

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

February 5, 2019

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 Accounting & Finance Kazuo Sugiyama TEL +81-3-5769-8011
 Unit
 Scheduled date to file Quarterly Securities Report: February 6, 2019
 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, 2018 (from April 1, 2018 to December 31, 2018)

(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, 2018	25,828	5.6	2,316	0.8	2,654	(1.1)	1,673	(2.7)
Nine months ended December 31, 2017	24,459	8.8	2,297	19.7	2,683	22.5	1,720	15.7

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	152.98	–
Nine months ended December 31, 2017	155.80	155.80

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	22,977	15,302	66.6
As of March 31, 2018	24,127	15,109	62.5

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, 2018	–	29.00	–	43.00	72.00
Year ending March 31, 2019	–	32.00			
Year ending March 31, 2019 (Forecast)				32.00	64.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	35,500	6.5	3,280	6.1	3,580	2.5	2,416	9.7	220.84

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2018: 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, 2018	12,000,000 shares	As of March 31, 2018	12,000,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	1,059,902 shares	As of March 31, 2018	1,059,746 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, 2018	10,940,197 shares	Nine months ended December 31, 2017	11,041,518 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	6,895,374	5,077,479
Notes and accounts receivable - trade	6,660,839	6,798,322
Electronically recorded monetary claims - operating	3,589	–
Securities	700,534	1,544,722
Money held in trust	52,644	51,408
Merchandise and finished goods	34,404	27,122
Work in process	149,793	352,620
Supplies	1,424	1,428
Other	398,657	554,531
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	14,895,266	14,405,641
Non-current assets		
Property, plant and equipment	504,846	558,508
Intangible assets		
Goodwill	452,511	730,905
Software	211,008	398,619
Other	13,659	13,041
Total intangible assets	677,179	1,142,566
Investments and other assets		
Investment securities	6,081,190	4,840,090
Other	2,073,232	2,134,610
Allowance for doubtful accounts	(103,934)	(103,934)
Total investments and other assets	8,050,488	6,870,766
Total non-current assets	9,232,514	8,571,841
Total assets	24,127,780	22,977,482

(Thousands of yen)

As of March 31, 2018

As of December 31, 2018

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	1,418,345	1,443,195
Short-term loans payable	131,000	70,000
Current portion of long-term loans payable	296,590	298,336
Income taxes payable	630,619	194,673
Provision for bonuses	1,148,842	632,314
Provision for loss on order received	23,272	7,019
Other	1,753,329	1,561,416
Total current liabilities	5,401,999	4,206,955
Non-current liabilities		
Long-term loans payable	936,250	721,108
Long-term accounts payable - other	460,010	515,256
Net defined benefit liability	2,021,580	2,130,271
Provision for directors' retirement benefits	111,102	13,600
Asset retirement obligations	78,708	79,702
Other	8,709	7,651
Total non-current liabilities	3,616,362	3,467,589
Total liabilities	9,018,361	7,674,544
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	4,292,277	4,292,000
Retained earnings	9,367,782	10,220,943
Treasury shares	(1,871,132)	(1,871,643)
Total shareholders' equity	14,303,803	15,156,176
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	831,107	182,266
Remeasurements of defined benefit plans	(44,097)	(35,504)
Total accumulated other comprehensive income	787,009	146,761
Share acquisition rights	16,784	–
Non-controlling interests	1,822	–
Total net assets	15,109,419	15,302,938
Total liabilities and net assets	24,127,780	22,977,482

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, 2017	Nine months ended December 31, 2018
Net sales	24,459,972	25,828,134
Cost of sales	19,854,410	21,018,827
Gross profit	4,605,562	4,809,307
Selling, general and administrative expenses		
Advertising expenses	18,150	24,901
Directors' compensations, salaries and allowances	952,139	1,047,244
Provision for bonuses	52,849	59,563
Retirement benefit expenses	26,553	30,263
Provision for directors' retirement benefits	–	3,978
Legal welfare expenses	135,953	149,486
Recruiting expenses	105,788	110,974
Entertainment expenses	37,183	45,940
Rents	129,481	129,094
Supplies expenses	38,742	45,381
Enterprise tax	117,394	117,153
Other	693,875	728,744
Total selling, general and administrative expenses	2,308,112	2,492,727
Operating profit	2,297,449	2,316,580
Non-operating income		
Interest income	74,901	195,358
Dividend income	99,704	97,548
Gain on sales of securities	183,379	60,152
Gain on valuation of securities	1,861	–
Gain on investments in money held in trust	6,253	–
Subsidy income	12,829	12,777
Share of profit of entities accounted for using equity method	28,386	18,987
Other	12,922	18,813
Total non-operating income	420,239	403,638
Non-operating expenses		
Interest expenses	2,382	3,495
Loss on valuation of securities	–	27,100
Commission for purchase of treasury shares	21,607	–
Investment advisory fee	–	31,748
Issuance cost of share acquisition rights	8,245	–
Other	2,054	3,326
Total non-operating expenses	34,289	65,671
Ordinary profit	2,683,399	2,654,547

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Extraordinary income		
Gain on sales of investment securities	104,163	7,539
Gain on redemption of investment securities	52,512	32,560
Surrender value of insurance	–	15,734
Compensation income	–	11,800
Gain on sales of shares of subsidiaries and associates	58,405	–
Other	10,778	–
Total extraordinary income	225,859	67,634
Extraordinary losses		
Loss on retirement of non-current assets	18,788	18,639
Loss on sales of investment securities	42,348	0
Loss on valuation of investment securities	189,325	44,354
Loss on redemption of investment securities	3,892	–
Office transfer expenses	–	35,090
Cost related to the anniversary of the establishment	–	109,490
Impairment loss	–	16,840
Other	24,244	12,757
Total extraordinary losses	278,600	237,174
Profit before income taxes	2,630,659	2,485,006
Income taxes - current	691,142	623,438
Income taxes - deferred	218,586	187,892
Total income taxes	909,728	811,330
Profit	1,720,930	1,673,676
Profit attributable to non-controlling interests	626	–
Profit attributable to owners of parent	1,720,303	1,673,676

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	1,720,930	1,673,676
Other comprehensive income		
Valuation difference on available-for-sale securities	920,646	(648,840)
Foreign currency translation adjustment	(5,263)	–
Remeasurements of defined benefit plans, net of tax	14,787	8,593
Share of other comprehensive income of entities accounted for using equity method	(16)	–
Total other comprehensive income	930,153	(640,247)
Comprehensive income	2,651,083	1,033,428
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,650,457	1,033,428
Comprehensive income attributable to non-controlling interests	626	–