Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2018 (Based on Japanese GAAP)

May 8, 2018

Company name: Scroll Corporation
Stock exchange listing: Tokyo
Stock code: 8005 URL https://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 of ordinary general meeting of shareholders: May 31, 2018
Scheduled date to file Securities Report: May 31, 2018
Scheduled date to commence dividend payments: June 1, 2018
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

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	%
Year ended March 31, 2018	62,207	5.7	1,303	4.9	1,458	7.9	(1,035)	–
Year ended March 31, 2017	58,864	(6.8)	1,242	(35.8)	1,350	(35.9)	672	(71.8)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	(30.41)	–	(4.8)	3.7	2.1
Year ended March 31, 2017	19.81	19.80	3.0	3.7	2.1

(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, 2018	40,319	21,094	52.3	618.29
As of March 31, 2017	37,962	22,495	59.1	659.34

(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, 2018	3,534	(1,482)	(1,121)	5,766
Year ended March 31, 2017	3,935	(714)	(1,252)	4,833

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, 2017	–	5.00	–	5.00	10.00	340	50.5	1.5
Year ended March 31, 2018	–	5.00	–	5.00	10.00	345	–	1.6
Year ending March 31, 2019 (Forecast)	–	5.00	–	5.00	10.00		20.1	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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, 2018	35,000	16.9	1,200	(0.8)	1,250	(2.0)	850	9.6	24.92
Full year	70,000	12.5	2,400	84.1	2,500	71.5	1,700	–	49.84

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018 (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: No

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, 2018	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 March 31, 2018	707,680 shares	As of March 31, 2017	295,293 shares

Average number of shares during the period

Year ended March 31, 2018	34,048,355 shares	Year ended March 31, 2017	33,934,901 shares

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	4,833	5,766
Accounts receivable - trade	9,216	10,271
Merchandise	5,273	6,454
Supplies	412	400
Deferred tax assets	374	459
Accounts receivable - other	1,848	2,241
Other	1,719	1,343
Allowance for doubtful accounts	(289)	(250)
Total current assets	23,388	26,685
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,816	11,857
Accumulated depreciation	(7,177)	(7,477)
Buildings and structures, net	4,638	4,380
Machinery, equipment and vehicles	1,724	1,677
Accumulated depreciation	(779)	(914)
Machinery, equipment and vehicles, net	945	762
Land	4,614	4,614
Construction in progress	28	3
Other	991	1,158
Accumulated depreciation	(848)	(979)
Other, net	143	178
Total property, plant and equipment	10,370	9,938
Intangible assets		
Goodwill	1,016	318
Software	909	760
Software in progress	1	28
Other	4	6
Total intangible assets	1,932	1,114
Investments and other assets		
Investment securities	1,596	1,854
Deferred tax assets	408	295
Other	471	638
Allowance for doubtful accounts	(206)	(208)
Total investments and other assets	2,270	2,580
Total non-current assets	14,574	13,633
Total assets	37,962	40,319

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	2,052	2,956
Short-term loans payable	75	2,100
Accounts payable - other	8,847	10,183
Income taxes payable	190	491
Provision for bonuses	175	210
Provision for point card certificates	20	97
Provision for loss on interest repayment	20	12
Other	959	1,392
Total current liabilities	12,342	17,443
Non-current liabilities		
Long-term loans payable	2,000	526
Provision for directors' retirement benefits	2	20
Provision for loss on interest repayment	86	44
Provision for environmental measures	25	25
Net defined benefit liability	933	1,024
Other	76	139
Total non-current liabilities	3,124	1,780
Total liabilities	15,467	19,224
Net assets		
Shareholders' equity		
Capital stock	5,812	6,005
Capital surplus	6,742	6,657
Retained earnings	9,396	8,018
Treasury shares	(166)	(326)
Total shareholders' equity	21,783	20,353
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	562	749
Deferred gains or losses on hedges	73	(29)
Foreign currency translation adjustment	14	16
Total accumulated other comprehensive income	650	736
Share acquisition rights	–	4
Non-controlling interests	61	–
Total net assets	22,495	21,094
Total liabilities and net assets	37,962	40,319

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	58,864	62,207
Cost of sales	37,084	39,734
Gross profit	21,780	22,473
Selling, general and administrative expenses	20,537	21,170
Operating profit	1,242	1,303
Non-operating income		
Interest income	12	12
Dividend income	35	37
Foreign exchange gains	6	21
Reversal for loss on interest repayment	18	38
Other	64	82
Total non-operating income	137	193
Non-operating expenses		
Interest expenses	12	13
Share of loss of entities accounted for using equity method	3	6
Other	13	19
Total non-operating expenses	29	39
Ordinary profit	1,350	1,458
Extraordinary income		
Gain on sales of non-current assets	2	–
Total extraordinary income	2	–
Extraordinary losses		
Impairment loss	–	1,710
Loss on retirement of non-current assets	394	70
Other	0	5
Total extraordinary losses	394	1,786
Profit (loss) before income taxes	958	(328)
Income taxes - current	310	617
Income taxes - deferred	(51)	48
Total income taxes	259	665
Profit (loss)	698	(993)
Profit attributable to non-controlling interests	26	41
Profit (loss) attributable to owners of parent	672	(1,035)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit (loss)	698	(993)
Other comprehensive income		
Valuation difference on available-for-sale securities	160	187
Deferred gains or losses on hedges	255	(102)
Foreign currency translation adjustment	(1)	1
Total other comprehensive income	414	85
Comprehensive income	1,113	(907)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,087	(949)
Comprehensive income attributable to non-controlling interests	26	41

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,812	7,058	9,061	(424)	21,507
Changes of items during period					
Issuance of new shares					–
Dividends of surplus			(337)		(337)
Profit (loss) attributable to owners of parent			672		672
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(128)		258	129
Change in ownership interest of parent due to transactions with non-controlling interests		(187)			(187)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(316)	334	257	275
Balance at end of current period	5,812	6,742	9,396	(166)	21,783

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	401	(182)	16	235	8	87	21,839
Changes of items during period							
Issuance of new shares							–
Dividends of surplus							(337)
Profit (loss) attributable to owners of parent							672
Purchase of treasury shares							(0)
Disposal of treasury shares							129
Change in ownership interest of parent due to transactions with non-controlling interests							(187)
Net changes of items other than shareholders' equity	160	255	(1)	414	(8)	(26)	380
Total changes of items during period	160	255	(1)	414	(8)	(26)	656
Balance at end of current period	562	73	14	650	–	61	22,495

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,812	6,742	9,396	(166)	21,783
Changes of items during period					
Issuance of new shares	192				192
Dividends of surplus			(342)		(342)
Profit (loss) attributable to owners of parent			(1,035)		(1,035)
Purchase of treasury shares				(193)	(193)
Disposal of treasury shares				33	33
Change in ownership interest of parent due to transactions with non-controlling interests		(85)			(85)
Net changes of items other than shareholders' equity					
Total changes of items during period	192	(85)	(1,378)	(160)	(1,430)
Balance at end of current period	6,005	6,657	8,018	(326)	20,353

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	562	73	14	650	–	61	22,495
Changes of items during period							
Issuance of new shares							192
Dividends of surplus							(342)
Profit (loss) attributable to owners of parent							(1,035)
Purchase of treasury shares							(193)
Disposal of treasury shares							33
Change in ownership interest of parent due to transactions with non-controlling interests							(85)
Net changes of items other than shareholders' equity	187	(102)	1	85	4	(61)	29
Total changes of items during period	187	(102)	1	85	4	(61)	(1,400)
Balance at end of current period	749	(29)	16	736	4	–	21,094

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	958	(328)
Depreciation	785	811
Impairment loss	–	1,710
Amortization of goodwill	35	369
Increase (decrease) in provision for bonuses	(15)	23
Increase (decrease) in provision for point card certificates	(33)	36
Increase (decrease) in provision for loss on interest repayment	(32)	(50)
Increase (decrease) in allowance for doubtful accounts	211	(52)
Increase (decrease) in net defined benefit liability	132	79
Interest and dividend income	(48)	(50)
interest expenses	12	13
Loss (gain) on sales and valuation of investment securities	–	5
Loss (gain) on sales and retirement of non-current assets	392	70
Decrease (increase) in operating receivables	442	(233)
Decrease (increase) in inventories	(473)	118
Decrease (increase) in other current assets	(250)	(277)
Increase (decrease) in notes and accounts payable - trade	(64)	347
Increase (decrease) in accrued liabilities	2,276	977
Increase (decrease) in other current liabilities	(1)	346
Other, net	5	(79)
Subtotal	4,332	3,837
Interest and dividend income received	48	50
Interest expenses paid	(12)	(13)
Income taxes paid	(434)	(344)
Income taxes refund	2	4
Net cash provided by (used in) operating activities	3,935	3,534
Cash flows from investing activities		
Purchase of property, plant and equipment	(94)	(131)
Proceeds from sales of property, plant and equipment	0	–
Purchase of intangible assets	(160)	(72)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(428)	(1,192)
Other, net	(31)	(85)
Net cash provided by (used in) investing activities	(714)	(1,482)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Decrease in short-term loans payable	–	(1,130)
Proceeds from long-term loans payable	–	693
Repayments of long-term loans payable	(825)	(191)
Proceeds from issuance of common shares	–	192
Proceeds from sales of treasury shares	152	39
Purchase of treasury shares	(0)	(193)
Cash dividends paid	(336)	(341)
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)	(180)
Other, net	(0)	(2)
Net cash provided by (used in) financing activities	(1,252)	(1,121)
Effect of exchange rate change on cash and cash equivalents	(2)	1
Net increase (decrease) in cash and cash equivalents	1,966	933
Cash and cash equivalents at beginning of period	2,866	4,833
Cash and cash equivalents at end of period	4,833	5,766