

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2022 (Based on Japanese GAAP)

August 5, 2022

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/>
 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 8, 2022
 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, 2022 (from April 1, 2022 to June 30, 2022)

(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, 2022	11,381	15.3	891	11.6	563	(36.2)	320	(54.4)
Three months ended June 30, 2021	9,870	5.0	799	87.4	883	4.2	702	26.5

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	15.24	–
Three months ended June 30, 2021	33.43	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	31,443	21,872	69.6
As of March 31, 2022	33,136	22,134	66.8

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, 2022	–	20.00	–	24.00	44.00
Year ending March 31, 2023	–	–	–	–	–
Year ending March 31, 2023 (Forecast)	–	23.00	–	23.00	46.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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, 2022	22,840	8.4	2,090	3.6	2,340	5.2	1,420	(11.6)	67.49
Full year	47,500	6.9	4,750	6.6	5,150	7.7	3,350	3.5	159.22

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 (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: 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, 2022	23,000,000 shares	As of March 31, 2022	23,000,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	1,959,492 shares	As of March 31, 2022	1,959,443 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, 2022	21,040,541 shares	Three months ended June 30, 2021	21,019,616 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	11,846,082	10,913,500
Notes and accounts receivable - trade, and contract assets	8,539,249	7,384,838
Electronically recorded monetary claims - operating	31,361	380,497
Securities	957,044	979,602
Money held in trust	73,436	73,572
Merchandise and finished goods	41,477	38,393
Work in process	202,280	420,716
Supplies	32,870	25,865
Other	463,193	749,211
Total current assets	22,186,996	20,966,198
Non-current assets		
Property, plant and equipment	461,756	533,391
Intangible assets		
Goodwill	1,528,539	1,475,721
Software	482,691	470,944
Other	14,163	14,121
Total intangible assets	2,025,393	1,960,787
Investments and other assets		
Investment securities	6,466,936	6,034,189
Other	2,103,012	2,056,280
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,462,740	7,983,261
Total non-current assets	10,949,890	10,477,441
Total assets	33,136,886	31,443,639

(Thousands of yen)

As of March 31, 2022

As of June 30, 2022

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,112,464	2,143,721
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	639,175	570,010
Income taxes payable	936,448	67,251
Provision for bonuses	1,600,244	739,809
Provision for loss on orders received	6,377	4,494
Other	2,039,543	2,454,687
Total current liabilities	7,434,253	6,079,974
Non-current liabilities		
Long-term borrowings	820,322	695,313
Long-term accounts payable - other	52,697	52,674
Retirement benefit liability	2,636,766	2,685,086
Asset retirement obligations	54,102	54,364
Other	4,621	3,846
Total non-current liabilities	3,568,510	3,491,285
Total liabilities	11,002,763	9,571,259
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,382,707	3,382,707
Retained earnings	16,765,589	16,581,337
Treasury shares	(2,184,556)	(2,184,658)
Total shareholders' equity	20,478,616	20,294,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,624,957	1,538,056
Foreign currency translation adjustment	11,511	21,605
Remeasurements of defined benefit plans	19,037	18,453
Total accumulated other comprehensive income	1,655,506	1,578,116
Total net assets	22,134,123	21,872,379
Total liabilities and net assets	33,136,886	31,443,639

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, 2021	Three months ended June 30, 2022
Net sales	9,870,582	11,381,180
Cost of sales	8,021,247	9,232,260
Gross profit	1,849,335	2,148,919
Selling, general and administrative expenses		
Advertising expenses	10,475	16,806
Remuneration, salaries and allowances for directors (and other officers)	450,392	493,906
Provision for bonuses	76,454	104,147
Retirement benefit expenses	13,716	14,902
Legal welfare expenses	69,133	82,734
Hiring expenses	47,208	59,807
Entertainment expenses	4,116	20,063
Rent expenses on land and buildings	39,354	42,667
Supplies expenses	26,820	20,339
Enterprise tax	45,693	40,231
Other	266,806	361,681
Total selling, general and administrative expenses	1,050,172	1,257,288
Operating profit	799,162	891,631
Non-operating income		
Interest income	70,533	88,375
Dividend income	19,807	30,807
Gain on sale of securities	2,245	10,349
Gain on valuation of securities	–	964
Gain on investments in money held in trust	5,475	136
Subsidy income	11,256	9,946
Share of profit of entities accounted for using equity method	1,942	–
Other	6,184	42,099
Total non-operating income	117,445	182,678
Non-operating expenses		
Interest expenses	1,271	1,156
Loss on valuation of derivatives	4,487	484,218
Foreign exchange losses	4,512	2,740
Investment advisory fees	22,155	22,305
Share of loss of entities accounted for using equity method	–	102
Other	740	529
Total non-operating expenses	33,167	511,053
Ordinary profit	883,439	563,256

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Extraordinary income		
Gain on sale of investment securities	144,715	3,126
Gain on redemption of investment securities	–	46,733
Surrender value of insurance policies	3,366	7,296
Other	–	869
Total extraordinary income	148,081	58,026
Extraordinary losses		
Loss on retirement of non-current assets	696	427
Loss on sale of investment securities	–	25
Loss on redemption of investment securities	4,216	–
Office relocation expenses	804	2,944
Corporate logo change costs	–	112,137
Other	660	12,887
Total extraordinary losses	6,377	128,422
Profit before income taxes	1,025,143	492,860
Income taxes - current	84,387	28,380
Income taxes - deferred	238,106	143,757
Total income taxes	322,494	172,137
Profit	702,648	320,722
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	702,648	320,722

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	702,648	320,722
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,178)	(86,901)
Foreign currency translation adjustment	134	10,094
Remeasurements of defined benefit plans, net of tax	549	(583)
Total other comprehensive income	<u>(14,494)</u>	<u>(77,389)</u>
Comprehensive income	<u>688,154</u>	<u>243,332</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	688,154	243,332
Comprehensive income attributable to non-controlling interests	-	-