

Translation

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## Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Based on Japanese GAAP)

May 13, 2016

Company name: CREO CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 9698 URL <http://www.creo.co.jp>  
 Representative: President and Representative Director Yuji Anan  
 Inquiries: Executive Officer, Financial Director Takashi Ameda TEL 03-6866-0331  
 Scheduled date of ordinary general meeting of shareholders: June 14, 2016  
 Scheduled date to file Securities Report: June 27, 2016  
 Scheduled date to commence dividend payments: June 15, 2016  
 Preparation of supplementary material on financial results: No  
 Holding of financial results meeting: Yes (May 17, 2016)

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

#### (1) Consolidated operating results

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                         | %     |
| Year ended March 31, 2016 | 10,305          | (9.8) | 348              | (2.6) | 368             | (3.3) | 413                                     | 93.8  |
| Year ended March 31, 2015 | 11,425          | 0.3   | 357              | 37.6  | 380             | 38.7  | 213                                     | 384.5 |

|                           | Earnings per share | Diluted earnings per share | Profit attributable to owners of parent/equity | Ordinary income/total assets | Operating income/net sales |
|---------------------------|--------------------|----------------------------|--|------------------------------|----------------------------|
|                           | Yen                | Yen                        | %  | %                            | %                          |
| Year ended March 31, 2016 | 47.79              | –                          | 8.4  | 5.2                          | 3.4                        |
| Year ended March 31, 2015 | 24.66              | –                          | 4.6  | 5.5                          | 3.1                        |

#### (2) Consolidated financial position

|                      | Total assets    | Net assets      | Equity ratio | Net assets per share |
|----------------------|-----------------|-----------------|--------------|----------------------|
|                      | Millions of yen | Millions of yen | %            | Yen                  |
| As of March 31, 2016 | 7,091           | 5,165           | 72.2         | 591.66               |
| As of March 31, 2015 | 7,159           | 4,799           | 66.5         | 549.99               |

#### (3) Consolidated cash flows

|                           | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                           | Millions of yen                      | Millions of yen                      | Millions of yen                      | Millions of yen                            |
| Year ended March 31, 2016 | 499                                  | (341)                                | (112)                                | 3,599                                      |
| Year ended March 31, 2015 | 772                                  | (322)                                | (44)                                 | 3,553                                      |

### 2. Cash dividends

|                                       | Annual dividends per share |                 |                 |                 |       | Total cash dividends (Total) | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|---------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|------------------------------|--------------------------------------|---|
|                                       | 1st quarter-end            | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |                              |                                      |   |
|                                       | Yen                        | Yen             | Yen             | Yen             | Yen   | Millions of yen              | %                                    | %   |
| Year ended March 31, 2015             | –                          | 0.00            | –               | 5.00            | 5.00  | 43                           | 20.3                                 | 0.9   |
| Year ended March 31, 2016             | –                          | 0.00            | –               | 15.00           | 15.00 | 129                          | 31.4                                 | 2.6   |
| Year ending March 31, 2017 (Forecast) | –                          | 0.00            | –               | 12.00           | 12.00 |                              | 40.0                                 |   |

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 |        |
|--------------------------------------|-----------------|------|------------------|--------|-----------------|--------|---|--------|
|                                      | Millions of yen | %    | Millions of yen  | %      | Millions of yen | %      | Millions of yen                         | %      |
| Six months ending September 30, 2016 | 5,000           | 5.5  | 20               | (77.1) | 30              | (71.0) | 10                                      | (96.0) |
| Full year                            | 11,500          | 11.6 | 370              | 6.9    | 380             | 3.1    | 260                                     | (37.1) |

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2016

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

|                      |                  |                      |                  |
|----------------------|------------------|----------------------|------------------|
| As of March 31, 2016 | 9,237,319 shares | As of March 31, 2015 | 9,237,319 shares |
|----------------------|------------------|----------------------|------------------|

Number of treasury shares at the end of the period

|                      |                |                      |                |
|----------------------|----------------|----------------------|----------------|
| As of March 31, 2016 | 586,055 shares | As of March 31, 2015 | 581,646 shares |
|----------------------|----------------|----------------------|----------------|

Average number of shares during the period

|                           |                  |                           |                  |
|---------------------------|------------------|---------------------------|------------------|
| Year ended March 31, 2016 | 8,654,483 shares | Year ended March 31, 2015 | 8,656,835 shares |
|---------------------------|------------------|---------------------------|------------------|

**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

|  | As of March 31, 2015 | As of March 31, 2016 |
|--|----------------------|----------------------|
| Assets                                       |                      |                      |
| Current assets                               |                      |                      |
| Cash and deposits                            | 3,553                | 3,599                |
| Notes and accounts receivable - trade        | 2,149                | 2,176                |
| Merchandise and finished goods               | 24                   | 19                   |
| Work in process                              | 204                  | 167                  |
| Other  | 186                  | 193                  |
| Total current assets                         | 6,118                | 6,155                |
| Non-current assets                           |                      |                      |
| Property, plant and equipment                |                      |                      |
| Buildings and structures                     | 237                  | 233                  |
| Accumulated depreciation and impairment loss | (87)                 | (102)                |
| Buildings and structures, net                | 150                  | 130                  |
| Tools, furniture and fixtures                | 158                  | 167                  |
| Accumulated depreciation and impairment loss | (108)                | (123)                |
| Tools, furniture and fixtures, net           | 49                   | 43                   |
| Leased assets                                | 3                    | 14                   |
| Accumulated depreciation                     | (1)                  | (1)                  |
| Leased assets, net                           | 2                    | 12                   |
| Land   | 0                    | 0                    |
| Total property, plant and equipment          | 202                  | 186                  |
| Intangible assets                            |                      |                      |
| Goodwill                                     | –                    | 26                   |
| Patent right                                 | 2                    | 2                    |
| Software                                     | 378                  | 392                  |
| Software in progress                         | 103                  | 11                   |
| Other  | 3                    | 2                    |
| Total intangible assets                      | 488                  | 435                  |
| Investments and other assets                 |                      |                      |
| Investment securities                        | 119                  | 99                   |
| Other  | 231                  | 213                  |
| Allowance for doubtful accounts              | (0)                  | (0)                  |
| Total investments and other assets           | 350                  | 313                  |
| Total non-current assets                     | 1,041                | 935                  |
| Total assets                                 | 7,159                | 7,091                |

(Millions of yen)

|   | As of March 31, 2015 | As of March 31, 2016 |
|---|----------------------|----------------------|
| <b>Liabilities</b>                                    |                      |                      |
| Current liabilities                                   |                      |                      |
| Accounts payable - trade                              | 433                  | 462                  |
| Accounts payable - other                              | 566                  | 284                  |
| Income taxes payable                                  | 43                   | 80                   |
| Provision for bonuses                                 | 461                  | 429                  |
| Provision for directors' bonuses                      | –                    | 2                    |
| Provision for sales returns                           | 79                   | –                    |
| Other   | 653                  | 525                  |
| Total current liabilities                             | 2,237                | 1,784                |
| Non-current liabilities                               |                      |                      |
| Accrued directors' retirement benefits                | 26                   | 26                   |
| Net defined benefit liability                         | –                    | 32                   |
| Asset retirement obligations                          | 53                   | 50                   |
| Other   | 42                   | 31                   |
| Total non-current liabilities                         | 122                  | 141                  |
| Total liabilities                                     | 2,360                | 1,925                |
| <b>Net assets</b>                                     |                      |                      |
| Shareholders' equity                                  |                      |                      |
| Capital stock   | 3,149                | 3,149                |
| Capital surplus                                       | 743                  | 743                  |
| Retained earnings                                     | 1,013                | 1,384                |
| Treasury shares                                       | (178)                | (180)                |
| Total shareholders' equity                            | 4,728                | 5,095                |
| Accumulated other comprehensive income                |                      |                      |
| Valuation difference on available-for-sale securities | 32                   | 21                   |
| Total accumulated other comprehensive income          | 32                   | 21                   |
| Non-controlling interests                             | 39                   | 47                   |
| Total net assets                                      | 4,799                | 5,165                |
| Total liabilities and net assets                      | 7,159                | 7,091                |

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2016 |
|--|-------------------------------------|-------------------------------------|
| Net sales  | 11,425                              | 10,305                              |
| Cost of sales                                      | 8,792                               | 8,267                               |
| Gross profit                                       | 2,632                               | 2,038                               |
| Selling, general and administrative expenses       |                                     |                                     |
| Promotion expenses                                 | 83                                  | 8                                   |
| Advertising expenses                               | 154                                 | 57                                  |
| Salaries, allowances and bonuses                   | 771                                 | 615                                 |
| Retirement benefit expenses                        | 28                                  | 19                                  |
| Provision for bonuses                              | 90                                  | 66                                  |
| Directors' compensations                           | 240                                 | 189                                 |
| Other  | 906                                 | 732                                 |
| Total selling, general and administrative expenses | 2,275                               | 1,690                               |
| Operating income                                   | 357                                 | 348                                 |
| Non-operating income                               |                                     |                                     |
| Interest income                                    | 0                                   | 1                                   |
| Dividend income                                    | 2                                   | 2                                   |
| Insurance fee                                      | 2                                   | –                                   |
| Subsidy income                                     | –                                   | 15                                  |
| Gain on investments in partnership<br>profit       | 12<br>4                             | –<br>–                              |
| Other  | 3                                   | 4                                   |
| Total non-operating income                         | 25                                  | 23                                  |
| Non-operating expenses                             |                                     |                                     |
| Interest expenses                                  | 0                                   | 0                                   |
| Foreign exchange losses                            | 1                                   | –                                   |
| Loss on cancellation of leases                     | 0                                   | –                                   |
| Impairment loss                                    | –                                   | 3                                   |
| Other  | 0                                   | 0                                   |
| Total non-operating expenses                       | 2                                   | 3                                   |
| Ordinary income                                    | 380                                 | 368                                 |
| Extraordinary income                               |                                     |                                     |
| Gain on transfer of business                       | 86                                  | –                                   |
| Gain on sales of investment securities             | –                                   | 1                                   |
| Gain on sales of shares of subsidiaries            | –                                   | 204                                 |
| Total extraordinary income                         | 86                                  | 205                                 |
| Extraordinary losses                               |                                     |                                     |
| Loss on retirement of non-current assets           | –                                   | 0                                   |
| Settlement package                                 | 10                                  | –                                   |
| appraisal loss software                            | 145                                 | 31                                  |
| Other  | 1                                   | 0                                   |
| Total extraordinary losses                         | 157                                 | 31                                  |
| Profit before income taxes                         | 310                                 | 542                                 |
| Income taxes - current                             | 90                                  | 122                                 |
| Income taxes - deferred                            | 3                                   | 2                                   |
| Total income taxes                                 | 93                                  | 125                                 |
| Profit   | 217                                 | 417                                 |
| Profit attributable to non-controlling interests   | 3                                   | 3                                   |
| Profit attributable to owners of parent            | 213                                 | 413                                 |

## Consolidated statements of comprehensive income

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2016 |
|--|-------------------------------------|-------------------------------------|
| Profit   | 217                                 | 417                                 |
| Other comprehensive income                                     |                                     |                                     |
| Valuation difference on available-for-sale securities          | 25                                  | (10)                                |
| Total other comprehensive income                               | 25                                  | (10)                                |
| Comprehensive income   | 242                                 | 406                                 |
| Comprehensive income attributable to                           |                                     |                                     |
| Comprehensive income attributable to owners of parent          | 238                                 | 403                                 |
| Comprehensive income attributable to non-controlling interests | 3                                   | 3                                   |

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2015

(Millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 3,149                | 743             | 843               | (178)           | 4,558                      |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (43)              |                 | (43)                       |
| Profit attributable to owners of parent              |                      |                 | 213               |                 | 213                        |
| Purchase of treasury shares                          |                      |                 |                   | (0)             | (0)                        |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | -               | 170               | (0)             | 169                        |
| Balance at end of current period                     | 3,149                | 743             | 1,013             | (178)           | 4,728                      |

|  | Accumulated other comprehensive income                |  | Non-controlling interests | Total net assets |
|--|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period               | 7   | 7  | 36                        | 4,602            |
| Changes of items during period                       |   |  |                           |                  |
| Dividends of surplus                                 |   |  |                           | (43)             |
| Profit attributable to owners of parent              |   |  |                           | 213              |
| Purchase of treasury shares                          |   |  |                           | (0)              |
| Net changes of items other than shareholders' equity | 25  | 25   | 3                         | 28               |
| Total changes of items during period                 | 25  | 25   | 3                         | 197              |
| Balance at end of current period                     | 32  | 32   | 39                        | 4,799            |

Fiscal year ended March 31, 2016

(Millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 3,149                | 743             | 1,013             | (178)           | 4,728                      |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (43)              |                 | (43)                       |
| Profit attributable to owners of parent              |                      |                 | 413               |                 | 413                        |
| Purchase of treasury shares                          |                      |                 |                   | (1)             | (1)                        |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | –                    | –               | 370               | (1)             | 368                        |
| Balance at end of current period                     | 3,149                | 743             | 1,384             | (180)           | 5,096                      |

|  | Accumulated other comprehensive income                |  | Non-controlling interests | Total net assets |
|--|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period               | 32  | 32   | 39                        | 4,799            |
| Changes of items during period                       |   |  |                           |                  |
| Dividends of surplus                                 |   |  |                           | (43)             |
| Profit attributable to owners of parent              |   |  |                           | 413              |
| Purchase of treasury shares                          |   |  |                           | (1)              |
| Net changes of items other than shareholders' equity | (10)  | (10)   | 8                         | (2)              |
| Total changes of items during period                 | (10)  | (10)   | 8                         | 366              |
| Balance at end of current period                     | 21  | 21   | 47                        | 5,165            |

## Consolidated statements of cash flows

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2016 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities  |                                     |                                     |
| Profit before income taxes  | 310                                 | 542                                 |
| Depreciation  | 478                                 | 242                                 |
| Amortization of goodwill  | 2                                   | 2                                   |
| Increase (decrease) in allowance for doubtful accounts                                  | 0                                   | (1)                                 |
| Increase (decrease) in provision for bonuses  | 31                                  | 2                                   |
| Increase (decrease) in provision for directors' bonuses                                 | –                                   | 2                                   |
| Increase (decrease) in provision for sales returns                                      | (10)                                | –                                   |
| Increase (decrease) in provision for retirement benefits                                | –                                   | 3                                   |
| Interest and dividend income  | (2)                                 | (4)                                 |
| Interest expenses   | 0                                   | 0                                   |
| Loss on retirement of property, plant and equipment                                     | 0                                   | 0                                   |
| Gain on transfer of business  | (86)                                | –                                   |
| Loss (gain) on valuation of investment securities                                       | –                                   | (1)                                 |
| Loss (gain) on sales of shares of subsidiaries  | –                                   | (204)                               |
| Loss (gain) on sales of property, plant and equipment                                   | 0                                   | –                                   |
| appraisal loss software   | 145                                 | 31                                  |
| Settlement package  | 10                                  | –                                   |
| Decrease (increase) in notes and accounts receivable - trade                            | (107)                               | (37)                                |
| Decrease (increase) in inventories  | (33)                                | 25                                  |
| Increase (decrease) in notes and accounts payable - trade                               | (38)                                | 65                                  |
| Increase (decrease) in accounts payable - other   | 69                                  | (8)                                 |
| Increase (decrease) in accrued consumption taxes  | 156                                 | (102)                               |
| Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation | (0)                                 | 0                                   |
| Other, net  | (21)                                | 23                                  |
| Subtotal  | 905                                 | 581                                 |
| Interest and dividend income received   | 2                                   | 4                                   |
| Interest expenses paid  | (0)                                 | (0)                                 |
| Income taxes paid   | (136)                               | (85)                                |
| Net cash provided by (used in) operating activities                                     | 772                                 | 499                                 |

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2016 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from investing activities  |                                     |                                     |
| Purchase of property, plant and equipment   | (58)                                | (14)                                |
| Proceeds from sales of property, plant and equipment  | –                                   | 1                                   |
| Purchase of intangible assets   | (346)                               | (303)                               |
| Proceeds from sales of intangible assets  | –                                   | 0                                   |
| Purchase of investment securities   | –                                   | (0)                                 |
| Proceeds from sales of investment securities  | –                                   | 5                                   |
| Payments for guarantee deposits   | (77)                                | (1)                                 |
| Proceeds from collection of guarantee deposits  | 62                                  | 0                                   |
| Proceeds from transfer of business  | 110                                 | –                                   |
| Payments for sales of shares of subsidiaries resulting in<br>change in scope of consolidation | –                                   | (3)                                 |
| Purchase of shares of subsidiaries resulting in change in scope<br>of consolidation           | –                                   | (53)                                |
| Payments of short-term loans receivable   | –                                   | (30)                                |
| Collection of short-term loans receivable   | –                                   | 56                                  |
| Other, net  | (12)                                | 0                                   |
| Net cash provided by (used in) investing activities   | (322)                               | (341)                               |
| Cash flows from financing activities  |                                     |                                     |
| Decrease in short-term loans payable  | –                                   | (29)                                |
| Repayments of long-term loans payable   | –                                   | (35)                                |
| Cash dividends paid   | (42)                                | (43)                                |
| Purchase of treasury shares   | (0)                                 | (1)                                 |
| Dividends paid to non-controlling interests   | (0)                                 | (0)                                 |
| Repayments of lease obligations   | (0)                                 | (0)                                 |
| Net cash provided by (used in) financing activities   | (44)                                | (112)                               |
| Net increase (decrease) in cash and cash equivalents  | 405                                 | 45                                  |
| Cash and cash equivalents at beginning of period  | 3,148                               | 3,553                               |
| Cash and cash equivalents at end of period  | 3,553                               | 3,599                               |