

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2015 (Based on Japanese GAAP)

August 7, 2015

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <http://www.cresco.co.jp/>
 Representative: President Hiroyuki Nemoto
 Inquiries: Director, Department Manager of Accounting & Finance Department Kazuo Sugiyama TEL +81-3-5769-8011
 Scheduled date to file Quarterly Securities Report: August 10, 2015
 Scheduled date to commence dividend payments: –
 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 three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2015	6,564	13.0	423	11.3	525	18.4	361	0.7
Three months ended June 30, 2014	5,810	14.7	380	72.5	443	53.9	358	95.3

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2015	32.82		32.81	
Three months ended June 30, 2014	33.91		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2015	16,933	11,214	66.2
As of March 31, 2015	17,886	10,946	60.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2015	–	17.00	–	21.00	38.00
Year ending March 31, 2016	–	–	–	–	–
Year ending March 31, 2016 (Forecast)	–	20.00	–	20.00	40.00

3. Forecast of consolidated financial results for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		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, 2015	13,200	10.0	1,040	7.2	1,130	4.6	745	(3.6)	67.23
Full year	27,000	7.7	2,200	9.3	2,400	7.1	1,570	11.7	141.68

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2015: 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 June 30, 2015	12,000,000 shares	As of March 31, 2015	12,000,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2015	918,900 shares	As of March 31, 2015	1,008,888 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, 2015	11,018,353 shares	Three months ended June 30, 2014	10,583,461 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	5,512,778	4,687,389
Notes and accounts receivable - trade	4,747,228	4,098,616
Securities	187,085	301,469
Money held in trust	50,503	51,191
Merchandise and finished goods	16,023	16,709
Work in process	115,259	238,541
Raw materials and supplies	6,354	4,833
Other	766,286	794,293
Total current assets	11,401,519	10,193,045
Non-current assets		
Property, plant and equipment	242,632	268,030
Intangible assets		
Goodwill	313,228	404,778
Software	315,602	304,642
Other	12,149	12,140
Total intangible assets	640,981	721,561
Investments and other assets		
Investment securities	4,258,414	4,563,069
Other	1,447,138	1,291,589
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	5,601,373	5,750,479
Total non-current assets	6,484,987	6,740,071
Total assets	17,886,506	16,933,117

(Thousands of yen)

	As of March 31, 2015	As of June 30, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	1,590,804	1,600,168
Short-term loans payable	40,000	40,000
Current portion of long-term loans payable	235,570	189,774
Income taxes payable	572,580	28,910
Provision for bonuses	907,791	438,892
Provision for loss on order received	3,578	49,937
Other	1,440,720	1,265,610
Total current liabilities	4,791,045	3,613,293
Non-current liabilities		
Long-term loans payable	45,000	30,000
Long-term accounts payable - other	460,400	562,127
Provision for directors' retirement benefits	208,513	–
Net defined benefit liability	1,385,437	1,463,763
Asset retirement obligations	47,987	48,227
Other	1,496	1,316
Total non-current liabilities	2,148,835	2,105,435
Total liabilities	6,939,880	5,718,728
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	3,476,630	3,568,375
Retained earnings	5,217,024	5,346,971
Treasury shares	(651,332)	(593,251)
Total shareholders' equity	10,557,198	10,836,972
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	344,729	393,133
Foreign currency translation adjustment	11,118	12,170
Remeasurements of defined benefit plans	(30,660)	(28,449)
Total accumulated other comprehensive income	325,188	376,854
Subscription rights to shares	625	562
Non-controlling interests	63,614	–
Total net assets	10,946,625	11,214,388
Total liabilities and net assets	17,886,506	16,933,117

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, 2014	Three months ended June 30, 2015
Net sales	5,810,108	6,564,070
Cost of sales	4,807,203	5,459,460
Gross profit	1,002,905	1,104,609
Selling, general and administrative expenses		
Advertising expenses	5,103	6,154
Directors' compensations, salaries and allowances	284,161	285,830
Provision for bonuses	35,942	39,154
Retirement benefit expenses	7,508	6,827
Legal welfare expenses	37,851	40,258
Recruiting expenses	17,211	26,603
Entertainment expenses	9,402	11,013
Rents	34,806	36,074
Supplies expenses	12,028	7,718
Enterprise tax	11,162	19,803
Other	167,368	201,698
Total selling, general and administrative expenses	622,546	681,135
Operating income	380,358	423,473
Non-operating income		
Interest income	6,452	9,887
Dividend income	31,427	47,083
Gain on sales of securities	31,041	35,639
Gain on investments in money held in trust	902	687
Share of profit of entities accounted for using equity method	9,283	6,230
Other	5,119	6,463
Total non-operating income	84,226	105,991
Non-operating expenses		
Interest expenses	1,077	647
Loss on valuation of securities	18,501	343
Other	1,128	2,958
Total non-operating expenses	20,707	3,950
Ordinary income	443,878	525,515

(Thousands of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Extraordinary income		
Gain on change in equity	56,294	–
Gain on sales of investment securities	31,014	25,414
Gain on redemption of investment securities	20,108	–
Surrender value of insurance	2,124	24,810
Total extraordinary income	109,543	50,225
Extraordinary losses		
Loss on retirement of non-current assets	1,202	6
Loss on sales of investment securities	7,631	–
Loss on insurance cancellation	–	7,247
Other	3,211	2,467
Total extraordinary losses	12,044	9,721
Income before income taxes and minority interests	541,376	566,018
Income taxes - current	36,700	26,820
Income taxes - deferred	142,447	169,959
Total income taxes	179,148	196,780
Profit	362,228	369,238
Profit attributable to non-controlling interests	3,328	7,647
Profit attributable to owners of parent	358,900	361,590

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Profit	362,228	369,238
Other comprehensive income		
Valuation difference on available-for-sale securities	53,514	48,435
Foreign currency translation adjustment	(397)	1,019
Remeasurements of defined benefit plans, net of tax	1,521	2,210
Share of other comprehensive income of entities accounted for using equity method	–	32
Total other comprehensive income	54,637	51,698
Comprehensive income	416,865	420,936
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	413,520	413,256
Comprehensive income attributable to non-controlling interests	3,345	7,679