

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 6, 2023

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/ja/index.html>
 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 7, 2023
 Scheduled date to commence dividend payments: December 1, 2023
 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, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2023 | 25,631 | 10.0 | 1,978 | (11.9) | 2,440 | 15.3 | 1,665 | 13.5 |
| Six months ended September 30, 2022 | 23,309 | 10.7 | 2,245 | 11.3 | 2,116 | (4.8) | 1,467 | (8.6) |

| | Earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------|----------------------------|
| | Yen | Yen |
| Six months ended September 30, 2023 | 80.06 | — |
| Six months ended September 30, 2022 | 69.76 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2023 | 34,797 | 25,393 | 73.0 |
| As of March 31, 2023 | 33,635 | 24,449 | 72.7 |

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, 2023 | — | 23.00 | — | 27.00 | 50.00 |
| Year ending March 31, 2024 | — | 25.00 | — | — | — |
| Year ending March 31, 2024 (Forecast) | — | — | — | 25.00 | 50.00 |

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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 | 52,500 | 8.5 | 5,250 | 5.0 | 5,370 | 4.6 | 3,582 | 7.6 | 174.02 |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2023 (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: No
- 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, 2023 | 22,000,000 shares | As of March 31, 2023 | 23,000,000 shares |
|--------------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|--------------------------|------------------|----------------------|------------------|
| As of September 30, 2023 | 1,415,868 shares | As of March 31, 2023 | 1,929,934 shares |
|--------------------------|------------------|----------------------|------------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Six months ended September 30, 2023 | 20,805,397 shares | Six months ended September 30, 2022 | 21,044,095 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

| | As of March 31, 2023 | As of September 30, 2023 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 11,027,078 | 10,726,594 |
| Accounts receivable - trade and contract assets | 8,733,585 | 9,165,289 |
| Electronically recorded monetary claims - operating | 750,833 | 995,718 |
| Securities | 760,817 | 461,602 |
| Money held in trust | 76,173 | 90,636 |
| Merchandise and finished goods | 30,346 | 47,090 |
| Work in process | 197,589 | 732,934 |
| Supplies | 28,420 | 34,477 |
| Other | 882,182 | 807,331 |
| Total current assets | 22,487,028 | 23,061,675 |
| Non-current assets | | |
| Property, plant and equipment | 711,051 | 756,261 |
| Intangible assets | | |
| Goodwill | 1,565,504 | 1,453,992 |
| Software | 388,216 | 343,872 |
| Other | 14,629 | 14,457 |
| Total intangible assets | 1,968,351 | 1,812,322 |
| Investments and other assets | | |
| Investment securities | 6,210,056 | 7,194,138 |
| Other | 2,365,735 | 2,080,135 |
| Allowance for doubtful accounts | (107,209) | (107,209) |
| Total investments and other assets | 8,468,582 | 9,167,064 |
| Total non-current assets | 11,147,985 | 11,735,648 |
| Total assets | 33,635,013 | 34,797,323 |

(Thousands of yen)

As of March 31, 2023

As of September 30, 2023

| | As of March 31, 2023 | As of September 30, 2023 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 2,201,342 | 2,191,858 |
| Short-term borrowings | 130,000 | 130,000 |
| Current portion of bonds payable | 25,000 | 10,000 |
| Current portion of long-term borrowings | 484,237 | 470,024 |
| Income taxes payable | 964,725 | 927,122 |
| Provision for bonuses | 1,573,923 | 1,639,934 |
| Provision for loss on orders received | 51,415 | 339,275 |
| Other | 1,819,642 | 1,907,235 |
| Total current liabilities | 7,250,286 | 7,615,449 |
| Non-current liabilities | | |
| Long-term borrowings | 336,938 | 105,270 |
| Bonds payable | 50,000 | 50,000 |
| Long-term accounts payable - other | 52,918 | 52,864 |
| Retirement benefit liability | 1,379,644 | 1,455,823 |
| Asset retirement obligations | 112,454 | 121,878 |
| Other | 3,319 | 2,205 |
| Total non-current liabilities | 1,935,274 | 1,788,042 |
| Total liabilities | 9,185,560 | 9,403,492 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,514,875 | 2,514,875 |
| Capital surplus | 3,403,940 | 2,979,869 |
| Retained earnings | 19,105,001 | 19,340,394 |
| Treasury shares | (2,150,640) | (1,833,385) |
| Total shareholders' equity | 22,873,176 | 23,001,753 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,488,949 | 2,302,895 |
| Foreign currency translation adjustment | 18,076 | 27,143 |
| Remeasurements of defined benefit plans | 69,250 | 62,038 |
| Total accumulated other comprehensive income | 1,576,276 | 2,392,077 |
| Total net assets | 24,449,452 | 25,393,831 |
| Total liabilities and net assets | 33,635,013 | 34,797,323 |

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, 2022 | Six months ended September 30, 2023 |
|--|--|--|
| Net sales | 23,309,045 | 25,631,420 |
| Cost of sales | 18,777,640 | 20,953,657 |
| Gross profit | 4,531,405 | 4,677,762 |
| Selling, general and administrative expenses | | |
| Advertising expenses | 37,243 | 46,480 |
| Remuneration, salaries and allowances for directors (and other officers) | 963,001 | 1,122,241 |
| Provision for bonuses | 144,092 | 182,561 |
| Retirement benefit expenses | 28,918 | 30,842 |
| Legal welfare expenses | 144,126 | 170,348 |
| Hiring expenses | 88,387 | 102,237 |
| Education expenses | 96,521 | 148,595 |
| Entertainment expenses | 30,991 | 33,868 |
| Rent expenses on land and buildings | 91,332 | 94,026 |
| Supplies expenses | 32,620 | 44,729 |
| Enterprise tax | 97,051 | 109,965 |
| Other | 531,597 | 613,716 |
| Total selling, general and administrative expenses | 2,285,884 | 2,699,614 |
| Operating profit | 2,245,520 | 1,978,147 |
| Non-operating income | | |
| Interest income | 156,075 | 137,713 |
| Dividend income | 32,644 | 40,719 |
| Gain on sale of securities | 11,300 | 5,122 |
| Gain on valuation of securities | 210 | – |
| Gain on investments in money held in trust | 1,141 | 14,462 |
| Gain on valuation of derivatives | – | 266,100 |
| Subsidy income | 18,501 | 15,397 |
| Share of profit of entities accounted for using equity method | 12,920 | 22,737 |
| Other | 57,353 | 18,538 |
| Total non-operating income | 290,146 | 520,792 |
| Non-operating expenses | | |
| Interest expenses | 2,155 | 1,438 |
| Loss on valuation of derivatives | 372,143 | – |
| Foreign exchange losses | – | 6,815 |
| Investment advisory fees | 43,525 | 46,999 |
| Other | 1,758 | 3,633 |
| Total non-operating expenses | 419,582 | 58,887 |
| Ordinary profit | 2,116,084 | 2,440,052 |

(Thousands of yen)

| | Six months ended September 30, 2022 | Six months ended September 30, 2023 |
|--|--|--|
| Extraordinary income | | |
| Gain on sale of investment securities | 3,126 | 4,854 |
| Gain on redemption of investment securities | 46,733 | 108,001 |
| Surrender value of insurance policies | 7,296 | 4,040 |
| Other | 869 | – |
| Total extraordinary income | 58,026 | 116,896 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 6,970 | 2,765 |
| Loss on sale of investment securities | 25 | 759 |
| Office relocation expenses | 583 | 1,755 |
| Corporate logo change costs | 113,803 | – |
| Cost related to the anniversary of the establishment | – | 7,743 |
| Head office renovation expenses | – | 6,800 |
| Other | 18,930 | 2,708 |
| Total extraordinary losses | 140,312 | 22,532 |
| Profit before income taxes | 2,033,797 | 2,534,416 |
| Income taxes - current | 634,184 | 935,142 |
| Income taxes - deferred | (68,339) | (66,353) |
| Total income taxes | 565,844 | 868,788 |
| Profit | 1,467,953 | 1,665,628 |
| Profit attributable to non-controlling interests | – | – |
| Profit attributable to owners of parent | 1,467,953 | 1,665,628 |

Quarterly consolidated statements of comprehensive income

| | (Thousands of yen) | |
|--|--|--|
| | Six months ended September 30, 2022 | Six months ended September 30, 2023 |
| Profit | 1,467,953 | 1,665,628 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (204,839) | 813,945 |
| Foreign currency translation adjustment | 13,152 | 9,067 |
| Remeasurements of defined benefit plans, net of tax | (1,166) | (7,211) |
| Total other comprehensive income | (192,853) | 815,800 |
| Comprehensive income | 1,275,099 | 2,481,429 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,275,099 | 2,481,429 |
| Comprehensive income attributable to non-controlling interests | - | - |

Consolidated statements of cash flows

(Thousands of yen)

| | Six months ended September 30, 2022 | Six months ended September 30, 2023 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 2,033,797 | 2,534,416 |
| Depreciation | 132,041 | 148,894 |
| Increase (decrease) in provision for bonuses | (143,080) | 66,010 |
| Increase (decrease) in provision for loss on orders received | 40 | 287,859 |
| Increase (decrease) in retirement benefit liability | 102,579 | 76,179 |
| Interest and dividend income | (188,719) | (178,432) |
| Loss (gain) on sale of securities | (11,300) | (5,122) |
| Share of loss (profit) of entities accounted for using equity method | (12,920) | (22,737) |
| Loss (gain) on sale of investment securities | (3,101) | (4,095) |
| Loss (gain) on redemption of investment securities | (46,733) | (108,001) |
| Loss (gain) on valuation of derivatives | 372,143 | (266,100) |
| Decrease (increase) in trade receivables and contract assets | 213,669 | (675,874) |
| Decrease (increase) in inventories | (104,187) | (558,145) |
| Increase (decrease) in trade payables | 11,529 | (3,196) |
| Increase (decrease) in accounts payable - other | (205,733) | 114,243 |
| Increase (decrease) in long-term accounts payable - other | (23) | (53) |
| Increase (decrease) in accrued consumption taxes | (155,988) | (82,906) |
| Other, net | (239,301) | 4,884 |
| Subtotal | 1,754,711 | 1,327,822 |
| Interest and dividends received | 184,986 | 182,275 |
| Interest paid | (1,950) | (1,438) |
| Income taxes paid | (922,683) | (974,686) |
| Net cash provided by (used in) operating activities | 1,015,064 | 533,972 |

(Thousands of yen)

| | Six months ended September 30, 2022 | Six months ended September 30, 2023 |
|---|--|--|
| Cash flows from investing activities | | |
| Payments into time deposits | (1,800) | (1,800) |
| Purchase of securities | (24,175) | (9,029) |
| Proceeds from sale of securities | 32,087 | 35,603 |
| Purchase of property, plant and equipment | (147,431) | (117,650) |
| Purchase of intangible assets | (48,635) | (44,878) |
| Purchase of investment securities | (1,174,515) | (549,428) |
| Proceeds from sale of investment securities | 11,585 | 174,451 |
| Proceeds from redemption of investment securities | 1,000,159 | 1,620,265 |
| Proceeds from cancellation of insurance funds | 76,928 | 12,864 |
| Other, net | (155,642) | (133,294) |
| Net cash provided by (used in) investing activities | (431,439) | 987,103 |
| Cash flows from financing activities | | |
| Repayments of long-term borrowings | (387,515) | (245,881) |
| Repayments of lease liabilities | (1,791) | (2,245) |
| Dividends paid | (504,652) | (567,606) |
| Purchase of treasury shares | (204) | (998,220) |
| Redemption of bonds | – | (15,000) |
| Net cash provided by (used in) financing activities | (894,164) | (1,828,954) |
| Effect of exchange rate change on cash and cash equivalents | 3,005 | 5,593 |
| Net increase (decrease) in cash and cash equivalents | (307,534) | (302,284) |
| Cash and cash equivalents at beginning of period | 11,737,916 | 10,915,310 |
| Cash and cash equivalents at end of period | 11,430,382 | 10,613,025 |