

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (Based on Japanese GAAP)

August 4, 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: August 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 three months ended June 30, 2023 (from April 1, 2023 to June 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	%
Three months ended June 30, 2023	11,881	4.4	470	(47.3)	830	47.4	606	89.0
Three months ended June 30, 2022	11,381	15.3	891	11.6	563	(36.2)	320	(54.4)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	28.88	–
Three months ended June 30, 2022	15.24	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	32,828	24,520	74.7
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	–	–	–	–	–
Year ending March 31, 2024 (Forecast)	–	25.00	–	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
Six months ending September 30, 2023	24,900	6.8	2,080	(7.4)	2,170	2.5	1,418	(3.4)	68.29
Full year	52,500	8.5	5,250	5.0	5,370	4.6	3,582	7.6	172.50

4. Notes

(1) Changes in significant subsidiaries during the three months ended June 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 June 30, 2023	23,000,000 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 June 30, 2023	2,234,579 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)

Three months ended June 30, 2023	20,984,422 shares	Three months ended June 30, 2022	21,040,541 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	11,027,078	9,686,983
Accounts receivable - trade and contract assets	8,733,585	7,749,942
Electronically recorded monetary claims - operating	750,833	865,417
Securities	760,817	642,159
Money held in trust	76,173	89,433
Merchandise and finished goods	30,346	43,415
Work in process	197,589	588,906
Supplies	28,420	17,236
Other	882,182	1,091,122
Total current assets	22,487,028	20,774,617
Non-current assets		
Property, plant and equipment	711,051	755,109
Intangible assets		
Goodwill	1,565,504	1,509,748
Software	388,216	360,246
Other	14,629	14,519
Total intangible assets	1,968,351	1,884,514
Investments and other assets		
Investment securities	6,210,056	7,532,190
Other	2,365,735	1,988,958
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,468,582	9,413,939
Total non-current assets	11,147,985	12,053,564
Total assets	33,635,013	32,828,181

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,201,342	2,139,200
Short-term borrowings	130,000	130,000
Current portion of bonds payable	25,000	20,000
Current portion of long-term borrowings	484,237	474,189
Income taxes payable	964,725	100,083
Provision for bonuses	1,573,923	820,673
Provision for loss on orders received	51,415	250,210
Other	1,819,642	2,467,527
Total current liabilities	7,250,286	6,401,885
Non-current liabilities		
Long-term borrowings	336,938	221,104
Bonds payable	50,000	50,000
Long-term accounts payable - other	52,918	52,879
Retirement benefit liability	1,379,644	1,409,667
Asset retirement obligations	112,454	121,422
Other	3,319	50,520
Total non-current liabilities	1,935,274	1,905,594
Total liabilities	9,185,560	8,307,479
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,403,940	3,403,940
Retained earnings	19,105,001	19,142,118
Treasury shares	(2,150,640)	(2,756,715)
Total shareholders' equity	22,873,176	22,304,219
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,488,949	2,123,434
Foreign currency translation adjustment	18,076	27,403
Remeasurements of defined benefit plans	69,250	65,644
Total accumulated other comprehensive income	1,576,276	2,216,482
Total net assets	24,449,452	24,520,701
Total liabilities and net assets	33,635,013	32,828,181

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, 2022	Three months ended June 30, 2023
Net sales	11,381,180	11,881,733
Cost of sales	9,232,260	9,955,293
Gross profit	2,148,919	1,926,440
Selling, general and administrative expenses		
Advertising expenses	16,806	21,460
Remuneration, salaries and allowances for directors (and other officers)	493,906	581,673
Provision for bonuses	104,147	94,140
Retirement benefit expenses	14,902	15,759
Legal welfare expenses	82,734	87,479
Hiring expenses	59,807	62,066
Education expenses	79,173	130,950
Entertainment expenses	20,063	21,756
Rent expenses on land and buildings	42,667	47,119
Supplies expenses	20,339	30,475
Enterprise tax	40,231	49,726
Other	282,508	313,542
Total selling, general and administrative expenses	1,257,288	1,456,151
Operating profit	891,631	470,288
Non-operating income		
Interest income	88,375	25,146
Dividend income	30,807	39,298
Gain on sale of securities	10,349	4,477
Gain on valuation of securities	964	–
Gain on investments in money held in trust	136	13,260
Gain on valuation of derivatives	–	282,465
Subsidy income	9,946	1,052
Share of profit of entities accounted for using equity method	–	14,238
Other	42,099	11,640
Total non-operating income	182,678	391,579
Non-operating expenses		
Interest expenses	1,156	766
Loss on valuation of derivatives	484,218	–
Foreign exchange losses	2,740	4,364
Investment advisory fees	22,305	24,432
Share of loss of entities accounted for using equity method	102	–
Other	529	2,240
Total non-operating expenses	511,053	31,803
Ordinary profit	563,256	830,064

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Extraordinary income		
Gain on sale of investment securities	3,126	861
Gain on redemption of investment securities	46,733	108,001
Surrender value of insurance policies	7,296	–
Other	869	–
Total extraordinary income	58,026	108,862
Extraordinary losses		
Loss on retirement of non-current assets	427	690
Loss on sale of investment securities	25	–
Corporate logo change costs	112,137	–
Cost related to the anniversary of the establishment	–	7,743
Head office renovation expenses	–	6,800
Other	15,832	2,916
Total extraordinary losses	128,422	18,150
Profit before income taxes	492,860	920,777
Income taxes - current	28,380	149,908
Income taxes - deferred	143,757	164,859
Total income taxes	172,137	314,768
Profit	320,722	606,009
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	320,722	606,009

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	320,722	606,009
Other comprehensive income		
Valuation difference on available-for-sale securities	(86,901)	634,484
Foreign currency translation adjustment	10,094	9,327
Remeasurements of defined benefit plans, net of tax	(583)	(3,605)
Total other comprehensive income	<u>(77,389)</u>	<u>640,205</u>
Comprehensive income	<u>243,332</u>	<u>1,246,214</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	243,332	1,246,214
Comprehensive income attributable to non-controlling interests	-	-