

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2014 (Based on Japanese GAAP)

February 6, 2015

Company name: Cresco, Ltd.
 Stock exchange listing: Tokyo
 Stock code: 4674 URL <http://www.cresco.co.jp/>
 Representative: President Hiroyuki Nemoto
 Inquiries: Director, Department Manager of Accounting & Finance Department Kazuo Sugiyama TEL +81-3-5769-8011
 Scheduled date to file Quarterly Securities Report: February 9, 2015
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2014	18,154	15.4	1,512	56.0	1,690	40.7	1,183	64.5
Nine months ended December 31, 2013	15,727	14.7	969	15.3	1,201	27.2	719	37.0

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2014	112.52	–
Nine months ended December 31, 2013	66.68	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2014	15,686	9,933	62.8
As of March 31, 2014	15,190	9,114	59.5

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, 2014	–	13.00	–	17.00	30.00
Year ending March 31, 2015	–	17.00	–	–	–
Year ending March 31, 2015 (Forecast)	–	–	–	17.00	34.00

3. Forecast of consolidated financial results for the year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	24,900	13.0	1,900	32.9	2,100	25.2	1,350	43.4	128.68

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2014: 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 December 31, 2014	12,000,000 shares	As of March 31, 2014	12,000,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2014	1,508,764 shares	As of March 31, 2014	1,355,604 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, 2014	10,521,803 shares	Nine months ended December 31, 2013	10,791,113 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	3,761,341	4,227,567
Notes and accounts receivable - trade	3,983,656	3,761,736
Securities	280,644	309,543
Money held in trust	53,557	65,382
Merchandise and finished goods	19,745	16,900
Work in process	147,780	289,772
Raw materials and supplies	3,839	4,211
Other	766,308	539,393
Allowance for doubtful accounts	(1,509)	(1,509)
Total current assets	9,015,363	9,212,998
Non-current assets		
Property, plant and equipment	217,504	226,318
Intangible assets		
Goodwill	381,953	330,410
Software	272,257	289,853
Other	12,187	12,159
Total intangible assets	666,398	632,422
Investments and other assets		
Investment securities	3,908,804	4,265,155
Other	1,485,261	1,452,004
Allowance for doubtful accounts	(102,669)	(102,669)
Total investments and other assets	5,291,396	5,614,489
Total non-current assets	6,175,299	6,473,230
Total assets	15,190,663	15,686,229

(Thousands of yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	1,336,159	1,392,196
Short-term loans payable	40,000	40,000
Current portion of bonds	5,000	–
Current portion of long-term loans payable	245,122	239,318
Income taxes payable	489,321	154,768
Provision for bonuses	841,246	436,176
Provision for loss on order received	18,973	–
Other	932,896	1,354,997
Total current liabilities	3,908,718	3,617,457
Non-current liabilities		
Long-term loans payable	280,570	117,048
Long-term accounts payable - other	460,400	460,400
Provision for directors' retirement benefits	171,749	170,699
Net defined benefit liability	1,206,948	1,338,924
Asset retirement obligations	45,593	46,275
Other	2,381	1,675
Total non-current liabilities	2,167,641	2,135,022
Total liabilities	6,076,360	5,752,479
Net assets		
Shareholders' equity		
Capital stock	2,514,875	2,514,875
Capital surplus	2,998,808	2,998,808
Retained earnings	4,203,209	4,995,188
Treasury shares	(794,300)	(973,857)
Total shareholders' equity	8,922,592	9,535,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	129,643	318,578
Foreign currency translation adjustment	5,962	10,849
Remeasurements of defined benefit plans	(13,592)	(9,029)
Total accumulated other comprehensive income	122,013	320,398
Subscription rights to shares	–	1,200
Minority interests	69,696	77,136
Total net assets	9,114,303	9,933,749
Total liabilities and net assets	15,190,663	15,686,229

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, 2013	Nine months ended December 31, 2014
Net sales	15,727,380	18,154,517
Cost of sales	13,110,459	14,861,742
Gross profit	2,616,921	3,292,775
Selling, general and administrative expenses		
Advertising expenses	20,755	17,684
Directors' compensations, salaries and allowances	777,492	839,612
Provision for bonuses	36,673	45,795
Provision for directors' retirement benefits	2,027	-
Retirement benefit expenses	21,377	23,112
Legal welfare expenses	103,126	111,477
Recruiting expenses	52,772	53,836
Entertainment expenses	19,709	28,311
Rents	102,702	104,816
Supplies expenses	28,448	24,731
Enterprise tax	33,162	38,470
Other	449,315	492,461
Total selling, general and administrative expenses	1,647,565	1,780,310
Operating income	969,356	1,512,465
Non-operating income		
Interest income	18,140	28,938
Dividend income	77,086	75,955
Gain on sales of securities	79,129	92,564
Gain on investments in money held in trust	4,637	11,825
Share of profit of entities accounted for using equity method	49,046	33,079
Other	12,461	15,000
Total non-operating income	240,501	257,364
Non-operating expenses		
Interest expenses	4,505	2,699
Loss on valuation of securities	319	66,369
Amortization of long-term prepaid expenses	2,667	2,922
Other	441	7,187
Total non-operating expenses	7,934	79,178
Ordinary income	1,201,923	1,690,651

(Thousands of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Extraordinary income		
Gain on change in equity	–	56,294
Gain on sales of investment securities	98,252	123,032
Gain on redemption of investment securities	–	20,108
Surrender value of insurance	2,950	2,124
Other	12,875	–
Total extraordinary income	114,078	201,560
Extraordinary losses		
Loss on retirement of non-current assets	2,464	2,111
Loss on sales of investment securities	40,416	8,807
Office transfer expenses	3,516	–
Loss on sales of golf club memberships	–	6,305
Business improvement expenses	31,994	–
Other	29,384	4,861
Total extraordinary losses	107,776	22,086
Income before income taxes and minority interests	1,208,225	1,870,125
Income taxes - current	318,971	499,968
Income taxes - deferred	167,986	176,324
Total income taxes	486,958	676,293
Income before minority interests	721,267	1,193,832
Minority interests in income	1,712	9,930
Net income	719,555	1,183,902

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Income before minority interests	721,267	1,193,832
Other comprehensive income		
Valuation difference on available-for-sale securities	166,136	188,964
Foreign currency translation adjustment	4,399	4,886
Remeasurements of defined benefit plans, net of tax	–	4,563
Total other comprehensive income	170,536	198,415
Comprehensive income	891,803	1,392,247
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	889,906	1,382,287
Comprehensive income attributable to minority interests	1,897	9,960