

Translation

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January 30, 2023

To whom it may concern:

Company name:	CRESCO LTD.	
Representative:	President and Executive Officer	Hiroshi Tominaga (Stock code: 4674 Tokyo Stock Exchange, Prime Market)
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Notice Concerning Recording of Loss on Valuation of Derivatives

CRESCO LTD. (the “Company”) hereby announces that it will record a loss on valuation of derivatives as non-operating expenses for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022). Details are set forth below.

1. Details of the recording of loss on valuation of derivatives

The Company holds ten issues of yen-denominated equity-linked bonds of other companies with early redemption clauses (acquisition price: 1.9 billion yen) for the purpose of earning interest on securities. The bonds are compound financial instruments with embedded derivatives.

Based on the mark-to-market valuation at the end of the third quarter, the Company will record a loss on valuation of derivatives of 789 million yen as non-operating expenses for the nine months ended December 31, 2022, taking into account the impact of the decline in the U.S. equity price which is linked to the prices of the bonds. This decline in the U.S. equity price is due to factors such as the increase in U.S. policy interest rates to control inflation and growing concerns of a recession in the United States.

2. Impact on financial results

The amount of loss on valuation of derivatives recorded in the nine months ended December 31, 2022 will fluctuate depending on future market conditions. In this light, the Company has not changed its full year financial results forecasts for the fiscal year ending March 31, 2022. If a need to revise the forecasts arises, the Company will promptly disclose such revision.