Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2017 (Based on Japanese GAAP)

October 27, 2017

Company name: Scroll Corporation
Stock exchange listing: Tokyo
Stock code: 8005 URL http://www.scroll.jp/
Representative: Chairman, CEO&COO Mamoru Horita
Inquiries: Corporate Officer, General Manager of Corporate Management Dept. Yasunori Sugimoto TEL 053-464-1114
Scheduled date to file Quarterly Securities Report: November 13, 2017
Scheduled date to commence dividend payments: November 30, 2017
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(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	%
Six months ended September 30, 2017	29,928	3.5	1,209	21.7	1,275	22.5	775	6.4
Six months ended September 30, 2016	28,921	(9.2)	993	(32.4)	1,041	(31.0)	728	(43.8)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	22.79	–
Six months ended September 30, 2016	21.54	21.50

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	39,761	23,239	58.3
As of March 31, 2017	37,962	22,495	59.1

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, 2017	–	5.00	–	5.00	10.00
Year ending March 31, 2018	–	5.00			
Year ending March 31, 2018 (Forecast)			–	5.00	10.00

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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	60,000	1.9	1,700	36.8	1,800	33.3	1,200	78.5	35.26

4. Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2017 (changes in specified subsidiaries resulting in the change in scope of consolidation): 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 September 30, 2017	34,818,050 shares	As of March 31, 2017	34,320,650 shares

Number of treasury shares at the end of the period

As of September 30, 2017	783,647 shares	As of March 31, 2017	295,293 shares

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2017	34,025,454 shares	Six months ended September 30, 2016	33,848,616 shares

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	4,833	5,238
Accounts receivable - trade	9,216	9,682
Inventories	6,472	6,437
Other	3,155	3,185
Allowance for doubtful accounts	(289)	(287)
Total current assets	23,388	24,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,638	4,499
Land	4,614	4,614
Other, net	1,117	1,076
Total property, plant and equipment	10,370	10,190
Intangible assets		
Goodwill	1,016	2,011
Other	916	874
Total intangible assets	1,932	2,885
Investments and other assets		
Other	2,476	2,658
Allowance for doubtful accounts	(206)	(229)
Total investments and other assets	2,270	2,429
Total non-current assets	14,574	15,505
Total assets	37,962	39,761
Liabilities		
Current liabilities		
Accounts payable - trade	2,052	2,131
Short-term loans payable	75	2,025
Accounts payable - other	8,847	9,388
Income taxes payable	190	439
Provision	216	237
Other	959	846
Total current liabilities	12,342	15,068
Non-current liabilities		
Long-term loans payable	2,000	189
Provision	114	88
Net defined benefit liability	933	985
Other	76	190
Total non-current liabilities	3,124	1,453
Total liabilities	15,467	16,522

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	5,812	6,005
Capital surplus	6,742	6,742
Retained earnings	9,396	10,001
Treasury shares	(166)	(356)
Total shareholders' equity	21,783	22,392
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	562	737
Deferred gains or losses on hedges	73	19
Foreign currency translation adjustment	14	14
Total accumulated other comprehensive income	650	771
Subscription rights to shares	–	0
Non-controlling interests	61	74
Total net assets	22,495	23,239
Total liabilities and net assets	37,962	39,761

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, 2016	Six months ended September 30, 2017
Net sales	28,921	29,928
Cost of sales	17,690	18,729
Gross profit	11,231	11,198
Selling, general and administrative expenses	10,237	9,989
Operating profit	993	1,209
Non-operating income		
Interest income	6	6
Dividend income	20	21
Reversal for loss on interest repayment	1	22
Other	32	32
Total non-operating income	60	83
Non-operating expenses		
Interest expenses	6	6
Other	6	10
Total non-operating expenses	13	16
Ordinary profit	1,041	1,275
Extraordinary losses		
Loss on retirement of non-current assets	115	8
Loss on valuation of investment securities	–	5
Total extraordinary losses	115	14
Profit before income taxes	925	1,261
Income taxes - current	279	416
Income taxes - deferred	(94)	48
Total income taxes	185	464
Profit	740	796
Profit attributable to non-controlling interests	11	21
Profit attributable to owners of parent	728	775

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	740	796
Other comprehensive income		
Valuation difference on available-for-sale securities	0	175
Deferred gains or losses on hedges	17	(54)
Foreign currency translation adjustment	(5)	(0)
Total other comprehensive income	12	121
Comprehensive income	753	917
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	741	896
Comprehensive income attributable to non-controlling interests	11	21

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	925	1,261
Depreciation	337	394
Amortization of goodwill	–	179
Increase (decrease) in allowance for doubtful accounts	115	12
Increase (decrease) in other provision	(63)	(19)
Increase (decrease) in net defined benefit liability	51	49
Interest and dividend income	(26)	(27)
Interest expenses	6	6
Loss (gain) on sales and valuation of investment securities	–	5
Loss (gain) on sales and retirement of non-current assets	115	8
Decrease (increase) in operating receivables	646	(128)
Decrease (increase) in inventories	(758)	387
Decrease (increase) in other current assets	(110)	(93)
Increase (decrease) in notes and accounts payable - trade	(89)	(27)
Increase (decrease) in other current liabilities	2,676	207
Other, net	2	3
Subtotal	3,829	2,221
Interest and dividend income received	26	27
Interest expenses paid	(6)	(6)
Income taxes paid	(271)	(179)
Income taxes refund	2	4
Net cash provided by (used in) operating activities	3,579	2,067
Cash flows from investing activities		
Purchase of property, plant and equipment	(42)	(63)
Purchase of intangible assets	(137)	(27)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(885)
Other, net	(3)	(21)
Net cash provided by (used in) investing activities	(183)	(997)
Cash flows from financing activities		
Decrease in short-term loans payable	–	(630)
Proceeds from long-term loans payable	–	193
Repayments of long-term loans payable	(55)	(53)
Proceeds from issuance of common shares	–	192
Purchase of treasury shares	(0)	(193)
Proceeds from sales of treasury shares	150	3
Cash dividends paid	(167)	(169)
Dividends paid to non-controlling interests	(9)	(8)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(230)	–
Other, net	(0)	(1)
Net cash provided by (used in) financing activities	(312)	(665)
Effect of exchange rate change on cash and cash equivalents	(4)	(0)
Net increase (decrease) in cash and cash equivalents	3,078	404
Cash and cash equivalents at beginning of period	2,866	4,833
Cash and cash equivalents at end of period	5,945	5,238