

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019 (Based on Japanese GAAP)

February 4, 2020

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: February 5, 2020
 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 nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	28,957	12.1	2,653	14.6	3,141	18.4	2,003	19.7
Nine months ended December 31, 2018	25,828	5.6	2,316	0.8	2,654	(1.1)	1,673	(2.7)

Note: Comprehensive income

Nine months ended December 31, 2019: ¥2,112 million [104.4%]

Nine months ended December 31, 2018: ¥1,033 million [(61.0)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	94.09		–	
Nine months ended December 31, 2018	76.49		–	

Note: The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. Earnings per share have been calculated under the assumption that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2019	25,687		15,684		61.1	
As of March 31, 2019	25,372		16,137		63.6	

Reference: Equity

As of December 31, 2019: ¥15,684 million

As of March 31, 2019: ¥16,137 million

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, 2019	–	32.00	–	34.00	66.00
Year ending March 31, 2020	–	36.00	–	–	–
Year ending March 31, 2020 (Forecast)	–	–	–	18.00	–

Note: Revisions to the forecasts of cash dividends most recently announced: No

Note: The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. For the fiscal year ended March 31, 2019 and the 2nd quarter-end of the fiscal year ending March 31, 2020, actual dividend values before the share split are stated. For the fiscal year ending March 31, 2020 (Forecast), total dividends per share is not stated because the implementation of the share split makes it impossible to perform a simple calculation.

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	114.28

Note: Revisions to the earnings forecasts most recently announced: No

Note: The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. Earnings per share in the forecast of consolidated financial results for the fiscal year ending March 31, 2020 have been calculated taking into account the share split.

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2019	24,000,000 shares	As of March 31, 2019	24,000,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	3,315,440 shares	As of March 31, 2019	2,119,824 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, 2019	21,293,292 shares	Nine months ended December 31, 2018	21,880,394 shares
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Note: The Company implemented a 2-for-1 share split of common shares with an effective date of February 1, 2020. "Total number of issued shares at the end of the period (including treasury shares)," "number of treasury shares at the end of the period," and "average number of shares during the period (cumulative from the beginning of the fiscal year)" have been calculated under the assumption that the share split was conducted at the beginning of the previous fiscal year.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company makes no promise regarding achievement of any content in the forward-looking statements. Actual business and other results may differ substantially due to various factors.

Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	6,223,102	6,709,109
Notes and accounts receivable - trade	7,718,113	7,360,098
Electronically recorded monetary claims - operating	3,823	24,625
Securities	1,193,665	608,469
Money held in trust	55,409	61,111
Merchandise and finished goods	24,083	39,338
Work in process	208,774	689,715
Supplies	1,898	1,529
Other	854,161	550,479
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	16,281,037	16,042,481
Non-current assets		
Property, plant and equipment	559,548	536,737
Intangible assets		
Goodwill	700,796	610,469
Software	641,435	599,131
Other	13,028	12,808
Total intangible assets	1,355,261	1,222,409
Investments and other assets		
Investment securities	4,974,300	5,890,530
Other	2,309,593	2,103,001
Allowance for doubtful accounts	(107,319)	(107,425)
Total investments and other assets	7,176,574	7,886,106
Total non-current assets	9,091,384	9,645,254
Total assets	25,372,421	25,687,735

(Thousands of yen)

As of March 31, 2019

As of December 31, 2019

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	1,540,203	1,799,454
Short-term borrowings	40,000	40,000
Current portion of long-term borrowings	289,586	663,336
Income taxes payable	785,167	202,386
Provision for bonuses	1,287,797	649,720
Provision for loss on order received	9,387	142,958
Other	1,906,650	1,727,395
Total current liabilities	5,858,792	5,225,251
Non-current liabilities		
Long-term borrowings	655,274	1,957,772
Long-term accounts payable - other	429,788	444,564
Retirement benefit liability	2,189,290	2,289,220
Provision for retirement benefits for directors (and other officers)	14,800	–
Asset retirement obligations	80,033	81,046
Deferred tax liabilities	–	292
Lease obligations	7,057	5,420
Total non-current liabilities	3,376,244	4,778,316
Total liabilities	9,235,037	10,003,568
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	12,091,996
Treasury shares	(1,871,643)	(3,698,161)
Total shareholders' equity	15,768,082	15,205,533
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	411,863	506,230
Foreign currency translation adjustment	–	870
Remeasurements of defined benefit plans	(42,561)	(28,466)
Total accumulated other comprehensive income	369,302	478,633
Total net assets	16,137,384	15,684,167
Total liabilities and net assets	25,372,421	25,687,735

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, 2018	Nine months ended December 31, 2019
Net sales	25,828,134	28,957,210
Cost of sales	21,018,827	23,577,578
Gross profit	4,809,307	5,379,631
Selling, general and administrative expenses		
Advertising expenses	24,901	26,854
Remuneration, salaries and allowances for directors (and other officers)	1,047,244	1,120,068
Provision for bonuses	59,563	60,684
Retirement benefit expenses	30,263	30,842
Provision for retirement benefits for directors (and other officers)	3,978	–
Legal welfare expenses	149,486	161,327
Recruiting expenses	110,974	125,668
Entertainment expenses	45,940	45,880
Rent expenses on land and buildings	129,094	129,710
Supplies expenses	45,381	68,496
Enterprise tax	117,153	123,302
Other	728,744	832,809
Total selling, general and administrative expenses	2,492,727	2,725,646
Operating profit	2,316,580	2,653,985
Non-operating income		
Interest income	195,358	278,077
Dividend income	97,548	92,655
Gain on sales of securities	60,152	53,238
Gain on investments in money held in trust	–	5,701
Subsidy income	12,777	15,954
Gain on valuation of derivatives	2,795	63,726
Share of profit of entities accounted for using equity method	18,987	41,674
Other	16,017	27,873
Total non-operating income	403,638	578,902
Non-operating expenses		
Interest expenses	3,495	3,890
Loss on valuation of securities	27,100	4,396
Investment advisory fee	31,748	41,845
Commission for purchase of treasury shares	–	23,232
Issuance cost of share acquisition rights	–	5,317
Other	3,326	12,500
Total non-operating expenses	65,671	91,182
Ordinary profit	2,654,547	3,141,705

(Thousands of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Extraordinary income		
Gain on sales of non-current assets	–	46
Gain on sales of investment securities	7,539	11,910
Gain on redemption of investment securities	32,560	–
Surrender value of insurance policies	15,734	28,773
Compensation income	11,800	3,000
Total extraordinary income	67,634	43,730
Extraordinary losses		
Loss on retirement of non-current assets	18,639	780
Loss on sales of investment securities	0	2,984
Loss on valuation of investment securities	44,354	82,409
Loss on redemption of investment securities	–	194,447
Office relocation expenses	35,090	6,597
Cost related to the anniversary of the establishment	109,490	–
Impairment loss	16,840	–
Other	12,757	2,736
Total extraordinary losses	237,174	289,956
Profit before income taxes	2,485,006	2,895,480
Income taxes - current	623,438	745,030
Income taxes - deferred	187,892	147,014
Total income taxes	811,330	892,045
Profit	1,673,676	2,003,435
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,673,676	2,003,435

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	1,673,676	2,003,435
Other comprehensive income		
Valuation difference on available-for-sale securities	(648,840)	94,366
Foreign currency translation adjustment	–	870
Remeasurements of defined benefit plans, net of tax	8,593	14,094
Total other comprehensive income	(640,247)	109,331
Comprehensive income	1,033,428	2,112,766
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,033,428	2,112,766
Comprehensive income attributable to non-controlling interests	–	–