

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

November 6, 2017

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/>
 Representative: President, Operating Officer Hiroyuki Nemoto
 Director, Managing Executive Officer,
 Inquiries: General Manager of Kazuo Sugiyama TEL +81-3-5769-8011
 Accounting & Finance Unit
 Scheduled date to file Quarterly Securities Report: November 7, 2017
 Scheduled date to commence dividend payments: December 1, 2017
 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, 2017 (from April 1, 2017 to September 30, 2017)

(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, 2017	16,253	10.3	1,469	29.9	1,687	31.4	1,157	33.4
Six months ended September 30, 2016	14,740	6.7	1,131	(6.4)	1,284	(8.9)	867	(14.7)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	103.44	–
Six months ended September 30, 2016	76.64	76.36

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	20,951	12,922	61.7
As of March 31, 2017	20,763	13,889	66.9

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, 2017	–	26.00	–	29.00	55.00
Year ending March 31, 2018	–	29.00	–	–	–
Year ending March 31, 2018 (Forecast)	–	–	–	29.00	58.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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	33,200	7.5	3,000	10.8	3,280	6.6	2,230	9.2	207.63

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2017: 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, 2017	12,000,000 shares	As of March 31, 2017	12,000,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2017	1,259,568 shares	As of March 31, 2017	659,413 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, 2017	11,192,921 shares	Six months ended September 30, 2016	11,321,764 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	5,514,441	5,116,857
Notes and accounts receivable - trade	5,662,614	5,739,982
Electronically recorded monetary claims - operating	1,342	2,422
Securities	782,363	1,658,603
Money held in trust	50,896	53,874
Merchandise and finished goods	26,967	22,552
Work in process	250,748	263,872
Supplies	895	1,492
Other	873,770	870,775
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	13,162,044	13,728,438
Non-current assets		
Property, plant and equipment	451,423	496,212
Intangible assets		
Goodwill	461,140	441,059
Software	241,388	209,737
Other	13,130	13,105
Total intangible assets	715,658	663,902
Investments and other assets		
Investment securities	4,935,650	4,505,301
Other	1,602,521	1,662,029
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	6,433,992	6,063,151
Total non-current assets	7,601,074	7,223,267
Total assets	20,763,119	20,951,705

(Thousands of yen)

As of March 31, 2017

As of September 30, 2017

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	1,410,252	1,353,259
Short-term loans payable	105,000	105,000
Current portion of long-term loans payable	38,480	298,330
Income taxes payable	591,565	511,150
Provision for bonuses	1,061,821	1,036,502
Provision for loss on order received	61,634	2,286
Other	1,219,905	1,246,107
Total current liabilities	4,488,658	4,552,635
Non-current liabilities		
Long-term loans payable	62,840	1,083,750
Long-term accounts payable - other	475,460	485,327
Net defined benefit liability	1,765,852	1,842,295
Asset retirement obligations	55,968	56,533
Other	24,534	8,332
Total non-current liabilities	2,384,656	3,476,238
Total liabilities	6,873,314	8,028,874
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	3,862,209	3,862,209
Retained earnings	7,875,260	8,704,168
Treasury shares	(426,442)	(2,223,340)
Total shareholders' equity	13,825,902	12,857,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113,138	109,055
Foreign currency translation adjustment	5,280	88
Remeasurements of defined benefit plans	(55,916)	(46,058)
Total accumulated other comprehensive income	62,501	63,085
Non-controlling interests	1,399	1,831
Total net assets	13,889,804	12,922,831
Total liabilities and net assets	20,763,119	20,951,705

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, 2016	Six months ended September 30, 2017
Net sales	14,740,678	16,253,884
Cost of sales	12,109,654	13,228,577
Gross profit	2,631,024	3,025,307
Selling, general and administrative expenses		
Advertising expenses	10,030	13,818
Directors' compensations, salaries and allowances	649,213	640,828
Provision for bonuses	87,519	92,263
Retirement benefit expenses	18,361	17,862
Provision for directors' retirement benefits	233	–
Legal welfare expenses	86,886	90,794
Recruiting expenses	60,525	67,113
Entertainment expenses	20,841	21,072
Rents	81,876	83,499
Supplies expenses	25,708	30,707
Enterprise tax	76,342	77,307
Other	382,118	420,828
Total selling, general and administrative expenses	1,499,657	1,556,097
Operating profit	1,131,366	1,469,209
Non-operating income		
Interest income	17,364	44,841
Dividend income	80,068	62,293
Gain on sales of securities	67,192	30,667
Gain on valuation of securities	–	70,435
Gain on investments in money held in trust	–	2,977
Subsidy income	1,330	8,544
Share of profit of entities accounted for using equity method	17,891	22,524
Other	6,144	5,077
Total non-operating income	189,992	247,361
Non-operating expenses		
Interest expenses	537	936
Loss on valuation of securities	29,390	–
Loss on investments in money held in trust	4,479	–
Commission for purchase of treasury shares	–	21,607
Other	2,520	6,813
Total non-operating expenses	36,928	29,356
Ordinary profit	1,284,430	1,687,213

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Extraordinary income		
Gain on sales of investment securities	28,185	96,219
Gain on redemption of investment securities	10,931	6,550
Surrender value of insurance	3,790	–
Other	4,528	10,778
Total extraordinary income	47,436	113,548
Extraordinary losses		
Loss on retirement of non-current assets	1,979	18,783
Loss on sales of investment securities	–	42,253
Loss on valuation of investment securities	–	19,771
Loss on redemption of investment securities	4,401	–
Head office renovation expenses	18,278	–
Provision for loss on liquidation of subsidiaries and associates	9,271	–
Other	7,063	8,992
Total extraordinary losses	40,994	89,800
Profit before income taxes	1,290,872	1,710,961
Income taxes - current	456,141	485,185
Income taxes - deferred	(32,859)	67,559
Total income taxes	423,281	552,744
Profit	867,591	1,158,217
Profit (loss) attributable to non-controlling interests	(96)	431
Profit attributable to owners of parent	867,687	1,157,785

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	867,591	1,158,217
Other comprehensive income		
Valuation difference on available-for-sale securities	(123,610)	(4,082)
Foreign currency translation adjustment	(4,003)	(5,172)
Remeasurements of defined benefit plans, net of tax	9,593	9,858
Share of other comprehensive income of entities accounted for using equity method	(170)	(19)
Total other comprehensive income	(118,190)	584
Comprehensive income	749,400	1,158,801
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	749,497	1,158,369
Comprehensive income attributable to non-controlling interests	(96)	431

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,290,872	1,710,961
Depreciation	85,540	99,445
Increase (decrease) in provision for bonuses	(47,308)	(27,158)
Increase (decrease) in provision for loss on order received	86,462	(59,348)
Increase (decrease) in provision for directors' retirement benefits	233	(9,867)
Increase (decrease) in net defined benefit liability	48,042	73,637
Interest and dividend income	(97,433)	(107,134)
Loss (gain) on sales of securities	(67,192)	(30,667)
Share of (profit) loss of entities accounted for using equity method	(17,891)	(22,524)
Loss (gain) on sales of investment securities	(28,185)	(53,966)
Decrease (increase) in notes and accounts receivable - trade	225,163	(78,448)
Decrease (increase) in inventories	(197,078)	(9,304)
Increase (decrease) in notes and accounts payable - trade	(589,657)	(56,992)
Increase (decrease) in long-term accounts payable - other	18,836	9,867
Increase (decrease) in accrued consumption taxes	(82,042)	(30,709)
Other, net	(114,393)	(6,503)
Subtotal	513,965	1,401,286
Interest and dividend income received	96,528	95,693
Interest expenses paid	(588)	(1,694)
Income taxes paid	(650,696)	(535,281)
Net cash provided by (used in) operating activities	(40,790)	960,002

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from investing activities		
Payments into time deposits	(3,000)	(3,000)
Proceeds from withdrawal of time deposits	3,000	11,000
Purchase of securities	(783,135)	(1,163,202)
Proceeds from sales of securities	823,750	686,894
Purchase of property, plant and equipment	(18,895)	(71,024)
Purchase of intangible assets	(30,573)	(29,541)
Purchase of investment securities	(903,904)	(1,392,009)
Proceeds from sales of investment securities	366,517	1,228,568
Proceeds from redemption of investment securities	325,583	323,252
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(76,327)	–
Proceeds from cancellation of insurance funds	10,845	5
Other, net	(95,587)	(73,910)
Net cash provided by (used in) investing activities	(381,725)	(482,966)
Cash flows from financing activities		
Proceeds from long-term loans payable	–	1,300,000
Repayments of long-term loans payable	(49,240)	(19,240)
Cash dividends paid	(304,759)	(328,553)
Purchase of treasury shares	–	(1,818,504)
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	81,000	–
Other, net	(956)	(576)
Net cash provided by (used in) financing activities	(273,956)	(866,874)
Effect of exchange rate change on cash and cash equivalents	(1,663)	255
Net increase (decrease) in cash and cash equivalents	(698,135)	(389,583)
Cash and cash equivalents at beginning of period	5,470,644	5,503,941
Cash and cash equivalents at end of period	4,772,509	5,114,357