

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 15, 2020

To whom it may concern:

Company name: CRESCO LTD.  
Representative: President, Executive Officer Hiroyuki Nemoto  
(Stock code: 4674 Tokyo Stock Exchange, First Section)  
Inquiries: Director, Senior Managing Executive Takashi Yamamoto  
Officer, and General Manager,  
Corporate Supervisory Unit  
TEL +81-3-5769-8011

## Notice Concerning Disposal of Treasury Shares as Restricted Shares Remuneration for Directors of the Company and Its Subsidiaries

CRESCO LTD. (the “Company”) hereby announces that the Board of Directors resolved on July 15, 2020 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 14, 2020
(2) Class and number of shares to be disposed of	Common shares of the Company 9,300 shares
(3) Disposal price	1,359 yen per share
(4) Total Disposal amount	12,638,700 yen
(5) Allottees and the number thereof and the number of shares to be disposed of	Five Directors of the Company (excluding Outside Directors and Directors serving on the Audit and Supervisory Committee) 7,200 shares Three Directors of subsidiaries 2,100 shares
(6) Other	Regarding the Disposal of Treasury Shares, the Company has submitted a securities notification statement in accordance with the Financial Instruments and Exchange Act.

### 2. Purposes and reasons for Disposal

At the meeting of the Board of Directors held on July 15, 2020, the Company resolved to grant restricted shares to Directors excluding the Company’s Outside Directors and Directors serving on the Audit and Supervisory Committee (hereinafter referred to as “Eligible Directors”) and some of its subsidiary Directors (hereinafter referred to as “Eligible Subsidiary Directors” and collectively with Eligible Directors as “Eligible Directors, Etc.”) based on the restricted shares remuneration system (hereinafter referred to as “System”), whose purpose is to provide incentives to generate sustainable growth in the corporate value of the CRESCO Group, which consists of the Company, subsidiaries and associates, and to promote greater sharing of value with all shareholders.

Under the System, Eligible Directors, Etc., pay all of the monetary remuneration claims received from the Company or its subsidiaries as contributions in-kind and receive common shares disposed of by the Company.

In disposing of treasury shares under the System, an agreement on the allotment of shares with restriction on transfer shall be concluded between the Company and Eligible Directors, Etc., and the agreement shall include provisions (i) that Eligible Directors, Etc., 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.

At the meeting of the Board of Directors held on May 15, 2019, the Company resolved to introduce the System as a new remuneration system for Directors excluding Outside Directors and Directors serving on the Audit and Supervisory Committee of the Company 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”), that the amount to be paid in per share shall be determined by the Board of Directors of the Company

based on the closing price of the Company's common shares 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, 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.

For the purpose of further enhancing the motivation of Eligible Directors, Etc., the total amount of monetary remuneration claim of 12,638,700 yen (hereinafter referred to as the "Monetary Remuneration Claim") for 9,300 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 Eligible Directors, Etc. and various other reasons. Furthermore, the transfer restriction period for Eligible Directors shall be 30 years and that for Eligible Subsidiary Directors 3 years in order to achieve the medium- and long-term sharing of shareholder value, the purpose for introducing the System.

For the Disposal of Treasury Shares, pursuant to the System, eight Eligible Directors, Etc. will make contributions in-kind of all of the Monetary Remuneration Claim received from the Company or its subsidiaries 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, Etc. 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

Eligible Directors	From August 14, 2020 to August 13, 2050
Eligible Subsidiary Directors	From August 14, 2020 to August 13, 2023

#### (2) Conditions for lifting transfer restrictions

Restrictions on the transfer of all Allotted Shares shall be lifted upon expiration of the transfer restriction period on the condition that the Eligible Director, Etc., maintains their position as a Director of the Company throughout the transfer restriction period (for Eligible Subsidiary Directors, the position of subsidiary Director; hereinafter referred to as "Position").

#### (3) Treatment in cases where an Eligible Director, Etc. 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, Etc. retires from the Position 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, Etc. (however, this does not apply when an Eligible Director, Etc. is reelected as and assumes the office of Director following the expiration of the terms of office, or when an Eligible Director, Etc. 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 immediately after the death of the Eligible Director, Etc.

##### (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 32nd Ordinary General Meeting of Shareholders (for Eligible Subsidiary Directors, the ordinary general meeting of shareholders of the subsidiary held in June 2020) falls to the month in which the date on which the Eligible Director, Etc. 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, Etc. 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, Etc. in order to ensure the effectiveness of transfer restrictions pertaining to Allotted Shares. Eligible Directors, Etc. 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 32nd Ordinary General Meeting of Shareholders (for Eligible Subsidiary Directors, the ordinary general meeting of shareholders of the subsidiary held in June 2020) falls 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**

For the Disposal of Treasury Shares to Eligible Directors, Etc., the monetary remuneration claim paid as Restricted Shares Remuneration for the fiscal year from April 1, 2020, through March 31, 2021, of the Company or its subsidiaries based on this System are used as the contribution. In order to prevent any arbitrariness in the Disposal price for the Disposal of Treasury Shares, the Disposal price was determined to be 1,359 yen, which was the closing price for the Company's common share on the First Section of the Tokyo Stock Exchange on July 14, 2020 (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.