

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 6, 2023

Company name: CRESCO LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 4674 URL <https://www.cresco.co.jp/ja/index.html>  
 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: November 7, 2023  
 Scheduled date to commence dividend payments: December 1, 2023  
 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, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2023	25,631	10.0	1,978	(11.9)	2,440	15.3	1,665	13.5
Six months ended September 30, 2022	23,309	10.7	2,245	11.3	2,116	(4.8)	1,467	(8.6)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	80.06	—
Six months ended September 30, 2022	69.76	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	34,797	25,393	73.0
As of March 31, 2023	33,635	24,449	72.7

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, 2023	—	23.00	—	27.00	50.00
Year ending March 31, 2024	—	25.00	—	—	—
Year ending March 31, 2024 (Forecast)	—	—	—	25.00	50.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	52,500	8.5	5,250	5.0	5,370	4.6	3,582	7.6	174.02

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2023 (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: No
- 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, 2023	22,000,000 shares	As of March 31, 2023	23,000,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2023	1,415,868 shares	As of March 31, 2023	1,929,934 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, 2023	20,805,397 shares	Six months ended September 30, 2022	21,044,095 shares
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**Quarterly consolidated financial statements**  
**Quarterly consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	11,027,078	10,726,594
Accounts receivable - trade and contract assets	8,733,585	9,165,289
Electronically recorded monetary claims - operating	750,833	995,718
Securities	760,817	461,602
Money held in trust	76,173	90,636
Merchandise and finished goods	30,346	47,090
Work in process	197,589	732,934
Supplies	28,420	34,477
Other	882,182	807,331
Total current assets	22,487,028	23,061,675
Non-current assets		
Property, plant and equipment	711,051	756,261
Intangible assets		
Goodwill	1,565,504	1,453,992
Software	388,216	343,872
Other	14,629	14,457
Total intangible assets	1,968,351	1,812,322
Investments and other assets		
Investment securities	6,210,056	7,194,138
Other	2,365,735	2,080,135
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,468,582	9,167,064
Total non-current assets	11,147,985	11,735,648
Total assets	33,635,013	34,797,323

(Thousands of yen)

As of March 31, 2023

As of September 30, 2023

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	2,201,342	2,191,858
Short-term borrowings	130,000	130,000
Current portion of bonds payable	25,000	10,000
Current portion of long-term borrowings	484,237	470,024
Income taxes payable	964,725	927,122
Provision for bonuses	1,573,923	1,639,934
Provision for loss on orders received	51,415	339,275
Other	1,819,642	1,907,235
Total current liabilities	7,250,286	7,615,449
Non-current liabilities		
Long-term borrowings	336,938	105,270
Bonds payable	50,000	50,000
Long-term accounts payable - other	52,918	52,864
Retirement benefit liability	1,379,644	1,455,823
Asset retirement obligations	112,454	121,878
Other	3,319	2,205
Total non-current liabilities	1,935,274	1,788,042
Total liabilities	9,185,560	9,403,492
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,403,940	2,979,869
Retained earnings	19,105,001	19,340,394
Treasury shares	(2,150,640)	(1,833,385)
Total shareholders' equity	22,873,176	23,001,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,488,949	2,302,895
Foreign currency translation adjustment	18,076	27,143
Remeasurements of defined benefit plans	69,250	62,038
Total accumulated other comprehensive income	1,576,276	2,392,077
Total net assets	24,449,452	25,393,831
Total liabilities and net assets	33,635,013	34,797,323

**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, 2022	Six months ended September 30, 2023
Net sales	23,309,045	25,631,420
Cost of sales	18,777,640	20,953,657
Gross profit	4,531,405	4,677,762
Selling, general and administrative expenses		
Advertising expenses	37,243	46,480
Remuneration, salaries and allowances for directors (and other officers)	963,001	1,122,241
Provision for bonuses	144,092	182,561
Retirement benefit expenses	28,918	30,842
Legal welfare expenses	144,126	170,348
Hiring expenses	88,387	102,237
Education expenses	96,521	148,595
Entertainment expenses	30,991	33,868
Rent expenses on land and buildings	91,332	94,026
Supplies expenses	32,620	44,729
Enterprise tax	97,051	109,965
Other	531,597	613,716
Total selling, general and administrative expenses	2,285,884	2,699,614
Operating profit	2,245,520	1,978,147
Non-operating income		
Interest income	156,075	137,713
Dividend income	32,644	40,719
Gain on sale of securities	11,300	5,122
Gain on valuation of securities	210	–
Gain on investments in money held in trust	1,141	14,462
Gain on valuation of derivatives	–	266,100
Subsidy income	18,501	15,397
Share of profit of entities accounted for using equity method	12,920	22,737
Other	57,353	18,538
Total non-operating income	290,146	520,792
Non-operating expenses		
Interest expenses	2,155	1,438
Loss on valuation of derivatives	372,143	–
Foreign exchange losses	–	6,815
Investment advisory fees	43,525	46,999
Other	1,758	3,633
Total non-operating expenses	419,582	58,887
Ordinary profit	2,116,084	2,440,052

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Extraordinary income		
Gain on sale of investment securities	3,126	4,854
Gain on redemption of investment securities	46,733	108,001
Surrender value of insurance policies	7,296	4,040
Other	869	–
Total extraordinary income	58,026	116,896
Extraordinary losses		
Loss on retirement of non-current assets	6,970	2,765
Loss on sale of investment securities	25	759
Office relocation expenses	583	1,755
Corporate logo change costs	113,803	–
Cost related to the anniversary of the establishment	–	7,743
Head office renovation expenses	–	6,800
Other	18,930	2,708
Total extraordinary losses	140,312	22,532
Profit before income taxes	2,033,797	2,534,416
Income taxes - current	634,184	935,142
Income taxes - deferred	(68,339)	(66,353)
Total income taxes	565,844	868,788
Profit	1,467,953	1,665,628
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,467,953	1,665,628

**Quarterly consolidated statements of comprehensive income**

	(Thousands of yen)	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	1,467,953	1,665,628
Other comprehensive income		
Valuation difference on available-for-sale securities	(204,839)	813,945
Foreign currency translation adjustment	13,152	9,067
Remeasurements of defined benefit plans, net of tax	(1,166)	(7,211)
Total other comprehensive income	(192,853)	815,800
Comprehensive income	1,275,099	2,481,429
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,275,099	2,481,429
Comprehensive income attributable to non-controlling interests	-	-

**Consolidated statements of cash flows**

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,033,797	2,534,416
Depreciation	132,041	148,894
Increase (decrease) in provision for bonuses	(143,080)	66,010
Increase (decrease) in provision for loss on orders received	40	287,859
Increase (decrease) in retirement benefit liability	102,579	76,179
Interest and dividend income	(188,719)	(178,432)
Loss (gain) on sale of securities	(11,300)	(5,122)
Share of loss (profit) of entities accounted for using equity method	(12,920)	(22,737)
Loss (gain) on sale of investment securities	(3,101)	(4,095)
Loss (gain) on redemption of investment securities	(46,733)	(108,001)
Loss (gain) on valuation of derivatives	372,143	(266,100)
Decrease (increase) in trade receivables and contract assets	213,669	(675,874)
Decrease (increase) in inventories	(104,187)	(558,145)
Increase (decrease) in trade payables	11,529	(3,196)
Increase (decrease) in accounts payable - other	(205,733)	114,243
Increase (decrease) in long-term accounts payable - other	(23)	(53)
Increase (decrease) in accrued consumption taxes	(155,988)	(82,906)
Other, net	(239,301)	4,884
Subtotal	1,754,711	1,327,822
Interest and dividends received	184,986	182,275
Interest paid	(1,950)	(1,438)
Income taxes paid	(922,683)	(974,686)
Net cash provided by (used in) operating activities	1,015,064	533,972



(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from investing activities		
Payments into time deposits	(1,800)	(1,800)
Purchase of securities	(24,175)	(9,029)
Proceeds from sale of securities	32,087	35,603
Purchase of property, plant and equipment	(147,431)	(117,650)
Purchase of intangible assets	(48,635)	(44,878)
Purchase of investment securities	(1,174,515)	(549,428)
Proceeds from sale of investment securities	11,585	174,451
Proceeds from redemption of investment securities	1,000,159	1,620,265
Proceeds from cancellation of insurance funds	76,928	12,864
Other, net	(155,642)	(133,294)
Net cash provided by (used in) investing activities	(431,439)	987,103
Cash flows from financing activities		
Repayments of long-term borrowings	(387,515)	(245,881)
Repayments of lease liabilities	(1,791)	(2,245)
Dividends paid	(504,652)	(567,606)
Purchase of treasury shares	(204)	(998,220)
Redemption of bonds	–	(15,000)
Net cash provided by (used in) financing activities	(894,164)	(1,828,954)
Effect of exchange rate change on cash and cash equivalents	3,005	5,593
Net increase (decrease) in cash and cash equivalents	(307,534)	(302,284)
Cash and cash equivalents at beginning of period	11,737,916	10,915,310
Cash and cash equivalents at end of period	11,430,382	10,613,025