



Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 6, 2024

Company name: CRESCO LTD.
 Listing: Tokyo
 Securities code: 4674
 URL: <https://www.cresco.co.jp/ja/index.html>
 Representative: Hiroshi Tominaga, President, Executive Officer
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 Scheduled date to file semi-annual securities report: November 7, 2024
 Scheduled date to commence dividend payments: December 2, 2024
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(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, 2024	28,506	11.2	2,608	31.9	2,763	13.3	1,879	12.8
September 30, 2023	25,631	10.0	1,978	(11.9)	2,440	15.3	1,665	13.5

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 1,773 million [(28.5) %]
 Six months ended September 30, 2023: ¥ 2,481 million [94.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	44.85	-
September 30, 2023	40.03	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	40,485	28,923	71.4
March 31, 2024	39,714	27,681	69.7

(Reference) Equity: As of September 30, 2024: ¥ 28,923 million
 As of March 31, 2024: ¥ 27,681 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	25.00	-	27.00	52.00
Fiscal year ending March 31, 2025	-	19.00			
Fiscal year ending March 31, 2025 (Forecast)			-	19.00	38.00

(Note) Revision to the forecast for dividends announced most recently: None
The Company implemented a 2-for-1 share split of common shares as of July 1, 2024.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	58,500	10.9	5,900	15.2	6,000	6.0	4,000	7.3	97.05

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Significant changes in the scope of consolidation during the period: Yes
- Newly included: 1 (Company name: Jet Technologies. Co., Ltd.)
- Excluded: 2 (Company name: CRESCO Wireless, Inc. , Japan Software Design CO.,LTD.,)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 44,000,000 shares

March 31, 2024: 44,000,000 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 2,783,667 shares

March 31, 2024: 2,800,764 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 41,900,739 shares

Six months ended September 30, 2023: 41,610,794 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

Semi-annual Consolidated Financial Statements
Semi-annual Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	14,979,921	14,470,733
Accounts receivable - trade and contract assets	10,271,788	9,839,590
Electronically recorded monetary claims - operating	691,862	438,473
Securities	808,108	770,460
Money held in trust	107,113	-
Merchandise and finished goods	22,087	88,622
Work in process	372,387	433,768
Supplies	43,884	20,915
Other	604,948	944,318
Total current assets	27,902,101	27,006,883
Non-current assets		
Property, plant and equipment	701,038	796,624
Intangible assets		
Goodwill	1,145,242	2,440,358
Software	283,258	289,389
Other	14,334	14,211
Total intangible assets	1,442,835	2,743,959
Investments and other assets		
Investment securities	7,410,000	7,706,286
Other	2,365,639	2,334,244
Allowance for doubtful accounts	(107,209)	(102,425)
Total investments and other assets	9,668,430	9,938,106
Total non-current assets	11,812,303	13,478,690
Total assets	39,714,405	40,485,574

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,354,699	2,490,195
Short-term borrowings	100,000	100,000
Current portion of bonds payable	20,000	-
Current portion of long-term borrowings	641,938	440,270
Income taxes payable	1,212,654	1,070,269
Provision for bonuses	1,769,243	1,887,721
Provision for loss on orders received	99,562	174,713
Other	2,390,530	1,916,983
Total current liabilities	8,588,629	8,080,154
Non-current liabilities		
Long-term borrowings	1,595,000	1,375,000
Bonds payable	30,000	-
Long-term accounts payable - other	52,834	52,803
Retirement benefit liability	1,325,471	1,343,593
Provision for retirement benefits for directors (and other officers)	-	400,000
Asset retirement obligations	122,789	123,715
Deferred tax liabilities	316,422	185,767
Other	1,996	701
Total non-current liabilities	3,444,514	3,481,582
Total liabilities	12,033,143	11,561,736
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	2,979,869	2,993,866
Retained earnings	20,897,649	22,220,522
Treasury shares	(1,813,333)	(1,801,649)
Total shareholders' equity	24,579,061	25,927,615
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,920,375	2,838,201
Foreign currency translation adjustment	26,614	21,051
Remeasurements of defined benefit plans	155,210	136,969
Total accumulated other comprehensive income	3,102,199	2,996,222
Total net assets	27,681,261	28,923,837
Total liabilities and net assets	39,714,405	40,485,574

Semi-annual Consolidated Statements of Income and Comprehensive Income

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	25,631,420	28,506,829
Cost of sales	20,953,657	22,961,970
Gross profit	4,677,762	5,544,859
Selling, general and administrative expenses		
Advertising expenses	46,480	64,416
Remuneration, salaries and allowances for directors (and other officers)	1,122,241	1,135,371
Provision for bonuses	182,561	200,387
Retirement benefit expenses	30,842	27,372
Legal welfare expenses	170,348	181,629
Hiring expenses	102,237	126,227
Education Expense	148,595	102,602
Entertainment expenses	33,868	37,937
Rent expenses on land and buildings	94,026	113,804
Supplies expenses	44,729	38,544
Enterprise tax	109,965	110,168
Other	613,716	798,007
Total selling, general and administrative expenses	2,699,614	2,936,470
Operating profit	1,978,147	2,608,388
Non-operating income		
Interest income	137,713	112,284
Dividend income	40,719	38,558
Gain on sale of securities	5,122	7,948
Gain on investments in money held in trust	14,462	3,972
Gain on valuation of derivatives	266,100	30,103
Subsidy income	15,397	28,575
Share of profit of entities accounted for using equity method	22,737	21,509
Other	18,538	5,611
Total non-operating income	520,792	248,564
Non-operating expenses		
Interest expenses	1,438	5,921
Loss on valuation of securities	-	15,718
Foreign exchange losses	6,815	10,561
Investment advisory fee	46,999	58,881
Other	3,633	2,360
Total non-operating expenses	58,887	93,444
Ordinary profit	2,440,052	2,763,508

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Extraordinary income		
Gain on sale of investment securities	4,854	21,049
Gain on redemption of investment securities	108,001	37,043
Surrender value of insurance policies	4,040	6,258
Gain on sale of shares of subsidiaries and associates	-	1,626
Total extraordinary income	116,896	65,977
Extraordinary losses		
Loss on retirement of non-current assets	2,765	15,570
Loss on sale of investment securities	759	5,074
Loss on valuation of investment securities	-	22,118
Office relocation expenses	1,755	25,361
Cost related to the anniversary of the establishment	7,743	-
Head office renovation expenses	6,800	-
Other	2,708	7,989
Total extraordinary losses	22,532	76,114
Profit before income taxes	2,534,416	2,753,371
Income taxes - current	935,142	922,025
Income taxes - deferred	(66,353)	(47,715)
Total income taxes	868,788	874,309
Profit	1,665,628	1,879,062
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,665,628	1,879,062

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	1,665,628	1,879,062
Other comprehensive income		
Valuation difference on available-for-sale securities	813,945	(82,174)
Foreign currency translation adjustment	9,067	(5,562)
Remeasurements of defined benefit plans, net of tax	(7,211)	(18,241)
Total other comprehensive income	815,800	(105,977)
Comprehensive income	2,481,429	1,773,084
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,481,429	1,773,084
Comprehensive income attributable to non-controlling interests	-	-

Semi-annual Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,534,416	2,753,371
Depreciation	148,894	149,080
Increase (decrease) in provision for bonuses	66,010	57,141
Increase (decrease) in provision for loss on orders received	287,859	75,151
Increase (decrease) in retirement benefit liability	76,179	18,121
Interest and dividend income	(178,432)	(150,842)
Loss (gain) on sale of securities	(5,122)	(7,948)
Share of loss (profit) of entities accounted for using equity method	(22,737)	(21,509)
Loss (gain) on sale of investment securities	(4,095)	(15,974)
Loss (gain) on valuation of investment securities	-	22,118
Loss (gain) on redemption of investment securities	(108,001)	(37,043)
Loss (gain) on valuation of derivatives	(266,100)	(30,103)
Decrease (increase) in accounts receivable - trade, and contract assets	(675,874)	1,117,634
Decrease (increase) in inventories	(558,145)	(101,166)
Increase (decrease) in trade payables	(3,196)	(192,192)
Increase (decrease) in accounts payable - other	114,243	(391,377)
Increase (decrease) in long-term accounts payable - other	(53)	(30)
Increase (decrease) in accrued consumption taxes	(82,906)	(120,183)
Other, net	4,884	(73,734)
Subtotal	1,327,822	3,050,512
Interest and dividends received	182,275	154,668
Interest paid	(1,438)	(5,619)
Income taxes paid	(974,686)	(1,159,923)
Net cash provided by (used in) operating activities	533,972	2,039,638

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from investing activities		
Payments into time deposits	(1,800)	(1,800)
Proceeds from withdrawal of time deposits	-	20,010
Purchase of securities	(9,029)	(118,914)
Proceeds from sale of securities	35,603	44,227
Purchase of property, plant and equipment	(117,650)	(177,252)
Purchase of intangible assets	(44,878)	(90,730)
Purchase of investment securities	(549,428)	(894,461)
Proceeds from sale of investment securities	174,451	193,753
Proceeds from redemption of investment securities	1,620,265	464,609
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(868,707)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	6,099
Proceeds from cancellation of insurance funds	12,864	6,364
Other, net	(133,294)	(41,420)
Net cash provided by (used in) investing activities	987,103	(1,458,221)
Cash flows from financing activities		
Repayments of long-term borrowings	(245,881)	(481,791)
Repayments of lease liabilities	(2,245)	(1,554)
Dividends paid	(567,606)	(555,407)
Purchase of treasury shares	(998,220)	-
Redemption of bonds	(15,000)	(50,000)
Net cash provided by (used in) financing activities	(1,828,954)	(1,088,752)
Effect of exchange rate change on cash and cash equivalents	5,593	(3,652)
Net increase (decrease) in cash and cash equivalents	(302,284)	(510,987)
Cash and cash equivalents at beginning of period	10,915,310	14,864,551
Cash and cash equivalents at end of period	10,613,025	14,353,563