

## Translation

Notice: This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

July 19, 2019

To whom it may concern:

Company name: CRESCO LTD.  
Representative: President, Executive Officer      Hiroyuki Nemoto  
(Stock code: 4674 Tokyo Stock Exchange, First Section)  
Inquiries: Executive Officer      Satoshi Takaishi  
General Manager, Group Business  
Promotion Unit  
TEL +81-3-5769-8011

## Notice Concerning Disposal of Treasury Shares as Restricted Shares Remuneration

CRESCO LTD. (the “Company”) hereby announces that the Board of Directors resolved on July 19, 2019 to dispose of treasury shares (hereinafter referred to as the “Disposal of Treasury Shares” or “Disposal”) as follows.

### 1. Summary of Disposal

(1) Date of Disposal	August 15, 2019
(2) Class and number of shares to be disposed of	2,400 common shares of the Company
(3) Disposal price	3,775 yen per share
(4) Total Disposal amount	9,060,000 yen
(5) Allottees and the number thereof and the number of shares to be disposed of	Four Directors (excluding Outside Directors and Directors serving on the Audit and Supervisory Committee) 2,400 shares

### 2. Purposes and reasons for Disposal

At the meeting of the Board of Directors held on May 15, 2019, the Company resolved to introduce the restricted shares remuneration system (hereinafter referred to as the “System”) as a new remuneration system for Directors excluding Outside Directors and Directors serving on the Audit and Supervisory Committee of the Company (hereinafter referred to as “Eligible Directors”) for the purpose of providing Eligible Directors with medium- to long-term incentives and sharing of shareholder value. It was approved at the 31st Ordinary General Meeting of Shareholders held on June 21, 2019 that, pursuant to the System, a monetary remuneration claim of 60 million yen or less per year shall be paid to Eligible Directors as monetary remuneration to serve as the property to be contributed for acquisition of restricted shares (hereinafter referred to as “Restricted Shares Remuneration”) and that the transfer restriction period for the restricted shares shall be a certain period of 20 to 30 years specified by the Board of Directors of the Company.

The overview of the System is provided below.

[Overview of the System]

Eligible Directors may make contributions in-kind of all of the monetary remuneration claim received from the Company in accordance with the System to have common shares of the Company issued or disposed of. The total number of common shares thereby issued or disposed of shall be 30,000 shares or less per year, and the amount to be paid in per share shall be determined by the Board of Directors based on the closing price of the Company’s common share on the Tokyo Stock Exchange on the business day immediately before the date of each resolution by the Board of Directors (the closing price on the closest preceding trading day, if there is no closing price on that date) within the range in which the price may not be particularly advantageous to Eligible Directors who subscribe for the said common shares of the Company.

In issuing or disposing of common shares of the Company under the System, an agreement on the allotment of shares with restriction on transfer shall be concluded between the Company and Eligible Directors which includes provisions (i) that Eligible Directors may not transfer, hypothecate or otherwise dispose of the common shares allotted thereunder during a certain period and (ii) that the Company shall acquire the said common shares without contribution in the event that certain grounds arise.

For the purpose of further enhancing the motivation of individual Eligible Directors, the total amount of monetary remuneration claim of 9,060,000 yen (hereinafter referred to as the “Monetary Remuneration Claim”) for 2,400 common shares was determined to be granted this time taking into consideration the purpose of the System, the business circumstances of the

Company, the responsibilities of each Eligible Director, and various other reasons. Furthermore, in order to realize sharing of shareholder value over the medium to long term, which is one of the purposes for introducing the System, the transfer restriction period was determined to be 30 years this time.

For the Disposal of Treasury Shares, pursuant to the System, four Eligible Directors, who are the expected allottees, will make contributions in-kind of all of the Monetary Remuneration Claim to the Company to have common shares of the Company (hereinafter referred to as "Allotted Shares") disposed of. The outline of the agreement on the allotment of shares with restriction on transfer to be concluded between the Company and Eligible Directors for the Disposal of Treasury Shares (hereinafter referred to the "Allotment Agreement") is as described in 3 below.

### 3. Outline of the Allotment Agreement

(1) Transfer restriction period: from August 15, 2019 to August 14, 2049

(2) Conditions for lifting transfer restrictions

The Company shall lift the transfer restriction of all of Allotted Shares upon expiration of the transfer restriction period, on the condition that Eligible Directors are in the position of Director of the Company throughout the transfer restriction period.

(3) Treatment in cases where an Eligible Director retires due to the expiration of the term of office or any other justifiable reason during the transfer restriction period

(i) Timing of lifting transfer restrictions

If an Eligible Director retires from the position of Director of the Company due to the expiration of the term of office or any other justifiable reason (however, this excludes retirement due to death), transfer restrictions shall be lifted at the time immediately after the retirement of the Eligible Director (however, this does not apply when an Eligible Director is reelected as and assumes the office of Director following the expiration of the terms of office, or when an Eligible Director retires from the position of Director not serving on the Audit and Supervisory Committee and is reappointed to and assumes the office of Director serving on the Audit and Supervisory Committee immediately after the retirement). In cases of retirement due to death, transfer restrictions shall be lifted at a certain point of time after the death of the Eligible Director to be determined separately by the Board of Directors.

(ii) Number of shares subject to lifting of transfer restrictions

Number of shares subject to lifting of transfer restrictions is equal to the number of Allotted Shares held at the time of retirement specified in (i) multiplied by the quotient obtained by dividing the number of months from the month in which the date of the 31st Ordinary General Meeting of Shareholders fell to the month in which the day on which the Eligible Director retires falls by 12 (or multiplied by 1 if said quotient is greater than 1). (However, any number of shares less than one unit that results from the calculation shall be rounded down.)

(4) Acquisition by the Company without contribution

The Company shall necessarily acquire without contribution such Allotted Shares whose transfer restrictions have not been lifted as of the expiration of the transfer restriction period or as of the time of lifting of the transfer restriction specified in (3) above.

(5) Management of shares

During the transfer restriction period, Allotted Shares shall be managed under dedicated accounts that Eligible Directors opened with Nomura Securities Co., Ltd., to ensure that the restricted shares may not be transferred, hypothecated or otherwise disposed of during the transfer restriction period. The Company has concluded an agreement with Nomura Securities Co., Ltd. in relation to the management of accounts for Allotted Shares held by each Eligible Director in order to ensure the effectiveness of transfer restrictions pertaining to Allotted Shares. Eligible Directors shall agree on the details of management of said accounts.

(6) Treatment during reorganization, etc.

If, during the transfer restriction period, a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter relating to reorganization, etc. is approved at the Company's General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where approval by the General Meeting of Shareholders is not required regarding the reorganization, etc.), the Company shall lift, at the time immediately before the business day preceding the date on which the reorganization, etc. becomes effective, by a resolution by its Board of Directors, the transfer restriction on Allotted Shares at the number of Allotted Shares held at the time multiplied by the quotient obtained by dividing the number of months from the month in which the date of the 31st Ordinary General Meeting of Shareholders fell to the month in which the date of the said approval falls by 12 (or multiplied by 1 if said quotient is greater than 1). (However, any number of shares less than one unit that results from the calculation shall be rounded down.) The Company shall necessarily acquire without contribution all of such Allotted Shares whose transfer restrictions have not been lifted as of the time immediately after said transfer restriction is lifted.

**4. Basis for calculation of the amount to be paid in and specific details thereof**

The property contributed in kind tendered when the Disposal of Treasury Shares for the planned allottees is performed is the monetary remuneration claims paid by the Company as the Restricted Share Remuneration for the Company's 32nd fiscal year in accordance with the System. In order to prevent any arbitrariness in the Disposal price, the Disposal price was determined to be 3,775 yen, which was the closing price for the Company's common stock on the First Section of the Tokyo Stock Exchange on July 18, 2019 (the business day before the date of the resolution by the Board of Directors). This was the market share price on the day immediately before the date of the resolution by the Board of Directors, and we believe it is reasonable and does not fall under a particularly advantageous price.