

Translation

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March 25, 2024

To whom it may concern:



Company name: CRESCO LTD.
Representative: President and Executive Officer Hiroshi Tominaga
(Stock code: 4674 Tokyo Stock Exchange, Prime Market)
Inquiries: Director and Senior Managing Executive Officer Kazuo Sugiyama
TEL +81-3-5769-8011

Notice Concerning Reorganization Between the Company and Consolidated Subsidiaries (Merger Between Wholly Owned Subsidiaries and Acquisition of Part of Business of Wholly Owned Subsidiary)

CRESCO LTD. (head office: Minato-ku, Tokyo; President and Executive Officer: Hiroshi Tominaga; hereinafter, the “Company”) disclosed that an agreement has been reached on the policy for the reorganization among the three companies (hereinafter, the “Reorganization”) consisting of the Company and the Company’s wholly owned subsidiaries Japan Software Design CO., LTD. (hereinafter, “JSD”) and Mexess Co., Ltd. (hereinafter, “Mexess”) as announced in the “Notice Concerning Agreement on Reorganization Between the Company and Consolidated Subsidiaries” on January 29, 2024.

The Company hereby announces that, at the meeting held on March 25, 2024, the Board of Directors resolved to conduct the Reorganization through an absorption-type merger with Mexess as the surviving company and JSD as the absorbed company (hereinafter, the “Merger”) and the acquisition by the Company of part of the business of JSD (hereinafter, the “Acquisition of the Business”). Details are set forth below.

The Reorganization involves a merger between wholly owned subsidiaries and the acquisition of part of the business from a wholly owned subsidiary; therefore, some disclosure items and their content have been omitted.

1. Purpose of the Reorganization

The purpose of the Reorganization is to promote rapid business expansion and to maintain and improve the Group’s competitive advantages in the industry by organizing and consolidating the know-how and resources of the three companies by region to effectively utilize personnel and management resources and by improving productivity and efficiently providing services.

2. Schedule of the Reorganization

March 25, 2024	Board of Directors resolution regarding the Merger and the Acquisition of the Business (the Company)
March 25, 2024 (planned)	Board of Directors resolution regarding the merger agreement, and conclusion of the merger agreement (Mexess, JSD)
April 10, 2024 (planned)	General meeting of shareholders for approval of the merger agreement (Mexess, JSD)
May 27, 2024 (planned)	Board of Directors resolution regarding the business transfer agreement, and conclusion of the business transfer agreement (the Company, JSD)
June 30, 2024 (planned)	Effective date of the Acquisition of the Business
July 1, 2024 (planned)	Effective date of the Merger

* The Acquisition of the Business does not fall under the items of Article 467, paragraph (1) of the Companies Act. Therefore, the Company will not hold a general meeting of shareholders regarding the Acquisition of the Business. In addition, the Acquisition of the Business is a short-form business transfer as set forth in Article 468, paragraph (1) of the Companies Act. Therefore, JSD will not hold a general meeting of shareholders regarding the Acquisition of the Business.

3. Outline of the Merger

(1) Form of the Merger

The Merger shall be an absorption-type merger with Mexess as the surviving company and JSD as the absorbed company.

(2) Details of share allocation pursuant to the Merger

The Merger is a merger between the Company's wholly owned subsidiaries. Therefore, there will be no issuance of shares or allotments of money, etc. due to the Merger.

(3) Handling of share acquisition rights and bonds with share acquisition rights associated with the Merger

Not applicable.

(4) Overview of the companies involved in the Merger

(Unit: Amounts less than one million yen are rounded down)

(1) Trade name	Mexess Co., Ltd. (Surviving company)	Japan Software Design CO., LTD. (Absorbed company)
(2) Line of business	<ul style="list-style-type: none">• Business-related and control systems development (web-type and CS-type)• Web design and production• Development of mobile apps• System infrastructure architecture• IT consulting• RPA• BI, etc.	<ul style="list-style-type: none">• Development and maintenance of computer software• Design and operation management of telecom system• Worker dispatching undertakings• Any and all other businesses incidental or related to any of the foregoing items
(3) Date of establishment	April 3, 1995	May 4, 1983
(4) Location of head office	4-2-12, Honmachi, Chuo-ku, Osaka-shi, Osaka	2-2-13, Bakuromachi, Chuo-ku, Osaka-shi, Osaka
(5) Title and name of representative	Naoko Nakasu, President	Naoko Nakasu, President
(6) Capital	100 million yen	45 million yen
(7) Number of issued shares	900 shares	2,000 shares
(8) Net assets	335 million yen	63 million yen
(9) Total assets	558 million yen	397 million yen
(10) Fiscal year-end	March 31	March 31
(11) Major shareholder and shareholding ratio	CRESCO LTD. 100%	CRESCO LTD. 100%
(12) Operating results of the most recent fiscal year (Fiscal year ended March 31, 2023)		
Net sales	1,245 million yen	– million yen
Operating profit	132 million yen	– million yen
Ordinary profit	144 million yen	– million yen
Profit	91 million yen	– million yen
Net assets per share	167,944.17 yen	– yen
Earnings per share	45,976.60 yen	– yen

* The information in (6) to (9) and (11) is as of March 31, 2023.

* The information for JSD is not shown in (12) because this company has been included in the scope of consolidation since March 31, 2023.

(5) Post-merger status

(1) Trade name	Mexess Co., Ltd.
(2) Line of business	<ul style="list-style-type: none"> • Business-related and control systems development (web-type and CS-type) • Web design and production • Development of mobile apps • System infrastructure architecture • IT consulting • RPA • BI, etc.
(3) Title and name of representative	Naoko Nakasu, President
(4) Location of head office	4-2-12, Honmachi, Chuo-ku, Osaka-shi, Osaka
(5) Capital	100 million yen
(6) Fiscal year-end	March 31
(7) Major shareholder and shareholding ratio	CRESO LTD. 100%

4. Overview of the Acquisition of the Business

(1) Overview of the companies involved in the Acquisition of the Business

(Non-consolidated basis for each company; Unit: Amounts less than one million yen are rounded down)

(1) Trade name	CRESO LTD. (Company acquiring the business)	Japan Software Design CO., LTD. (Company transferring the business)
(2) Line of business	For information systems: <ul style="list-style-type: none"> • Consulting and solution services • Design and development • Operation management and maintenance • Investigation, analysis, evaluation, and technological support 	<ul style="list-style-type: none"> • Development and maintenance of computer software • Design and operation management of telecom system • Worker dispatching undertakings • Any and all other businesses incidental or related to any of the foregoing items
(3) Date of establishment	April 1, 1988	May 4, 1983
(4) Location of head office	2-15-1, Kounan, Minato-ku, Tokyo	2-2-13, Bakuromachi, Chuo-ku, Osaka-shi, Osaka
(5) Title and name of representative	Hiroshi Tominaga, President and Executive Officer	Naoko Nakasu, President
(6) Capital	2,514 million yen	45 million yen
(7) Net assets	19,015 million yen	63 million yen
(8) Total assets	25,812 million yen	397 million yen
(9) Major shareholder and shareholding ratio	<ul style="list-style-type: none"> • Iwasaki Corporation Ltd. 21.25% • The Master Trust Bank of Japan, Ltd. (Trust Account) 8.91% • Masahiro Urasaki 5.95% 	CRESO LTD. 100%

* The information in (6) to (9) is as of March 31, 2023.

(2) Business to be acquired

The Company plans to acquire all of the business operated by the Nagoya office of JSD.

(3) Transfer price, settlement method, etc.

The Company plans to use the carrying amounts of the transferred assets and liabilities as of the effective date of the Acquisition of the Business as the basis. The settlement method will be determined following discussions between the companies involved.

(4) Overview of the accounting treatment

As the business will be acquired from a consolidated subsidiary, there will be no impact on the consolidated financial results.

5. Impact on the Company's consolidated financial results

The Reorganization involves a merger between wholly owned subsidiaries and the acquisition of part of the business from a wholly owned subsidiary; therefore, the impact on the consolidated financial results is immaterial.

6. Outlook

Going forward, the details of the Acquisition of the Business will be disclosed in a timely manner once they are determined through ongoing discussions.