

Translation

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**Summary of Consolidated Financial Results
for the Three Months Ended June 30, 2016
(Based on Japanese GAAP)**

August 9, 2016

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <http://www.cresco.co.jp/>
 Representative: President, Executive Officer Hiroyuki Nemoto
 Director, Executive Officer, General Kazuo Sugiyama
 Inquiries: Manager of Accounting & Finance Unit TEL +81-3-5769-8011
 Scheduled date to file Quarterly Securities Report: August 10, 2016
 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, 2016 (from April 1, 2016 to June 30, 2016)

(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, 2016	7,014	6.9	470	11.1	535	1.9	368	1.9
Three months ended June 30, 2015	6,564	13.0	423	11.3	525	18.4	361	0.7

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2016	32.60		32.58	
Three months ended June 30, 2015	32.82		32.81	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	17,641	12,131	68.8
As of March 31, 2016	19,230	12,181	63.3

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, 2016	–	23.00	–	27.00	50.00
Year ending March 31, 2017	–				
Year ending March 31, 2017 (Forecast)		26.00	–	26.00	52.00

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

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, 2016	15,220	10.1	1,260	4.3	1,400	(0.7)	949	(6.7)	83.72
Full year	31,100	8.1	2,750	10.7	3,000	5.0	2,000	17.3	176.43

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2016: 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, 2016	12,000,000 shares	As of March 31, 2016	12,000,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2016	664,220 shares	As of March 31, 2016	704,220 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, 2016	11,302,703 shares	Three months ended June 30, 2015	11,018,353 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	5,427,100	4,413,258
Notes and accounts receivable - trade	5,124,657	4,414,725
Electronically recorded monetary claims - operating	2,466	5,166
Securities	546,526	440,038
Money held in trust	47,027	41,901
Merchandise and finished goods	12,767	14,186
Work in process	170,276	372,302
Raw materials and supplies	4,544	4,163
Other	687,999	805,909
Allowance for doubtful accounts	(2,495)	(1,995)
Total current assets	12,020,870	10,509,656
Non-current assets		
Property, plant and equipment	300,648	297,648
Intangible assets		
Goodwill	323,455	305,069
Software	266,086	258,925
Other	12,511	12,810
Total intangible assets	602,053	576,805
Investments and other assets		
Investment securities	4,841,063	4,638,192
Other	1,569,788	1,723,058
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	6,306,672	6,257,071
Total non-current assets	7,209,373	7,131,526
Total assets	19,230,244	17,641,182

(Thousands of yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	1,829,254	1,179,145
Short-term loans payable	40,000	40,000
Current portion of long-term loans payable	83,480	68,480
Income taxes payable	654,393	53,736
Provision for bonuses	964,613	448,886
Other	1,141,015	1,358,152
Total current liabilities	4,712,756	3,148,400
Non-current liabilities		
Long-term loans payable	101,320	91,700
Long-term accounts payable - other	571,327	590,163
Net defined benefit liability	1,611,779	1,622,216
Asset retirement obligations	48,948	55,105
Other	2,261	1,973
Total non-current liabilities	2,335,636	2,361,158
Total liabilities	7,048,392	5,509,559
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	3,810,255	3,856,443
Retained earnings	6,432,354	6,495,872
Treasury shares	(455,045)	(429,205)
Deposit for subscriptions to treasury shares	—	9,000
Total shareholders' equity	12,302,440	12,446,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(57,306)	(254,286)
Foreign currency translation adjustment	8,132	5,837
Remeasurements of defined benefit plans	(72,456)	(67,659)
Total accumulated other comprehensive income	(121,630)	(316,109)
Subscription rights to shares	411	383
Non-controlling interests	630	362
Total net assets	12,181,851	12,131,622
Total liabilities and net assets	19,230,244	17,641,182

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, 2015	Three months ended June 30, 2016
Net sales	6,564,070	7,014,954
Cost of sales	5,459,460	5,774,702
Gross profit	1,104,609	1,240,252
Selling, general and administrative expenses		
Advertising expenses	6,154	5,864
Directors' compensations, salaries and allowances	285,830	324,239
Provision for bonuses	39,154	45,348
Retirement benefit expenses	6,827	9,122
Legal welfare expenses	40,258	44,776
Recruiting expenses	26,603	36,921
Entertainment expenses	11,013	10,537
Rents	36,074	39,607
Supplies expenses	7,718	11,588
Enterprise tax	19,803	33,536
Other	201,698	208,291
Total selling, general and administrative expenses	681,135	769,832
Operating income	423,473	470,420
Non-operating income		
Interest income	9,887	6,749
Dividend income	47,083	45,827
Gain on sales of securities	35,639	18,766
Gain on investments in money held in trust	687	-
Share of profit of entities accounted for using equity method	6,230	5,439
Other	6,463	4,891
Total non-operating income	105,991	81,675
Non-operating expenses		
Interest expenses	647	260
Loss on valuation of securities	343	9,579
Loss on investments in money held in trust	-	5,126
Other	2,958	1,531
Total non-operating expenses	3,950	16,498
Ordinary income	525,515	535,597

(Thousands of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Extraordinary income		
Gain on sales of investment securities	25,414	25,233
Gain on redemption of investment securities	–	10,931
Surrender value of insurance	24,810	–
Other	–	3,000
Total extraordinary income	50,225	39,165
Extraordinary losses		
Loss on retirement of non-current assets	6	–
Special extra retirement payments	–	2,313
Loss on insurance cancellation	7,247	–
Other	2,467	429
Total extraordinary losses	9,721	2,742
Profit before income taxes	566,018	572,020
Income taxes - current	26,820	55,964
Income taxes - deferred	169,959	147,820
Total income taxes	196,780	203,785
Profit	369,238	368,235
Profit (loss) attributable to non-controlling interests	7,647	(267)
Profit attributable to owners of parent	361,590	368,503

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit	369,238	368,235
Other comprehensive income		
Valuation difference on available-for-sale securities	48,435	(196,980)
Foreign currency translation adjustment	1,019	(2,222)
Remeasurements of defined benefit plans, net of tax	2,210	4,796
Share of other comprehensive income of entities accounted for using equity method	32	(72)
Total other comprehensive income	51,698	(194,478)
Comprehensive income	420,936	173,757
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	413,256	174,025
Comprehensive income attributable to non-controlling interests	7,679	(267)