

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (Based on Japanese GAAP)

October 31, 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 to file Quarterly Securities Report: November 14, 2016
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (for analysts, institutional investors and general investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 30, 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	%
Six months ended September 30, 2016	5,379	13.5	46	(46.9)	73	(28.7)	40	(83.8)
Six months ended September 30, 2015	4,739	(12.6)	87	(4.4)	103	8.1	251	677.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2016	4.70		–	
Six months ended September 30, 2015	29.01		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	7,138	5,078	70.4
As of March 31, 2016	7,091	5,165	72.2

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, 2016	–	0.00	–	15.00	15.00
Year ending March 31, 2017	–	0.00			
Year ending March 31, 2017 (Forecast)			–	12.00	12.00

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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	11,500	11.6	370	6.9	380	3.1	260	(37.1)

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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: Yes
- 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 September 30, 2016	9,237,319 shares	As of March 31, 2016	9,237,319 shares
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Number of treasury shares at the end of the period

As of September 30, 2016	586,950 shares	As of March 31, 2016	582,908 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2016	8,650,880 shares	Six months ended September 30, 2015	8,655,252 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	3,599	3,580
Notes and accounts receivable - trade	2,176	1,755
Merchandise and finished goods	19	4
Work in process	167	293
Other	193	273
Allowance for doubtful accounts	-	(7)
Total current assets	<u>6,155</u>	<u>5,899</u>
Non-current assets		
Property, plant and equipment	186	178
Intangible assets		
Goodwill	26	151
Other	408	497
Total intangible assets	<u>435</u>	<u>649</u>
Investments and other assets		
Other	313	432
Allowance for doubtful accounts	(0)	(21)
Total investments and other assets	<u>313</u>	<u>410</u>
Total non-current assets	<u>935</u>	<u>1,239</u>
Total assets	<u>7,091</u>	<u>7,138</u>
Liabilities		
Current liabilities		
Accounts payable - trade	462	437
Income taxes payable	80	47
Provision for bonuses	429	433
Asset retirement obligations	-	42
Other	812	912
Total current liabilities	<u>1,784</u>	<u>1,874</u>
Non-current liabilities		
Directors' retirement benefits payable	26	26
Net defined benefit liability	32	105
Asset retirement obligations	50	27
Other	31	26
Total non-current liabilities	<u>141</u>	<u>186</u>
Total liabilities	<u>1,925</u>	<u>2,060</u>
Net assets		
Shareholders' equity		
Capital stock	3,149	3,149
Capital surplus	743	743
Retained earnings	1,384	1,295
Treasury shares	(180)	(180)
Total shareholders' equity	<u>5,096</u>	<u>5,007</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21	22
Total accumulated other comprehensive income	<u>21</u>	<u>22</u>
Non-controlling interests	47	48
Total net assets	<u>5,165</u>	<u>5,078</u>
Total liabilities and net assets	<u>7,091</u>	<u>7,138</u>

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	4,739	5,379
Cost of sales	3,837	4,349
Gross profit	901	1,030
Selling, general and administrative expenses	814	983
Operating income	87	46
Non-operating income		
Interest income	0	0
Dividend income	1	1
Subsidy income	11	15
Other	2	11
Total non-operating income	16	29
Non-operating expenses		
Interest expenses	0	0
Other	0	1
Total non-operating expenses	0	1
Ordinary income	103	73
Extraordinary income		
Gain on sales of shares of subsidiaries	204	–
Other	0	–
Total extraordinary income	204	–
Extraordinary losses		
Other	0	0
Total extraordinary losses	0	0
Profit before income taxes	307	73
Income taxes - current	53	29
Income taxes - deferred	1	0
Total income taxes	54	29
Profit	253	43
Profit attributable to non-controlling interests	2	3
Profit attributable to owners of parent	251	40

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	253	43
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(0)
Total other comprehensive income	(8)	(0)
Comprehensive income	244	43
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	242	40
Comprehensive income attributable to non-controlling interests	2	3

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	307	73
Depreciation	103	130
Amortization of goodwill	–	19
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for bonuses	(23)	4
Interest and dividend income	(1)	(1)
Interest expenses	0	0
Loss on retirement of property, plant and equipment	0	0
Loss (gain) on sales of shares of subsidiaries	(204)	–
Decrease (increase) in notes and accounts receivable - trade	498	535
Decrease (increase) in inventories	(77)	(108)
Increase (decrease) in notes and accounts payable - trade	(56)	(40)
Increase (decrease) in accounts payable - other	(49)	(145)
Other, net	(44)	17
Subtotal	452	485
Interest and dividend income received	1	1
Interest expenses paid	(0)	(0)
Income taxes paid	(52)	(44)
Net cash provided by (used in) operating activities	401	442
Cash flows from investing activities		
Purchase of property, plant and equipment	(11)	(15)
Purchase of intangible assets	(160)	(221)
Payments for guarantee deposits	(0)	(79)
Proceeds from collection of guarantee deposits	0	0
Payments of loans receivable	(30)	(50)
Proceeds from maturity of insurance funds	–	5
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	38
Other, net	(0)	(5)
Net cash provided by (used in) investing activities	(204)	(328)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(43)	(129)
Dividends paid to non-controlling interests	(1)	(1)
Repayments of lease obligations	–	(1)
Other, net	(0)	–
Net cash provided by (used in) financing activities	(45)	(133)
Net increase (decrease) in cash and cash equivalents	150	(19)
Cash and cash equivalents at beginning of period	3,553	3,599
Cash and cash equivalents at end of period	3,704	3,580