

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Non-Consolidated Financial Results
for the Year Ended January 31, 2018
(Based on Japanese GAAP)**

March 16, 2018

Company name: Morozoff Limited
 Stock exchange listing: Tokyo
 Stock code: 2217 URL <http://www.morozoff.co.jp/>
 Representative: Representative Director and President Shinji Yamaguchi
 Inquiries: Senior Managing Director Yoshinori Yamaoka TEL 078-822-5000
 Scheduled date of ordinary general meeting of shareholders: April 25, 2018
 Scheduled date to file Securities Report: April 26, 2018
 Scheduled date to commence dividend payments: April 26, 2018
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended January 31, 2018 (from February 1, 2017 to January 31, 2018)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended January 31, 2018	29,600	1.5	2,405	19.7	2,472	19.6	1,656	35.0
Year ended January 31, 2017	29,167	1.7	2,010	62.8	2,067	54.6	1,226	60.3

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended January 31, 2018	463.04	–	11.0	10.7	8.1
Year ended January 31, 2017	341.03	–	8.9	9.4	6.9

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of January 31, 2018	23,680	15,686	66.2	4,391.15
As of January 31, 2017	22,546	14,343	63.6	3,991.08

(3) Non-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 January 31, 2018	1,992	(1,572)	(374)	1,629
Year ended January 31, 2017	2,121	(1,146)	(531)	1,583

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended January 31, 2017	–	0.00	–	7.00	7.00	251	20.5	1.8
Year ended January 31, 2018	–	0.00	–	100.00	100.00	357	21.6	2.4
Year ending January 31, 2019 (Forecast)	–	50.00	–	50.00	100.00		23.8	

3. Forecast of non-consolidated financial results for the year ending January 31, 2019 (from February 1, 2018 to January 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2018	14,020	(0.9)	1,130	(9.6)	1,160	(11.7)	750	(15.8)	209.65
Full year	29,400	(0.7)	2,320	(3.6)	2,350	(5.0)	1,500	(9.4)	419.30

4. Notes

(1) 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

(2) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of January 31, 2018	3,669,226 shares	As of January 31, 2017	3,669,226 shares
------------------------	------------------	------------------------	------------------

Number of treasury shares at the end of the period

As of January 31, 2018	96,859 shares	As of January 31, 2017	75,433 shares
------------------------	---------------	------------------------	---------------

Average number of shares during the period

Year ended January 31, 2018	3,577,363 shares	Year ended January 31, 2017	3,597,069 shares
-----------------------------	------------------	-----------------------------	------------------

Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of January 31, 2017	As of January 31, 2018
Assets		
Current assets		
Cash and deposits	1,583,583	2,619,296
Notes receivable - trade	–	4,860
Accounts receivable - trade	5,398,815	5,549,613
Securities	2,100,410	1,500,790
Merchandise and finished goods	2,241,577	2,106,530
Work in process	305,411	279,603
Raw materials and supplies	394,285	413,188
Prepaid expenses	30,667	29,441
Deferred tax assets	139,668	134,979
Short-term loans receivable	587	10,000
Accounts receivable - other	15,968	14,844
Other	36,064	32,264
Allowance for doubtful accounts	(21,400)	(22,000)
Total current assets	12,225,639	12,673,411
Non-current assets		
Property, plant and equipment		
Buildings	6,429,621	7,064,408
Accumulated depreciation	(4,258,531)	(4,416,422)
Buildings, net	2,171,090	2,647,985
Structures	471,257	474,390
Accumulated depreciation	(391,853)	(400,462)
Structures, net	79,403	73,928
Machinery and equipment	6,105,914	6,284,897
Accumulated depreciation	(5,135,238)	(5,331,613)
Machinery and equipment, net	970,675	953,284
Vehicles	26,713	32,928
Accumulated depreciation	(25,436)	(25,503)
Vehicles, net	1,276	7,425
Tools, furniture and fixtures	2,870,495	2,845,147
Accumulated depreciation	(2,445,846)	(2,431,357)
Tools, furniture and fixtures, net	424,649	413,789
Land	3,234,338	3,234,338
Construction in progress	30,812	162,778
Total property, plant and equipment	6,912,246	7,493,529
Intangible assets		
Telephone subscription right	33,489	33,490
Trademark right	483	383
Right of using facilities	1,555	1,327
Software	89,403	113,710
Total intangible assets	124,933	148,912

(Thousands of yen)

	As of January 31, 2017	As of January 31, 2018
Investments and other assets		
Investment securities	2,399,336	2,435,496
Shares of subsidiaries and associates	114,729	114,729
Investments in capital	49,646	49,646
Lease and guarantee deposits	532,123	558,733
Life insurance funds	162,717	181,042
Long-term prepaid expenses	25,535	18,186
Other	–	6,850
Total investments and other assets	3,284,090	3,364,685
Total non-current assets	10,321,269	11,007,127
Total assets	22,546,909	23,680,538
Liabilities		
Current liabilities		
Notes payable - trade	89,806	–
Electronically recorded obligations - operating	1,873,222	1,733,368
Accounts payable - trade	1,079,736	1,217,041
Short-term loans payable	1,850,000	1,850,000
Accounts payable - other	72,117	48,274
Accrued expenses	918,938	925,084
Income taxes payable	575,640	533,764
Accrued consumption taxes	484,481	474,550
Deposits received	36,479	33,957
Provision for bonuses	239,950	240,530
Notes payable - facilities	55,017	26,640
Electronically recorded obligations-facilities	36,579	136,009
Total current liabilities	7,311,969	7,219,221
Non-current liabilities		
Deferred tax liabilities	212,412	293,614
Deferred tax liabilities for land revaluation	202,735	202,735
Provision for retirement benefits	365,467	158,452
Provision for environmental measures	7,236	4,286
Asset retirement obligations	76,663	89,044
Other	27,308	26,390
Total non-current liabilities	891,823	774,523
Total liabilities	8,203,793	7,993,745

(Thousands of yen)

	As of January 31, 2017	As of January 31, 2018
Net assets		
Shareholders' equity		
Capital stock	3,737,467	3,737,467
Capital surplus		
Legal capital surplus	3,918,352	3,918,352
Other capital surplus	3,144	3,227
Total capital surpluses	3,921,497	3,921,580
Retained earnings		
Legal retained earnings	614,883	614,883
Other retained earnings		
Reserve for advanced depreciation of non-current assets	156,611	156,611
Reserve for special depreciation	11,147	–
General reserve	2,300,000	2,300,000
Retained earnings brought forward	2,784,385	4,200,439
Total retained earnings	5,867,028	7,271,935
Treasury shares	(244,931)	(369,904)
Total shareholders' equity	13,281,061	14,561,078
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	771,915	835,575
Revaluation reserve for land	290,138	290,138
Total valuation and translation adjustments	1,062,054	1,125,714
Total net assets	14,343,116	15,686,793
Total liabilities and net assets	22,546,909	23,680,538

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended January 31, 2017	Fiscal year ended January 31, 2018
Net sales	29,167,273	29,600,498
Cost of sales		
Beginning finished goods	2,093,019	2,241,577
Cost of products manufactured	14,425,261	14,111,943
Purchase of finished goods	972,336	943,753
Transfer from other account	19,261	20,718
Total	17,509,879	17,317,993
Transfer to other account	148,247	128,377
Ending finished goods	2,241,577	2,106,530
Total cost of sales	15,120,054	15,083,085
Gross profit	14,047,219	14,517,413
Selling, general and administrative expenses	12,037,066	12,111,645
Operating profit	2,010,152	2,405,768
Non-operating income		
Interest income	204	60
Interest on securities	2,032	573
Dividend income	35,156	38,124
Purchase quantity based dividend	32,170	23,570
Electrical sales income	11,673	12,161
Miscellaneous income	24,853	29,239
Total non-operating income	106,091	103,731
Non-operating expenses		
Interest expenses	31,498	27,832
Office cancellation expenses	7,094	–
Electrical sales expense	7,845	6,876
Miscellaneous loss	2,315	2,191
Total non-operating expenses	48,754	36,901
Ordinary profit	2,067,489	2,472,598
Extraordinary income		
Gain on sales of non-current assets	6	–
Gain on sales of investment securities	6,686	78,272
Total extraordinary income	6,693	78,272
Extraordinary losses		
Loss on sales and retirement of non-current assets	28,542	18,026
Impairment loss	62,002	16,266
Total extraordinary losses	90,544	34,293
Profit before income taxes	1,983,637	2,516,578
Income taxes - current	738,077	801,322
Income taxes - deferred	18,847	58,783
Total income taxes	756,924	860,105
Profit	1,226,713	1,656,472

Non-consolidated statements of changes in equity

Fiscal year ended January 31, 2017

(Thousands of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at beginning of current period	3,737,467	3,918,352	3,076	3,921,429	614,883	152,911	21,712	2,300,000	1,695,522	4,785,030
Changes of items during period										
Purchase of treasury shares										
Disposal of treasury shares			67	67						
Dividends of surplus									(144,715)	(144,715)
Profit									1,226,713	1,226,713
Provision of reserve for advanced depreciation of non-current assets						3,699			(3,699)	-
Provision of reserve for special depreciation							227		(227)	-
Reversal of reserve for special depreciation							(10,791)		10,791	-
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	67	67	-	3,699	(10,564)	-	1,088,862	1,081,997
Balance at end of current period	3,737,467	3,918,352	3,144	3,921,497	614,883	156,611	11,147	2,300,000	2,784,385	5,867,028

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	(143,557)	12,300,369	500,421	279,266	779,688	13,080,057
Changes of items during period						
Purchase of treasury shares	(101,586)	(101,586)				(101,586)
Disposal of treasury shares	212	280				280
Dividends of surplus		(144,715)				(144,715)
Profit		1,226,713				1,226,713
Provision of reserve for advanced depreciation of non-current assets		-				-
Provision of reserve for special depreciation		-				-
Reversal of reserve for special depreciation		-				-
Net changes of items other than shareholders' equity			271,494	10,872	282,366	282,366
Total changes of items during period	(101,373)	980,691	271,494	10,872	282,366	1,263,058
Balance at end of current period	(244,931)	13,281,061	771,915	290,138	1,062,054	14,343,116

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at beginning of current period	3,737,467	3,918,352	3,144	3,921,497	614,883	156,611	11,147	2,300,000	2,784,385	5,867,028
Changes of items during period										
Purchase of treasury shares										
Disposal of treasury shares			83	83						
Dividends of surplus									(251,565)	(251,565)
Profit									1,656,472	1,656,472
Provision of reserve for advanced depreciation of non-current assets										
Provision of reserve for special depreciation										
Reversal of reserve for special depreciation							(11,147)		11,147	–
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	83	83	–	–	(11,147)	–	1,416,054	1,404,906
Balance at end of current period	3,737,467	3,918,352	3,227	3,921,580	614,883	156,611	–	2,300,000	4,200,439	7,271,935

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	(244,931)	13,281,061	771,915	290,138	1,062,054	14,343,116
Changes of items during period						
Purchase of treasury shares	(125,116)	(125,116)				(125,116)
Disposal of treasury shares	143	226				226
Dividends of surplus		(251,565)				(251,565)
Profit		1,656,472				1,656,472
Provision of reserve for advanced depreciation of non-current assets		-				-
Provision of reserve for special depreciation		-				-
Reversal of reserve for special depreciation		-				-
Net changes of items other than shareholders' equity			63,659	-	63,659	63,659
Total changes of items during period	(124,972)	1,280,017	63,659	-	63,659	1,343,677
Balance at end of current period	(369,904)	14,561,078	835,575	290,138	1,125,714	15,686,793

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended January 31, 2017	Fiscal year ended January 31, 2018
Cash flows from operating activities		
Profit before income taxes	1,983,637	2,516,578
Depreciation	686,338	670,762
Impairment loss	62,002	16,266
Increase (decrease) in provision for bonuses	15,630	580
Increase (decrease) in provision for retirement benefits	(4,899)	(207,014)
Increase (decrease) in allowance for doubtful accounts	(1,100)	600
Interest expenses	31,498	27,832
Interest and dividend income	(37,393)	(38,759)
Loss (gain) on sales of investment securities	(6,686)	(78,272)
Loss (gain) on sales and retirement of non-current assets	28,535	18,026
Decrease (increase) in notes and accounts receivable - trade	288,625	(155,657)
Decrease (increase) in inventories	(139,048)	141,951
Increase (decrease) in notes and accounts payable - trade	(197,528)	(92,355)
Increase (decrease) in accrued consumption taxes	(8,393)	(9,930)
Other, net	(141,421)	53,909
Subtotal	2,559,797	2,864,518
Interest and dividend income received	38,501	43,562
Interest expenses paid	(30,094)	(27,768)
Income taxes paid	(446,884)	(887,915)
Net cash provided by (used in) operating activities	2,121,319	1,992,396
Cash flows from investing activities		
Payments into time deposits	(490,000)	(990,000)
Proceeds from withdrawal of time deposits	490,000	-
Purchase of securities	(4,405,394)	(3,302,765)
Proceeds from sales and redemption of securities	3,999,919	3,900,511
Purchase of property, plant and equipment and intangible assets	(636,749)	(1,252,013)
Proceeds from sales of property, plant and equipment and intangible assets	607	100
Payments for asset retirement obligations	(7,960)	-
Purchase of investment securities	(5,217)	(5,336)
Proceeds from sales and redemption of investment securities	44,723	138,541
Purchase of shares of subsidiaries and associates	(114,729)	-
Payments of loans receivable	(300)	(9,951)
Collection of loans receivable	1,311	587
Payments for lease and guarantee deposits	(48,183)	(33,303)
Proceeds from collection of lease and guarantee deposits	43,811	6,694
Purchase of long-term prepaid expenses	(231)	(150)
Other payments	(18,301)	(25,124)
Net cash provided by (used in) investing activities	(1,146,694)	(1,572,210)
Cash flows from financing activities		
Repayments of long-term loans payable	(283,800)	-
Net decrease (increase) in treasury shares	(102,779)	(123,807)
Cash dividends paid	(144,552)	(250,665)
Net cash provided by (used in) financing activities	(531,132)	(374,472)
Net increase (decrease) in cash and cash equivalents	443,493	45,713
Cash and cash equivalents at beginning of period	1,140,089	1,583,583
Cash and cash equivalents at end of period	1,583,583	1,629,296