

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2022 (Based on Japanese GAAP)

August 5, 2022

Company name: CRESCO LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 4674 URL <https://www.cresco.co.jp/>  
 Representative: President, Executive Officer Hiroshi Tominaga  
 Inquiries: Director, Senior Managing Executive Officer Kazuo Sugiyama TEL +81-3-5769-8011  
 Scheduled date to file Quarterly Securities Report: August 8, 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 three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(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                         | %      |
| Three months ended June 30, 2022 | 11,381          | 15.3 | 891              | 11.6 | 563             | (36.2) | 320                                     | (54.4) |
| Three months ended June 30, 2021 | 9,870           | 5.0  | 799              | 87.4 | 883             | 4.2    | 702                                     | 26.5   |

|                                  | Earnings per share | Diluted earnings per share |
|----------------------------------|--------------------|----------------------------|
|                                  | Yen                | Yen                        |
| Three months ended June 30, 2022 | 15.24              | –                          |
| Three months ended June 30, 2021 | 33.43              | –                          |

(2) Consolidated financial position

|                      | Total assets    | Net assets      | Equity ratio |
|----------------------|-----------------|-----------------|--------------|
|                      | Millions of yen | Millions of yen | %            |
| As of June 30, 2022  | 31,443          | 21,872          | 69.6         |
| As of March 31, 2022 | 33,136          | 22,134          | 66.8         |

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, 2022             | –                          | 20.00           | –               | 24.00           | 44.00 |
| Year ending March 31, 2023            | –                          | –               | –               | –               | –     |
| Year ending March 31, 2023 (Forecast) | –                          | 23.00           | –               | 23.00           | 46.00 |

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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                |
| Six months ending September 30, 2022 | 22,840          | 8.4 | 2,090            | 3.6 | 2,340           | 5.2 | 1,420                                   | (11.6) | 67.49              |
| Full year                            | 47,500          | 6.9 | 4,750            | 6.6 | 5,150           | 7.7 | 3,350                                   | 3.5    | 159.22             |

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): 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 June 30, 2022 | 23,000,000 shares | As of March 31, 2022 | 23,000,000 shares |
|---------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

|                     |                  |                      |                  |
|---------------------|------------------|----------------------|------------------|
| As of June 30, 2022 | 1,959,492 shares | As of March 31, 2022 | 1,959,443 shares |
|---------------------|------------------|----------------------|------------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

|                                  |                   |                                  |                   |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Three months ended June 30, 2022 | 21,040,541 shares | Three months ended June 30, 2021 | 21,019,616 shares |
|----------------------------------|-------------------|----------------------------------|-------------------|

**Quarterly consolidated financial statements**  
**Quarterly consolidated balance sheets**

(Thousands of yen)

|  | As of March 31, 2022 | As of June 30, 2022 |
|--|----------------------|---------------------|
| Assets   |                      |                     |
| Current assets   |                      |                     |
| Cash and deposits  | 11,846,082           | 10,913,500          |
| Notes and accounts receivable - trade, and contract assets | 8,539,249            | 7,384,838           |
| Electronically recorded monetary claims - operating        | 31,361               | 380,497             |
| Securities   | 957,044              | 979,602             |
| Money held in trust  | 73,436               | 73,572              |
| Merchandise and finished goods                             | 41,477               | 38,393              |
| Work in process  | 202,280              | 420,716             |
| Supplies   | 32,870               | 25,865              |
| Other  | 463,193              | 749,211             |
| Total current assets                                       | 22,186,996           | 20,966,198          |
| Non-current assets   |                      |                     |
| Property, plant and equipment                              | 461,756              | 533,391             |
| Intangible assets  |                      |                     |
| Goodwill   | 1,528,539            | 1,475,721           |
| Software   | 482,691              | 470,944             |
| Other  | 14,163               | 14,121              |
| Total intangible assets                                    | 2,025,393            | 1,960,787           |
| Investments and other assets                               |                      |                     |
| Investment securities                                      | 6,466,936            | 6,034,189           |
| Other  | 2,103,012            | 2,056,280           |
| Allowance for doubtful accounts                            | (107,209)            | (107,209)           |
| Total investments and other assets                         | 8,462,740            | 7,983,261           |
| Total non-current assets                                   | 10,949,890           | 10,477,441          |
| Total assets   | 33,136,886           | 31,443,639          |

(Thousands of yen)

As of March 31, 2022

As of June 30, 2022

|   | As of March 31, 2022 | As of June 30, 2022 |
|---|----------------------|---------------------|
| <b>Liabilities</b>                                    |                      |                     |
| <b>Current liabilities</b>                            |                      |                     |
| Accounts payable - trade                              | 2,112,464            | 2,143,721           |
| Short-term borrowings                                 | 100,000              | 100,000             |
| Current portion of long-term borrowings               | 639,175              | 570,010             |
| Income taxes payable                                  | 936,448              | 67,251              |
| Provision for bonuses                                 | 1,600,244            | 739,809             |
| Provision for loss on orders received                 | 6,377                | 4,494               |
| Other   | 2,039,543            | 2,454,687           |
| <b>Total current liabilities</b>                      | <b>7,434,253</b>     | <b>6,079,974</b>    |
| <b>Non-current liabilities</b>                        |                      |                     |
| Long-term borrowings                                  | 820,322              | 695,313             |
| Long-term accounts payable - other                    | 52,697               | 52,674              |
| Retirement benefit liability                          | 2,636,766            | 2,685,086           |
| Asset retirement obligations                          | 54,102               | 54,364              |
| Other   | 4,621                | 3,846               |
| <b>Total non-current liabilities</b>                  | <b>3,568,510</b>     | <b>3,491,285</b>    |
| <b>Total liabilities</b>                              | <b>11,002,763</b>    | <b>9,571,259</b>    |
| <b>Net assets</b>                                     |                      |                     |
| <b>Shareholders' equity</b>                           |                      |                     |
| Share capital   | 2,514,875            | 2,514,875           |
| Capital surplus                                       | 3,382,707            | 3,382,707           |
| Retained earnings                                     | 16,765,589           | 16,581,337          |
| Treasury shares                                       | (2,184,556)          | (2,184,658)         |
| <b>Total shareholders' equity</b>                     | <b>20,478,616</b>    | <b>20,294,262</b>   |
| <b>Accumulated other comprehensive income</b>         |                      |                     |
| Valuation difference on available-for-sale securities | 1,624,957            | 1,538,056           |
| Foreign currency translation adjustment               | 11,511               | 21,605              |
| Remeasurements of defined benefit plans               | 19,037               | 18,453              |
| <b>Total accumulated other comprehensive income</b>   | <b>1,655,506</b>     | <b>1,578,116</b>    |
| <b>Total net assets</b>                               | <b>22,134,123</b>    | <b>21,872,379</b>   |
| <b>Total liabilities and net assets</b>               | <b>33,136,886</b>    | <b>31,443,639</b>   |

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

|  | (Thousands of yen)                  |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 |
| Net sales  | 9,870,582                           | 11,381,180                          |
| Cost of sales  | 8,021,247                           | 9,232,260                           |
| Gross profit   | 1,849,335                           | 2,148,919                           |
| Selling, general and administrative expenses                             |                                     |                                     |
| Advertising expenses   | 10,475                              | 16,806                              |
| Remuneration, salaries and allowances for directors (and other officers) | 450,392                             | 493,906                             |
| Provision for bonuses  | 76,454                              | 104,147                             |
| Retirement benefit expenses  | 13,716                              | 14,902                              |
| Legal welfare expenses   | 69,133                              | 82,734                              |
| Hiring expenses  | 47,208                              | 59,807                              |
| Entertainment expenses   | 4,116                               | 20,063                              |
| Rent expenses on land and buildings                                      | 39,354                              | 42,667                              |
| Supplies expenses  | 26,820                              | 20,339                              |
| Enterprise tax   | 45,693                              | 40,231                              |
| Other  | 266,806                             | 361,681                             |
| Total selling, general and administrative expenses                       | 1,050,172                           | 1,257,288                           |
| Operating profit   | 799,162                             | 891,631                             |
| Non-operating income   |                                     |                                     |
| Interest income  | 70,533                              | 88,375                              |
| Dividend income  | 19,807                              | 30,807                              |
| Gain on sale of securities   | 2,245                               | 10,349                              |
| Gain on valuation of securities  | –                                   | 964                                 |
| Gain on investments in money held in trust                               | 5,475                               | 136                                 |
| Subsidy income   | 11,256                              | 9,946                               |
| Share of profit of entities accounted for using equity method            | 1,942                               | –                                   |
| Other  | 6,184                               | 42,099                              |
| Total non-operating income   | 117,445                             | 182,678                             |
| Non-operating expenses   |                                     |                                     |
| Interest expenses  | 1,271                               | 1,156                               |
| Loss on valuation of derivatives   | 4,487                               | 484,218                             |
| Foreign exchange losses  | 4,512                               | 2,740                               |
| Investment advisory fees   | 22,155                              | 22,305                              |
| Share of loss of entities accounted for using equity method              | –                                   | 102                                 |
| Other  | 740                                 | 529                                 |
| Total non-operating expenses   | 33,167                              | 511,053                             |
| Ordinary profit  | 883,439                             | 563,256                             |

(Thousands of yen)

|  | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 |
|--|-------------------------------------|-------------------------------------|
| Extraordinary income                             |                                     |                                     |
| Gain on sale of investment securities            | 144,715                             | 3,126                               |
| Gain on redemption of investment securities      | –                                   | 46,733                              |
| Surrender value of insurance policies            | 3,366                               | 7,296                               |
| Other  | –                                   | 869                                 |
| Total extraordinary income                       | 148,081                             | 58,026                              |
| Extraordinary losses                             |                                     |                                     |
| Loss on retirement of non-current assets         | 696                                 | 427                                 |
| Loss on sale of investment securities            | –                                   | 25                                  |
| Loss on redemption of investment securities      | 4,216                               | –                                   |
| Office relocation expenses                       | 804                                 | 2,944                               |
| Corporate logo change costs                      | –                                   | 112,137                             |
| Other  | 660                                 | 12,887                              |
| Total extraordinary losses                       | 6,377                               | 128,422                             |
| Profit before income taxes                       | 1,025,143                           | 492,860                             |
| Income taxes - current                           | 84,387                              | 28,380                              |
| Income taxes - deferred                          | 238,106                             | 143,757                             |
| Total income taxes                               | 322,494                             | 172,137                             |
| Profit   | 702,648                             | 320,722                             |
| Profit attributable to non-controlling interests | –                                   | –                                   |
| Profit attributable to owners of parent          | 702,648                             | 320,722                             |

**Quarterly consolidated statements of comprehensive income**

|  | (Thousands of yen)                  |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Three months ended<br>June 30, 2021 | Three months ended<br>June 30, 2022 |
| Profit   | 702,648                             | 320,722                             |
| Other comprehensive income                                     |                                     |                                     |
| Valuation difference on available-for-sale securities          | (15,178)                            | (86,901)                            |
| Foreign currency translation adjustment                        | 134                                 | 10,094                              |
| Remeasurements of defined benefit plans, net of tax            | 549                                 | (583)                               |
| Total other comprehensive income                               | <u>(14,494)</u>                     | <u>(77,389)</u>                     |
| Comprehensive income   | <u>688,154</u>                      | <u>243,332</u>                      |
| Comprehensive income attributable to                           |                                     |                                     |
| Comprehensive income attributable to owners of parent          | 688,154                             | 243,332                             |
| Comprehensive income attributable to non-controlling interests | -                                   | -                                   |