

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Based on Japanese GAAP)

February 4, 2022

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: February 7, 2022
 Scheduled date to commence dividend payments: –
 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 nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	%
Nine months ended December 31, 2021	32,406	11.7	3,292	37.9	3,641	16.6	2,564	16.9
Nine months ended December 31, 2020	29,018	0.2	2,388	(10.0)	3,123	(0.6)	2,193	9.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2021	121.96		–	
Nine months ended December 31, 2020	104.46		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2021	30,970		21,151		68.3	
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				
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	135.45	

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2021	1,959,406 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)

Nine months ended December 31, 2021	21,024,114 shares	Nine months ended December 31, 2020	20,996,224 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	11,039,932	10,506,581
Notes and accounts receivable - trade	7,855,304	–
Notes and accounts receivable - trade, and contract assets	–	7,658,213
Electronically recorded monetary claims - operating	15,608	25,773
Securities	459,292	1,284,804
Money held in trust	64,146	78,831
Merchandise and finished goods	37,315	34,552
Work in process	156,750	400,968
Supplies	1,655	18,032
Other	449,756	567,117
Total current assets	20,079,762	20,574,875
Non-current assets		
Property, plant and equipment	468,066	496,646
Intangible assets		
Goodwill	494,413	1,581,356
Software	556,142	482,064
Other	12,950	14,206
Total intangible assets	1,063,506	2,077,626
Investments and other assets		
Investment securities	6,704,112	6,045,713
Other	2,134,237	1,882,914
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,731,141	7,821,418
Total non-current assets	10,262,714	10,395,692
Total assets	30,342,477	30,970,567

(Thousands of yen)

As of March 31, 2021

As of December 31, 2021

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,856,920	2,129,063
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	671,934	709,173
Income taxes payable	1,056,596	221,387
Provision for bonuses	1,457,806	760,084
Provision for loss on order received	7,861	9,734
Other	2,001,243	2,127,504
Total current liabilities	7,152,363	6,056,947
Non-current liabilities		
Long-term borrowings	1,142,515	947,818
Long-term accounts payable - other	52,746	52,699
Retirement benefit liability	2,432,926	2,683,097
Asset retirement obligations	71,696	72,682
Other	4,366	5,434
Total non-current liabilities	3,704,250	3,761,732
Total liabilities	10,856,613	9,818,679
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,363,262	3,382,707
Retained earnings	14,388,180	16,093,121
Treasury shares	(2,207,691)	(2,184,486)
Total shareholders' equity	18,058,626	19,806,218
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,427,859	1,340,316
Foreign currency translation adjustment	2,547	6,874
Remeasurements of defined benefit plans	(3,169)	(1,520)
Total accumulated other comprehensive income	1,427,236	1,345,669
Total net assets	19,485,863	21,151,888
Total liabilities and net assets	30,342,477	30,970,567

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

	(Thousands of yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	29,018,601	32,406,768
Cost of sales	23,890,880	26,058,389
Gross profit	5,127,721	6,348,379
Selling, general and administrative expenses		
Advertising expenses	25,869	41,074
Remuneration, salaries and allowances for directors (and other officers)	1,189,754	1,318,574
Provision for bonuses	91,296	111,444
Retirement benefit expenses	23,790	39,820
Legal welfare expenses	178,171	208,250
Recruiting expenses	117,324	109,285
Entertainment expenses	15,509	24,991
Rent expenses on land and buildings	120,696	119,661
Supplies expenses	41,921	70,432
Enterprise tax	142,147	149,865
Other	792,805	862,236
Total selling, general and administrative expenses	2,739,288	3,055,636
Operating profit	2,388,432	3,292,742
Non-operating income		
Interest income	214,077	288,159
Dividend income	64,323	42,576
Gain on sale of securities	52,034	19,733
Gain on valuation of securities	–	6,982
Gain on investments in money held in trust	10,290	14,684
Gain on valuation of derivatives	395,717	22,756
Subsidy income	37,952	24,843
Share of profit of entities accounted for using equity method	13,908	–
Other	13,796	12,120
Total non-operating income	802,100	431,857
Non-operating expenses		
Interest expenses	4,949	4,830
Foreign exchange losses	9,681	4,636
Investment advisory fees	46,361	71,220
Share of loss of entities accounted for using equity method	–	147
Other	5,859	2,340
Total non-operating expenses	66,853	83,175
Ordinary profit	3,123,680	3,641,424

(Thousands of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Extraordinary income		
Gain on sale of investment securities	250,020	172,203
Gain on redemption of investment securities	896	–
Surrender value of insurance policies	28,539	23,524
Total extraordinary income	279,456	195,727
Extraordinary losses		
Loss on retirement of non-current assets	3,740	1,044
Loss on sale of investment securities	82,791	5,994
Loss on redemption of investment securities	62,542	4,216
Office relocation expenses	–	10,099
Loss on sale of shares of subsidiaries and associates	1,076	7,534
Other	1,502	1,305
Total extraordinary losses	151,653	30,194
Profit before income taxes	3,251,483	3,806,958
Income taxes - current	861,590	907,652
Income taxes - deferred	196,651	335,132
Total income taxes	1,058,242	1,242,785
Profit	2,193,240	2,564,173
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	2,193,240	2,564,173

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	2,193,240	2,564,173
Other comprehensive income		
Valuation difference on available-for-sale securities	1,235,432	(87,543)
Foreign currency translation adjustment	(1,873)	4,326
Remeasurements of defined benefit plans, net of tax	8,193	1,648
Total other comprehensive income	<u>1,241,752</u>	<u>(81,567)</u>
Comprehensive income	<u>3,434,992</u>	<u>2,482,605</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,434,992	2,482,605
Comprehensive income attributable to non-controlling interests	-	-