

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (Based on Japanese GAAP)

November 7, 2016

Company name: CRESCO LTD.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <http://www.cresco.co.jp/>
 Representative: President, Operating Officer Hiroyuki Nemoto
 Director, Operating Officer, General Manager of Accounting & Finance Unit Kazuo Sugiyama
 Inquiries: TEL +81-3-5769-8011
 Scheduled date to file Quarterly Securities Report: November 8, 2016
 Scheduled date to commence dividend payments: December 1, 2016
 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, 2016 (from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	14,740	6.7	1,131	(6.4)	1,284	(8.9)	867	(14.7)
Six months ended September 30, 2015	13,819	15.2	1,208	24.6	1,410	30.5	1,017	31.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	76.64	76.36
Six months ended September 30, 2015	91.54	91.46

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	19,195	12,706	66.2
As of March 31, 2016	19,230	12,181	63.3

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, 2016	–	23.00	–	27.00	50.00
Year ending March 31, 2017	–	26.00			
Year ending March 31, 2017 (Forecast)			–	26.00	52.00

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	31,100	8.1	2,750	10.7	3,000	5.0	2,000	17.3	176.35

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016: 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: Yes
 - 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, 2016	12,000,000 shares	As of March 31, 2016	12,000,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2016	659,220 shares	As of March 31, 2016	704,220 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, 2016	11,321,764 shares	Six months ended September 30, 2015	11,113,508 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	5,427,100	4,783,009
Notes and accounts receivable - trade	5,124,657	4,925,502
Electronically recorded monetary claims - operating	2,466	1,342
Securities	546,526	432,330
Money held in trust	47,027	42,548
Merchandise and finished goods	12,767	16,853
Work in process	170,276	372,234
Raw materials and supplies	4,544	779
Other	687,999	768,459
Allowance for doubtful accounts	(2,495)	(1,995)
Total current assets	12,020,870	11,341,064
Non-current assets		
Property, plant and equipment	300,648	452,431
Intangible assets		
Goodwill	323,455	509,126
Software	266,086	256,045
Other	12,511	13,155
Total intangible assets	602,053	778,328
Investments and other assets		
Investment securities	4,841,063	4,980,795
Other	1,569,788	1,747,487
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	6,306,672	6,624,103
Total non-current assets	7,209,373	7,854,863
Total assets	19,230,244	19,195,928

(Thousands of yen)

As of March 31, 2016

As of September 30, 2016

Liabilities	As of March 31, 2016	As of September 30, 2016
Current liabilities		
Accounts payable - trade	1,829,254	1,241,391
Short-term loans payable	40,000	105,000
Current portion of long-term loans payable	83,480	53,480
Income taxes payable	654,393	479,573
Provision for bonuses	964,613	937,474
Provision for loss on order received	–	86,462
Provision for loss on liquidation of subsidiaries and associates	–	9,271
Other	1,141,015	1,097,313
Total current liabilities	4,712,756	4,009,966
Non-current liabilities		
Long-term loans payable	101,320	82,080
Long-term accounts payable - other	571,327	590,163
Net defined benefit liability	1,611,779	1,741,780
Provision for directors' retirement benefits	–	6,190
Asset retirement obligations	48,948	55,393
Deferred tax liabilities	–	1,782
Other	2,261	1,685
Total non-current liabilities	2,335,636	2,479,074
Total liabilities	7,048,392	6,489,041
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	3,810,255	3,862,209
Retained earnings	6,432,354	6,995,056
Treasury shares	(455,045)	(425,968)
Total shareholders' equity	12,302,440	12,946,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(57,306)	(180,916)
Foreign currency translation adjustment	8,132	3,958
Remeasurements of defined benefit plans	(72,456)	(62,863)
Total accumulated other comprehensive income	(121,630)	(239,821)
Subscription rights to shares	411	–
Non-controlling interests	630	534
Total net assets	12,181,851	12,706,886
Total liabilities and net assets	19,230,244	19,195,928

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, 2015	Six months ended September 30, 2016
Net sales	13,819,884	14,740,678
Cost of sales	11,307,969	12,109,654
Gross profit	2,511,914	2,631,024
Selling, general and administrative expenses		
Advertising expenses	9,849	10,030
Directors' compensations, salaries and allowances	567,525	649,213
Provision for bonuses	79,436	87,519
Retirement benefit expenses	13,487	18,361
Provision for directors' retirement benefits	–	233
Legal welfare expenses	81,875	86,886
Recruiting expenses	45,557	60,525
Entertainment expenses	18,077	20,841
Rents	71,957	81,876
Supplies expenses	16,361	25,708
Enterprise tax	44,207	76,342
Other	355,278	382,118
Total selling, general and administrative expenses	1,303,615	1,499,657
Operating income	1,208,299	1,131,366
Non-operating income		
Interest income	17,870	17,364
Dividend income	70,653	80,068
Gain on sales of securities	102,273	67,192
Subsidy income	–	1,330
Share of profit of entities accounted for using equity method	16,474	17,891
Other	8,449	6,144
Total non-operating income	215,722	189,992
Non-operating expenses		
Interest expenses	1,107	537
Loss on valuation of securities	4,794	29,390
Amortization of long-term prepaid expenses	2,034	–
Loss on investments in money held in trust	3,828	4,479
Other	2,203	2,520
Total non-operating expenses	13,969	36,928
Ordinary income	1,410,052	1,284,430

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Extraordinary income		
Gain on sales of investment securities	105,366	28,185
Gain on redemption of investment securities	22,847	10,931
Surrender value of insurance	–	3,790
Other	25,810	4,528
Total extraordinary income	154,025	47,436
Extraordinary losses		
Loss on retirement of non-current assets	202	1,979
Loss on redemption of investment securities	–	4,401
Loss on insurance cancellation	7,247	–
Head office renovation expenses	–	18,278
Provision for loss on liquidation of subsidiaries and associates	–	9,271
Other	4,423	7,063
Total extraordinary losses	11,873	40,994
Profit before income taxes	1,552,204	1,290,872
Income taxes - current	525,407	456,141
Income taxes - deferred	1,865	(32,859)
Total income taxes	527,272	423,281
Profit	1,024,931	867,591
Profit (loss) attributable to non-controlling interests	7,647	(96)
Profit attributable to owners of parent	1,017,283	867,687

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	1,024,931	867,591
Other comprehensive income		
Valuation difference on available-for-sale securities	(173,729)	(123,610)
Foreign currency translation adjustment	(20)	(4,003)
Remeasurements of defined benefit plans, net of tax	4,440	9,593
Share of other comprehensive income of entities accounted for using equity method	65	(170)
Total other comprehensive income	(169,243)	(118,190)
Comprehensive income	855,687	749,400
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	848,008	749,497
Comprehensive income attributable to non-controlling interests	7,679	(96)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	1,552,204	1,290,872
Depreciation	82,198	85,540
Increase (decrease) in provision for bonuses	6,087	(47,308)
Increase (decrease) in provision for loss on order received	(2,020)	86,462
Increase (decrease) in provision for directors' retirement benefits	(208,513)	233
Increase (decrease) in net defined benefit liability	96,844	48,042
Interest and dividend income	(88,523)	(97,433)
Loss (gain) on sales of securities	(102,273)	(67,192)
Share of (profit) loss of entities accounted for using equity method	(16,474)	(17,891)
Loss (gain) on sales of investment securities	(105,366)	(28,185)
Decrease (increase) in notes and accounts receivable - trade	31,877	225,163
Decrease (increase) in inventories	(86,995)	(197,078)
Increase (decrease) in notes and accounts payable - trade	128,798	(589,657)
Increase (decrease) in long-term accounts payable - other	110,927	18,836
Increase (decrease) in accrued consumption taxes	(369,364)	(82,042)
Other, net	(298,698)	(114,393)
Subtotal	730,706	513,965
Interest and dividend income received	90,769	96,528
Interest expenses paid	(1,023)	(588)
Income taxes paid	(543,293)	(650,696)
Net cash provided by (used in) operating activities	277,160	(40,790)

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from investing activities		
Payments into time deposits	–	(3,000)
Proceeds from withdrawal of time deposits	–	3,000
Purchase of securities	(1,883,278)	(783,135)
Proceeds from sales of securities	1,902,083	823,750
Purchase of property, plant and equipment	(75,702)	(18,895)
Purchase of intangible assets	(39,416)	(30,573)
Purchase of investment securities	(1,201,394)	(903,904)
Proceeds from sales of investment securities	433,310	366,517
Proceeds from redemption of investment securities	316,483	325,583
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(53,040)	(76,327)
Proceeds from cancellation of insurance funds	164,894	10,845
Other, net	(33,509)	(95,587)
Net cash provided by (used in) investing activities	(469,570)	(381,725)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(8,200)	–
Repayments of long-term loans payable	(134,751)	(49,240)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(90,528)	–
Cash dividends paid	(230,811)	(304,759)
Purchase of treasury shares	(376)	–
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	486,000	81,000
Other, net	(525)	(956)
Net cash provided by (used in) financing activities	20,808	(273,956)
Effect of exchange rate change on cash and cash equivalents	688	(1,663)
Net increase (decrease) in cash and cash equivalents	(170,912)	(698,135)
Cash and cash equivalents at beginning of period	5,504,778	5,470,644
Cash and cash equivalents at end of period	5,333,865	4,772,509