

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2017 (Based on Japanese GAAP)

August 7, 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: August 8, 2017  
 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, 2017 (from April 1, 2017 to June 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	%
Three months ended June 30, 2017	7,659	9.2	597	27.0	719	34.3	495	34.5
Three months ended June 30, 2016	7,014	6.9	470	11.1	535	1.9	368	1.9

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2017	43.69	–
Three months ended June 30, 2016	32.60	32.58

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	20,056	14,003	69.8
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	–				
Year ending March 31, 2018 (Forecast)		29.00	–	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
Six months ending September 30, 2017	16,000	8.5	1,360	20.2	1,480	15.2	1,000	15.2	88.18
Full year	33,200	7.5	3,000	10.8	3,280	6.6	2,230	9.2	196.64

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 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 June 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 June 30, 2017	659,568 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)

Three months ended June 30, 2017	11,340,492 shares	Three months ended June 30, 2016	11,302,703 shares
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**Quarterly consolidated financial statements**  
**Quarterly consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	5,514,441	5,148,003
Notes and accounts receivable - trade	5,662,614	4,830,730
Electronically recorded monetary claims - operating	1,342	3,502
Securities	782,363	1,243,224
Money held in trust	50,896	52,031
Merchandise and finished goods	26,967	33,668
Work in process	250,748	588,307
Supplies	895	1,375
Other	873,770	794,293
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	13,162,044	12,693,142
Non-current assets		
Property, plant and equipment	451,423	458,231
Intangible assets		
Goodwill	461,140	463,833
Software	241,388	221,585
Other	13,130	13,117
Total intangible assets	715,658	698,536
Investments and other assets		
Investment securities	4,935,650	4,628,084
Other	1,602,521	1,682,509
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	6,433,992	6,206,414
Total non-current assets	7,601,074	7,363,181
Total assets	20,763,119	20,056,323

(Thousands of yen)

As of March 31, 2017

As of June 30, 2017

	As of March 31, 2017	As of June 30, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	1,410,252	1,284,342
Short-term loans payable	105,000	105,000
Current portion of long-term loans payable	38,480	38,480
Income taxes payable	591,565	81,765
Provision for bonuses	1,061,821	518,516
Provision for loss on order received	61,634	87,093
Other	1,219,905	1,525,917
<b>Total current liabilities</b>	<b>4,488,658</b>	<b>3,641,115</b>
<b>Non-current liabilities</b>		
Long-term loans payable	62,840	53,220
Long-term accounts payable - other	475,460	485,327
Net defined benefit liability	1,765,852	1,804,290
Asset retirement obligations	55,968	56,218
Other	24,534	12,648
<b>Total non-current liabilities</b>	<b>2,384,656</b>	<b>2,411,705</b>
<b>Total liabilities</b>	<b>6,873,314</b>	<b>6,052,820</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,514,875	2,514,875
Capital surplus	3,862,209	3,862,209
Retained earnings	7,875,260	8,041,903
Treasury shares	(426,442)	(426,940)
<b>Total shareholders' equity</b>	<b>13,825,902</b>	<b>13,992,049</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	113,138	55,658
Foreign currency translation adjustment	5,280	5,307
Remeasurements of defined benefit plans	(55,916)	(50,987)
<b>Total accumulated other comprehensive income</b>	<b>62,501</b>	<b>9,978</b>
<b>Non-controlling interests</b>	<b>1,399</b>	<b>1,475</b>
<b>Total net assets</b>	<b>13,889,804</b>	<b>14,003,502</b>
<b>Total liabilities and net assets</b>	<b>20,763,119</b>	<b>20,056,323</b>

**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, 2016	Three months ended June 30, 2017
Net sales	7,014,954	7,659,051
Cost of sales	5,774,702	6,258,202
Gross profit	1,240,252	1,400,848
Selling, general and administrative expenses		
Advertising expenses	5,864	5,840
Directors' compensations, salaries and allowances	324,239	327,303
Provision for bonuses	45,348	45,423
Retirement benefit expenses	9,122	9,124
Legal welfare expenses	44,776	46,334
Recruiting expenses	36,921	35,344
Entertainment expenses	10,537	11,951
Rents	39,607	41,049
Supplies expenses	11,588	8,799
Enterprise tax	33,536	37,512
Other	208,291	234,539
Total selling, general and administrative expenses	769,832	803,223
Operating profit	470,420	597,625
Non-operating income		
Interest income	6,749	19,432
Dividend income	45,827	41,001
Gain on sales of securities	18,766	3,426
Gain on valuation of securities	–	38,936
Gain on investments in money held in trust	–	1,134
Share of profit of entities accounted for using equity method	5,439	9,183
Other	4,891	9,690
Total non-operating income	81,675	122,805
Non-operating expenses		
Interest expenses	260	278
Loss on valuation of securities	9,579	–
Loss on investments in money held in trust	5,126	–
Payment on employee disabled	1,140	700
Other	391	148
Total non-operating expenses	16,498	1,127
Ordinary profit	535,597	719,303

(Thousands of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Extraordinary income		
Gain on sales of investment securities	25,233	85,820
Gain on redemption of investment securities	10,931	–
Other	3,000	325
Total extraordinary income	39,165	86,145
Extraordinary losses		
Loss on retirement of non-current assets	–	0
Loss on sales of investment securities	–	30,995
Loss on valuation of investment securities	–	19,771
Special extra retirement payments	2,313	–
Other	429	–
Total extraordinary losses	2,742	50,766
Profit before income taxes	572,020	754,682
Income taxes - current	55,964	109,943
Income taxes - deferred	147,820	149,143
Total income taxes	203,785	259,087
Profit	368,235	495,595
Profit (loss) attributable to non-controlling interests	(267)	75
Profit attributable to owners of parent	368,503	495,520

**Quarterly consolidated statements of comprehensive income**

	(Thousands of yen)	
	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	368,235	495,595
Other comprehensive income		
Valuation difference on available-for-sale securities	(196,980)	(57,479)
Foreign currency translation adjustment	(2,222)	55
Remeasurements of defined benefit plans, net of tax	4,796	4,929
Share of other comprehensive income of entities accounted for using equity method	(72)	(27)
Total other comprehensive income	(194,478)	(52,523)
Comprehensive income	173,757	443,072
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	174,025	442,997
Comprehensive income attributable to non-controlling interests	(267)	75