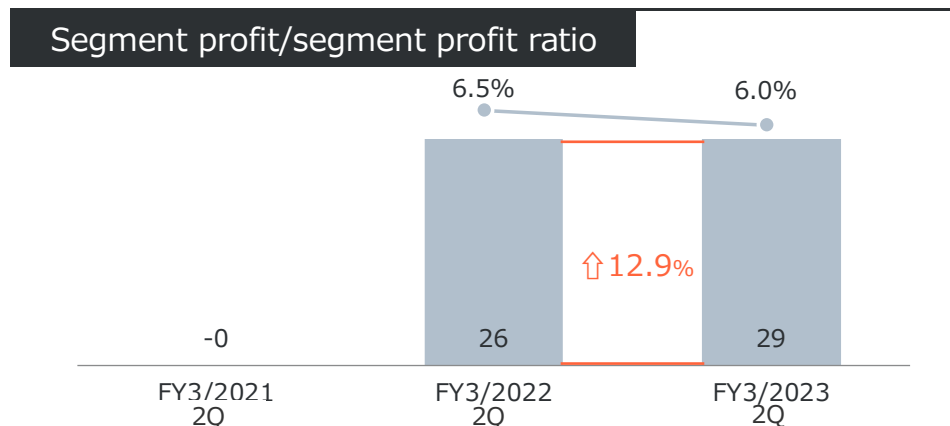
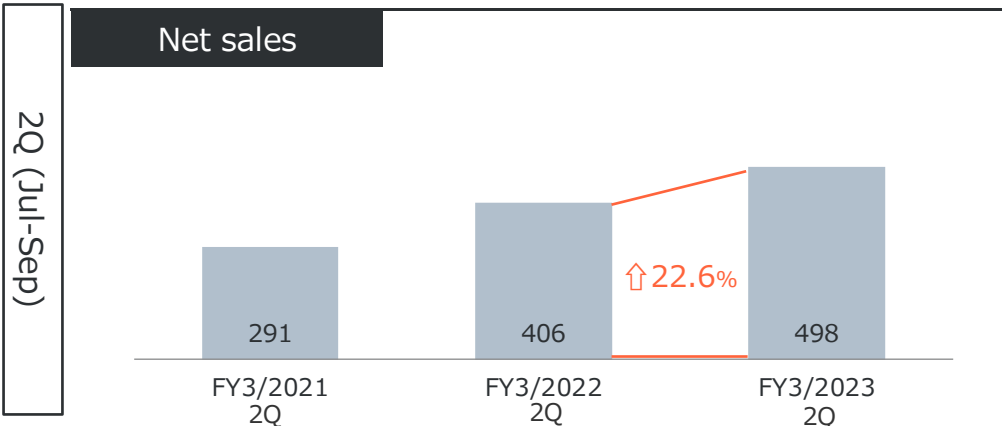
<Share of net sales by segment: 2Q (Jul~Sep)>



■ Net sales : 1,016million yen (YoY 28.2%↑)
 Sales of Creage, our main cloud service, and RPA licenses increased.

■ Segment profit : 41million yen / 4.1% (YoY 48.7%↑)
 In addition to the above increase in net sales, the profit ratio of licensed products rose at consolidated subsidiaries.

(Unit: Amounts less than 1 million yen omitted)



2Q (Jul-Sep)



2

Future outlook



Although the Russian-Ukrainian conflict, which is unpredictable, and a rapid fall in the yen are matters of concern, their impacts are limited.

Demand for IT investments by our client companies remains strong.

- While there has been a progress in normalization from restrictions under the scourge of COVID-19, an extremely significant impact has been made on household consumption and corporate investment by price hikes in resources, raw materials, food, etc. arising from the Russian-Ukrainian conflict and the rapid progression of a decline in the yen brought about by differences in monetary and fiscal policies of Japan, the U.S., and Europe for addressing labor shortage and inflation.
- Although actions such as scrutinizing, postponing, or downscaling IT investment are observed with some of our corporate group's client companies, demand remains robust for IT investment for the renovation of existing systems and productivity improvement through DX promotion.

<Reference: Survey on the economic assessment>

Monthly Economic Report for October 2022 [released on October 25, 2022]

The report expresses the judgment, "The Japanese economy is picking up moderately."

Concerning short-term prospects, the economy is expected to show movements of picking up, supported by the effects of the policies as the transition to a new phase of the "new normal" is underway.

* However, slowing down of overseas economies is downside risk of the Japanese economy, amid ongoing global monetary tightening and other factors. Also, full attention should be given to price increases, supply-side constraints and fluctuations in the financial and capital markets.

Reuters survey on business conditions for October 2022 [released on October 13, 2022]

Diffusion Index (DI): While Manufacturing DI in October was 5, deteriorating by 5 points from the value for the previous month, non-manufacturing DI improved by 4 points to 15. Manufacturing DI deteriorated for two months in a row as higher raw material and fuel prices pressured revenues. Non-manufacturing DI is on an improving trend although price hikes impacted consumer sentiment.

QUICK Tankan (QUICK Short-term Economic Survey) for October 2022 [released on October 11, 2022]

Diffusion Index (DI): Manufacturing DI was 8 in October (deteriorating by 11 points), which is at the lowest level in one year and seven months. DI for all industries worsened by 4 points to 15.

Tankan (Short-Term Economic Survey of Enterprises in Japan) for September 2022 by the Bank of Japan [released on October 3, 2022]

Diffusion Index (DI): Against the backdrop of higher resource prices and weaker yen, the diffusion index for large manufacturing enterprises deteriorated by 1 point from the value per June survey to 8, aggravating for three quarters in a row. The diffusion index for large non-manufacturing enterprises improved by 1 point to 14, improving for two quarters in a row, as the COVID-19 situation turned for the better. Fixed investment by all enterprises in all industries for FY2022 is forecast to increase by 16.4% year on year. Software investment is forecast to increase by 17.8%.



(Unit: Amounts less than 1 million yen omitted)

- No change in the full-year consolidated earnings forecasts announced on May 10, 2022.
- If it becomes necessary to revise the forecasts due to future conditions, business trends, etc., the revision will be disclosed promptly.

Full year	FY3/2022					FY3/2023		
	Forecast <Announced on May 8, 2020>	YoY	Actual	YoY	Achievement rate	Forecast <Announced on Feb 28, 2022>	YoY	2 Q時点 進捗率
	Net sales	44,000	110.8%	44,450	111.9%	101.0%	47,500	106.9%
Gross profit			8,698 (19.6%)	120.8%				
Operating profit	4,440 (10.1%)	127.4%	4,457 (10.0%)	127.9%	100.4%	4,750 (10.0%)	106.6%	47.3%
Ordinary profit	4,600 (10.5%)	112.2%	4,782 (10.8%)	116.6%	104.0%	5,150 (10.8%)	107.7%	41.1%
Profit	3,180 (7.2%)	120.7%	3,236 (7.3%)	122.9%	101.8%	3,350 (7.1%)	103.5%	43.8%
EPS ¥/Share	151.14		153.92			159.12		

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



2.3. Consolidated Forecast of cash dividends

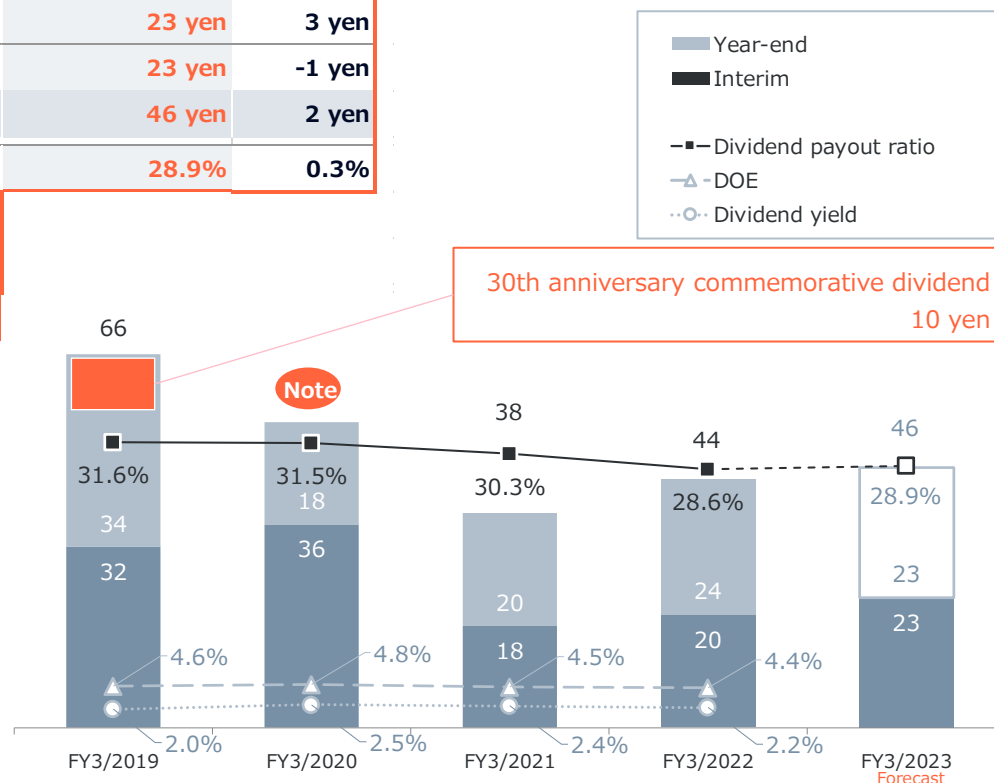
- Dividends will continue to be distributed in accordance with the Group’s shareholder return policy.
- No change in forecast of dividends for the fiscal year ending March 31, 2023 announced on May 10, 2022.

	FY3/2021	FY3/2022	FY3/2023		
	Actual	Actual	Actual	Forecast <Announced on Feb 28, 2022>	Change
Interim	18 yen	20 yen	23 yen	23 yen	3 yen
Year-end	20 yen	24 yen	–	23 yen	-1 yen
Full year	38 yen	44 yen	23 yen	46 yen	2 yen
Dividend payout ratio	30.3%	28.6%	–	28.9%	0.3%
Dividend yield	2.4%	2.2%	–	–	–
DOE	4.5%	4.4%	–	–	–
Total dividend payments	798 Millions of yen	925 Millions of yen	–	–	–

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

Shareholder return policy

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



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

- **The actual amounts of dividends before the share split** are shown for **the FY3/2019 interim dividend until the FY3/2020 interim dividend**.
- The total amount for FY3/2020 is not shown in the table above because the implementation of the share split makes it impossible to perform a simple calculation.



Reference

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

1

	FY3/2019				FY3/2020				FY3/2021				FY3/2022				FY3/2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CRESCO e-Solution Co., Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
CRESCO Wireless, Inc.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
IOS Co., Ltd. [*1][*5][*7][*10]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
CRESCO KYUSHU Co. Ltd. [*8]	●	●	●	●	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CRESCO HOKURIKU. LTD.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
C3 Co. Ltd.	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
CRESCO Digital Technologies Ltd. [*13]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
Mexess Co., Ltd. [*3][*4]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
N-System Corporation [*14]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/
Nexus Corporation [*2][*14]	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/
ARS Corporation Ltd. [*6][*14]	/	/	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	/	/	/
CRESCO J CUBE CO., LTD. [*14]	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	●			
CRESCO VIETNAM CO., LTD. [*9]	/	/	/	/	/	○	●	●	●	●	●	●	●	●	●	●	●	●		
Enisias Co., Ltd. [*11]	/	/	/	/	/	/	/	/	●	●	●	●	●	●	●	●	●	●		
OEC Ltd. [*12]	/	/	/	/	/	/	/	/	/	/	/	/	●	●	●	●	●	●		
Total number of subsidiaries	10	10	11	11	10	11	11	11	12	12	12	12	12	13	13	13	13	11		

[*1] Applications Co., Ltd. became a subsidiary of IOS Co., Ltd. effective October 2, 2017.

[*2] Nexus Corporation became a subsidiary effective January 12, 2018.

[*3] Media Magic Co., Ltd. was renamed Mexess Co., Ltd. effective March 12, 2018.

[*4] The Kansai Office of IOS Co., Ltd. was integrated into Mexess Co., Ltd. Effective April 1, 2018.

[*5] Applications Co., Ltd. was integrated into IOS Co., Ltd. effective April 1, 2018.

[*6] ARS Corporation Ltd. became a subsidiary effective October 1, 2018.

[*7] e-techno. Co., Ltd. became a subsidiary of IOS Co.,Ltd. effective November 1, 2018.

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

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

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

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

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

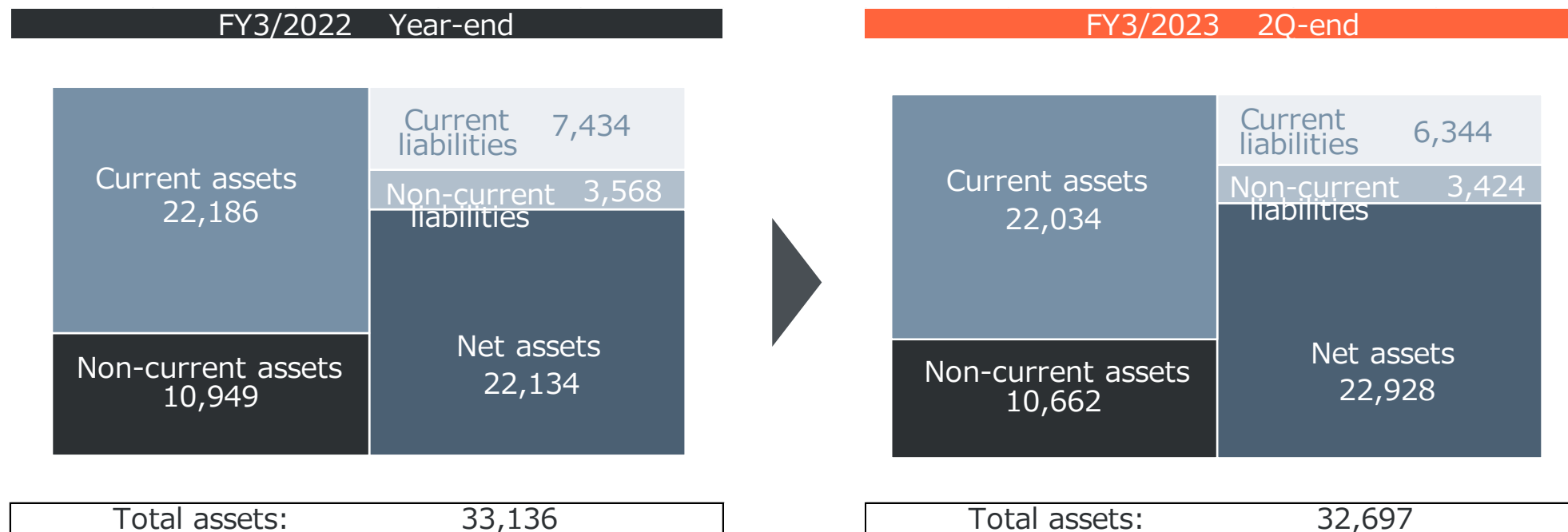
[*13] Creative Japan, LTD. changed its name to CRESCO Digital Technologies Ltd. on May 1, 2022.






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

Reference 2) Status of assets and liabilities

(Unit: Amounts less than 1 million yen omitted)

- The total assets decreased by 439 million from the end of the previous fiscal year to 32,697 million yen.



- Current assets  Decreased by 152 million yen from the end of the previous fiscal year
Increase: 503 million yen in electronically recorded monetary claims - operating, 150 million yen in prepaid cost, 106 million yen in work in progress, and 93 million yen in securities
Decrease: 709 million yen in notes and accounts receivable - trade, and contract assets and 305 million yen in cash and deposits
- Non-current assets  Decreased by 287 million yen from the end of the previous fiscal year
Increase: 162 million yen in property, plant and equipment and 159 million yen in deferred tax assets
Decrease: 535 million yen in investment securities and 105 million yen in goodwill
- Current liabilities  Decreased by 1,089 million yen from the end of the previous fiscal year
Decrease: 299 million yen in income taxes payable, 206 million yen in accounts payable - other, 161 million yen in accrued consumption taxes, 143 million in provision for bonuses, 141 million yen in current portion of long-term borrowings, and 96 million yen in provision for bonuses for directors (and other officers)
- Non-current liabilities  Decreased by 144 million yen from the end of the previous fiscal year
Increase: 102 million yen in retirement benefit liability
Decrease: 245 million yen in long-term borrowings
- Net assets  Increased by 794 million yen from the end of the previous fiscal year
Increase: 962 million yen in retained earnings
Decrease: 204 million yen in valuation difference on available-for-sale securities

Reference 3) Status of Cash flow

(Unit: Amounts less than 1 million yen omitted)

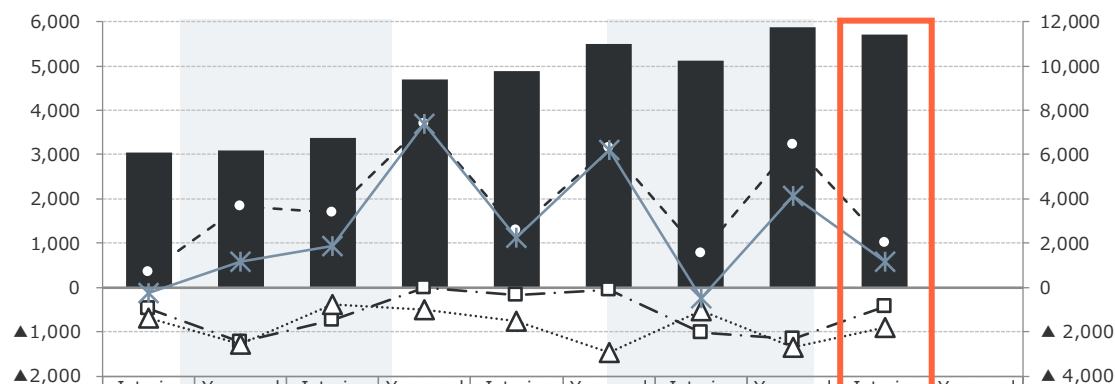
- The balance of cash and cash equivalents at end of period decreased by 307 million yen from the end of the previous fiscal year to 11,430 million yen.

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

■ Operating cash flows	Inflow of 1,015 million yen
Income taxes paid ...	922 million yen
Decrease in accounts payable - other ...	205 million yen
Decrease in accrued consumption taxes ...	155 million yen
Profit before income taxes ...	2,033 million yen

■ Investing Cash flows	Outflow of 431 million yen
Proceeds from redemption of investment securities ...	1,000 million yen
Purchase of investment securities ...	1,174 million yen
Purchase of property, plant and equipment ...	147 million yen

■ Financing cash flows	Outflow of 894 million yen
Dividends paid ...	504 million yen
Repayments of long-term borrowings ...	387 million yen



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

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