

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2018 (Based on Japanese GAAP)

August 7, 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 Accounting & Finance Kazuo Sugiyama TEL +81-3-5769-8011
 Unit
 Scheduled date to file Quarterly Securities Report: August 8, 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 three months ended June 30, 2018 (from April 1, 2018 to June 30, 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	%
Three months ended June 30, 2018	8,113	5.9	472	(21.0)	725	0.8	413	(16.5)
Three months ended June 30, 2017	7,659	9.2	597	27.0	719	34.3	495	34.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2018	37.83		–	
Three months ended June 30, 2017	43.69		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	22,934	14,969	65.2
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				
Year ended March 31, 2018	–	29.00	–	43.00	72.00
Year ending March 31, 2019	–	–	–	–	–
Year ending March 31, 2019 (Forecast)	–	32.00	–	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
Six months ending September 30, 2018	17,300	6.4	1,480	0.7	1,620	(4.0)	1,096	(5.3)	100.18
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 three months ended June 30, 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 June 30, 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 June 30, 2018	1,059,746 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)

Three months ended June 30, 2018	10,940,254 shares	Three months ended June 30, 2017	11,340,492 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	6,895,374	6,070,829
Notes and accounts receivable - trade	6,660,839	5,580,303
Electronically recorded monetary claims - operating	3,589	2,746
Securities	700,534	1,250,838
Money held in trust	52,644	52,996
Merchandise and finished goods	34,404	37,569
Work in process	149,793	404,366
Supplies	1,424	1,332
Other	398,657	905,668
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	14,895,266	14,304,656
Non-current assets		
Property, plant and equipment	504,846	545,248
Intangible assets		
Goodwill	452,511	431,418
Software	211,008	282,049
Other	13,659	13,646
Total intangible assets	677,179	727,114
Investments and other assets		
Investment securities	6,081,190	5,511,758
Other	2,073,232	1,949,267
Allowance for doubtful accounts	(103,934)	(103,934)
Total investments and other assets	8,050,488	7,357,090
Total non-current assets	9,232,514	8,629,453
Total assets	24,127,780	22,934,109

(Thousands of yen)

As of March 31, 2018

As of June 30, 2018

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	1,418,345	1,351,318
Short-term loans payable	131,000	70,000
Current portion of long-term loans payable	296,590	295,720
Income taxes payable	630,619	87,148
Provision for bonuses	1,148,842	593,376
Provision for loss on order received	23,272	15,500
Other	1,753,329	2,018,018
Total current liabilities	5,401,999	4,431,082
Non-current liabilities		
Long-term loans payable	936,250	862,500
Long-term accounts payable - other	460,010	460,085
Net defined benefit liability	2,021,580	2,070,870
Provision for directors' retirement benefits	111,102	54,148
Asset retirement obligations	78,708	79,039
Other	8,709	6,484
Total non-current liabilities	3,616,362	3,533,129
Total liabilities	9,018,361	7,964,211
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	9,311,272
Treasury shares	(1,871,132)	(1,871,132)
Total shareholders' equity	14,303,803	14,247,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	831,107	747,331
Remeasurements of defined benefit plans	(44,097)	(41,233)
Total accumulated other comprehensive income	787,009	706,098
Share acquisition rights	16,784	16,784
Non-controlling interests	1,822	–
Total net assets	15,109,419	14,969,897
Total liabilities and net assets	24,127,780	22,934,109

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, 2017	Three months ended June 30, 2018
Net sales	7,659,051	8,113,014
Cost of sales	6,258,202	6,735,786
Gross profit	1,400,848	1,377,228
Selling, general and administrative expenses		
Advertising expenses	5,840	6,833
Directors' compensations, salaries and allowances	327,303	359,024
Provision for bonuses	45,423	50,669
Retirement benefit expenses	9,124	9,458
Provision for directors' retirement benefits	–	1,753
Legal welfare expenses	46,334	52,181
Recruiting expenses	35,344	55,083
Entertainment expenses	11,951	15,063
Rents	41,049	42,319
Supplies expenses	8,799	18,063
Enterprise tax	37,512	38,237
Other	234,539	256,187
Total selling, general and administrative expenses	803,223	904,875
Operating profit	597,625	472,353
Non–operating income		
Interest income	19,432	45,174
Dividend income	41,001	49,903
Gain on sales of securities	3,426	37,831
Gain on valuation of securities	38,936	74,165
Gain on investments in money held in trust	1,134	351
Gain on valuation of derivatives	–	39,258
Share of profit of entities accounted for using equity method	9,183	4,835
Other	9,690	9,909
Total non–operating income	122,805	261,430
Non–operating expenses		
Interest expenses	278	1,256
Payment on employee disabled	700	450
Investment advisory fee	–	6,417
Other	148	276
Total non–operating expenses	1,127	8,400
Ordinary profit	719,303	725,383

(Thousands of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Extraordinary income		
Gain on sales of investment securities	85,820	–
Surrender value of insurance	–	7,023
Compensation income	–	11,800
Other	325	–
Total extraordinary income	86,145	18,823
Extraordinary losses		
Loss on retirement of non-current assets	0	11,180
Loss on sales of investment securities	30,995	–
Loss on valuation of investment securities	19,771	3,374
Office transfer expenses	–	31,073
Cost related to the anniversary of the establishment	–	70,197
Other	–	4,626
Total extraordinary losses	50,766	120,452
Profit before income taxes	754,682	623,754
Income taxes – current	109,943	44,157
Income taxes – deferred	149,143	165,675
Total income taxes	259,087	209,833
Profit	495,595	413,920
Profit attributable to non-controlling interests	75	–
Profit attributable to owners of parent	495,520	413,920

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	495,595	413,920
Other comprehensive income		
Valuation difference on available-for-sale securities	(57,479)	(83,775)
Foreign currency translation adjustment	55	–
Remeasurements of defined benefit plans, net of tax	4,929	2,864
Share of other comprehensive income of entities accounted for using equity method	(27)	–
Total other comprehensive income	(52,523)	(80,911)
Comprehensive income	443,072	333,009
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	442,997	333,009
Comprehensive income attributable to non-controlling interests	75	–