

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2021 (Based on Japanese GAAP)

August 6, 2021

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: August 10, 2021  
 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, 2021 (from April 1, 2021 to June 30, 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	%
Three months ended June 30, 2021	9,870	5.0	799	87.4	883	4.2	702	26.5
Three months ended June 30, 2020	9,404	1.7	426	(44.6)	847	26.5	555	28.2

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	33.43	–
Three months ended June 30, 2020	26.45	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	29,133	19,753	67.8
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	Yen	Yen	Yen	Yen
Year ended March 31, 2021	–	18.00	–	20.00	38.00
Year ending March 31, 2022	–	–	–	–	–
Year ending March 31, 2022 (Forecast)	–	20.00	–	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
Six months ending September 30, 2021	20,500	6.8	1,720	25.8	1,900	3.0	1,380	5.5	65.65
Full year	42,400	6.8	3,850	10.5	4,200	2.4	2,850	8.2	135.59

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 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 June 30, 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 June 30, 2021	1,980,401 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)

Three months ended June 30, 2021	21,019,616 shares	Three months ended June 30, 2020	20,990,417 shares
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**Quarterly consolidated financial statements**  
**Quarterly consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	11,039,932	10,872,832
Notes and accounts receivable - trade	7,855,304	–
Notes and accounts receivable - trade, and contract assets	–	6,742,160
Electronically recorded monetary claims - operating	15,608	16,555
Securities	459,292	190,749
Money held in trust	64,146	69,622
Merchandise and finished goods	37,315	37,303
Work in process	156,750	392,381
Supplies	1,655	5,464
Other	449,756	576,762
Total current assets	20,079,762	18,903,833
Non-current assets		
Property, plant and equipment	468,066	479,660
Intangible assets		
Goodwill	494,413	471,971
Software	556,142	541,382
Other	12,950	12,932
Total intangible assets	1,063,506	1,026,286
Investments and other assets		
Investment securities	6,704,112	6,939,963
Other	2,134,237	1,891,199
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,731,141	8,723,953
Total non-current assets	10,262,714	10,229,900
Total assets	30,342,477	29,133,734

(Thousands of yen)

As of March 31, 2021

As of June 30, 2021

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	1,856,920	1,808,015
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	671,934	671,100
Income taxes payable	1,056,596	80,013
Provision for bonuses	1,457,806	660,482
Provision for loss on order received	7,861	6,603
Other	2,001,243	2,489,786
<b>Total current liabilities</b>	<b>7,152,363</b>	<b>5,816,000</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,142,515	975,016
Long-term accounts payable - other	52,746	52,705
Retirement benefit liability	2,432,926	2,460,743
Asset retirement obligations	71,696	72,024
Other	4,366	3,782
<b>Total non-current liabilities</b>	<b>3,704,250</b>	<b>3,564,272</b>
<b>Total liabilities</b>	<b>10,856,613</b>	<b>9,380,273</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,514,875	2,514,875
Capital surplus	3,363,262	3,363,262
Retained earnings	14,388,180	14,670,403
Treasury shares	(2,207,691)	(2,207,823)
<b>Total shareholders' equity</b>	<b>18,058,626</b>	<b>18,340,718</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,427,859	1,412,680
Foreign currency translation adjustment	2,547	2,682
Remeasurements of defined benefit plans	(3,169)	(2,620)
<b>Total accumulated other comprehensive income</b>	<b>1,427,236</b>	<b>1,412,742</b>
<b>Total net assets</b>	<b>19,485,863</b>	<b>19,753,460</b>
<b>Total liabilities and net assets</b>	<b>30,342,477</b>	<b>29,133,734</b>

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

	(Thousands of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	9,404,445	9,870,582
Cost of sales	7,952,778	8,021,247
Gross profit	1,451,667	1,849,335
Selling, general and administrative expenses		
Advertising expenses	4,912	10,475
Remuneration, salaries and allowances for directors (and other officers)	419,498	450,392
Provision for bonuses	62,930	76,454
Retirement benefit expenses	8,718	13,716
Legal welfare expenses	65,039	69,133
Recruiting expenses	52,079	47,208
Entertainment expenses	3,049	4,116
Rent expenses on land and buildings	40,606	39,354
Supplies expenses	15,736	26,820
Enterprise tax	44,799	45,693
Other	307,811	266,806
Total selling, general and administrative expenses	1,025,183	1,050,172
Operating profit	426,483	799,162
Non-operating income		
Interest income	70,095	70,533
Dividend income	36,139	19,807
Gain on sale of securities	7,584	2,245
Gain on valuation of securities	12,298	-
Gain on investments in money held in trust	6,004	5,475
Gain on valuation of derivatives	297,063	-
Subsidy income	8,977	11,256
Share of profit of entities accounted for using equity method	1,897	1,942
Other	4,011	6,184
Total non-operating income	444,072	117,445
Non-operating expenses		
Interest expenses	1,782	1,271
Loss on valuation of derivatives	-	4,487
Foreign exchange losses	2,315	4,512
Investment advisory fee	14,854	22,155
Other	3,727	740
Total non-operating expenses	22,680	33,167
Ordinary profit	847,874	883,439

(Thousands of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Extraordinary income		
Gain on sale of investment securities	85	144,715
Gain on redemption of investment securities	896	–
Surrender value of insurance policies	–	3,366
Total extraordinary income	982	148,081
Extraordinary losses		
Loss on retirement of non-current assets	34	696
Loss on sale of investment securities	33	–
Loss on redemption of investment securities	7,259	4,216
Office relocation expenses	–	804
Other	471	660
Total extraordinary losses	7,798	6,377
Profit before income taxes	841,058	1,025,143
Income taxes - current	143,060	84,387
Income taxes - deferred	142,712	238,106
Total income taxes	285,772	322,494
Profit	555,286	702,648
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	555,286	702,648

**Quarterly consolidated statements of comprehensive income**

	(Thousands of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	555,286	702,648
Other comprehensive income		
Valuation difference on available-for-sale securities	725,635	(15,178)
Foreign currency translation adjustment	379	134
Remeasurements of defined benefit plans, net of tax	2,634	549
Total other comprehensive income	<u>728,648</u>	<u>(14,494)</u>
Comprehensive income	<u>1,283,934</u>	<u>688,154</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,283,934	688,154
Comprehensive income attributable to non-controlling interests	-	-