

Translation

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November 24, 2022

To whom it may concern:

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Notice Concerning Basic Agreement between CRESCO, Forum Engineering, and SRM Global of India Regarding Capital Investment into Cognavi India Private Limited of India

CRESCO LTD. (head office: Minato-ku, Tokyo; President and Executive Officer: Hiroshi Tominaga; hereinafter, “the Company”) resolved at a Board of Directors meeting held on November 24, 2022 to conclude a basic agreement with Forum Engineering Inc. (head office: Minato-ku, Tokyo; Representative Director and President: Tsutomu Sato; hereinafter “FE”), and SRM Global Consulting Private Limited (currently being established as the global business function of SRM Institute of Science and Technology, a major private university producing top engineers in the Republic of India; hereinafter “SRM Global”) regarding an alliance (hereinafter the “Alliance”) through capital investment in the form of receipt of a third-party allotment for capital increase from Cognavi India Private Limited (an overseas subsidiary of FE, hereinafter “Cognavi India”) to accelerate the business development of Cognavi India for the purpose of the global expansion of FE’s human resource service, “Cognavi,” which specializes in engineers.

1. Purpose and Background of the Alliance

The Company has participated in system development of FE’s “Cognavi” and others since 2008. FE established Cognavi India in October 2022 with the purpose of expanding Cognavi career change and new graduate services in India’s engineer market, concentrating on the Republic of India (hereinafter “India”) as a first step in the global expansion of Cognavi using skill-matching technology specialized for engineers. The operation structure was set up in November 2022, and FE now plans to start service building and business development.

India has the second largest population in the world, and is currently making a rapid growth centered on the IT industry. Under the Modi administration’s slogan for encouraging manufacturing, “Make in India,” since 2014 the government has been implementing promotion measures for 25 industry types, including transportation equipment and electronic equipment, and India’s manufacturing industry holds the potential to achieve the same kind of rapid growth as its IT industry. The Indian government has set a target of increasing the proportion of GDP attributable to the manufacturing industry to 25% by 2025. On the other hand, the ratio of India’s working population in the manufacturing industry is 13%, of which the ratio of engineers accounts for only 2%. Going forward, the need for mechanical and electrical engineers is expected to expand rapidly in conjunction with the growth of the manufacturing industry.

Against this background, on the engineer supply side, India has approximately 1.5 million science and technology graduates every year, but the rate of new graduate employment is only 31%, and most of the science and technology graduates do not become engineers. Going forward, as India’s manufacturing industry grows, it is desirable to increase the rate of new science and technology graduate employment and to create effective infrastructure for expanding the possibilities for employment as an engineer.

In response to these issues facing India, Cognavi India’s core business will be to investigate and develop a new system for India utilizing Japanese skill-matching technologies specialized for engineers, to operate a job portal website specialized for engineers to connect India’s science and technology students with its manufacturing industry, and to develop and operate HR tech services.

To achieve this core business, the Company, FE, and SRM Global, as three companies, will make a capital investment in Cognavi India as a starting point for contributing to the development of optimal services for the Indian market and the development of the manufacturing industry.

Through this agreement, the Company will start consultation between the three companies and deepen their partnership in business development of Cognavi India, while also enriching IT services and embodying the concept of “a company that is a citizen of the world” stated in the CRESCO Charter (corporate philosophy).

2. Details of the Alliance

(1) Details of the basic agreement

The Company and SRM Global agree to make new capital investments together with an additional investment of FE in Cognavi India, which plans to operate a job portal website specialized for engineers and to develop and operate HR tech services in India.

(2) Details of the third-party allotment for capital increase by Cognavi India

Based on the Alliance, FE, the Company, and SRM Global plan to acquire common shares newly issued by Cognavi India in accordance with local laws, as follows. The basic agreement determines the basic matters of the Alliance, and the three companies plan to conclude a further agreement that sets out final agreement details of the Alliance.

(i) Overview of the share issuance

(1) Number of shares to be issued	115,000 shares
(2) Payment amount	INR10,000 per share
(3) Total payment amount	INR1,150,000,000 (JPY2,001 million) *1
(4) Payment date *2	a. February 2023 (Planned) b. December 2023 (Planned)

(ii) Number of shares to be acquired by FE, acquisition price, and status of shareholding before and after acquisition

(1) Number of shares held before change	5,000 shares (Ownership ratio 100.00%) *3
(2) Number of shares to be acquired	85,000 shares (Acquisition price INR850 million (JPY1,479 million) *1
(3) Number of shares held after change	90,000 shares (Ownership ratio 75.00%) *3

(iii) Number of shares to be acquired by the Company (CRESCO), acquisition price, and status of shareholding before and after acquisition

(1) Number of shares held before change	0 shares (Ownership ratio 0.00%)
(2) Number of shares to be acquired	10,000 shares (Acquisition price INR100 million (JPY174 million) *1
(3) Number of shares held after change	10,000 shares (Ownership ratio 8.33%)

(iv) Number of shares to be acquired by SRM Global, acquisition price, and status of shareholding before and after acquisition

(1) Number of shares held before change	0 shares (Ownership ratio 0.00%)
(2) Number of shares to be acquired	20,000 shares (Acquisition price INR200 million (JPY348 million) *1
(3) Number of shares held after change	20,000 shares (Ownership ratio 16.67%)

*1 Japanese yen equivalents for Indian rupee amounts are calculated using the exchange rate as of November 22, 2022 (INR1= JPY1.74)

*2 The plan for payment is to pay in two installments of half the total amount each time.

*3 Include 1 share held by Teruyuki Akiyama, representative of Cognavi India serving concurrently as Managing Director of FE.

3. Overview of Investee: Cognavi India

(1) Name	Cognavi India Private Limited	
(2) Location	Bangalore, State of Karnataka, Republic of India	
(3) Title and name of representative:	Teruyuki Akiyama, Managing Director	
(4) Line of business	Operation of a job portal website specialized for engineers and development and operation of HR tech services in India	
(5) Capital	INR50 million (JPY87 million) *1	
(6) Date of establishment	October 10, 2022	
(7) Fiscal year-end	March	
(8) Status of major shareholders Shareholding ratio	Forum Engineering Inc.	99.98%
	Teruyuki Akiyama	0.02%
(9) Relationships between the companies	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	Not applicable
	Related party status	Not applicable

4. Overview of Parties to the Alliance

1) Forum Engineering Inc.

(1) Name	Forum Engineering Inc.		
(2) Location	The Okura Prestige Tower 15F, 2-10-4 Toranomon, Minato-ku, Tokyo		
(3) Title and name of representative:	Tsutomu Sato, Representative Director and President		
(4) Line of business	Temporary staffing service for engineers Job referral service for engineers		
(5) Capital	117,313,650 yen		
(6) Date of establishment	April 17, 1981		
(7) Fiscal year-end	March		
(8) Status of major shareholders Shareholding ratio	La Terre Holdings Co., Ltd.		38.28%
	Izumi Okubo		7.76%
	La Terre Next Association		7.34%
	The Master Trust Bank of Japan, Ltd. (Trust Account)		6.26%
	Tsutomu Sato		4.48%
	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NONLENDING 15 PCT TREATY ACCOUNT		3.42%
	STATE STREET BANK AND TRUST COMPANY 505103		2.38%
	Hiroto Motohata		2.07%
	THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD-HONGKONG PRIVATE BANKING DIVISION-CLIENT ACCOUNT		2.07%
Custody Bank of Japan, Ltd. (Trust Account)		1.76%	
(9) Relationships between the companies	Capital relationship	Not applicable	
	Personnel relationship	Not applicable	
	Business relationship	Transactions in design and development services and operation, management, and maintenance services related to information systems	
	Related party status	Not applicable	
(10) Consolidated financial position and consolidated operating results of the relevant company for the last three years (Millions of yen)			
Fiscal year	FY3/2020	FY3/2021	FY3/2022
Net assets	12,842	12,070	11,974
Total assets	17,059	20,893	20,768
Net assets per share (yen)	481.46	467.87	465.42
Net sales	32,115	27,728	26,914
Operating profit	4,079	2,349	1,834
Ordinary profit	3,753	2,275	1,816
Profit	2,135	1,344	1,248
Profit per share (yen)	80.18	50.81	48.64
Dividend per share (yen)	48.00	48.00	48.00

2) SRM Global Consulting Private Limited

(1) Name	SRM GLOBAL CONSULTING PRIVATE LIMITED	
(2) Location	Chennai, State of Tamil Nadu, Republic of India	
(3) Title and name of representative:	Dr. P Sathyanarayanan	
(4) Line of business	IT Services & Consulting IT Resource Augmentation Skill Development Training & Services	
(5) Capital	INR100,000 (JPY174,000)*1	
(6) Date of establishment	October 31, 2022	
(7) Fiscal year-end	March	
(8) Status of major shareholders Shareholding ratio	Dr. P Sathyanarayanan	50.00%
	Mrs. S Manimangai	50.00%
(9) Relationships between the companies	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	Not applicable
	Related party status	Not applicable

5. Schedule

- Date of Board of Directors resolution Thursday, November 24, 2022
- Date of conclusion of basic agreement Thursday, November 24, 2022

6. Outlook

The three companies plan to stipulate details of the Alliance in a contract to be concluded in the future. However, the impact of the Alliance on the Company's operating results is expected to be negligible. If an event which is required to be disclosed arises, the Company will promptly announce such event.