

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

August 6, 2024

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/ja/index.html> (in Japanese)
 Representative: President, Executive Officer Hiroshi Tominaga
 Inquiries: Director, Senior Managing Executive Officer Kazuo Sugiyama TEL +81-3-5769-8011
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: No
 Holding of 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, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	13,758	15.8	870	85.0	1,027	23.8	756	24.8
Three months ended June 30, 2023	11,881	4.4	470	(47.3)	830	47.4	606	89.0

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	18.35	–
Three months ended June 30, 2023	14.44	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	40,094	28,515	71.1
As of March 31, 2024	39,714	27,681	69.7

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, 2024	–	25.00	–	27.00	52.00
Year ending March 31, 2025	–				
Year ending March 31, 2025 (Forecast)		19.00	–	19.00	38.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from 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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	27,800	8.5	2,440	23.3	2,475	1.4	1,610	(3.3)	39.08
Full year	58,500	10.9	5,900	15.2	6,000	6.0	4,000	7.3	97.09

4. Notes

(1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: Yes

Newly included: 1 company (Jet Technologies Co., Ltd.), Excluded: 1 company (CRESCO Wireless, Inc.)

(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, 2024	44,000,000 shares	As of March 31, 2024	44,000,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	2,800,764 shares	As of March 31, 2024	2,800,764 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, 2024	41,199,236 shares	Three months ended June 30, 2023	41,968,844 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

	(Thousands of yen)	
	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	14,979,921	12,655,188
Accounts receivable - trade and contract assets	10,271,788	9,928,687
Electronically recorded monetary claims - operating	691,862	612,027
Securities	808,108	786,771
Money held in trust	107,113	117,396
Merchandise and finished goods	22,087	57,099
Work in process	372,387	526,406
Supplies	43,884	11,507
Other	604,948	1,169,455
Total current assets	27,902,101	25,864,540
Non-current assets		
Property, plant and equipment	701,038	781,369
Intangible assets		
Goodwill	1,145,242	2,522,677
Software	283,258	256,442
Other	14,334	14,272
Total intangible assets	1,442,835	2,793,393
Investments and other assets		
Investment securities	7,410,000	8,463,806
Other	2,365,639	2,293,907
Allowance for doubtful accounts	(107,209)	(102,425)
Total investments and other assets	9,668,430	10,655,289
Total non-current assets	11,812,303	14,230,051
Total assets	39,714,405	40,094,592

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,354,699	2,508,958
Short-term borrowings	100,000	100,000
Current portion of bonds payable	20,000	—
Current portion of long-term borrowings	641,938	541,104
Income taxes payable	1,212,654	203,730
Provision for bonuses	1,769,243	970,494
Provision for loss on orders received	99,562	191,440
Other	2,390,530	2,931,143
Total current liabilities	8,588,629	7,446,871
Non-current liabilities		
Long-term borrowings	1,595,000	1,485,000
Bonds payable	30,000	—
Long-term accounts payable - other	52,834	52,818
Retirement benefit liability	1,325,471	1,374,813
Provision for retirement benefits for directors (and other officers)	—	400,000
Asset retirement obligations	122,789	123,252
Deferred tax liabilities	316,422	694,951
Other	1,996	958
Total non-current liabilities	3,444,514	4,131,795
Total liabilities	12,033,143	11,578,667
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	2,979,869	2,979,869
Retained earnings	20,897,649	21,097,567
Treasury shares	(1,813,333)	(1,813,333)
Total shareholders' equity	24,579,061	24,778,979
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,920,375	3,559,986
Foreign currency translation adjustment	26,614	30,869
Remeasurements of defined benefit plans	155,210	146,089
Total accumulated other comprehensive income	3,102,199	3,736,945
Total net assets	27,681,261	28,515,925
Total liabilities and net assets	39,714,405	40,094,592

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, 2023	Three months ended June 30, 2024
Net sales	11,881,733	13,758,514
Cost of sales	9,955,293	11,260,934
Gross profit	1,926,440	2,497,580
Selling, general and administrative expenses		
Advertising expenses	21,460	32,573
Remuneration, salaries and allowances for directors (and other officers)	581,673	590,158
Provision for bonuses	94,140	99,086
Retirement benefit expenses	15,759	14,704
Legal welfare expenses	87,479	94,366
Hiring expenses	62,066	83,278
Education expenses	130,950	86,464
Entertainment expenses	21,756	25,340
Rent expenses on land and buildings	47,119	55,222
Supplies expenses	30,475	23,682
Enterprise tax	49,726	47,876
Other	313,542	474,801
Total selling, general and administrative expenses	1,456,151	1,627,556
Operating profit	470,288	870,023
Non-operating income		
Interest income	25,146	65,735
Dividend income	39,298	37,172
Gain on sale of securities	4,477	2,614
Gain on investments in money held in trust	13,260	10,282
Gain on valuation of derivatives	282,465	30,103
Subsidy income	1,052	18,231
Share of profit of entities accounted for using equity method	14,238	12,583
Other	11,640	14,001
Total non-operating income	391,579	190,726
Non-operating expenses		
Interest expenses	766	3,049
Loss on valuation of securities	—	1,334
Investment advisory fees	24,432	27,183
Foreign exchange losses	4,364	0
Other	2,240	1,337
Total non-operating expenses	31,803	32,905
Ordinary profit	830,064	1,027,844

	(Thousands of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Extraordinary income		
Gain on sale of investment securities	861	20,912
Gain on redemption of investment securities	108,001	37,043
Gain on sale of shares of subsidiaries and associates	–	1,626
Total extraordinary income	108,862	59,582
Extraordinary losses		
Loss on retirement of non-current assets	690	10,625
Loss on sale of investment securities	–	2,064
Cost related to the anniversary of the establishment	7,743	–
Head office renovation expenses	6,800	–
Office relocation expenses	–	15,655
Other	2,916	2,638
Total extraordinary losses	18,150	30,984
Profit before income taxes	920,777	1,056,442
Income taxes - current	149,908	90,892
Income taxes - deferred	164,859	209,442
Total income taxes	314,768	300,334
Profit	606,009	756,107
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	606,009	756,107

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	606,009	756,107
Other comprehensive income		
Valuation difference on available-for-sale securities	634,484	639,610
Foreign currency translation adjustment	9,327	4,255
Remeasurements of defined benefit plans, net of tax	(3,605)	(9,120)
Total other comprehensive income	640,205	634,745
Comprehensive income	1,246,214	1,390,852
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,246,214	1,390,852
Comprehensive income attributable to non-controlling interests	—	—