

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on Japanese GAAP)

February 5, 2024

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: February 6, 2024
 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, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	38,544	9.0	3,298	(10.8)	3,887	21.4	2,398	7.5
Nine months ended December 31, 2022	35,376	9.2	3,697	12.3	3,202	(12.1)	2,230	(13.0)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	115.67	–
Nine months ended December 31, 2022	105.99	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	33,489	25,423	75.9
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	173.89

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2023	1,400,382 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)

Nine months ended December 31, 2023	20,732,331 shares	Nine months ended December 31, 2022	21,048,014 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	11,027,078	10,813,352
Accounts receivable - trade and contract assets	8,733,585	9,214,708
Electronically recorded monetary claims - operating	750,833	793,618
Securities	760,817	920,707
Money held in trust	76,173	95,544
Merchandise and finished goods	30,346	51,602
Work in process	197,589	531,829
Supplies	28,420	24,528
Other	882,182	708,604
Total current assets	22,487,028	23,154,495
Non-current assets		
Property, plant and equipment	711,051	770,779
Intangible assets		
Goodwill	1,565,504	1,188,671
Software	388,216	314,556
Other	14,629	14,396
Total intangible assets	1,968,351	1,517,623
Investments and other assets		
Investment securities	6,210,056	6,265,633
Other	2,365,735	1,888,449
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,468,582	8,046,874
Total non-current assets	11,147,985	10,335,277
Total assets	33,635,013	33,489,773

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,201,342	2,202,589
Short-term borrowings	130,000	100,000
Current portion of bonds payable	25,000	10,000
Current portion of long-term borrowings	484,237	365,283
Income taxes payable	964,725	258,557
Provision for bonuses	1,573,923	887,184
Provision for loss on orders received	51,415	101,417
Other	1,819,642	2,269,389
Total current liabilities	7,250,286	6,194,421
Non-current liabilities		
Long-term borrowings	336,938	90,000
Bonds payable	50,000	50,000
Long-term accounts payable - other	52,918	52,849
Retirement benefit liability	1,379,644	1,494,700
Asset retirement obligations	112,454	122,333
Other	3,319	62,325
Total non-current liabilities	1,935,274	1,872,209
Total liabilities	9,185,560	8,066,631
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,403,940	2,979,869
Retained earnings	19,105,001	19,567,213
Treasury shares	(2,150,640)	(1,813,333)
Total shareholders' equity	22,873,176	23,248,625
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,488,949	2,096,047
Foreign currency translation adjustment	18,076	20,035
Remeasurements of defined benefit plans	69,250	58,432
Total accumulated other comprehensive income	1,576,276	2,174,516
Total net assets	24,449,452	25,423,142
Total liabilities and net assets	33,635,013	33,489,773

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, 2022	Nine months ended December 31, 2023
Net sales	35,376,242	38,544,834
Cost of sales	28,281,047	31,342,203
Gross profit	7,095,194	7,202,631
Selling, general and administrative expenses		
Advertising expenses	75,378	81,659
Remuneration, salaries and allowances for directors (and other officers)	1,430,673	1,635,349
Provision for bonuses	100,362	107,481
Retirement benefit expenses	42,603	44,587
Legal welfare expenses	216,828	249,084
Hiring expenses	131,099	143,737
Education expenses	109,565	155,935
Entertainment expenses	52,418	54,296
Rent expenses on land and buildings	142,323	140,104
Supplies expenses	48,458	61,671
Enterprise tax	143,225	158,767
Other	904,552	1,071,666
Total selling, general and administrative expenses	3,397,488	3,904,341
Operating profit	3,697,706	3,298,289
Non-operating income		
Interest income	206,605	202,280
Dividend income	49,953	64,171
Gain on sale of securities	13,321	5,444
Gain on valuation of securities	1,023	2,692
Gain on investments in money held in trust	–	19,370
Gain on valuation of derivatives	–	301,645
Subsidy income	28,467	28,202
Share of profit of entities accounted for using equity method	30,540	37,572
Other	60,615	29,524
Total non-operating income	390,528	690,904
Non-operating expenses		
Interest expenses	2,999	1,978
Foreign exchange losses	25,803	26,429
Loss on investments in money held in trust	1,808	–
Loss on valuation of derivatives	789,085	–
Investment advisory fees	63,439	67,826
Other	2,627	5,260
Total non-operating expenses	885,763	101,495
Ordinary profit	3,202,470	3,887,699

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Extraordinary income		
Gain on sale of investment securities	3,126	4,854
Gain on redemption of investment securities	142,187	108,001
Surrender value of insurance policies	7,296	10,520
Other	9,956	–
Total extraordinary income	162,567	123,375
Extraordinary losses		
Loss on retirement of non-current assets	16,183	3,043
Loss on sale of investment securities	337	759
Loss on valuation of investment securities	14,078	5,807
Office relocation expenses	14,062	1,755
Corporate logo change costs	113,803	–
Impairment losses	–	209,564
Other	21,003	31,053
Total extraordinary losses	179,468	251,984
Profit before income taxes	3,185,570	3,759,089
Income taxes - current	763,791	1,095,554
Income taxes - deferred	190,871	265,390
Total income taxes	954,662	1,360,945
Profit	2,230,907	2,398,144
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	2,230,907	2,398,144

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	2,230,907	2,398,144
Other comprehensive income		
Valuation difference on available-for-sale securities	(402,754)	607,098
Foreign currency translation adjustment	5,928	1,959
Remeasurements of defined benefit plans, net of tax	(1,749)	(10,817)
Total other comprehensive income	(398,575)	598,239
Comprehensive income	1,832,332	2,996,384
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,832,332	2,996,384
Comprehensive income attributable to non-controlling interests	-	-