Translation

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May 9, 2025

To whom it may concern:

Company name: CRESCO LTD.
Representative: President and Executive Officer Hiroshi Tominaga
(Stock code: 4674 Tokyo Stock Exchange, Prime Market)
Inquiries: Director Kazuo Sugiyama
TEL +81-3-5769-8011

Notice Regarding Opinions of CRESCO's Board of Directors on Shareholder Proposals

CRESCO LTD. (head office: Minato-ku, Tokyo; President and Executive Officer: Hiroshi Tominaga; hereinafter, "the Company") received a letter requesting the incorporation of shareholder proposals (hereinafter the "Shareholder Proposals") in the agenda of the 37th Annual General Meeting of Shareholders to be held on June 20, 2025. However, it was resolved to oppose the Shareholder Proposals at the Board of Directors meeting held on May 9, 2025, which is hereby announced as follows.

Ⅰ.Proposing Shareholder

STICHTING DEPOSITARY ASCENDER GLOBAL VALUE FUND

Ⅱ.Agenda proposed in the Shareholder Proposals

1. Agenda

Agenda 1: To partially amend the Articles of Incorporation
Agenda 2: To appropriate surplus
Agenda 3: To purchase treasury shares

2. Details of the Proposals

Details of the proposals are described in the attached document "Details of the Shareholder Proposals."

III. Opinion of the Company's Board of Directors on the Shareholder Proposals

1. "Agenda 1: To partially amend the Articles of Incorporation"

(1) Opinion of the Company's Board of Directors

The Company's Board of Directors opposes the Shareholder Proposal.

(2) Reason for Opposition

The Company considers the return of its profits to shareholders as an important managerial issue. The Company's basic dividend policy is to maintain payouts that are appropriate in light of its financial results, while increasing shareholders' equity and keeping long-term and stable earning power. The number of dividends needs to be determined considering the changes in the business environment surrounding the characteristics of our business, the current performance and future outlook, internal reserves, and distributable amounts. It is appropriate for the Board of Directors to make swift and flexible decisions regarding dividends rather than the General Meeting of Shareholders.

The Company promptly transitioned to a company with an Audit and Supervisory Committee following the revision of the Companies Act, with a majority of Independent Directors on the Board. And the company is committed to establishing an accurate and swift decision-making and business execution system centered around the Board, in accordance with the basic principles of corporate governance.

Therefore, the decision-making body for dividend of surplus should remain the Board of Directors based on the provisions of Article 459, Paragraph 1, and Article 460, Paragraph 1 of the Companies Act.

Thus, **the Company's Board of Directors opposes the Shareholder Proposal.**

2. "Agenda 2: To appropriate surplus"

(1) Opinion of the Company's Board of Directors

The Company's Board of Directors opposes the Shareholder Proposal.

(2) Reason for Opposition

On February 5, 2024, the Company's Board of Directors changed the dividend policy to aim for continuous payout of dividends at about 40% of profit attributable to owners of parents. Subsequently, on May 13, 2024, the Company announced the Medium-Term Management Plan 2026, and has continued discussions on the appropriate dividend level. Considering the balance between growth and shareholder returns within the cash allocation plan to implement 20 billion yen in investments and shareholder returns over three years, the Board of Directors decided on May 9, 2025, to further raise the dividend payout ratio to 50%. Regarding internal reserves, the Company plans to improve performance by allocating funds for business investments and contributions to enhance competitiveness in response to rapid technological advancements.

The proposal from the shareholder suggests a significant and rapid increase in the per-share dividend amount from the forecasted 40 yen for the fiscal year ending March 2025, which was announced by the Company on March 19, 2025. As of March 31, 2025, the CRESCO group holds approximately 13.6 billion yen in net cash. However, the majority of these funds are essential for maintaining fixed cost payments during periods of significant deterioration in the business environment and are also crucial for future growth.

While it is imperative to maintain the employment of our valuable personnel, who are the source of our corporate value, it also takes considerable time to train system engineers. Additionally, from the perspective of preventing turnover, it is necessary to raise salaries and other compensation. Therefore, to sustain our human resource portfolio and continue providing services, we believe it is essential to retain a certain amount of funds on hand. Consequently, we cannot allocate the entire amount to dividends.

To maintain competitiveness in the market, the Company needs emergency reserves and to invest in growth. The Company believes that planned capital policy, including investments and preparations, is the best way to enhance long-term shareholder value. The ongoing Medium-Term Management Plan 2026 includes plans for investments and shareholder returns over three years, and the company allocated approximately 5 billion yen for M&A over the past five years, indicating an increasing trend in transaction amounts and the need for ample funds to quickly succeed in transactions.

Thus, **the Company's Board of Directors opposes the Shareholder Proposal.**

3. “Agenda 3: To purchase treasury shares”

(1) Opinion of the Company's Board of Directors

The Company's Board of Directors opposes the Shareholder Proposal.

(2) Reason for Opposition

The proposing shareholder suggests enhancing corporate value through the acquisition of treasury shares. This proposal demands a significant cash outflow of 12.5 billion yen within one year from the conclusion of the General Meeting of Shareholders, in addition to the substantial year-end dividend proposed in Proposal 2. Such a rapid expenditure of funds could jeopardize the Company's financial soundness. As of March 31, 2025, the Company holds a total of 13.6 billion yen in net cash, but allocating 12.5 billion yen for treasury share acquisition would undermine funds for growth investments and preparations for fixed costs during periods of reduced demand, causing concern among stakeholders, including employees, and loss of financial credibility with creditors such as business partners, and financial institutions. The ongoing Medium-Term Management Plan 2026 includes plans for cash allocation, including shareholder returns, over three years, aiming for consolidated sales of 100 billion yen by 2030 and expanding business investments.

Acquiring 8.8 million shares within one year from the General Meeting of Shareholders, with a total acquisition amount not exceeding 12.5 billion yen, is deemed unrealistic considering the Company's trading volume of shares. Overall, the proposal for the acquisition of treasury shares is based on a short-term perspective that contradicts the interests of stakeholders aiming for mid- to long-term corporate value enhancement.

Therefore, **the Company's Board of Directors opposes the Shareholder Proposal.**

Attachment: Details of the Shareholder Proposals
Note: The shareholder proposals submitted by the proposing shareholder are presented as originally written.

April 17, 2025
CRESCO LTD. Shinagawa Intercity A Building, 25th-27th Floors, 2-15-1 Konan, Minato-ku, Tokyo 108-6026

To: Hiroshi Tominaga, President and Executive Officer To: Hiroyuki Nemoto, Chairman of the Board To: Board of Directors, CRESCO LTD.

Hodaka Law Office New International Building, 9th Floor 3-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Attorney Kazuhiro Kawamura, representing Ascender Capital Limited

STICHTING DEPOSITARY ASCENDER GLOBAL VALUE FUND (hereinafter referred to as "the Proposing Shareholder") holds more than 1/100 of the total voting rights or more than 300 voting rights of the Company continuously for six months and, based on Article 303, Paragraph 2 of the Companies Act, proposes the following agenda items (hereinafter referred to as "the Agenda") for the 37th Annual General Meeting of Shareholders scheduled to be held in late June 2025 (hereinafter referred to as "the General Meeting of Shareholders") and requests notification of the details of the proposals (hereinafter referred to as "the Proposals") to shareholders based on Article 305, Paragraph 1 of the Companies Act and Article 93 of the Companies Act Enforcement Regulations.

1. Proposed Agenda Items
Agenda 1: To partially amend the Articles of Incorporation
Agenda 2: To appropriate surplus
Agenda 3: To purchase treasury shares

2. Details and Reasons for the Proposals

Agenda 1: To partially amend the Articles of Incorporation
① Details of the Proposal
Delete Article 43 of the Articles of Incorporation. If formal adjustments (including corrections of article numbers) are necessary due to the approval of other proposals (including company proposals) at the General Meeting of Shareholders, the text of this proposal shall be read as the adjusted text.

Current Articles of Incorporation
(Decision-making body for dividend distribution, etc.)
Article 43: The Company shall determine matters specified in Article 459, Paragraph 1 of the Companies Act regarding dividend distribution, etc., by resolution of the Board of Directors without a resolution of the General Meeting of Shareholders, except as otherwise provided by law.

② Reason for the Proposal
Under the Companies Act, the authority to decide on dividend distribution, etc., is generally vested in the General Meeting of Shareholders. However, the current Articles of Incorporation of the Company exclude discussions on dividend distribution at the General Meeting of Shareholders and exclusively grant the authority to decide on dividends to the Board of Directors. This deprives the Board of Directors of an important opportunity to appropriately understand and reflect shareholders' intentions in dividend policy.

According to a survey on shareholder meetings conducted from July 2023 to June 2024 (compiled by the Japan Institute of Business Law, "Shareholder Meeting White Paper 2024 Edition," Commercial Law Review No. 2376, pp. 43 and following), only 233 out of 1,902 responding listed companies (12.3%) exclusively grant the authority to decide on dividend distribution to the Board of Directors.

In light of these points, the Proposing Shareholder proposes to delete Article 43 of the Articles of Incorporation to ensure that the Company adheres to the highest standards of corporate governance. The deletion of this article will transfer the authority to decide on dividend distribution, etc., from the Board of Directors to the General Meeting of Shareholders. This amendment to the Articles of Incorporation will ensure that the Company strictly follows shareholders' intentions in managing capital policy.

Agenda 2: To appropriate surplus
① Details of the Proposal
Conditional on the approval of Proposal "(1) Partial Amendment of the Articles of Incorporation," the disposal of surplus shall be as follows: If the Company proposes an agenda item regarding the disposal of surplus at the General Meeting of Shareholders, this proposal shall be independently proposed in addition to the Company's proposal. If a shareholder other than the Proposing Shareholder proposes an agenda item regarding the disposal of surplus at the General Meeting of Shareholders, this proposal shall be independently proposed in addition to the shareholder's proposal.

A. Type of Dividend Property
Cash

B. Dividend Amount per Share
From 100 yen per share, deducting the amount determined by the Board of Directors as the dividend per share of common stock for the fiscal year ending September 2024 based on Article 43 of the current Articles of Incorporation and the amount approved by shareholders other than the Proposing Shareholder at the General Meeting of Shareholders.

C. Allocation of Dividend Property and Total Amount
The dividend amount per share (total dividend amount calculated by multiplying the dividend amount per share by the total number of issued common shares as of March 31, 2025, excluding treasury shares).

D. Effective Date of Dividend Distribution
The date of the General Meeting of Shareholders

E. Dividend Payment Start Date
Three weeks from the business day following the date of the General Meeting of Shareholders

② Reason for the Proposal
As of December 31, 2024, the Company holds approximately 14.4 billion yen in cash and deposits and short-term investments (securities), equivalent to three years of selling, general, and administrative expenses. Additionally, the Company holds approximately 9.2 billion yen in long-term investment securities, mainly unrelated to its core business. The Company lacks the theoretical basis and inherent suitability to hold and manage such long-term investments. These should be sold and distributed to shareholders. Furthermore, as of December 31, 2024, cash and long-term investments account for 56% of total assets, highlighting an imbalance in capital structure.

Considering the current inflation in Japan, cash is losing value irreversibly. The amount of cash held by the Company is excessive, mechanically lowering ROE and hindering stock valuation. The Company has generated 12.1 billion yen in free cash flow over the past five years, thanks to its asset-light business model requiring limited working capital and minimal capital investment. Based on the Company's Medium-Term Management Plan, assuming sales growth rates and profit margins remain at past levels, it is appropriate to expect similar free cash flow over the next five years. Therefore, it is crucial to promptly improve capital structure and enhance shareholder returns.

Additionally, the balance of interest-bearing debt is 1.8 billion yen, significantly below the cash level, maintaining a favorable "net cash" status. Growth investments, including human capital, R&D, business development, and branding, are explained as costs before calculating profits attributable to shareholders in the financial results presentation materials dated May 13, 2024.

CRESCO has successfully invested 1.4 billion yen in M&A over the past five years. Considering future cash flows and the Company's low-interest borrowing capacity, accumulating 5 billion yen in cash reserves for future M&A investments is deemed excessive. The Proposing Shareholder expects the Company to act swiftly to enhance undervalued corporate value by appropriately distributing profits attributable to shareholders. Furthermore, the Proposing Shareholder recommends that the Company promptly commit to future capital policies aligned with the best listed companies and meet long-term shareholder expectations.

Based on the above, the Proposing Shareholder proposes a year-end dividend of 100 yen per share for the fiscal year ending March 2025, with a consolidated dividend payout ratio of 123% based on the net profit forecast announced on February 6, 2025. This includes an exceptional dividend of 46 yen per share necessary to normalize the Company's balance sheet. Excluding the exceptional dividend, the regular dividend amount per share is 54 yen, equivalent to a 75% dividend payout ratio for the fiscal year ending March 2025. The Proposing Shareholder recommends that the Company maintain this dividend payout ratio level in the future.
If the Board of Directors decides on the disposal of surplus for the fiscal year based on Article 43 of the Articles of Incorporation, or if a shareholder proposal regarding the disposal of surplus other than this proposal is approved at the General Meeting of Shareholders, the year-end dividend amount per share will be adjusted to ensure a total dividend amount of 100 yen per share. The total dividend amount for the fiscal year ending March 2024 will be calculated by multiplying the dividend amount per share by the total number of issued shares as of March 31, 2025, excluding treasury shares.

Agenda 3: To purchase treasury shares
① Details of the Proposal
Based on the provisions of Article 156, Paragraph 1 of the Companies Act, the Company shall acquire its common stock within one year from the conclusion of the General Meeting of Shareholders, up to a total of 8,800,000 shares, with a total acquisition amount not exceeding 12.5 billion yen, provided that the total acquisition amount permitted by the Companies Act (distributable amount specified in Article 461 of the Companies Act) does not fall below this amount. This proposal shall be resolved on the condition that Proposal "(1) Partial Amendment of the Articles of Incorporation," is approved.

② **Reason for the Proposal**

The Company's valuation multiples, such as price-to-earnings ratio and EBIT ratio, are lower than those of listed companies in the same industry. As of December 31, 2024, cash and deposits amount to approximately 14.4 billion yen, significantly exceeding interest-bearing debt of 1.8 billion yen. Enhancing capital efficiency and corporate value through the acquisition and cancellation of treasury shares is essential.

The Company has previously acquired treasury shares as part of its shareholder return policy in line with proactive capital policy. This proposal is consistent with those past efforts. As of December 31, 2024, the Company holds 9.2 billion yen in long-term investments, mainly unrelated to its core business. The Company lacks the business rationale and suitability to hold and manage such investments. In fact, the Company has incurred losses from derivative transactions, indicating a lack of expertise and investment know-how. Disposing of all long-term investments presents an opportunity to enhance capital efficiency through the acquisition of treasury shares.

Therefore, the Proposing Shareholder recommends acquiring treasury shares within one year from the General Meeting of Shareholders, up to a total of 8,800,000 shares, with a total acquisition amount not exceeding 12.5 billion yen. Based on Proposal 2 "Disposal of Surplus," if surplus disposal is carried out, the total shareholder return for the fiscal year will exceed 100%. However, as mentioned earlier, special profits from the disposal of long-term investments are expected to have no impact on financial health or growth in investment capacity.

All treasury shares currently held should be canceled within one month of the General Meeting of Shareholders. Additionally, treasury shares acquired within one year of the General Meeting of Shareholders should be canceled within one month of acquisition.

The Proposing Shareholder believes that all treasury shares should be canceled as best practice and should not be allocated to stock incentive programs or potential M&A projects.

The cancellation of treasury shares enhances corporate value and does not adversely affect the Company.