

Translation

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

November 7, 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: November 8, 2022
 Scheduled date to commence dividend payments: December 1, 2022
 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 six months ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended September 30, 2022	23,309	10.7	2,245	11.3	2,116	(4.8)	1,467	(8.6)
Six months ended September 30, 2021	21,061	9.7	2,017	47.6	2,223	20.5	1,606	22.8

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	69.76	—
Six months ended September 30, 2021	76.44	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	32,697	22,928	70.1
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	—	23.00	—	—	—
Year ending March 31, 2023 (Forecast)	—	—	—	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
Full year	47,500	6.9	4,750	6.6	5,150	7.7	3,350	3.5	159.12

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2022	1,947,300 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)

Six months ended September 30, 2022	21,044,095 shares	Six months ended September 30, 2021	21,021,600 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	11,846,082	11,540,348
Notes and accounts receivable - trade, and contract assets	8,539,249	–
Accounts receivable - trade and contract assets	–	7,829,529
Electronically recorded monetary claims - operating	31,361	534,791
Securities	957,044	1,051,027
Money held in trust	73,436	74,577
Merchandise and finished goods	41,477	36,106
Work in process	202,280	308,634
Supplies	32,870	36,075
Other	463,193	623,377
Total current assets	22,186,996	22,034,468
Non-current assets		
Property, plant and equipment	461,756	624,698
Intangible assets		
Goodwill	1,528,539	1,422,904
Software	482,691	439,954
Other	14,163	14,821
Total intangible assets	2,025,393	1,877,680
Investments and other assets		
Investment securities	6,466,936	5,931,673
Other	2,103,012	2,335,880
Allowance for doubtful accounts	(107,209)	(107,209)
Total investments and other assets	8,462,740	8,160,344
Total non-current assets	10,949,890	10,662,723
Total assets	33,136,886	32,697,192

(Thousands of yen)

As of March 31, 2022

As of September 30, 2022

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,112,464	2,116,361
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	639,175	497,521
Income taxes payable	936,448	637,426
Provision for bonuses	1,600,244	1,457,163
Provision for loss on orders received	6,377	6,418
Other	2,039,543	1,529,706
Total current liabilities	7,434,253	6,344,597
Non-current liabilities		
Long-term borrowings	820,322	574,461
Long-term accounts payable - other	52,697	52,674
Retirement benefit liability	2,636,766	2,739,345
Asset retirement obligations	54,102	54,627
Other	4,621	3,070
Total non-current liabilities	3,568,510	3,424,179
Total liabilities	11,002,763	9,768,776
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	3,382,707	3,392,897
Retained earnings	16,765,589	17,728,568
Treasury shares	(2,184,556)	(2,170,578)
Total shareholders' equity	20,478,616	21,465,763
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,624,957	1,420,118
Foreign currency translation adjustment	11,511	24,663
Remeasurements of defined benefit plans	19,037	17,870
Total accumulated other comprehensive income	1,655,506	1,462,652
Total net assets	22,134,123	22,928,416
Total liabilities and net assets	33,136,886	32,697,192

Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	21,061,881	23,309,045
Cost of sales	16,990,540	18,777,640
Gross profit	4,071,341	4,531,405
Selling, general and administrative expenses		
Advertising expenses	23,144	37,243
Remuneration, salaries and allowances for directors (and other officers)	894,028	963,001
Provision for bonuses	164,740	144,092
Retirement benefit expenses	27,079	28,918
Legal welfare expenses	140,657	144,126
Hiring expenses	69,751	88,387
Entertainment expenses	7,798	30,991
Rent expenses on land and buildings	79,664	91,332
Supplies expenses	49,419	32,620
Enterprise tax	100,408	97,051
Other	496,897	628,118
Total selling, general and administrative expenses	2,053,591	2,285,884
Operating profit	2,017,749	2,245,520
Non-operating income		
Interest income	188,193	156,075
Dividend income	25,835	32,644
Gain on sale of securities	15,381	11,300
Gain on valuation of securities	–	210
Gain on investments in money held in trust	6,008	1,141
Gain on valuation of derivatives	5,506	–
Subsidy income	16,443	18,501
Share of profit of entities accounted for using equity method	–	12,920
Other	8,510	57,353
Total non-operating income	265,878	290,146
Non-operating expenses		
Interest expenses	3,209	2,155
Loss on valuation of derivatives	–	372,143
Foreign exchange losses	8,069	–
Investment advisory fees	46,093	43,525
Share of loss of entities accounted for using equity method	1,494	–
Other	1,283	1,758
Total non-operating expenses	60,150	419,582
Ordinary profit	2,223,478	2,116,084

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Extraordinary income		
Gain on sale of investment securities	172,167	3,126
Gain on redemption of investment securities	–	46,733
Surrender value of insurance policies	11,174	7,296
Other	–	869
Total extraordinary income	183,342	58,026
Extraordinary losses		
Loss on retirement of non-current assets	842	6,970
Loss on sale of investment securities	5,994	25
Loss on redemption of investment securities	4,216	–
Office relocation expenses	8,337	583
Corporate logo change costs	–	113,803
Other	1,305	18,930
Total extraordinary losses	20,695	140,312
Profit before income taxes	2,386,124	2,033,797
Income taxes - current	676,564	634,184
Income taxes - deferred	102,739	(68,339)
Total income taxes	779,304	565,844
Profit	1,606,820	1,467,953
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,606,820	1,467,953

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	1,606,820	1,467,953
Other comprehensive income		
Valuation difference on available-for-sale securities	(87,299)	(204,839)
Foreign currency translation adjustment	2,138	13,152
Remeasurements of defined benefit plans, net of tax	1,099	(1,166)
Total other comprehensive income	<u>(84,060)</u>	<u>(192,853)</u>
Comprehensive income	<u>1,522,759</u>	<u>1,275,099</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,522,759	1,275,099
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	2,386,124	2,033,797
Depreciation	127,817	132,041
Increase (decrease) in provision for bonuses	760	(143,080)
Increase (decrease) in provision for loss on orders received	4,363	40
Increase (decrease) in retirement benefit liability	79,880	102,579
Interest and dividend income	(214,029)	(188,719)
Loss (gain) on sale of securities	(15,381)	(11,300)
Share of loss (profit) of entities accounted for using equity method	1,494	(12,920)
Loss (gain) on sale of investment securities	(166,173)	(3,101)
Loss (gain) on redemption of investment securities	4,216	(46,733)
Loss (gain) on valuation of derivatives	(5,506)	372,143
Decrease (increase) in trade receivables	144,551	–
Decrease (increase) in trade receivables and contract assets	–	213,669
Decrease (increase) in inventories	(143,223)	(104,187)
Increase (decrease) in trade payables	38,249	11,529
Increase (decrease) in accounts payable - other	(344,753)	(205,733)
Increase (decrease) in long-term accounts payable - other	(45)	(23)
Increase (decrease) in accrued consumption taxes	(164,576)	(155,988)
Other, net	(159,632)	(239,301)
Subtotal	1,574,137	1,754,711
Interest and dividends received	215,346	184,986
Interest paid	(3,185)	(1,950)
Income taxes paid	(1,011,587)	(922,683)
Net cash provided by (used in) operating activities	774,711	1,015,064

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from investing activities		
Payments into time deposits	(1,200)	(1,800)
Purchase of securities	(147,515)	(24,175)
Proceeds from sale of securities	164,580	32,087
Purchase of property, plant and equipment	(66,794)	(147,431)
Purchase of intangible assets	(52,061)	(48,635)
Purchase of investment securities	(2,029,734)	(1,174,515)
Proceeds from sale of investment securities	531,751	11,585
Proceeds from redemption of investment securities	1,703,409	1,000,159
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,168,714)	–
Proceeds from cancellation of insurance funds	31,957	76,928
Other, net	6,785	(155,642)
Net cash provided by (used in) investing activities	(1,027,534)	(431,439)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(30,000)	–
Proceeds from long-term borrowings	300,000	–
Repayments of long-term borrowings	(366,660)	(387,515)
Repayments of lease liabilities	(883)	(1,791)
Dividends paid	(419,137)	(504,652)
Purchase of treasury shares	(171)	(204)
Net cash provided by (used in) financing activities	(516,852)	(894,164)
Effect of exchange rate change on cash and cash equivalents	1,300	3,005
Net increase (decrease) in cash and cash equivalents	(768,375)	(307,534)
Cash and cash equivalents at beginning of period	11,015,631	11,737,916
Cash and cash equivalents at end of period	10,247,256	11,430,382