

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (Based on Japanese GAAP)

August 7, 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, Kazuo Sugiyama  
 General Manager, Accounting & Finance Unit TEL +81-3-5769-8011  
 Scheduled date to file Quarterly Securities Report: August 11, 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 three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(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, 2020	9,404	1.7	426	(44.6)	847	26.5	555	28.2
Three months ended June 30, 2019	9,245	14.0	770	63.1	670	(7.6)	433	4.7

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2020	26.45		–	
Three months ended June 30, 2019	19.80		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	26,787	17,091	63.8
As of March 31, 2020	26,770	16,185	60.4

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, 2020	–	36.00	–	18.00	–
Year ending March 31, 2021	–	–	–	–	–
Year ending March 31, 2021 (Forecast)	–	18.00	–	18.00	36.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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, 2020	19,000	(1.1)	1,450	(16.0)	1,550	(18.3)	1,040	(8.7)	49.55
Full year	40,000	1.7	3,400	(4.4)	3,600	(3.0)	2,450	1.2	116.72

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2020: 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, 2020	24,000,000 shares	As of March 31, 2020	24,000,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2020	3,009,623 shares	As of March 31, 2020	3,009,560 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, 2020	20,990,417 shares	Three months ended June 30, 2019	21,880,086 shares
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**Quarterly consolidated financial statements**  
**Quarterly consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	9,407,848	8,812,936
Notes and accounts receivable - trade	7,369,657	6,429,545
Electronically recorded monetary claims - operating	20,902	14,943
Securities	564,629	642,148
Money held in trust	50,946	56,951
Merchandise and finished goods	26,879	24,921
Work in process	258,504	361,786
Supplies	1,582	1,566
Other	445,354	602,011
Allowance for doubtful accounts	(1,995)	(1,995)
Total current assets	18,144,311	16,944,816
Non-current assets		
Property, plant and equipment	510,703	538,026
Intangible assets		
Goodwill	580,360	741,295
Software	623,079	619,354
Other	12,795	12,783
Total intangible assets	1,216,235	1,373,433
Investments and other assets		
Investment securities	4,533,224	5,980,749
Other	2,473,228	2,057,982
Allowance for doubtful accounts	(107,319)	(107,319)
Total investments and other assets	6,899,132	7,931,413
Total non-current assets	8,626,072	9,842,874
Total assets	26,770,383	26,787,690

(Thousands of yen)

As of March 31, 2020

As of June 30, 2020

	As of March 31, 2020	As of June 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	1,815,951	1,706,762
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	663,336	673,332
Income taxes payable	418,051	139,438
Provision for bonuses	1,302,151	630,923
Provision for loss on order received	29,157	6,085
Other	1,741,514	2,019,529
<b>Total current liabilities</b>	<b>6,070,161</b>	<b>5,276,071</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,791,938	1,646,116
Long-term accounts payable - other	382,691	382,751
Retirement benefit liability	2,253,345	2,304,634
Asset retirement obligations	81,384	81,728
Lease obligations	4,934	4,449
<b>Total non-current liabilities</b>	<b>4,514,294</b>	<b>4,419,679</b>
<b>Total liabilities</b>	<b>10,584,455</b>	<b>9,695,751</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,514,875	2,514,875
Capital surplus	4,473,108	4,473,108
Retained earnings	12,509,598	12,687,057
Treasury shares	(3,357,059)	(3,357,155)
<b>Total shareholders' equity</b>	<b>16,140,523</b>	<b>16,317,886</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	45,838	771,474
Foreign currency translation adjustment	0	379
Remeasurements of defined benefit plans	(8,579)	(5,945)
<b>Total accumulated other comprehensive income</b>	<b>37,259</b>	<b>765,908</b>
<b>Share acquisition rights</b>	<b>8,144</b>	<b>8,144</b>
<b>Total net assets</b>	<b>16,185,927</b>	<b>17,091,939</b>
<b>Total liabilities and net assets</b>	<b>26,770,383</b>	<b>26,787,690</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, 2019	Three months ended June 30, 2020
Net sales	9,245,930	9,404,445
Cost of sales	7,502,838	7,952,778
Gross profit	1,743,091	1,451,667
Selling, general and administrative expenses		
Advertising expenses	7,134	4,912
Remuneration, salaries and allowances for directors (and other officers)	388,613	419,498
Provision for bonuses	55,759	62,930
Retirement benefit expenses	12,676	8,718
Legal welfare expenses	56,413	65,039
Recruiting expenses	41,842	52,079
Entertainment expenses	15,185	3,049
Rent expenses on land and buildings	43,169	40,606
Supplies expenses	18,928	15,736
Enterprise tax	39,186	44,799
Other	293,992	307,811
Total selling, general and administrative expenses	972,902	1,025,183
Operating profit	770,189	426,483
Non-operating income		
Interest income	105,193	70,095
Dividend income	44,351	36,139
Gain on sales of securities	12,533	7,584
Gain on valuation of securities	–	12,298
Gain on investments in money held in trust	899	6,004
Gain on valuation of derivatives	–	297,063
Subsidy income	6,483	8,977
Share of profit of entities accounted for using equity method	4,671	1,897
Other	8,980	4,011
Total non-operating income	183,113	444,072
Non-operating expenses		
Interest expenses	912	1,782
Loss on valuation of securities	41,951	–
Loss on valuation of derivatives	219,830	–
Foreign exchange losses	3,094	2,315
Payment on employee disabled	–	1,560
Investment advisory fee	15,410	14,854
Other	1,998	2,167
Total non-operating expenses	283,197	22,680
Ordinary profit	670,104	847,874

(Thousands of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Extraordinary income		
Gain on sales of investment securities	38	85
Gain on redemption of investment securities	–	896
Surrender value of insurance policies	4,020	–
Total extraordinary income	4,058	982
Extraordinary losses		
Loss on retirement of non-current assets	780	34
Loss on sales of investment securities	1,366	33
Loss on valuation of investment securities	53,583	–
Loss on redemption of investment securities	4,420	7,259
Office relocation expenses	3,302	–
Other	791	471
Total extraordinary losses	64,244	7,798
Profit before income taxes	609,917	841,058
Income taxes - current	15,393	143,060
Income taxes - deferred	161,323	142,712
Total income taxes	176,717	285,772
Profit	433,200	555,286
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	433,200	555,286

**Quarterly consolidated statements of comprehensive income**

	(Thousands of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	433,200	555,286
Other comprehensive income		
Valuation difference on available-for-sale securities	14,996	725,635
Foreign currency translation adjustment	–	379
Remeasurements of defined benefit plans, net of tax	4,698	2,634
Total other comprehensive income	19,694	728,648
Comprehensive income	452,895	1,283,934
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	452,895	1,283,934
Comprehensive income attributable to non-controlling interests	–	–