

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Based on Japanese GAAP)

February 6, 2017

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: February 7, 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 nine months ended December 31, 2016 (from April 1, 2016 to December 31, 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	%
Nine months ended December 31, 2016	22,474	6.6	1,919	(1.6)	2,190	(5.8)	1,486	(7.2)
Nine months ended December 31, 2015	21,090	16.2	1,951	29.0	2,324	37.5	1,602	35.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2016	131.25	130.76
Nine months ended December 31, 2015	143.48	143.26

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	19,218	13,356	69.5
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	176.36

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2016	659,293 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)

Nine months ended December 31, 2016	11,328,111 shares	Nine months ended December 31, 2015	11,166,972 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	5,427,100	4,755,694
Notes and accounts receivable - trade	5,124,657	4,746,787
Electronically recorded monetary claims - operating	2,466	1,342
Securities	546,526	742,177
Money held in trust	47,027	51,182
Merchandise and finished goods	12,767	36,331
Work in process	170,276	372,055
Raw materials and supplies	4,544	922
Other	687,999	786,389
Allowance for doubtful accounts	(2,495)	(1,995)
Total current assets	12,020,870	11,490,888
Non-current assets		
Property, plant and equipment	300,648	458,755
Intangible assets		
Goodwill	323,455	485,133
Software	266,086	252,772
Other	12,511	13,143
Total intangible assets	602,053	751,048
Investments and other assets		
Investment securities	4,841,063	5,011,060
Other	1,569,788	1,611,350
Allowance for doubtful accounts	(104,179)	(104,179)
Total investments and other assets	6,306,672	6,518,231
Total non-current assets	7,209,373	7,728,035
Total assets	19,230,244	19,218,923

(Thousands of yen)

As of March 31, 2016

As of December 31, 2016

Liabilities	As of March 31, 2016	As of December 31, 2016
Current liabilities		
Accounts payable - trade	1,829,254	1,266,031
Short-term loans payable	40,000	105,000
Current portion of long-term loans payable	83,480	38,480
Income taxes payable	654,393	102,502
Provision for bonuses	964,613	519,251
Provision for loss on liquidation of subsidiaries and associates	-	9,562
Other	1,141,015	1,324,498
Total current liabilities	4,712,756	3,365,327
Non-current liabilities		
Long-term loans payable	101,320	72,460
Long-term accounts payable - other	571,327	590,163
Net defined benefit liability	1,611,779	1,768,409
Provision for directors' retirement benefits	-	6,890
Asset retirement obligations	48,948	55,680
Deferred tax liabilities	-	2,519
Other	2,261	1,397
Total non-current liabilities	2,335,636	2,497,520
Total liabilities	7,048,392	5,862,848
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	7,319,269
Treasury shares	(455,045)	(426,141)
Total shareholders' equity	12,302,440	13,270,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(57,306)	137,158
Foreign currency translation adjustment	8,132	5,792
Remeasurements of defined benefit plans	(72,456)	(58,066)
Total accumulated other comprehensive income	(121,630)	84,884
Subscription rights to shares	411	-
Non-controlling interests	630	977
Total net assets	12,181,851	13,356,075
Total liabilities and net assets	19,230,244	19,218,923

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, 2015	Nine months ended December 31, 2016
Net sales	21,090,787	22,474,521
Cost of sales	17,160,871	18,335,378
Gross profit	3,929,915	4,139,143
Selling, general and administrative expenses		
Advertising expenses	15,230	21,978
Directors' compensations, salaries and allowances	848,391	969,962
Provision for bonuses	48,597	45,185
Retirement benefit expenses	20,134	24,448
Provision for directors' retirement benefits	-	933
Legal welfare expenses	123,172	132,372
Recruiting expenses	65,691	86,530
Entertainment expenses	32,368	33,739
Rents	107,744	128,029
Supplies expenses	30,094	33,382
Enterprise tax	72,097	113,742
Other	614,907	629,201
Total selling, general and administrative expenses	1,978,429	2,219,505
Operating income	1,951,485	1,919,637
Non-operating income		
Interest income	28,499	32,310
Dividend income	105,925	122,789
Gain on sales of securities	223,575	103,192
Gain on investments in money held in trust	-	4,154
Subsidy income	-	5,075
Share of profit of entities accounted for using equity method	22,373	12,291
Other	16,434	11,324
Total non-operating income	396,809	291,138
Non-operating expenses		
Interest expenses	1,708	857
Loss on valuation of securities	16,233	16,285
Amortization of long-term prepaid expenses	2,278	-
Loss on investments in money held in trust	674	-
Other	2,704	2,764
Total non-operating expenses	23,599	19,908
Ordinary income	2,324,694	2,190,867

(Thousands of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Extraordinary income		
Gain on sales of investment securities	149,638	47,538
Gain on redemption of investment securities	22,847	10,931
Surrender value of insurance	24,810	3,790
Other	1,020	4,528
Total extraordinary income	198,317	66,788
Extraordinary losses		
Loss on retirement of non-current assets	1,312	3,096
Loss on valuation of investment securities	28,078	–
Loss on redemption of investment securities	–	7,564
Head office renovation expenses	–	18,278
Provision for loss on liquidation of subsidiaries and associates	–	9,562
Other	23,556	8,406
Total extraordinary losses	52,947	46,908
Profit before income taxes	2,470,064	2,210,747
Income taxes - current	702,484	594,556
Income taxes - deferred	157,642	129,084
Total income taxes	860,126	723,640
Profit	1,609,937	1,487,107
Profit attributable to non-controlling interests	7,647	346
Profit attributable to owners of parent	1,602,290	1,486,760

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	1,609,937	1,487,107
Other comprehensive income		
Valuation difference on available-for-sale securities	(172,921)	194,464
Foreign currency translation adjustment	(1,014)	(2,352)
Remeasurements of defined benefit plans, net of tax	6,670	14,390
Share of other comprehensive income of entities accounted for using equity method	28	12
Total other comprehensive income	(167,237)	206,515
Comprehensive income	1,442,700	1,693,622
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,435,020	1,693,275
Comprehensive income attributable to non-controlling interests	7,679	346