

Translation

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

November 6, 2015

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <http://www.cresco.co.jp/>
 Representative: President Hiroyuki Nemoto
 Director, Department Manager of Accounting & Finance Department Kazuo Sugiyama TEL +81-3-5769-8011
 Scheduled date to file Quarterly Securities Report: November 9, 2015
 Scheduled date to commence dividend payments: December 1, 2015
 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, 2015 (from April 1, 2015 to September 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	%
Six months ended September 30, 2015	13,819	15.2	1,208	24.6	1,410	30.5	1,017	31.6
Six months ended September 30, 2014	11,999	15.0	969	68.3	1,080	52.6	773	76.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2015	91.54		91.46	
Six months ended September 30, 2014	73.38		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	18,299	11,966	65.4
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	-	23.00	-	-	-
Year ending March 31, 2016 (Forecast)	-	-	-	23.00	46.00

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
Full year	27,600	10.1	2,300	14.3	2,600	16.0	1,780	26.6	158.07

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2015	739,072 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)

Six months ended September 30, 2015	11,113,508 shares	Six months ended September 30, 2014	10,537,149 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	5,512,778	5,341,865
Notes and accounts receivable - trade	4,747,228	4,716,167
Electronically recorded monetary claims - operating	—	3,888
Securities	187,085	256,236
Money held in trust	50,503	46,674
Merchandise and finished goods	16,023	16,826
Work in process	115,259	203,353
Raw materials and supplies	6,354	4,452
Other	766,286	825,033
Total current assets	11,401,519	11,414,499
Non-current assets		
Property, plant and equipment	242,632	267,054
Intangible assets		
Goodwill	313,228	384,615
Software	315,602	289,313
Other	12,149	12,321
Total intangible assets	640,981	686,250
Investments and other assets		
Investment securities	4,258,414	4,602,831
Other	1,447,138	1,433,272
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	5,601,373	5,931,924
Total non-current assets	6,484,987	6,885,229
Total assets	17,886,506	18,299,728

(Thousands of yen)

As of March 31, 2015

As of September 30, 2015

	As of March 31, 2015	As of September 30, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	1,590,804	1,719,983
Short-term loans payable	40,000	41,000
Current portion of long-term loans payable	235,570	144,513
Income taxes payable	572,580	534,979
Accrued consumption taxes	590,778	220,283
Provision for bonuses	907,791	915,251
Provision for loss on order received	3,578	1,557
Other	849,942	625,400
Total current liabilities	4,791,045	4,202,969
Non-current liabilities		
Long-term loans payable	45,000	15,000
Long-term accounts payable - other	460,400	571,327
Provision for directors' retirement benefits	208,513	—
Net defined benefit liability	1,385,437	1,492,121
Asset retirement obligations	47,987	48,467
Other	1,496	2,873
Total non-current liabilities	2,148,835	2,129,790
Total liabilities	6,939,880	6,332,759
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	3,476,630	3,770,469
Retained earnings	5,217,024	6,002,665
Treasury shares	(651,332)	(477,389)
Total shareholders' equity	10,557,198	11,810,621
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	344,729	170,968
Foreign currency translation adjustment	11,118	11,163
Remeasurements of defined benefit plans	(30,660)	(26,219)
Total accumulated other comprehensive income	325,188	155,912
Subscription rights to shares	625	436
Non-controlling interests	63,614	—
Total net assets	10,946,625	11,966,969
Total liabilities and net assets	17,886,506	18,299,728

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, 2014	Six months ended September 30, 2015
Net sales	11,999,311	13,819,884
Cost of sales	9,849,725	11,307,969
Gross profit	2,149,585	2,511,914
Selling, general and administrative expenses		
Advertising expenses	7,858	9,849
Directors' compensations, salaries and allowances	559,757	567,525
Provision for bonuses	72,205	79,436
Retirement benefit expenses	15,226	13,487
Legal welfare expenses	72,557	81,875
Recruiting expenses	29,441	45,557
Entertainment expenses	16,715	18,077
Rents	69,447	71,957
Supplies expenses	18,192	16,361
Enterprise tax	22,915	44,207
Other	295,311	355,278
Total selling, general and administrative expenses	1,179,628	1,303,615
Operating income	969,956	1,208,299
Non-operating income		
Interest income	17,433	17,870
Dividend income	48,657	70,653
Gain on sales of securities	47,241	102,273
Gain on investments in money held in trust	3,975	-
Share of profit of entities accounted for using equity method	22,432	16,474
Other	11,486	8,449
Total non-operating income	151,226	215,722
Non-operating expenses		
Interest expenses	1,845	1,107
Loss on valuation of securities	36,464	4,794
Amortization of long-term prepaid expenses	1,785	2,034
Loss on investments in money held in trust	-	3,828
Other	369	2,203
Total non-operating expenses	40,463	13,969
Ordinary income	1,080,720	1,410,052

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Extraordinary income		
Gain on change in equity	56,294	–
Gain on sales of investment securities	69,658	105,366
Gain on redemption of investment securities	20,108	22,847
Other	2,124	25,810
Total extraordinary income	148,187	154,025
Extraordinary losses		
Loss on retirement of non-current assets	2,111	202
Loss on sales of investment securities	7,631	–
Loss on insurance cancellation	–	7,247
Loss on sales of golf club memberships	6,305	–
Other	3,861	4,423
Total extraordinary losses	19,910	11,873
Income before income taxes and minority interests	1,208,997	1,552,204
Income taxes - current	421,652	525,407
Income taxes - deferred	7,226	1,865
Total income taxes	428,878	527,272
Profit	780,118	1,024,931
Profit attributable to non-controlling interests	6,911	7,647
Profit attributable to owners of parent	773,206	1,017,283

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit	780,118	1,024,931
Other comprehensive income		
Valuation difference on available-for-sale securities	102,664	(173,729)
Foreign currency translation adjustment	1,994	(20)
Remeasurements of defined benefit plans, net of tax	3,042	4,440
Share of other comprehensive income of entities accounted for using equity method	-	65
Total other comprehensive income	107,701	(169,243)
Comprehensive income	887,819	855,687
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	880,885	848,008
Comprehensive income attributable to non-controlling interests	6,934	7,679

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,208,997	1,552,204
Depreciation	65,832	82,198
Increase (decrease) in provision for bonuses	(12,525)	6,087
Increase (decrease) in provision for directors' retirement benefits	(1,050)	(208,513)
Increase (decrease) in net defined benefit liability	57,253	96,844
Interest and dividend income	(66,091)	(88,523)
Loss (gain) on sales of securities	(47,241)	(102,273)
Share of (profit) loss of entities accounted for using equity method	(22,432)	(16,474)
Loss (gain) on sales of investment securities	(62,027)	(105,366)
Decrease (increase) in notes and accounts receivable - trade	(25,803)	31,877
Decrease (increase) in inventories	2,331	(86,995)
Loss (gain) on change in equity	(56,294)	–
Increase (decrease) in notes and accounts payable - trade	(78,650)	128,798
Increase (decrease) in long-term accounts payable - other	–	110,927
Increase (decrease) in accrued consumption taxes	214,540	(369,364)
Other, net	(102,024)	(300,718)
Subtotal	1,074,813	730,706
Interest and dividend income received	68,145	90,769
Interest expenses paid	(1,841)	(1,023)
Income taxes paid	(493,770)	(543,665)
Income taxes refund	5,742	372
Net cash provided by (used in) operating activities	653,089	277,160

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from investing activities		
Payments into time deposits	(8,000)	–
Proceeds from withdrawal of time deposits	128,000	–
Purchase of securities	(936,147)	(1,883,278)
Proceeds from sales of securities	932,708	1,902,083
Purchase of property, plant and equipment	(32,927)	(75,702)
Purchase of intangible assets	(39,565)	(39,416)
Purchase of investment securities	(718,547)	(1,201,394)
Proceeds from sales of investment securities	669,170	433,310
Proceeds from redemption of investment securities	81,891	316,483
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(53,040)
Proceeds from other investments	41,536	164,894
Other, net	(18,340)	(33,509)
Net cash provided by (used in) investing activities	99,777	(469,570)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(8,200)
Repayments of long-term loans payable	(123,260)	(134,751)
Redemption of bonds	(5,000)	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(90,528)
Cash dividends paid	(180,947)	(230,811)
Purchase of treasury shares	(179,411)	(376)
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	–	486,000
Other, net	(3,019)	(525)
Net cash provided by (used in) financing activities	(491,639)	20,808
Effect of exchange rate change on cash and cash equivalents	2,712	688
Net increase (decrease) in cash and cash equivalents	263,940	(170,912)
Cash and cash equivalents at beginning of period	3,633,341	5,504,778
Cash and cash equivalents at end of period	3,897,281	5,333,865