Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

October 30, 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 to file Quarterly Securities Report: November 12, 2018
Scheduled date to commence dividend payments: November 30, 2018
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, 2018 (from April 1, 2018 to September 30, 2018)

(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, 2018	36,371	21.5	1,431	18.4	1,426	11.8	888	14.6
Six months ended September 30, 2017	29,928	3.5	1,209	21.7	1,275	22.5	775	6.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	26.03	25.97
Six months ended September 30, 2017	22.79	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	42,783	21,921	51.2
As of March 31, 2018	40,319	21,094	52.3

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, 2018	–	5.00	–	5.00	10.00
Year ending March 31, 2019	–	5.00			
Year ending March 31, 2019 (Forecast)			–	5.00	10.00

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
Full year	70,000	12.5	2,400	84.1	2,500	71.5	1,700	–	49.74

4. Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2018 (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, 2018	34,818,050 shares	As of March 31, 2018	34,818,050 shares

Number of treasury shares at the end of the period

As of September 30, 2018	640,574 shares	As of March 31, 2018	707,680 shares

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

Six months ended September 30, 2018	34,143,485 shares	Six months ended September 30, 2017	34,025,454 shares

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	5,766	5,642
Accounts receivable - trade	10,271	10,686
Inventories	7,294	7,748
Other	3,144	3,059
Allowance for doubtful accounts	(250)	(239)
Total current assets	26,226	26,896
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,380	4,277
Land	4,614	5,520
Other, net	944	880
Total property, plant and equipment	9,938	10,678
Intangible assets		
Goodwill	318	982
Other	795	845
Total intangible assets	1,114	1,828
Investments and other assets		
Other	3,248	3,583
Allowance for doubtful accounts	(208)	(201)
Total investments and other assets	3,039	3,381
Total non-current assets	14,092	15,887
Total assets	40,319	42,783
Liabilities		
Current liabilities		
Accounts payable - trade	2,956	3,048
Short-term loans payable	2,100	100
Accounts payable - other	10,183	9,946
Income taxes payable	491	461
Provision	320	355
Other	1,392	1,030
Total current liabilities	17,443	14,942
Non-current liabilities		
Long-term loans payable	526	4,635
Provision	90	80
Net defined benefit liability	1,024	1,058
Other	139	145
Total non-current liabilities	1,780	5,919
Total liabilities	19,224	20,862

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	6,005	6,005
Capital surplus	6,657	6,657
Retained earnings	8,018	8,734
Treasury shares	(326)	(300)
Total shareholders' equity	20,353	21,096
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	749	735
Deferred gains or losses on hedges	(29)	69
Foreign currency translation adjustment	16	12
Total accumulated other comprehensive income	736	816
Share acquisition rights	4	8
Total net assets	21,094	21,921
Total liabilities and net assets	40,319	42,783

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, 2017	Six months ended September 30, 2018
Net sales	29,928	36,371
Cost of sales	18,729	23,165
Gross profit	11,198	13,205
Selling, general and administrative expenses	9,989	11,774
Operating profit	1,209	1,431
Non-operating income		
Interest income	6	6
Dividend income	21	24
Other	55	42
Total non-operating income	83	74
Non-operating expenses		
Interest expenses	6	7
Foreign exchange losses	–	24
Share of loss of entities accounted for using equity method	3	44
Other	7	2
Total non-operating expenses	16	78
Ordinary profit	1,275	1,426
Extraordinary income		
Gain on sales of non-current assets	–	0
Total extraordinary income	–	0
Extraordinary losses		
Loss on retirement of non-current assets	8	22
Other	5	–
Total extraordinary losses	14	22
Profit before income taxes	1,261	1,404
Income taxes - current	416	467
Income taxes - deferred	48	48
Total income taxes	464	515
Profit	796	888
Profit attributable to non-controlling interests	21	–
Profit attributable to owners of parent	775	888

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	796	888
Other comprehensive income		
Valuation difference on available-for-sale securities	175	(14)
Deferred gains or losses on hedges	(54)	98
Foreign currency translation adjustment	(0)	(3)
Total other comprehensive income	121	80
Comprehensive income	917	969
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	896	969
Comprehensive income attributable to non-controlling interests	21	–

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,261	1,404
Depreciation	394	400
Amortization of goodwill	179	96
Increase (decrease) in allowance for doubtful accounts	12	(17)
Increase (decrease) in other provision	(19)	24
Increase (decrease) in net defined benefit liability	49	34
Interest and dividend income	(27)	(31)
Interest expenses	6	7
Share of loss (profit) of entities accounted for using equity	3	44
Loss (gain) on sales and retirement of non-current assets	8	22
Decrease (increase) in operating receivables	(128)	(237)
Decrease (increase) in inventories	387	(412)
Decrease (increase) in other current assets	(93)	113
Increase (decrease) in notes and accounts payable - trade	(27)	(92)
Increase (decrease) in other current liabilities	207	(712)
Other, net	5	90
Subtotal	2,221	734
Interest and dividend income received	27	31
Interest expenses paid	(6)	(7)
Income taxes paid	(179)	(504)
Income taxes refund	4	9
Net cash provided by (used in) operating activities	2,067	262
Cash flows from investing activities		
Purchase of property, plant and equipment	(63)	(970)
Purchase of intangible assets	(27)	(97)
Purchase of investment securities	(1)	(395)
Purchase of shares of subsidiaries resulting in change in scope	(885)	(710)
Payments for guarantee deposits	(3)	(89)
Proceeds from collection of guarantee deposits	3	39
Other, net	(20)	(1)
Net cash provided by (used in) investing activities	(997)	(2,226)
Cash flows from financing activities		
Decrease in short-term loans payable	(630)	–
Proceeds from long-term loans payable	193	4,200
Repayments of long-term loans payable	(53)	(2,222)
Proceeds from issuance of common shares	192	–
Proceeds from sales of treasury shares	3	39
Purchase of treasury shares	(193)	(0)
Cash dividends paid	(169)	(172)
Dividends paid to non-controlling interests	(8)	–
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(665)	1,842
Effect of exchange rate change on cash and cash equivalents	(0)	(4)
Net increase (decrease) in cash and cash equivalents	404	(124)
Cash and cash equivalents at beginning of period	4,833	5,766
Cash and cash equivalents at end of period	5,238	5,642