Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2019 (Based on Japanese GAAP)

May 8, 2019

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, 2019
Scheduled date to file Securities Report: May 31, 2019
Scheduled date to commence dividend payments: June 3, 2019
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, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	71,153	14.4	1,697	30.2	1,415	(2.9)	631	–
Year ended March 31, 2018	62,207	5.7	1,303	4.9	1,458	7.9	(1,035)	–

	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, 2019	18.47	18.44	3.0	3.4	2.4
Year ended March 31, 2018	(30.41)	–	(4.8)	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, 2019	42,368	21,156	49.9	616.92
As of March 31, 2018	40,319	21,094	52.3	618.29

(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, 2019	467	(2,370)	1,617	5,473
Year ended March 31, 2018	3,534	(1,482)	(1,121)	5,766

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, 2018	–	5.00	–	5.00	10.00	345	–	1.6
Year ended March 31, 2019	–	5.00	–	5.00	10.00	345	54.7	1.6
Year ending March 31, 2020 (Forecast)	–	5.00	–	5.00	10.00		26.6	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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, 2019	37,500	3.1	950	(33.6)	1,000	(29.9)	650	(26.9)	18.97
Full year	75,000	5.4	1,900	11.9	2,000	41.3	1,300	105.9	37.93

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019 (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, 2019	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 March 31, 2019	545,280 shares	As of March 31, 2018	707,680 shares

Average number of shares during the period

Year ended March 31, 2019	34,182,785 shares	Year ended March 31, 2018	34,048,355 shares

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	5,766	5,473
Accounts receivable - trade	10,271	10,259
Merchandise	6,454	7,157
Supplies	400	428
Accounts receivable - other	2,241	2,538
Other	1,343	1,712
Allowance for doubtful accounts	(250)	(241)
Total current assets	26,226	27,328
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,857	11,895
Accumulated depreciation	(7,477)	(7,746)
Buildings and structures, net	4,380	4,148
Machinery, equipment and vehicles	1,677	1,685
Accumulated depreciation	(914)	(1,049)
Machinery, equipment and vehicles, net	762	635
Land	4,614	5,520
Construction in progress	3	83
Other	1,158	1,105
Accumulated depreciation	(979)	(974)
Other, net	178	130
Total property, plant and equipment	9,938	10,518
Intangible assets		
Goodwill	318	938
Software	760	705
Software in progress	28	138
Other	6	76
Total intangible assets	1,114	1,859
Investments and other assets		
Investment securities	1,854	1,280
Deferred tax assets	755	885
Other	638	705
Allowance for doubtful accounts	(208)	(209)
Total investments and other assets	3,039	2,661
Total non-current assets	14,092	15,040
Total assets	40,319	42,368

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	2,956	3,069
Short-term loans payable	2,100	100
Accounts payable - other	10,183	10,271
Income taxes payable	491	554
Provision for bonuses	210	222
Provision for point card certificates	97	38
Provision for loss on interest repayment	12	8
Other	1,392	1,057
Total current liabilities	17,443	15,323
Non-current liabilities		
Long-term loans payable	526	4,544
Deferred tax liabilities	–	8
Provision for retirement benefits for directors (and other officers)	20	70
Provision for loss on interest repayment	44	24
Provision for environmental measures	25	22
Retirement benefit liability	1,024	1,122
Other	139	95
Total non-current liabilities	1,780	5,888
Total liabilities	19,224	21,211
Net assets		
Shareholders' equity		
Capital stock	6,005	6,005
Capital surplus	6,657	6,657
Retained earnings	8,018	8,304
Treasury shares	(326)	(263)
Total shareholders' equity	20,353	20,702
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	749	404
Deferred gains or losses on hedges	(29)	27
Foreign currency translation adjustment	16	9
Total accumulated other comprehensive income	736	440
Share acquisition rights	4	13
Total net assets	21,094	21,156
Total liabilities and net assets	40,319	42,368

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	62,207	71,153
Cost of sales	39,734	45,918
Gross profit	22,473	25,235
Selling, general and administrative expenses	21,170	23,538
Operating profit	1,303	1,697
Non-operating income		
Interest income	12	14
Dividend income	37	41
Foreign exchange gains	21	6
Reversal for loss on interest repayment	38	20
Gain on adjustment of account payable	1	34
Other	81	64
Total non-operating income	193	182
Non-operating expenses		
Interest expenses	13	18
Share of loss of entities accounted for using equity method	6	416
Other	19	28
Total non-operating expenses	39	464
Ordinary profit	1,458	1,415
Extraordinary income		
Gain on sales of investment securities	–	152
Other	–	0
Total extraordinary income	–	152
Extraordinary losses		
Loss on retirement of non-current assets	70	41
Impairment loss	1,710	90
Other	5	0
Total extraordinary losses	1,786	131
Profit (loss) before income taxes	(328)	1,436
Income taxes - current	617	822
Income taxes - deferred	48	(17)
Total income taxes	665	805
Profit (loss)	(993)	631
Profit attributable to non-controlling interests	41	–
Profit (loss) attributable to owners of parent	(1,035)	631

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit (loss)	(993)	631
Other comprehensive income		
Valuation difference on available-for-sale securities	187	(344)
Deferred gains or losses on hedges	(102)	56
Foreign currency translation adjustment	1	(6)
Total other comprehensive income	85	(295)
Comprehensive income	(907)	335
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(949)	335
Comprehensive income attributable to non-controlling interests	41	–

Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,005	6,657	8,018	(326)	20,353
Changes of items during period					
Issuance of new shares					–
Dividends of surplus			(345)		(345)
Profit (loss) attributable to owners of parent			631		631
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				63	63
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	286	62	348
Balance at end of current period	6,005	6,657	8,304	(263)	20,702

	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	749	(29)	16	736	4	–	21,094
Changes of items during period							
Issuance of new shares							–
Dividends of surplus							(345)
Profit (loss) attributable to owners of parent							631
Purchase of treasury shares							(0)
Disposal of treasury shares							63
Change in ownership interest of parent due to transactions with non-controlling interests							–
Net changes of items other than shareholders' equity	(344)	56	(6)	(295)	8	–	(287)
Total changes of items during period	(344)	56	(6)	(295)	8	–	61
Balance at end of current period	404	27	9	440	13	–	21,156

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	(328)	1,436
Depreciation	811	823
Impairment loss	1,710	90
Amortization of goodwill	369	208
Increase (decrease) in allowance for doubtful accounts	(52)	(11)
Increase (decrease) in provision for bonuses	23	12
Increase (decrease) in provision for point card certificates	36	(58)
Increase (decrease) in provision for loss on interest repayment	(50)	(24)
Increase (decrease) in other provision	–	(2)
Increase (decrease) in retirement benefit liability	79	98
Interest and dividend income	(50)	(55)
interest expenses	13	18
Share of loss (profit) of entities accounted for using equity method	6	416
Loss (gain) on sales and valuation of investment securities	5	(152)
Loss (gain) on sales and retirement of non-current assets	70	41
Decrease (increase) in operating receivables	(233)	484
Decrease (increase) in inventories	118	(1,032)
Decrease (increase) in other current assets	(277)	(298)
Increase (decrease) in notes and accounts payable - trade	347	(303)
Increase (decrease) in accrued liabilities	977	(85)
Increase (decrease) in other current liabilities	346	(406)
Other, net	(85)	93
Subtotal	3,837	1,293
Interest and dividend income received	50	55
Interest expenses paid	(13)	(18)
Income taxes paid	(344)	(877)
Income taxes refund	4	14
Net cash provided by (used in) operating activities	3,534	467
Cash flows from investing activities		
Purchase of property, plant and equipment	(131)	(1,026)
Purchase of intangible assets	(72)	(230)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,192)	(917)
Purchase of investment securities	(2)	(396)
Proceeds from sales of investment securities	–	233
Payments for guarantee deposits	(74)	(97)
Proceeds from collection of guarantee deposits	14	62
Other, net	(23)	3
Net cash provided by (used in) investing activities	(1,482)	(2,370)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Decrease in short-term loans payable	(1,130)	–
Proceeds from long-term loans payable	693	4,200
Repayments of long-term loans payable	(191)	(2,313)
Proceeds from issuance of common shares	192	–
Proceeds from sales of treasury shares	39	78
Purchase of treasury shares	(193)	(0)
Cash dividends paid	(341)	(344)
Dividends paid to non-controlling interests	(8)	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(180)	–
Other, net	(2)	(3)
Net cash provided by (used in) financing activities	(1,121)	1,617
Effect of exchange rate change on cash and cash equivalents	1	(8)
Net increase (decrease) in cash and cash equivalents	933	(293)
Cash and cash equivalents at beginning of period	4,833	5,766
Cash and cash equivalents at end of period	5,766	5,473