

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Based on Japanese GAAP)

February 6, 2023

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: February 7, 2023
 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, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended December 31, 2022	35,376	9.2	3,697	12.3	3,202	(12.1)	2,230	(13.0)
Nine months ended December 31, 2021	32,406	11.7	3,292	37.9	3,641	16.6	2,564	16.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	105.99	–
Nine months ended December 31, 2021	121.96	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	32,271	23,032	71.4
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	–	23.00	–	–	–
Year ending March 31, 2023 (Forecast)	–	–	–	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
Full year	47,500	6.9	4,750	6.6	5,150	7.7	3,350	3.5	158.99

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2022	1,929,413 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)

Nine months ended December 31, 2022	21,048,014 shares	Nine months ended December 31, 2021	21,024,114 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	11,846,082	11,358,690
Notes and accounts receivable - trade, and contract assets	8,539,249	–
Accounts receivable - trade and contract assets	–	7,585,229
Electronically recorded monetary claims - operating	31,361	824,414
Securities	957,044	701,808
Money held in trust	73,436	71,627
Merchandise and finished goods	41,477	43,023
Work in process	202,280	652,376
Supplies	32,870	15,051
Other	463,193	737,113
Total current assets	22,186,996	21,989,334
Non-current assets		
Property, plant and equipment	461,756	713,547
Intangible assets		
Goodwill	1,528,539	1,370,087
Software	482,691	429,653
Other	14,163	14,754
Total intangible assets	2,025,393	1,814,495
Investments and other assets		
Investment securities	6,466,936	5,663,908
Other	2,103,012	2,196,981
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,462,740	7,753,680
Total non-current assets	10,949,890	10,281,723
Total assets	33,136,886	32,271,058

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,112,464	2,246,139
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	639,175	492,535
Income taxes payable	936,448	127,947
Provision for bonuses	1,600,244	796,696
Provision for loss on orders received	6,377	–
Other	2,039,543	2,058,675
Total current liabilities	7,434,253	5,821,993
Non-current liabilities		
Long-term borrowings	820,322	455,283
Long-term accounts payable - other	52,697	52,673
Retirement benefit liability	2,636,766	2,793,959
Asset retirement obligations	54,102	112,032
Other	4,621	2,699
Total non-current liabilities	3,568,510	3,416,647
Total liabilities	11,002,763	9,238,641
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,382,707	3,403,940
Retained earnings	16,765,589	18,007,311
Treasury shares	(2,184,556)	(2,150,640)
Total shareholders' equity	20,478,616	21,775,486
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,624,957	1,222,203
Foreign currency translation adjustment	11,511	17,440
Remeasurements of defined benefit plans	19,037	17,287
Total accumulated other comprehensive income	1,655,506	1,256,930
Total net assets	22,134,123	23,032,417
Total liabilities and net assets	33,136,886	32,271,058

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, 2021	Nine months ended December 31, 2022
Net sales	32,406,768	35,376,242
Cost of sales	26,058,389	28,281,047
Gross profit	6,348,379	7,095,194
Selling, general and administrative expenses		
Advertising expenses	41,074	75,378
Remuneration, salaries and allowances for directors (and other officers)	1,318,574	1,430,673
Provision for bonuses	111,444	100,362
Retirement benefit expenses	39,820	42,603
Legal welfare expenses	208,250	216,828
Hiring expenses	109,285	131,099
Entertainment expenses	24,991	52,418
Rent expenses on land and buildings	119,661	142,323
Supplies expenses	70,432	48,458
Enterprise tax	149,865	143,225
Other	862,236	1,014,117
Total selling, general and administrative expenses	3,055,636	3,397,488
Operating profit	3,292,742	3,697,706
Non-operating income		
Interest income	288,159	206,605
Dividend income	42,576	49,953
Gain on sale of securities	19,733	13,321
Gain on valuation of securities	6,982	1,023
Gain on investments in money held in trust	14,684	–
Gain on valuation of derivatives	22,756	–
Subsidy income	24,843	28,467
Share of profit of entities accounted for using equity method	–	30,540
Other	12,120	60,615
Total non-operating income	431,857	390,528
Non-operating expenses		
Interest expenses	4,830	2,999
Foreign exchange losses	4,636	25,803
Loss on investments in money held in trust	–	1,808
Loss on valuation of derivatives	–	789,085
Investment advisory fees	71,220	63,439
Share of loss of entities accounted for using equity method	147	–
Other	2,340	2,627
Total non-operating expenses	83,175	885,763
Ordinary profit	3,641,424	3,202,470

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Extraordinary income		
Gain on sale of investment securities	172,203	3,126
Gain on redemption of investment securities	–	142,187
Surrender value of insurance policies	23,524	7,296
Other	–	9,956
Total extraordinary income	<u>195,727</u>	<u>162,567</u>
Extraordinary losses		
Loss on retirement of non-current assets	1,044	16,183
Loss on sale of investment securities	5,994	337
Loss on redemption of investment securities	4,216	–
Loss on valuation of investment securities	–	14,078
Office relocation expenses	10,099	14,062
Loss on sale of shares of subsidiaries and associates	7,534	–
Corporate logo change costs	–	113,803
Other	1,305	21,003
Total extraordinary losses	<u>30,194</u>	<u>179,468</u>
Profit before income taxes	<u>3,806,958</u>	<u>3,185,570</u>
Income taxes - current	907,652	763,791
Income taxes - deferred	335,132	190,871
Total income taxes	<u>1,242,785</u>	<u>954,662</u>
Profit	<u>2,564,173</u>	<u>2,230,907</u>
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	<u>2,564,173</u>	<u>2,230,907</u>

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	2,564,173	2,230,907
Other comprehensive income		
Valuation difference on available-for-sale securities	(87,543)	(402,754)
Foreign currency translation adjustment	4,326	5,928
Remeasurements of defined benefit plans, net of tax	1,648	(1,749)
Total other comprehensive income	<u>(81,567)</u>	<u>(398,575)</u>
Comprehensive income	<u>2,482,605</u>	<u>1,832,332</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,482,605	1,832,332
Comprehensive income attributable to non-controlling interests	-	-