

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

February 5, 2018

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: February 6, 2018
 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 nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	24,459	8.8	2,297	19.7	2,683	22.5	1,720	15.7
Nine months ended December 31, 2016	22,474	6.6	1,919	(1.6)	2,190	(5.8)	1,486	(7.2)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2017	155.80	155.80
Nine months ended December 31, 2016	131.25	130.76

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	21,621	14,055	64.9
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 nine months ended December 31, 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 December 31, 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 December 31, 2017	1,259,746 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)

Nine months ended December 31, 2017	11,041,518 shares	Nine months ended December 31, 2016	11,328,111 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	5,514,441	5,426,578
Notes and accounts receivable - trade	5,662,614	5,973,243
Electronically recorded monetary claims - operating	1,342	1,342
Securities	782,363	961,323
Money held in trust	50,896	57,150
Merchandise and finished goods	26,967	19,839
Work in process	250,748	415,017
Supplies	895	1,613
Other	873,770	844,000
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	13,162,044	13,698,113
Non-current assets		
Property, plant and equipment	451,423	516,820
Intangible assets		
Goodwill	461,140	439,843
Software	241,388	215,629
Other	13,130	13,671
Total intangible assets	715,658	669,144
Investments and other assets		
Investment securities	4,935,650	5,528,438
Other	1,602,521	1,312,826
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	6,433,992	6,737,085
Total non-current assets	7,601,074	7,923,049
Total assets	20,763,119	21,621,163

(Thousands of yen)

As of March 31, 2017

As of December 31, 2017

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	1,410,252	1,418,780
Short-term loans payable	105,000	105,000
Current portion of long-term loans payable	38,480	297,460
Income taxes payable	591,565	221,080
Provision for bonuses	1,061,821	563,681
Provision for loss on order received	61,634	20,008
Other	1,219,905	1,495,851
Total current liabilities	4,488,658	4,121,861
Non-current liabilities		
Long-term loans payable	62,840	1,010,000
Long-term accounts payable - other	475,460	481,272
Net defined benefit liability	1,765,852	1,862,770
Asset retirement obligations	55,968	78,420
Other	24,534	10,934
Total non-current liabilities	2,384,656	3,443,398
Total liabilities	6,873,314	7,565,260
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	8,885,282
Treasury shares	(426,442)	(2,224,260)
Total shareholders' equity	13,825,902	13,038,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113,138	1,033,784
Foreign currency translation adjustment	5,280	–
Remeasurements of defined benefit plans	(55,916)	(41,129)
Total accumulated other comprehensive income	62,501	992,655
Subscription rights to shares	–	23,114
Non-controlling interests	1,399	2,026
Total net assets	13,889,804	14,055,903
Total liabilities and net assets	20,763,119	21,621,163

Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

	(Thousands of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	22,474,521	24,459,972
Cost of sales	18,335,378	19,854,410
Gross profit	4,139,143	4,605,562
Selling, general and administrative expenses		
Advertising expenses	21,978	18,150
Directors' compensations, salaries and allowances	969,962	952,139
Provision for bonuses	45,185	52,849
Retirement benefit expenses	24,448	26,553
Provision for directors' retirement benefits	933	-
Legal welfare expenses	132,372	135,953
Recruiting expenses	86,530	105,788
Entertainment expenses	33,739	37,183
Rents	128,029	129,481
Supplies expenses	33,382	38,742
Enterprise tax	113,742	117,394
Other	629,201	693,875
Total selling, general and administrative expenses	2,219,505	2,308,112
Operating profit	1,919,637	2,297,449
Non-operating income		
Interest income	32,310	74,901
Dividend income	122,789	99,704
Gain on sales of securities	103,192	183,379
Gain on valuation of securities	-	1,861
Gain on investments in money held in trust	4,154	6,253
Subsidy income	5,075	12,829
Share of profit of entities accounted for using equity method	12,291	28,386
Other	11,324	12,922
Total non-operating income	291,138	420,239
Non-operating expenses		
Interest expenses	857	2,382
Loss on valuation of securities	16,285	-
Commission for purchase of treasury shares	-	21,607
Issuance cost of subscription rights to shares	-	8,245
Other	2,764	2,054
Total non-operating expenses	19,908	34,289
Ordinary profit	2,190,867	2,683,399

(Thousands of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Extraordinary income		
Gain on sales of investment securities	47,538	104,163
Gain on redemption of investment securities	10,931	52,512
Surrender value of insurance	3,790	–
Gain on sales of shares of subsidiaries and associates	–	58,405
Other	4,528	10,778
Total extraordinary income	66,788	225,859
Extraordinary losses		
Loss on retirement of non-current assets	3,096	18,788
Loss on sales of investment securities	–	42,348
Loss on valuation of investment securities	–	189,325
Loss on redemption of investment securities	7,564	3,892
Head office renovation expenses	18,278	–
Provision for loss on liquidation of subsidiaries and associates	9,562	–
Other	8,406	24,244
Total extraordinary losses	46,908	278,600
Profit before income taxes	2,210,747	2,630,659
Income taxes - current	594,556	691,142
Income taxes - deferred	129,084	218,586
Total income taxes	723,640	909,728
Profit	1,487,107	1,720,930
Profit attributable to non-controlling interests	346	626
Profit attributable to owners of parent	1,486,760	1,720,303

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	1,487,107	1,720,930
Other comprehensive income		
Valuation difference on available-for-sale securities	194,464	920,646
Foreign currency translation adjustment	(2,352)	(5,263)
Remeasurements of defined benefit plans, net of tax	14,390	14,787
Share of other comprehensive income of entities accounted for using equity method	12	(16)
Total other comprehensive income	206,515	930,153
Comprehensive income	1,693,622	2,651,083
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,693,275	2,650,457
Comprehensive income attributable to non-controlling interests	346	626