

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended September 30, 2019
(Based on Japanese GAAP)**

November 6, 2019

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <https://www.cresco.co.jp/>
 Representative: President, Executive Officer Hiroyuki Nemoto
 Director, Managing Executive Officer, and
 Inquiries: Kazuo Sugiyama TEL +81-3-5769-8011
 General Manager, Accounting & Finance Unit
 Scheduled date to file Quarterly Securities Report: November 7, 2019
 Scheduled date to commence dividend payments: December 2, 2019
 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, 2019 (from April 1, 2019 to September 30, 2019)

(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, 2019	19,218	12.8	1,726	22.8	1,896	10.2	1,139	5.8
Six months ended September 30, 2018	17,041	4.8	1,405	(4.4)	1,720	2.0	1,076	(7.0)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	105.47	—
Six months ended September 30, 2018	98.39	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	25,397	14,922	58.8
As of March 31, 2019	25,372	16,137	63.6

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, 2019	—	32.00	—	34.00	66.00
Year ending March 31, 2020	—	36.00	—	—	—
Year ending March 31, 2020 (Forecast)	—	—	—	36.00	72.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	37,880	7.5	3,400	6.0	3,813	4.2	2,416	5.7	228.55

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019: 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, 2019	12,000,000 shares	As of March 31, 2019	12,000,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	1,657,654 shares	As of March 31, 2019	1,059,912 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, 2019	10,799,632 shares	Six months ended September 30, 2018	10,940,238 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	6,223,102	6,797,075
Notes and accounts receivable - trade	7,718,113	7,059,425
Electronically recorded monetary claims - operating	3,823	23,676
Securities	1,193,665	596,579
Money held in trust	55,409	56,532
Merchandise and finished goods	24,083	35,272
Work in process	208,774	348,374
Supplies	1,898	1,450
Other	854,161	502,192
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	16,281,037	15,418,583
Non-current assets		
Property, plant and equipment	559,548	556,040
Intangible assets		
Goodwill	700,796	640,578
Software	641,435	622,021
Other	13,028	12,821
Total intangible assets	1,355,261	1,275,421
Investments and other assets		
Investment securities	4,974,300	5,839,904
Other	2,309,593	2,415,535
Allowance for doubtful accounts	(107,319)	(107,749)
Total investments and other assets	7,176,574	8,147,690
Total non-current assets	9,091,384	9,979,152
Total assets	25,372,421	25,397,736

(Thousands of yen)

As of March 31, 2019

As of September 30, 2019

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	1,540,203	1,764,823
Short-term borrowings	40,000	50,000
Current portion of long-term borrowings	289,586	663,336
Income taxes payable	785,167	534,747
Provision for bonuses	1,287,797	1,241,699
Provision for loss on order received	9,387	63,125
Other	1,906,650	1,254,445
Total current liabilities	5,858,792	5,572,178
Non-current liabilities		
Long-term borrowings	655,274	2,123,606
Long-term accounts payable - other	429,788	444,566
Retirement benefit liability	2,189,290	2,247,861
Provision for retirement benefits for directors (and other officers)	14,800	–
Asset retirement obligations	80,033	80,709
Lease obligations	7,057	5,905
Total non-current liabilities	3,376,244	4,902,648
Total liabilities	9,235,037	10,474,826
Net assets		
Shareholders' equity		
Share capital	2,514,875	2,514,875
Capital surplus	4,292,000	4,296,822
Retained earnings	10,832,849	11,599,962
Treasury shares	(1,871,643)	(3,697,925)
Total shareholders' equity	15,768,082	14,713,735
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	411,863	242,338
Remeasurements of defined benefit plans	(42,561)	(33,165)
Total accumulated other comprehensive income	369,302	209,173
Total net assets	16,137,384	14,922,909
Total liabilities and net assets	25,372,421	25,397,736

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, 2018	Six months ended September 30, 2019
Net sales	17,041,403	19,218,564
Cost of sales	13,974,280	15,632,022
Gross profit	3,067,122	3,586,542
Selling, general and administrative expenses		
Advertising expenses	16,143	14,908
Remuneration, salaries and allowances for directors (and other officers)	700,247	756,271
Provision for bonuses	91,073	113,005
Retirement benefit expenses	19,063	23,663
Provision for retirement benefits for directors (and other officers)	2,778	–
Legal welfare expenses	98,056	107,045
Recruiting expenses	80,298	82,529
Entertainment expenses	23,800	27,363
Rent expenses on land and buildings	86,485	86,110
Supplies expenses	34,775	56,702
Enterprise tax	82,254	86,136
Other	426,850	506,794
Total selling, general and administrative expenses	1,661,827	1,860,529
Operating profit	1,405,294	1,726,012
Non-operating income		
Interest income	112,885	188,339
Dividend income	68,811	60,649
Gain on sales of securities	64,084	17,250
Gain on valuation of securities	25,160	–
Gain on investments in money held in trust	3,910	1,123
Subsidy income	6,935	9,108
Gain on valuation of derivatives	35,969	–
Share of profit of entities accounted for using equity method	10,927	13,293
Other	8,079	13,357
Total non-operating income	336,763	303,122
Non-operating expenses		
Interest expenses	2,385	2,095
Loss on valuation of securities	–	23,990
Loss on valuation of derivatives	–	48,111
Commission for purchase of treasury shares	–	23,232
Investment advisory fee	17,353	28,182
Other	1,322	7,303
Total non-operating expenses	21,062	132,916
Ordinary profit	1,720,996	1,896,218

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Extraordinary income		
Gain on sales of investment securities	7,539	1,596
Surrender value of insurance policies	15,734	4,840
Compensation income	11,800	–
Other	–	46
Total extraordinary income	35,074	6,484
Extraordinary losses		
Loss on retirement of non-current assets	18,060	780
Loss on sales of investment securities	0	2,891
Loss on valuation of investment securities	6,453	52,059
Loss on redemption of investment securities	–	188,087
Office relocation expenses	33,205	6,355
Cost related to the anniversary of the establishment	84,411	–
Other	10,477	2,086
Total extraordinary losses	152,608	252,260
Profit before income taxes	1,603,462	1,650,442
Income taxes - current	493,308	511,237
Income taxes - deferred	33,756	128
Total income taxes	527,064	511,365
Profit	1,076,398	1,139,076
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,076,398	1,139,076

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	1,076,398	1,139,076
Other comprehensive income		
Valuation difference on available-for-sale securities	115,639	(169,524)
Remeasurements of defined benefit plans, net of tax	5,728	9,396
Total other comprehensive income	121,368	(160,128)
Comprehensive income	1,197,766	978,948
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,197,766	978,948
Comprehensive income attributable to non-controlling interests	-	-

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,603,462	1,650,442
Depreciation	93,848	105,294
Increase (decrease) in provision for bonuses	(67,740)	(46,097)
Increase (decrease) in provision for loss on order received	(14,991)	53,738
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(111,102)	(14,800)
Increase (decrease) in retirement benefit liability	67,196	58,570
Interest and dividend income	(181,696)	(248,988)
Loss (gain) on sales of securities	(64,084)	(17,250)
Share of loss (profit) of entities accounted for using equity method	(10,927)	(13,293)
Loss (gain) on sales of investment securities	(7,538)	1,294
Loss (gain) on valuation of investment securities	6,453	52,059
Loss (gain) on redemption of investment securities	–	188,087
Decrease (increase) in trade receivables	(144,477)	638,834
Decrease (increase) in inventories	(105,315)	(150,340)
Increase (decrease) in trade payables	5,495	224,620
Increase (decrease) in long-term accounts payable - other	55,248	14,778
Increase (decrease) in accrued consumption taxes	(134,387)	(31,423)
Other, net	(215,308)	(284,316)
Subtotal	774,134	2,181,208
Interest and dividends received	135,963	246,816
Proceeds from compensation	11,800	–
Interest paid	(2,296)	(2,884)
Income taxes paid	(568,162)	(734,774)
Net cash provided by (used in) operating activities	351,437	1,690,365

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from investing activities		
Payments into time deposits	(3,000)	(600)
Proceeds from withdrawal of time deposits	3,000	–
Purchase of securities	(1,507,155)	(129,570)
Proceeds from sales of securities	466,332	299,137
Proceeds from redemption of securities	380,000	–
Purchase of property, plant and equipment	(121,300)	(46,821)
Purchase of intangible assets	(153,778)	(265,296)
Purchase of investment securities	(629,655)	(1,951,064)
Proceeds from sales of investment securities	466,594	678,275
Proceeds from redemption of investment securities	555,777	704,264
Proceeds from cancellation of insurance funds	79,436	23,112
Other, net	(2,792)	(53,652)
Net cash provided by (used in) investing activities	(466,541)	(742,215)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(61,000)	10,000
Proceeds from long-term borrowings	–	2,000,000
Repayments of long-term borrowings	(149,090)	(157,918)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,100)	–
Dividends paid	(470,018)	(371,918)
Purchase of treasury shares	(385)	(1,853,752)
Other, net	(805)	(1,187)
Net cash provided by (used in) financing activities	(683,399)	(374,776)
Net increase (decrease) in cash and cash equivalents	(798,502)	573,373
Cash and cash equivalents at beginning of period	6,892,874	6,201,204
Cash and cash equivalents at end of period	6,094,371	6,774,578