

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (Based on Japanese GAAP)

November 5, 2021

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/>
 Representative: President, Executive Officer Hiroyuki Nemoto
 Inquiries: Director, Managing Executive Officer Kazuo Sugiyama TEL +81-3-5769-8011
 Scheduled date to file Quarterly Securities Report: November 8, 2021
 Scheduled date to commence dividend payments: December 1, 2021
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2021	21,061	9.7	2,017	47.6	2,223	20.5	1,606	22.8
Six months ended September 30, 2020	19,203	(0.1)	1,366	(20.8)	1,844	(2.7)	1,308	14.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	76.44	—
Six months ended September 30, 2020	62.34	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	30,948	20,602	66.6
As of March 31, 2021	30,342	19,485	64.2

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	18.00	—	20.00	38.00
Year ending March 31, 2022	—	20.00	—	—	—
Year ending March 31, 2022 (Forecast)	—	—	—	20.00	40.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	42,400	6.8	3,850	10.5	4,200	2.4	2,850	8.2	135.54

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2021: No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - Changes in accounting policies due to other reasons: No
 - Changes in accounting estimates: No
 - Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2021	23,000,000 shares	As of March 31, 2021	23,000,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2021	1,973,121 shares	As of March 31, 2021	1,978,723 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	21,021,600 shares	Six months ended September 30, 2020	20,992,836 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	11,039,932	10,353,620
Notes and accounts receivable - trade	7,855,304	–
Notes and accounts receivable - trade, and contract assets	–	7,901,051
Electronically recorded monetary claims - operating	15,608	20,919
Securities	459,292	193,060
Money held in trust	64,146	70,154
Merchandise and finished goods	37,315	36,824
Work in process	156,750	270,173
Supplies	1,655	36,742
Other	449,756	560,353
Total current assets	20,079,762	19,442,901
Non-current assets		
Property, plant and equipment	468,066	503,518
Intangible assets		
Goodwill	494,413	1,634,173
Software	556,142	505,667
Other	12,950	14,248
Total intangible assets	1,063,506	2,154,089
Investments and other assets		
Investment securities	6,704,112	6,843,764
Other	2,134,237	2,111,829
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,731,141	8,848,385
Total non-current assets	10,262,714	11,505,992
Total assets	30,342,477	30,948,894

(Thousands of yen)

As of March 31, 2021

As of September 30, 2021

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,856,920	1,984,482
Short-term borrowings	100,000	130,000
Current portion of long-term borrowings	671,934	776,950
Income taxes payable	1,056,596	689,543
Provision for bonuses	1,457,806	1,487,634
Provision for loss on order received	7,861	12,224
Other	2,001,243	1,438,169
Total current liabilities	7,152,363	6,519,005
Non-current liabilities		
Long-term borrowings	1,142,515	1,065,040
Long-term accounts payable - other	52,746	52,701
Retirement benefit liability	2,432,926	2,631,608
Asset retirement obligations	71,696	72,353
Other	4,366	6,172
Total non-current liabilities	3,704,250	3,827,876
Total liabilities	10,856,613	10,346,881
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,363,262	3,369,109
Retained earnings	14,388,180	15,574,575
Treasury shares	(2,207,691)	(2,199,723)
Total shareholders' equity	18,058,626	19,258,836
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,427,859	1,340,559
Foreign currency translation adjustment	2,547	4,686
Remeasurements of defined benefit plans	(3,169)	(2,070)
Total accumulated other comprehensive income	1,427,236	1,343,175
Total net assets	19,485,863	20,602,012
Total liabilities and net assets	30,342,477	30,948,894

Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	19,203,466	21,061,881
Cost of sales	15,948,432	16,990,540
Gross profit	3,255,033	4,071,341
Selling, general and administrative expenses		
Advertising expenses	15,461	23,144
Remuneration, salaries and allowances for directors (and other officers)	807,863	894,028
Provision for bonuses	117,226	164,740
Retirement benefit expenses	16,551	27,079
Legal welfare expenses	119,363	140,657
Recruiting expenses	78,910	69,751
Entertainment expenses	8,461	7,798
Rent expenses on land and buildings	80,631	79,664
Supplies expenses	30,197	49,419
Enterprise tax	93,976	100,408
Other	519,593	496,897
Total selling, general and administrative expenses	1,888,235	2,053,591
Operating profit	1,366,798	2,017,749
Non-operating income		
Interest income	117,507	188,193
Dividend income	45,340	25,835
Gain on sale of securities	24,120	15,381
Gain on valuation of securities	11,824	–
Gain on investments in money held in trust	8,098	6,008
Gain on valuation of derivatives	276,093	5,506
Subsidy income	19,177	16,443
Share of profit of entities accounted for using equity method	5,768	–
Other	11,058	8,510
Total non-operating income	518,988	265,878
Non-operating expenses		
Interest expenses	3,461	3,209
Foreign exchange losses	–	8,069
Investment advisory fees	27,971	46,093
Share of loss of entities accounted for using equity method	–	1,494
Other	9,580	1,283
Total non-operating expenses	41,013	60,150
Ordinary profit	1,844,773	2,223,478

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Extraordinary income		
Gain on sale of investment securities	147,529	172,167
Gain on redemption of investment securities	896	–
Surrender value of insurance policies	6,518	11,174
Total extraordinary income	154,944	183,342
Extraordinary losses		
Loss on retirement of non-current assets	3,740	842
Loss on sale of investment securities	33	5,994
Loss on valuation of investment securities	24,323	–
Loss on redemption of investment securities	7,259	4,216
Office relocation expenses	–	8,337
Other	471	1,305
Total extraordinary losses	35,827	20,695
Profit before income taxes	1,963,890	2,386,124
Income taxes - current	625,657	676,564
Income taxes - deferred	29,579	102,739
Total income taxes	655,236	779,304
Profit	1,308,653	1,606,820
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,308,653	1,606,820

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	1,308,653	1,606,820
Other comprehensive income		
Valuation difference on available-for-sale securities	1,468,461	(87,299)
Foreign currency translation adjustment	(475)	2,138
Remeasurements of defined benefit plans, net of tax	5,559	1,099
Total other comprehensive income	<u>1,473,545</u>	<u>(84,060)</u>
Comprehensive income	<u>2,782,198</u>	<u>1,522,759</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,782,198	1,522,759
Comprehensive income attributable to non-controlling interests	-	-

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	1,963,890	2,386,124
Depreciation	130,670	127,817
Increase (decrease) in provision for bonuses	(103,486)	760
Increase (decrease) in provision for loss on order received	18,121	4,363
Increase (decrease) in retirement benefit liability	96,351	79,880
Interest and dividend income	(162,848)	(214,029)
Loss (gain) on sale of securities	(24,120)	(15,381)
Share of loss (profit) of entities accounted for using equity method	(5,768)	1,494
Loss (gain) on sale of investment securities	(147,495)	(166,173)
Loss (gain) on valuation of investment securities	24,323	–
Loss (gain) on redemption of investment securities	6,362	4,216
Loss (gain) on valuation of derivatives	(276,093)	(5,506)
Decrease (increase) in trade receivables	849,290	144,551
Decrease (increase) in inventories	(98,033)	(143,223)
Increase (decrease) in trade payables	(236,407)	38,249
Increase (decrease) in accounts payable - other	(218,929)	(344,753)
Increase (decrease) in long-term accounts payable - other	56	(45)
Increase (decrease) in accrued consumption taxes	(227,212)	(164,576)
Other, net	(73,005)	(159,632)
Subtotal	1,515,664	1,574,137
Interest and dividends received	166,368	215,346
Interest paid	(3,464)	(3,185)
Income taxes paid	(377,751)	(1,011,587)
Net cash provided by (used in) operating activities	1,300,816	774,711

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from investing activities		
Payments into time deposits	(600)	(1,200)
Purchase of securities	(32,282)	(147,515)
Proceeds from sale of securities	27,629	164,580
Purchase of property, plant and equipment	(58,101)	(66,794)
Purchase of intangible assets	(60,257)	(52,061)
Purchase of investment securities	(2,099,122)	(2,029,734)
Proceeds from sale of investment securities	332,679	531,751
Proceeds from redemption of investment securities	2,020,840	1,703,409
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(147,915)	(1,168,714)
Purchase of shares of subsidiaries and associates	(102,000)	–
Proceeds from cancellation of insurance funds	18,515	31,957
Other, net	(81,348)	6,785
Net cash provided by (used in) investing activities	(181,961)	(1,027,534)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(30,000)
Proceeds from long-term borrowings	–	300,000
Repayments of long-term borrowings	(376,618)	(366,660)
Repayments of lease obligations	(1,001)	(883)
Dividends paid	(377,469)	(419,137)
Purchase of treasury shares	(95)	(171)
Net cash provided by (used in) financing activities	(755,184)	(516,852)
Effect of exchange rate change on cash and cash equivalents	0	1,300
Net increase (decrease) in cash and cash equivalents	363,670	(768,375)
Cash and cash equivalents at beginning of period	9,384,749	11,015,631
Cash and cash equivalents at end of period	9,748,420	10,247,256