

 <p>President and Representative Director Junichi Kakizaki</p>	CREO CO., LTD. (9698)
	 <p>株式会社クレオ</p>

Company Information

Market	TSE Standard Market
Industry	Information and telecommunications
President	Junichi Kakizaki
HQ Address	Sumitomo Fudosan Shinagawa Building 4-10-27 Higashi-shinagawa, Shinagawa-Ku, Tokyo
Year-end	March
HOME PAGE	https://www.creo.co.jp/

Stock Information

Share price	Number of shares issued (end of period)		Total market cap	ROE (Act.)	Trading Unit
¥917	8,187,088 shares		¥7,508 million	9.6%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥40.00	4.4%	¥100.12	9.2x	¥854.65	1.1x

*The share price is the closing price on March 17th 2022. The number of issued shares is obtained by subtracting the number of treasury shares from the number of shares issued as of the end of the latest quarter.

* BPS and ROE are the results for the fiscal year ended March 2022. The figures are rounded off.

* DPS and EPS are the company's forecasts for the fiscal year ending March 2023.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating income	Ordinary income	Net income	EPS	DPS
Mar. 2019 (Actual)	13,526	670	706	664	80.05	25.00
Mar. 2020 (Actual)	14,624	1,044	1,095	731	88.49	35.00
Mar. 2021 (Actual)	14,745	1,131	1,195	776	94.90	38.00
Mar. 2022 (Actual)	14,784	1,060	1,107	657	80.28	39.00
Mar. 2023 (Forecast)	15,350	1,230	1,260	800	100.12	40.00

*The forecasted values are from the Company. Unit: million yen, yen

*Net income is the profit attributable to owners of parent. The same applies below.

This Bridge Report overviews the business performance for the fiscal year ended March 2022 and describes the earnings forecast for the term ending March 2023 for CREO Co., Ltd.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. Fiscal Year ended March 2022 Earnings Results](#)

[3. Fiscal Year ending March 2023 Earnings Forecasts](#)

[4. Conclusions](#)

[<Reference: Regarding Corporate Governance>](#)

Key Points

- **In the fiscal year ended March 2022, sales grew 0.3% year on year to 14,784 million yen and operating income dropped 6.3% year on year to 1,060 million yen. Sales were affected by unprofitable projects, etc. in the Solutions Service Business, but the projects for major clients in the System Operation and Services Business, the increase of orders for development of apps for the medical field, etc. contributed. Operating income was affected by the unprofitable projects, etc. in the Solutions Service Business, although the sales growth in the System Operation and Services Business, etc. contributed.**
- **According to the corporate plan for the fiscal year ending March 2023, sales are expected to increase 3.8% year on year to 15,350 million yen, and operating income is projected to rise 16.0% year on year to 1,230 million yen. The clients of CREO are actively investing in necessary management base in the coming digital age, such as promoting ICT-based business administration and adopting cloud technologies. Under these circumstances, all of their businesses are expected to see year-on-year growth of sales and profit. In particular, profit growth is expected to be significant in the Solutions Service Business, which will no longer be affected by the unprofitable projects like in the previous fiscal year. The company plans to pay a dividend of 40 yen/share, up 1 yen/share from the previous fiscal year.**
- **CREO has announced capital and business alliances with Individual Systems Co., Ltd. (IVS Co., Ltd.) in Vietnam. IVS has a top-class system with 300 employees among Japanese IT enterprises in Vietnam. CREO faced difficulty in supplying products to meet the strong demand in the market, but it became possible to expand resources and improve productivity. The outcomes of the capital and business alliances with IVS are noteworthy.**

1. Company Overview

CREO is a system integrator that offers a variety of solutions. The company offers business solutions, including “ZeeM Series,” a business package software used by over 2,000 enterprises (Enterprise Resource Planning (ERP) for human resources, accounting, asset management, etc.) and “BIZ PLATFORM,” for business process management (BPM), which contributes to the streamlining of business operation and cost reduction, develops systems for governmental offices, municipalities, public-interest corporations, and large companies, produces and operates web systems for leading portal site operators in Japan, provides loyal clients with call-center services, and so on.

The corporate group is composed of CREO, and three consolidated subsidiaries: CoCoTo Co., Ltd., Brigh-E Co., Ltd. and Adams Communications Co., Ltd. Amano (6436) and Z Holdings Corporation (4689) holds 30.6% and 12.7% of shares of CREO, respectively. CREO is an equity-method affiliate of Amano Corporation.

[Three thoughts in the logo]



To create an “impression”

The exclamation mark in the logo represents the stance of surpassing expectations and impressing clients.

To continue “creation”

The sphere is CREO itself, and represents the environment in which human resources, products, and services are born and grow.

To cuddle up to “eternity”

This logo denotes CREO, which is represented by the sphere, cuddling up to clients, society, and shareholders.

[Business tie-ups with major shareholders]

The major shareholders of CREO are Amano Corporation, which is attracting attention with the reform of workstyles, and Z Holdings (the former Yahoo!). The company formed a capital tie-up with Amano in March 2013 and a business tie-up in April 2015, to cooperate in sale of products, support the development of parking lot systems, etc., and collaborate in support. In addition, the company formed capital and business tie-ups with Z Holdings in January 2005, to develop and offer collaborative services and operate service systems.

Business Alliance with major shareholder



A company that operates globally under the themes of "people and time" and "people and the environment"

- March 2013 Capital Alliance (April 2015 Business Alliance)

Product Sales Collaboration



Development and Support Collaboration (Parking System)



Shareholder **Z HOLDINGS**

Alliance **YAHOO! JAPAN**

Leading Internet service provider with a core focus on Internet advertising services and e-commerce services.

- January 2015 Capital Alliance • Business Alliance

Development and sales of collaborative services



Service system operation

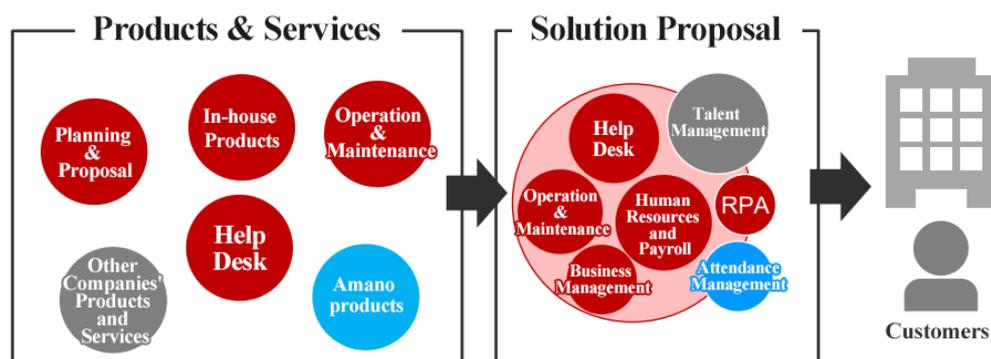


(From the company’s briefing material for individual investors)

[Company strength]

The company's strength lies in its long history and experience of continuing two businesses with different characteristics, the product business and the contracting business, as a few companies in the domestic SI industry operate both businesses in a well-balanced manner. Another strength is that the company's main business, the Solutions Service Business, includes both a product business and a co-creation type contracting business. The company flexibly meets package customization demands in the co-creation type contracted development, as well as horizontally deploying its original product development know-how to contracted development of other companies' products. The company differentiates itself from competitors that only do either of these or companies that can only do one.

In addition to the sale of products, the company offers services for solving corporate issues, linking dots (products) with lines, to offer comprehensive services.



Aiming to be the customer's IT concierge to

achieve **the No. 1 market share among customers**

(From the company's briefing material for individual investors)

[Robust customer base]

The clients of CREO include top enterprises in various fields. The major clients in the Solutions Service Business include Seibu Holdings, SoftBank, Saizeriya, Tokyu Railways, companies affiliated with Toyota, Sammy Networks, Chateraise, Aioi Nissay Dowa, Ritsumeikan University, and Doshisha University. The major clients in the Contracted Development Business include the Fujitsu Group, the Amano Group, and Yamato System Development. The major clients in the System Operations and Service Business include Yahoo!, GYAO!, ValueCommerce, and Senshu University. The major clients in the Support Services Business include Fujitsu Fsas, NEC Group, Lenovo Japan, and en Japan.

CREO was founded in 1974, and has been making transactions with Fujitsu, NEC, SoftBank, Saizeriya, Nishikawa Sangyo, and Ito-pan for many years since the 1990s or earlier.

1-1. Business segments

The company changed its organizational structure in April 2021 from a company system to a business department system. As a result, in the fiscal year ended March 2021, the Solution Service Company, West Japan Company, and Next Solution Company were restructured into Enterprise Digital Transformation Dept., Business Acceleration Dept., Business Strategy Dept., and Social System Dept. There are no changes to the four reporting segments, which are the disclosure segments.

Solutions Service Business (accounting for 35.9% of total sales in the fiscal year ended March 2022)

The company offers and customizes package software such as "ZeeM Series," an ERP for human resources, payroll, accounting, and asset management used by over 2,000 companies, and "BIZ PLATFORM," a BPM that contributes to the streamlining of business operation and cost reduction, develops software and cloud services provided by client companies to corporate clients and consumers (as development is carried out together with client companies, the business is called "co-creation contracted business" or "co-creation development" within the company), the RPA solution for actualizing business processes that use manpower and robots by combining the know-how of ERP and BPM and the robotic process automation (RPA) technology for automating the routine tasks of white-collar workers, and so on.

In recent years, the company has succeeded in capturing demand related to Work Style Reform by linking "ZeeM," a software package for human resource and payroll, and "TimePro," an attendance management solution of Amano Corporation, and the scale of the projects has been growing.

Business entities in charge: Enterprise Digital Transformation Dept., Business Acceleration Dept. (since the fiscal year ending March 2022)

Contracted Development Business (accounting for 17.0% of total sales in the fiscal year ended March 2022)

The company undertakes the development of systems for large companies, governmental offices, and municipalities, typesetting systems

for newspaper publishers, odds systems for professional sports organized by the government, etc., which require reliability and experience. As a characteristic, the transactions made via Fujitsu are dominant, and so stable growth can be expected, although there are some short-term fluctuations. It is essential to secure “manpower;” including subcontractors.

Business entities in charge: Social System Dept.

In addition, Business Strategy Dept., which was newly established in the fiscal year ending March 2022, is a joint department of the Solutions Service Business and the Contracted Development Business.

Systems Operation and Services Business (accounting for 16.8% of total sales in the fiscal year ended March 2022)

The company offers operation services, including the development, maintenance, and anti-hacking operation of server systems for portal sites and web services, to mainly the leading Japanese portal-site operator and its group companies. Previously, this business was operated by several group companies under the holding company, but they were integrated into CoCoTo Co., Ltd., which was established in Apr. 2016. This way, it became possible to exert the capability of the corporate group in marketing and development, and the company is making transactions with the group companies of portal-site operator. The company plans to boost sales from portal-site operator and approach its group companies, to expand its business.

Business entities in charge: CoCoTo Co. Ltd

Support Services Business (accounting for 30.3% of total sales in the of fiscal year ended March 2022)

The company offers support services, including help desk and technical support services, and call-center services (making and receiving calls), including election exit polls, social surveys, and market research. A strength of this business is that the company offers technical services to loyal clients, including those related to Fujitsu and NEC, with a good balance. This business can be expected to grow stably, but it is necessary to secure “human resources.” Accordingly, the company makes efforts to recruit foreign workers, too.

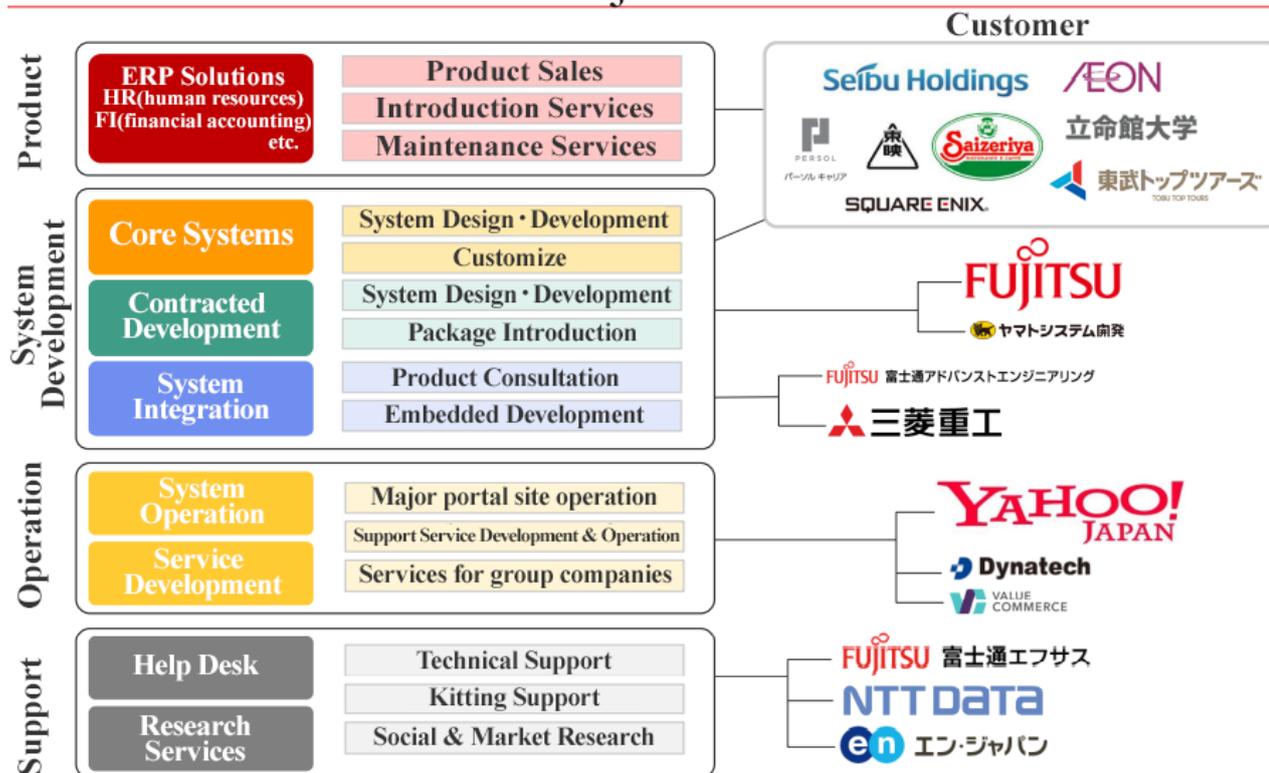
Business entities in charge: Brigh-E Co., Ltd. (the corporate name changed from the fiscal year ending March 2022 due to a merger), and Adams Communication Co., Ltd.

Business Map

Solutions Service Business	Contracted Development Business	Systems Operation and Services Business	Support Services Business
Product Sales ERP Solutions Product Sales, Implementation and Maintenance Amano Collaboration HR Solution Sales	Contracted System Development Social system For Government and Municipalities For Media Newspaper and Broadcasting Specified company System Development For Amano System Development Embedded Development	Systems Operation For Yahoo ! System Operation For Y!G System Development	Help Desk BtoBtoC Help Desk BtoBtoC Technical support BtoBtoC Research Services For Amano Support Services
Core System Development For Enterprises System Development Co-creation contract development System Development Service Development			

(From the company’s briefing material for individual investors)

Business Alliance with major shareholder



(From the company's briefing material for individual investors)

1-2. Mid-term Management Plan (FY 3/21 to FY 3/23)

CREO Group, which will celebrate its 50th anniversary in 2024, conducts its business operations from a medium/long-term perspective, striving to become a “100-year-old company” that will remain attractive to all stakeholders for the next 50 years. As part of such efforts, the company started a mid-term management plan in the fiscal year ended March 2021, when it commemorated its 45th anniversary, with “creating mechanisms” that achieve sustainable growth and improve corporate value as its main theme.

The Mid-term Management Plan's Vision and 3 Key Initiatives

Based on the ongoing challenges from the previous mid-term management plan and future changes in the external environment, the group set the vision of the new mid-term management plan as “creating a framework for sustainable growth and increasing corporate value.” Under this vision, CREO will work on “business structure and business portfolio transformation,” “human resources development and utilization for sustainable growth,” and “transformation into a flexible organization and business process capable of responding to changes and risks.” The company will place particular importance on the operating income rate as a management index. As a result of the company's efforts over the past three years, orders and sales are expanding. However, it is difficult to accurately predict how much the impact of the spread of the coronavirus will offset. Even if the sales growth rate slows down to some extent, the company will achieve profit growth by improving productivity and profitability (operating income rate).

“Business Structure and Business Portfolio Transformation”

The company aims to expand promising domains, such as cloud services (ZeeM series for payroll and accounting, BP, and SMK), digital transformation services, and customer products business support (development and installation support) by combining the group's strengths. The company will also concentrate its management resources on the Solutions Service Business to maintain and expand existing businesses.

Strategy of Solutions Service Business

The company will expand the co-creation type contracted development to improve sales. The company will also enhance the planning, development, and operation of systems and services that support the maintenance and expansion of customers' market competitiveness

and improve the development and operation of core systems and products that support the sustainable stabilization of customers' management bases.

From short and medium-term perspectives, the company will strengthen integrated HR solutions by improving collaboration with Amano Corporation, upgrading products, expanding the HR product lineup, and automating installation settings to enhance profits. In addition, from a medium/long-term perspective, the company will launch digital transformation services to improve accounting data analysis (data utilization) and operational efficiency. The company will also accelerate cloud services by increasing order receiving opportunities and improving stock rates.

“Business Structure and Business Portfolio Transformation”

CREO will develop human resources focusing on the themes of training future generation leaders, cultivating global human resources, and improving the skill level of engineers. For these initiatives to be successful, increasing employees' motivation is key. The company therefore rates and rewards multitalented employees that display distinct strengths and skills in various fields. As it also needs to have HR systems that tolerate diversity, it is working to reform existing systems and establish new ones.

The keyword for "developing leaders for future generations" is nurturing them by entrusting them. Starting from executive candidates to department leaders, the company will improve the level of non-technical "business" and "management" skills to enable sustainable business succession and expansion. The keyword for "cultivating global human resources" is nurturing them by letting them travel. The company will promote human resources exchanges with overseas partners to develop human resources that can absorb differences in the environment and culture and accept diversity. As for "upgrading the level of engineers," the keyword is nurturing them by allowing them to specialize. The company will secure and train human resources who can utilize new technologies such as AI, IoT, and 5G, and digital transformation development methods including Agile and DevOps.

“Transformation into a Flexible Organization and Business Process Capable of Responding to Changes and Risks”

While moving forward with the second stage of group restructuring, CREO will carry out a business process reform that considers both improving productivity and its Business Continuity Plan (BCP). For the second stage of group restructuring, the company began to implement measures that shift human resources to more profitable business in the previous fiscal year. It will not simply shift its workforce, but it will put in place a framework that allows it to flexibly and swiftly allocate personnel within the Group and transform their skills. As for business process reforms, the company started developing and operating the infrastructure for telecommuting. This will enable it to maintain high productivity even if another crisis like the coronavirus pandemic occurs and working styles change dramatically.

Investments

CREO established a new investment committee. The committee does not only evaluate and approve the investment plans from each business, but will also seek investment opportunities and encourage its implementation. The members of the committee have their respective areas of responsibility and will promote investment while primarily focusing on new business investment, development investment, human capital investment, and capital investment. CREO sets a guideline for the scale of investment amount of the entire group to be around 500 million yen during the current mid-term management plan, and it will make decisions flexibly based on the investment opportunities and results.

Management Goals

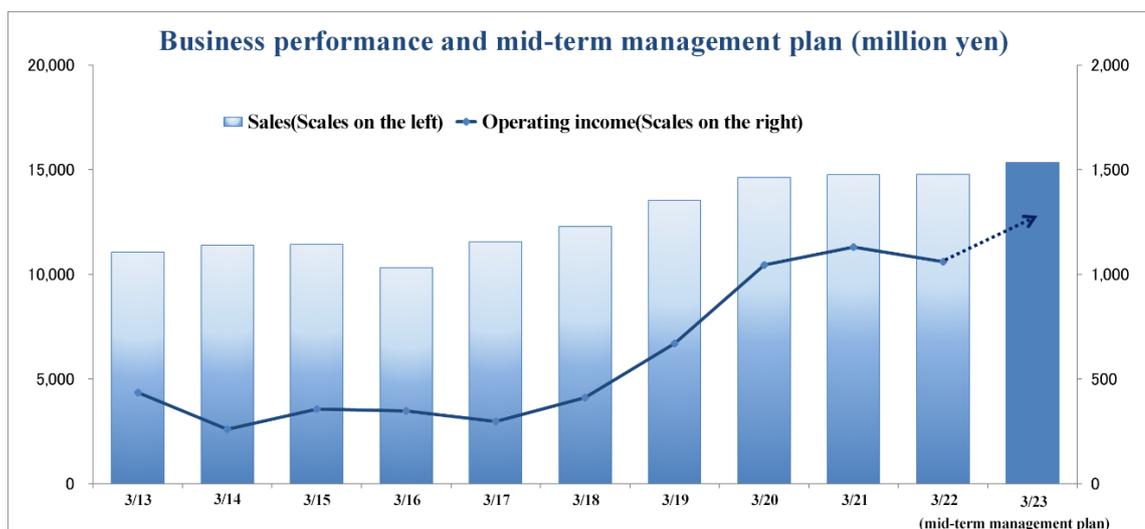
In the fiscal year ending March 2023, which is the final fiscal year of the mid-term management plan, it is difficult to hire engineers who can immediately deal with actual tasks, due to the intensification of competition for recruiting personnel amid the uncertain social situation and the expansion of the ICT service market. In addition, the company will fortify the quality control system for preventing the reemergence of unprofitable projects in the Solutions Service Business, pursue quality improvement rather than quantitative expansion and secure a foothold, and actively invest in human resources, products, and services for accelerating sustainable growth. Considering these points, the company has downwardly revised the forecasts in the mid-term management plan.

Meanwhile, the number of orders received in the Solutions Service Business, which remains on a growth track, is healthy, and the company has been undertaking projects that span several years.

	FY3/21 (Actual)		FY3/22 (Actual)		FY3/23 (Before revision)		FY3/23 (After Revision)	
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY
Sales	14,745	+0.8%	14,784	+0.3%	18,000	+21.8%	15,350	+3.8%
Operating Income	1,131	+8.3%	1,060	-6.3%	1,800	+69.7%	1,230	+16.0%
Ratio of Operating Income	7.7%	—	7.2%	—	10.0%	—	8.0%	—
Ordinary Income	1,195	+9.2%	1,107	-7.4%	—	—	1,260	+13.8%
Profit attributable to owners of parent	776	+6.3%	657	-15.4%	—	—	800	+21.7%

*Unit: Million yen

Reasons for the revision
<ul style="list-style-type: none"> ◆ The company cannot supply sufficient products to meet the market demand, and the expansion of resources, including personnel and partners, is delayed. ◆ Installation efficiency improvement is not enough. ◆ The company is losing business opportunities, because it is busy with handling unprofitable projects. ◆ The number of new orders received is stagnant, because major clients are promoting in-house production. ◆ The company will invest in human resources, products, and services more actively for accelerating sustainable growth. ◆ The company will create new services and markets.
Future measures and outlook
<ul style="list-style-type: none"> ◆ To strengthen the quality system for preventing the reemergence of unprofitable projects. ◆ To improve profitability and productivity by standardizing and automating the installation process. ◆ To concentrate on the following activities in the investment phase for further growth. <ol style="list-style-type: none"> ① To accelerate the shift to cloud services (strengthening cloud services for connecting) ② To strengthen products and services for major target clients of TimePro of Amano ③ To secure personnel and improve productivity by actively utilizing offshore facilities (Vietnam) ◆ To shift to more profitable businesses. ◆ To develop personnel with high added value (advancing the education of human resources, developing digital personnel, etc.).



Financial/Capital Policy and Profit-sharing Policy

There are no changes from the previous mid-term management plan, and there is an optimal balance of the three points: shareholder return, financial stability, and investments. Although CREO will expand its investments to achieve permanent growth more than before, this will not impair the rules of financial stability as the company will continue to generate investment resources through business activities by improving the operating income rate. As for the profit-sharing policy, CREO will continue to aim for a consolidated payout ratio of 40%.

1-3 Initiatives for sustainability and ESG

Six Important Issues

Important issue	Outline	17 SDGs
Creation of a new industry through DX	To create value while grasping the trend of the times, such as the fourth industrial revolution and digital transformation (DX), and offer new excitement.	4. Quality education 9. Industry, innovation and infrastructure 17. Partnerships for the goals
Application of a new business model with digital technologies	To offer unprecedented business models by using digital technologies, and support customers in maintaining and enhancing competitiveness.	3. Good health and well-being 4. Quality education 17. Partnerships for the goals
Provision of safe and convenient infrastructure	To offer safe, convenient solutions for social infrastructure and corporate activities based on the experience and technologies accumulated for many years.	3. Good health and well-being 4. Quality education 8. Decent work and economic growth 9. Industry, innovation and infrastructure 10. Reduced inequalities
Cooperation with stakeholders (sustainable growth)	To create value together with various stakeholders, including shareholders, employees, customers, business partners, the social environment, and local communities to improve each other’s attractiveness.	4. Quality education 11. Sustainable cities and communities 15. Life on land 17. Partnerships for the goals
Advancing corporate governance	To develop a governance system for swiftly adapting to the business environment and improving management transparency.	10. Reduced inequalities 16. Peace, justice and strong institutions
Efforts to realize well-being	To practice sustainable lifestyles with the aim of maintaining good conditions of people and the environment.	3. Good health and well-being 5. To realize gender equality 8. Decent work and economic growth

Sustainability Data

Data	FY3/20	FY3/21	FY3/22
No. of employees	1,139	1,220	1,224
No. of non-regular workers	80	99	103
Training cost per employee	60,546	59,085	In the middle of the fiscal year
Turnover rate of employees	11.2	8.1	In the middle of the fiscal year
Ratio of female employees	28.10%	29.80%	30.90%
Ratio of female managers	6.40%	6.40%	6.90%
Ratio of female employees fresh out of college	43.90%	38.80%	54.90%
Ratio of employees with disabilities	1.30%	1.64%	1.65%
Ratio of mid-career workers	57.7%	44.7%	In the middle of the fiscal year
Ratio of non-Japanese workers	1.11%	0.92%	1.33%

Various Measures

[Business activities] ◎Acceleration of training of digital personnel	Corporate activities ◎Development of an environment where employees can keep exerting their abilities
Conclusion of a cooperation agreement with Shiga University (scheduled) ◆Increase of digital personnel ◆Training of digital personnel using corporate information ◆Collaborative research utilizing analytics	Good health business superior corporation 2022 ◆Certified continuously since 2019 ◆Promotion of health-oriented management for supporting the stable activities of personnel ◆Improvement of an environment for well-being of employees

2. Fiscal Year ended March 2022 Earnings Results

2-1. Consolidated earnings results for the Fiscal Year ended March 2022

	FY 3/21	Ratio to sales	FY 3/22	Ratio to sales	YoY
Sales	14,745	100.0%	14,784	100.0%	+0.3%
Gross Profit	3,511	23.8%	3,406	23.0%	-3.0%
SG & A	2,379	16.1%	2,345	15.9%	-1.4%
Operating Income	1,131	7.7%	1,060	7.2%	-6.3%
Ordinary Income	1,195	8.1%	1,107	7.5%	-7.4%
Profit attributable to owners of parent	776	5.3%	657	4.4%	-15.4%

*Unit: Million yen

* The figures include the figures calculated by Investment Bridge Co., Ltd. as reference values and may differ from the actual figures. The same applies below.

Sales grew 0.3% year on year, while operating income dropped 6.3% year on year.

In the ICT service market, in which the corporate group operates business, the demand from client companies, etc. remained strong while workstyles were changing. Sales grew 0.3% year on year to 14,784 million yen. In the aspect of sales, unprofitable projects in the Solutions Service Business, the decrease of orders for surveys in the Support Services Business in the first quarter, etc. produced negative effects, but the projects for major clients in the Systems Operation and Services Business, the increase of orders for development of apps for the medical field, etc. produced positive effects. Fujitsu and Yahoo! became primary clients accounting for about 14.2% and about 13.2% of total sales, respectively.

Operating income decreased 6.3% year on year to 1,060 million yen. The sales growth of the Systems Operation and Services Business, the decrease in temporary expenses for coping with the novel coronavirus, which were posted in the previous fiscal year, etc. produced positive effects, but the unprofitable projects in the Solutions Service Business, etc. produced negative effects. Gross profit margin declined 0.8 points year on year to 23.0%. While sales grew slightly, SG&A was reduced, so the ratio of SG&A to sales decreased 0.2

points year on year to 15.9%, but the ratio of operating income to sales declined 0.5 points year on year to 7.2%. Ordinary income dropped 7.4% year on year, due to the decrease in compensation received, etc. and profit attributable to owners of the parent company decreased 15.4% year on year, due to the posting of expenses for relocating offices and loss on valuation of software.

Through the application of the revenue recognition standard, sales increased 460 million yen and each stage of profits rose 88 million yen compared to before application.

2-2. Trends in each segment

Sales and operating income for each segment

	FY 3/21	Ratio to sales* Profit margin	FY 3/22	Ratio to sales* Profit margin	YoY
Solutions Services	5,617	38.1%	5,306	35.9%	-5.5%
Contracted Development	2,525	17.1%	2,518	17.0%	-0.3%
Systems Operation and Services	2,041	13.8%	2,479	16.8%	+21.5%
Support Services	4,561	30.9%	4,478	30.3%	-1.8%
Consolidated sales	14,745	100.00%	14,784	100.00%	+0.3%
Solutions Service	1,128	20.1%	780	14.7%	-30.8%
Contracted Development	426	16.9%	467	18.5%	+9.6%
Systems Operation and Services	216	10.6%	325	13.1%	+50.4%
Support Services	320	7.0%	351	7.8%	+9.6%
Head Office Expenses and Income	-959	-	-863	-	-
Consolidated Operating Income	1,131	7.7%	1,060	7.2%	-6.3%

*Unit: Million yen

*In the two businesses other than the System Operation and Services Business and the Support Services Business operated by consolidated subsidiaries, the head office expenses are not allocated when calculating operating income.

Solutions Service Business

The company mainly provides solution services such as "ZeeM," a system for HR, payroll, and accounting solutions.

Sales were 5,306 million yen, down 5.5% year on year, and operating income was 780 million yen, down 30.8% year on year. The Solutions Service, which offers mainly solutions for personnel affairs and salaries, continued to receive many orders, but unprofitable projects emerged in the third quarter of the consolidated accounting period, so sales dropped 310 million yen year on year, and operating income declined 347 million yen year on year. The profit margin of this segment declined 5.4 points year on year.

Contracted Development Business

The company mainly undertakes system development for major companies such as the Fujitsu Group and Amano Corporation.

Sales were 2,518 million yen, down 0.3% year on year, and operating income was 467 million yen, up 9.6% year on year. While the number of orders for systems in public offices, infrastructure, etc. from leading IT vendors was favorable, the company assigned staff to highly profitable projects, so sales declined 6 million yen year on year, and operating income rose 40 million yen year on year. The profit margin of this segment rose 1.6 points year on year.

System Operations and Service Business

The company mainly provides system development, maintenance, and operation services to major domestic portal site operators.

Sales were 2,479 million yen, up 21.5% year on year, and operating income was 325 million yen, up 50.4% year on year. The project for main clients progressed healthily and new clients increased, so sales grew 437 million yen year on year and operating income rose 109 million yen year on year. The profit margin of this segment rose 2.5 points year on year.

Support Services Business

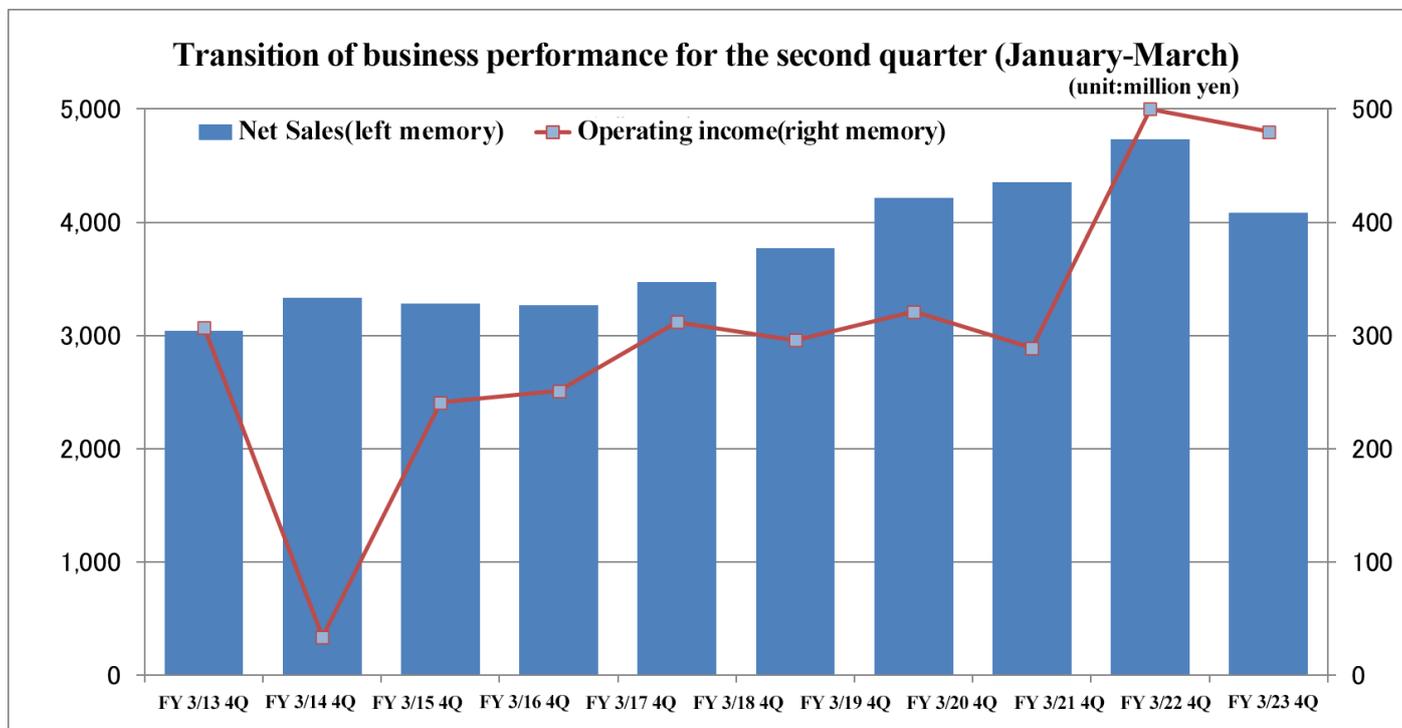
The company mainly provides support and services centered on help desks and technical support and call center services for purposes, such as social research and market research.

Sales were 4,478 million yen, down 1.8% year on year, and operating income was 351 million yen, up 9.6% year on year. Sales declined

82 million yen year on year, due to the drop in the number of orders for surveys, but operating income rose 30 million yen year on year, thanks to the optimization of expenses, including cost reduction. The profit margin of this segment rose 0.8 points year on year.

2-3. Variations in quarterly results

Variations in consolidated sales and operating income for the fourth quarter (January-March)



In the fourth quarter of FY 3/22 (January-March), sales and profits declined YoY, but operating income was at the same high level as in the same period of the previous year.

2-4. Financial Position and Cash Flows (CF)

Financial Position

	Mar. 2021	Mar. 2022		Mar. 2021	Mar. 2022
Cash	3,927	4,317	Accounts payable	693	668
Receivables	3,203	3,228	Reserves for bonuses	577	556
Inventories	365	272	Current Liabilities	2,541	2,575
Current Assets	7,697	8,017	Noncurrent Liabilities	153	204
Tangible Assets	314	295	Liabilities	2,694	2,780
Intangible Assets	609	695	Net Assets	6,642	6,997
Investments and Others	714	767	Total Liabilities and Net Assets	9,336	9,777
Noncurrent Assets	1,638	1,759	Total Debt with Interest	0	0

*Unit: Million yen

The total assets as of the end of March 2022 stood at 9,777 million yen, up 441 million yen from the end of the previous fiscal year. In the assets side, cash & deposits and software increased, but receivables, software in process, etc. decreased. In the side of liabilities and net assets, retained earnings, etc. grew due to the posting of provision for loss on projects and profit attributable to owners of the parent company, but accounts payable, reserves for bonuses, etc. dropped. The liquidity of assets is high, as current assets account for 82.0% of total assets. Capital-to-asset ratio is as high as 71.6%.

Cash Flows

	FY3/21	FY 3/22	YoY	
Operating cash flow	494	1,110	616	+124.7%
Investing cash flow	-399	-389	10	-
Free Cash flow	95	721	626	+658.9%
Financing cash flow	-296	-330	-34	-
Cash and Equivalents at the end of term	3,927	4,317	390	+9.9%

*Unit: Million yen

Regarding cash flows, the cash inflow from operating activities expanded due to the decrease in receivables, the increase in provision for loss on projects, the drop in payment of income taxes, etc. The cash outflow from investment activities was unchanged from the previous fiscal year, and the surplus of free CF grew. The cash outflow from financial activities augmented due to the rise in payment of dividends, etc. Accordingly, the term-end cash position increased 9.9% from the end of the previous fiscal year.

3. Fiscal Year ending March 2023 Earnings Forecasts

3-1. Consolidated earnings forecasts for Fiscal Year ending March 2023

	FY3/22	Ratio to sales	FY3/23 Est.	Ratio to sales	YoY
Sales	14,784	100.0%	15,350	100.0%	+3.8%
Operating Income	1,060	7.2%	1,230	8.0%	+16.0%
Ordinary Income	1,107	7.5%	1,260	8.2%	+13.8%
Profit attributable to owners of parent	657	4.4%	800	5.2%	+21.7%

*Unit: Million yen

Sales and operating income are projected to rise 3.8% and 16.0%, respectively, year on year.

According to the company's plan for the fiscal year ending March 2023, sales and operating income are projected to be 15,350 billion yen and 1,230 million yen, respectively, up 3.8% and 16.0% year on year, respectively.

Regarding the company's customers, they continue vigorous investment in business management base necessary for the future digital era, including the promotion of business management by utilizing ICT and adopting more cloud technologies. Under such circumstances, the company expects both sales and operating income to increase year on year in the fiscal year ending March 2023 in all of their businesses, Solutions Service Business, Contracted Development Business, Systems Operation and Services Business, and Support Services Business. Specifically, the Solutions Service Business is expected to see a larger increase in profit because there will be no longer impact of underperforming projects in the previous fiscal year.

Further, ratio of operating income to sales is expected to reach 8.0%, up 0.8 point from the previous fiscal year, thanks to the improvement in the project profit margin, etc.

The company plans to pay a dividend of 40 yen/share, up 1 yen/share from the end of the previous fiscal year. The company intends to maintain its target dividend payout ratio of 40%.

Sales and operating income for each segment of FY 3/22 (Company's plan)

	FY3/22 Act.	Ratio to sales* Profit margin	FY3/23 Est.	Ratio to sales* Profit margin	YoY
Solutions Service	5,314	36.0%	5,320	34.7%	+0.1%
Contracted Development	2,658	18.0%	2,840	18.5%	+6.8%
Systems Operation and Services	2,521	17.1%	2,630	17.1%	+4.3%
Support Services	4,886	33.0%	5,080	33.1%	+4.0%
Consolidated sales	14,784	100.00%	15,350	100.00%	+3.8%
Solutions Service	780	14.7%	1,060	19.9%	+35.8%
Contracted Development	467	17.6%	510	18.0%	+9.2%

BRIDGE REPORT



Systems Operation and Services	325	12.8%	360	13.7%	+10.7%
Support Services	351	7.2%	370	7.3%	+5.4%
Head Office Expenses and Income	-863	-	-1,070	-	-
Consolidated operating income	1,061	7.2%	1,230	8.0%	+16.0%

*Unit: Million yen

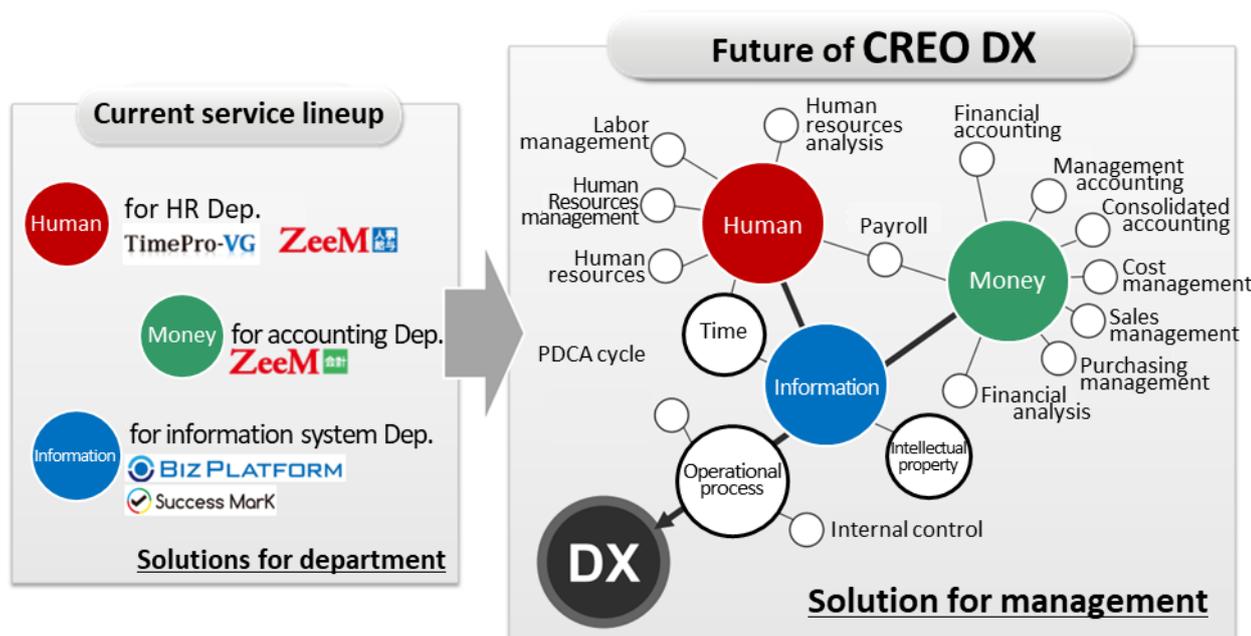
*Sales figures represent values prior to deletion of inter-segment sales or transfer amounts.

3-2 Key measures for the fiscal year ending March 2023

The company aims to strengthen its quality system to prevent the reemergence of underperforming projects. Further, they intend to shift to businesses with higher profitability, while pursuing to increase profitability and productivity by standardizing and automating installation processes. Moreover, they will accelerate the shift to cloud services (strengthening connecting cloud services), strengthen products and services for major target customers for TimePro of Amano Corporation, secure human resources, and improve productivity through active utilization of offshore facilities (Vietnam), viewing them as their investment phase to facilitate further growth. In addition, they will develop personnel with high added value, through advancement of the education human resources, digital personnel development, etc.

3-3 Growth strategies

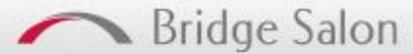
[Expansion of the cloud services that connect information and services]



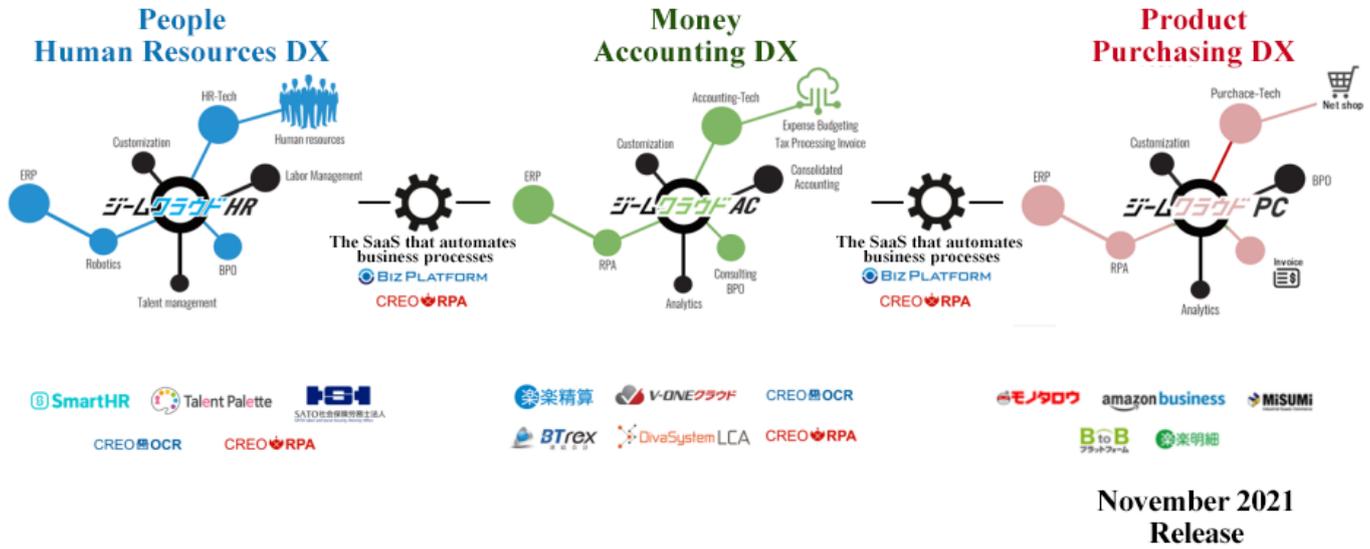
(From the company’s briefing material for individual investors)

The company will redefine the products it offers in the Solutions Service Business as not only tools for the human resources, accounting, and information systems departments, but also as solutions for management, and proactively propose them to customers.

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Cloud Products



(From the company’s briefing material for individual investors)

As a framework for promoting Enterprise DX for “Connecting,” they established a management base that connects management resources such as people, goods, and money, which brings continuity to digital innovation.

Product/Service Lineup



Series	Benefits	Product service name
Management Innovation	Management Strategy Data Utilization (BI/BA)	Success Mark Talent Palette (Talent Analysis)
	Business Optimization Business Automation Business process Optimization	CREO-RPA (RPA×ERP) CREO-RPA (RPA×OCR) CREO-RPA (RPA×BPM) BIZ PLATFORM
Business Improvement	(Human Resources) Working style reform measures Business Streamlining	ZeeM Personnel salary TimePro-VG ZeeM Social insurance Outsourcing ZeeM on Azure BIZ PLATFORM – ERP FRONT
	(Accounting Department) Accelerated accounting Promotion of digitization Improving high-cost structure Data Utilization	ZeeM Account ZeeM Fixed asset management ZeeM on Azure BIZ PLATFORM – ERP FRONT Project type cost management system QuickBinder
	(IT Department) Cloud Shift Quality Improvement of IT Service Management	SmartStage ServiceDesk SmartStage IT-Outsourcing SmartStage N-Cloud
	(Business Department) Business Expansion	Cloud business support solution Basic system integration

(From the company’s briefing material for individual investors)

3-4 Topics

◎Transition to Standard Market

The company received a notice of preliminary decision dated July 9, 2021, regarding the conformity with the requirements to maintain a listing in the new market section of Tokyo Stock Exchange, to which the transition was scheduled on April 4, 2022, and confirmed the conformity with requirements to maintain a listing in the new market section, Standard Market. Based on this outcome, at the board of directors held on September 29, 2021, they made a resolution on their intention to select Standard Market, the new market section for companies with sufficient liquidity and governance standards, and they have been working to strengthen their governance and undergoing the various filing procedures. Through these, they got listed on the new market section Standard Market on April 4, 2022.

◎Acquisition and Retirement of Treasury Shares

The company decided to carry out acquisition and retirement of treasury shares, after taking three viewpoints of Capital Policies into consideration: (1) return to shareholders, (2) securing investment capacity, and (3) maintaining financial stability.

<Acquisition of Treasury Shares>

Type of shares to be acquired	Common shares
Total number of shares to be acquired	250,000 (maximum) (ratio to the total number of outstanding shares (excluding treasury shares): 2.91%)
Total acquisition cost	300,000,000 yen (maximum)
Acquisition period	From May 11, 2022 to December 27, 2022
Acquisition method	Open market purchase through the trust scheme

<Retirement of Treasury Shares>

Type of shares to be retired	Common shares
Total number of shares to be retired	64,681 (ratio to the total number of outstanding shares (excluding treasury shares): 0.75%)
Scheduled date of retirement	July 1, 2022

◎Formed Capital and Business Alliances with Individual Systems in Vietnam

The company signed a basic agreement with a Japanese software development company in Vietnam, Individual Systems Co., Ltd. (hereinafter referred to as "IVS"), on May 10, 2022, to invest in IVS with an assumption that they will acquire licenses from local authorities in Vietnam. IVS has been accumulating solid results in training engineers in Vietnam as well as offshore development for the Japanese market, since its founding in 2002, and established a system with 300 employees, currently top-class for a Japanese IT company. Further, IVS occupied the largest market share in local SI business, mainly among Japanese enterprises that have entered Vietnam, and has been showing rapid growth. These capital and business alliances were signed for the purpose of working with a Vietnamese development company, and providing systems and services while taking advantage of cost advantages, by establishing a development system that meets their customers' demands.

In the future, it is expected to see (1) constant improvement in productivity by securing ICT talent, (2) enhancement of in-house development function (establishing laboratories and global coordination), and (3) acceleration of global human resources development and market development.

4. Conclusions

CREO has downwardly revised the management goals for the fiscal year ending March 2023, which is the final fiscal year of the mid-term management plan, while considering the worsening of profitability due to unprofitable projects in the Solutions Service Business in the fiscal year ended March 2022, the resultant loss of opportunities, etc. The company is strengthening its quality system for preventing the reemergence of unprofitable projects. In the IT service field, including CREO, some projects for developing software and undertaking development inevitably become unprofitable at some degree. We would like to expect that their quality system will be improved after problems are solved. In the fiscal year ending March 2023, it is noteworthy whether they can prevent the emergence of unprofitable projects through the above-mentioned management efforts.

In addition, the company is actively investing for securing personnel and improving productivity by accelerating the shift to cloud services (strengthening cloud services for connecting), improving products and services for major target clients of TimePro of Amano, and actively utilizing offshore facilities in Vietnam. Currently, they are in the investment phase, and it will take several years to examine the outcomes of their efforts, but it is noteworthy when their growth will be accelerated thanks to their investment.

In addition, CREO has announced capital and business alliances with Individual Systems Co., Ltd. (IVS Co., Ltd.) in Vietnam. IVS has a top-class system with 300 employees among Japanese IT enterprises in Vietnam. CREO faced difficulty in supplying products to meet the strong demand in the market, but it can be said that it has obtained an effective means for expanding resources and improving productivity. We would like to pay attention to the outcomes of the capital and business alliances with IVS with expectation.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	6 directors, including 3 outside ones
Auditors	3 auditors, including 2 outside ones

◎ Corporate Governance Report: Updated on December 22, 2021

Basic policy

Based on CREO Group's corporate philosophy, the company fulfills the responsibilities to their stakeholders including shareholders, customers, employees, and business partners, with an honest and sincere attitude, and conducts highly transparent management. In accordance with the purpose of the Corporate Governance Code, we strive to achieve CREO Group's sustainable growth and further improve its medium- and long-term corporate value by improving efficiency and transparency of business management, and by further strengthening the function to oversee business operations.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

【Principle 1-2 ④ English translation of convocation notices, and the use of the electronic voting platform】

As the ratio of institutional investors and overseas investors is not high, our company does not allow the electronic exercise of voting rights or translate convocation notices into English. If the ratio of institutional investors and overseas investors exceeds 20%, we will discuss whether to implement the English translation of convocation notice and the electronic exercise of voting rights, after considering the costs, etc.

【Principle 2-4 ① Ensuring the diversity in appointment of core personnel, etc.】

We consider human assets are our most important asset, endeavor to support our human resources so that a wide array of human assets can flourish in the medium or long term, and appoint managers based on an overall consideration of their ability and suitability, regardless of gender, nationality, mid-career employment, or new graduate employment. Moving forward, we will discuss goal setting pertaining to the diversity in management positions, and will discuss policies for human resources development as well as establishment of an internal environment, to ensure diversity.

【Principle 4-8 Effective use of an independent outside director】

We elected and appointed an independent outside director with affluent experience and broad knowledge who was sufficiently confirmed to be independent from our major shareholders. The independent outside director sufficiently fulfills his/her roles and responsibilities required by the Board of Directors, however, we continue to discuss establishing a proper system by increasing the number of independent outside directors according to the needs for the purpose to further strengthen our future governance system.

【Supplementary Principle 4-10 ① Voluntarily establishing an advisory committee】

Our company has not established a nomination advisory committee or a remuneration advisory committee, however, to strengthen the independence, objectivity, and accountability of the Board of Directors' functions pertaining to nomination of senior management team members and directors (including a succession plan), as well as remuneration, we continue to discuss establishing a nomination advisory committee and a remuneration advisory committee that primarily consists of independent outside directors under the Board of Directors.

【Principle 5-2 Formulation and announcement of management strategy and management plans】

Our company disclosed its targets for consolidated sales, consolidated operating income, and consolidated operating income margin in the medium-term management plan to achieve in the fiscal year ending March 2023, however, after considering the change in the market environment and progress of the medium-term management plan, we consider reviewing the business structure based on capital costs and the allocation of management resources. In terms of investment, we believe that investment in human capital is the most important, and strive to strengthen employment, as well as to strengthen the development of human assets through training, etc. Furthermore, for equipment investment and investment in research and development, we take risks into consideration and examine whether such investment is consistent with the company-wide business strategy, and pursue the adequate allocation of management resources.

<The main principles of disclosure>

<Principle 1-4 Disclosure of policies for strategically held shares>

Our company policy is to not hold shares strategically, from the viewpoints of avoiding risks from stock price fluctuation and improving asset efficiency, unless there is such need in our business relationship with investees or collaboration with our company. In addition, regarding the voting rights of strategically held shares, we shall conduct comprehensive evaluation whether it contributes to improving our medium- and long-term corporate value, and respond properly.

【Supplementary Principle 4-1-(1) Roles and responsibilities of the board of directors】

The scope of matters to be resolved and the respective responsibilities of the Board of Directors and the Management Committee, to which the Board of Directors delegates some decision-making and business execution matters (referred to internally as the "Management Strategy Committee"), are set based on the rules of the Board of Directors and the Management Committee, as outlined below.

•Board of Directors

Decisions are made concerning matters to be resolved at Board of Directors meeting prescribed by laws and regulations, and other matters, predominantly those outlined below, based on the rules of the Board of Directors.

- 1) Matters involving outlays of investments, financing, the conclusion of contracts, etc., considered essential to business operations.
 - 2) Matters involving the company's capital policy
 - 3) Appointment and dismissal of executive officers
 - 4) Decisions related to the mid-term management plan
 - 5) Decisions related to business plans for a single fiscal year
- etc.

•Management Committee

- 1) Formulating the mid-term management plan and business plans for a single fiscal year
 - 2) Decisions related to human resources, the company organization, hiring, etc.
 - 3) Other matters, prior deliberations on matters to be discussed in the meetings of the Board of Directors
- etc.

【Principle 5-1 Policy for constructive dialogue with shareholders】

Our company defines a basic policy pertaining to establishing systems and initiatives to promote constructive dialogue with shareholders from a viewpoint to ensure proper information disclosure and transparency, to the extent and by the methods deemed appropriate by our company. To materialize this, we will carry out the following:

- 1) With regard to dialogue with shareholders, we aim to enrich contents and opportunities, through various initiatives such as financial results briefings, while appointing an executive of the management department as a person in charge.
- 2) The department responsible for IR that supports dialogue coordinates with each relevant department that possesses detailed information corresponding to the content of IR activities, by adequately exchanging information in advance, and actively carries out IR activities to enrich dialogue with shareholders.
- 3) We actively promote the provision of information including our company's business and its strategy, by holding or participating in financial results briefings and other briefings for investors as necessary.
- 4) An executive in charge will convey opinions and demands from shareholders obtained through IR activities to the management meeting and the Board of Directors.
- 5) Regarding insider information, we pursue thorough information management in accordance with our internal insider regulations.
- 6) Upon dialogue with shareholders and investors, we strictly follow the fair disclosure rule to avoid any selective disclosure of critical information to any specific persons, and ensure thorough management of critical information.

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