

Translation

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**Summary of Non-Consolidated Financial Results
for the Year Ended January 31, 2020
(Based on Japanese GAAP)**

March 16, 2020

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 24, 2020
 Scheduled date to file Securities Report: April 27, 2020
 Scheduled date to commence dividend payments: April 27, 2020
 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, 2020 (from February 1, 2019 to January 31, 2020)

(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, 2020	29,523	(0.1)	1,674	(23.5)	1,708	(23.1)	1,095	(21.7)
Year ended January 31, 2019	29,547	(0.2)	2,189	(9.0)	2,220	(10.2)	1,399	(15.5)

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended January 31, 2020	309.61	–	6.7	7.2	5.7
Year ended January 31, 2019	391.91	–	8.8	9.4	7.4

(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, 2020	23,678	16,591	70.1	4,718.52
As of January 31, 2019	23,618	16,070	68.0	4,515.51

(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, 2020	771	96	(573)	1,816
Year ended January 31, 2019	1,923	(1,424)	(605)	1,521

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, 2019	–	50.00	–	50.00	100.00	355	25.5	2.2
Year ended January 31, 2020	–	50.00	–	50.00	100.00	352	32.3	2.2
Year ending January 31, 2021 (Forecast)	–	40.00	–	40.00	80.00		47.2	

3. Forecast of non-consolidated financial results for the year ending January 31, 2021 (from February 1, 2020 to January 31, 2021)

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, 2020	13,300	(4.5)	340	(54.3)	340	(56.2)	200	(59.0)	56.50
Full year	28,600	(3.1)	1,000	(40.3)	1,000	(41.5)	600	(45.3)	169.51

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, 2020	3,669,226 shares	As of January 31, 2019	3,669,226 shares
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Number of treasury shares at the end of the period

As of January 31, 2020	153,075 shares	As of January 31, 2019	110,289 shares
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Average number of shares during the period

Year ended January 31, 2020	3,539,718 shares	Year ended January 31, 2019	3,569,728 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of January 31, 2019	As of January 31, 2020
Assets		
Current assets		
Cash and deposits	2,411,424	2,306,581
Accounts receivable - trade	5,574,871	5,688,208
Securities	2,100,000	1,199,929
Merchandise and finished goods	2,215,381	2,356,135
Work in process	253,807	287,749
Raw materials and supplies	388,429	404,123
Prepaid expenses	30,820	36,448
Short-term loans receivable	–	415
Accounts receivable - other	13,955	10,703
Other	37,425	37,883
Allowance for doubtful accounts	(22,000)	(22,454)
Total current assets	13,004,115	12,305,723
Non-current assets		
Property, plant and equipment		
Buildings	7,126,828	7,278,113
Accumulated depreciation	(4,541,588)	(4,554,736)
Buildings, net	2,585,239	2,723,376
Structures	474,890	474,890
Accumulated depreciation	(408,598)	(414,300)
Structures, net	66,292	60,590
Machinery and equipment	6,645,174	6,998,042
Accumulated depreciation	(5,507,621)	(5,577,185)
Machinery and equipment, net	1,137,553	1,420,856
Vehicles	32,928	31,588
Accumulated depreciation	(28,521)	(26,683)
Vehicles, net	4,407	4,904
Tools, furniture and fixtures	2,917,478	3,017,811
Accumulated depreciation	(2,477,286)	(2,528,993)
Tools, furniture and fixtures, net	440,192	488,818
Land	3,234,338	3,234,338
Construction in progress	156,813	95,355
Total property, plant and equipment	7,624,837	8,028,240
Intangible assets		
Telephone subscription right	33,494	33,503
Trademark right	283	183
Right of using facilities	1,128	929
Software	124,370	120,005
Total intangible assets	159,277	154,621

(Thousands of yen)

	As of January 31, 2019	As of January 31, 2020
Investments and other assets		
Investment securities	1,801,995	1,607,708
Shares of subsidiaries and associates	114,729	114,729
Investments in capital	74,378	74,378
Long-term loans receivable	–	664
Claims provable in bankruptcy, claims provable in rehabilitation and other	–	4,044
Leasehold and guarantee deposits	565,781	570,931
Life insurance funds	199,356	217,742
Long-term prepaid expenses	12,476	33,279
Prepaid pension cost	54,608	563,646
Other	6,850	6,850
Allowance for doubtful accounts	–	(4,046)
Total investments and other assets	2,830,176	3,189,929
Total non-current assets	10,614,291	11,372,791
Total assets	23,618,407	23,678,515
Liabilities		
Current liabilities		
Notes payable - trade	10,293	6,856
Electronically recorded obligations - operating	1,858,747	1,824,145
Accounts payable - trade	1,126,384	1,126,688
Short-term loans payable	1,850,000	1,850,000
Accounts payable - other	45,379	49,601
Accrued expenses	910,554	941,871
Income taxes payable	365,575	146,827
Accrued consumption taxes	504,742	228,729
Deposits received	35,482	32,100
Provision for bonuses	240,260	230,780
Notes payable - facilities	50,153	58,080
Electronically recorded obligations-facilities	135,980	65,360
Total current liabilities	7,133,552	6,561,041
Non-current liabilities		
Deferred tax liabilities	31,225	166,489
Deferred tax liabilities for land revaluation	202,735	150,720
Provision for retirement benefits	64,037	69,341
Provision for environmental measures	2,340	2,085
Asset retirement obligations	87,998	111,543
Other	26,091	26,277
Total non-current liabilities	414,428	526,457
Total liabilities	7,547,981	7,087,498

(Thousands of yen)

	As of January 31, 2019	As of January 31, 2020
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	3,502	3,567
Total capital surpluses	3,921,855	3,921,919
Retained earnings		
Legal retained earnings	614,883	614,883
Other retained earnings		
Reserve for advanced depreciation of non-current assets	156,611	156,611
General reserve	2,300,000	2,300,000
Retained earnings brought forward	5,063,682	5,804,724
Total retained earnings	8,135,177	8,876,219
Treasury shares	(442,948)	(662,718)
Total shareholders' equity	15,351,552	15,872,888
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	428,734	375,974
Revaluation reserve for land	290,138	342,153
Total valuation and translation adjustments	718,873	718,128
Total net assets	16,070,425	16,591,016
Total liabilities and net assets	23,618,407	23,678,515

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Net sales	29,547,100	29,523,299
Cost of sales		
Beginning finished goods	2,106,530	2,215,381
Cost of products manufactured	14,419,366	14,629,189
Purchase of finished goods	946,524	885,639
Transfer from other account	12,733	20,569
Total	17,485,155	17,750,781
Transfer to other account	147,044	156,940
Ending finished goods	2,215,381	2,356,135
Total cost of sales	15,122,729	15,237,704
Gross profit	14,424,371	14,285,594
Selling, general and administrative expenses	12,234,928	12,611,294
Operating profit	2,189,442	1,674,299
Non-operating income		
Interest income	350	245
Interest on securities	442	291
Dividend income	35,587	35,110
Electrical sales income	12,122	11,212
Miscellaneous income	23,081	25,799
Total non-operating income	71,584	72,659
Non-operating expenses		
Interest expenses	27,832	27,707
Electrical sales expense	6,086	5,384
Miscellaneous loss	6,433	5,511
Total non-operating expenses	40,352	38,603
Ordinary profit	2,220,673	1,708,355
Extraordinary income		
Gain on sales of investment securities	18,780	13,314
Total extraordinary income	18,780	13,314
Extraordinary losses		
Loss on sales and retirement of non-current assets	19,891	29,478
Loss on valuation of investment securities	46,024	–
Impairment loss	27,926	6,692
Total extraordinary losses	93,842	36,171
Profit before income taxes	2,145,611	1,685,498
Income taxes - current	697,796	433,863
Income taxes - deferred	48,799	155,710
Total income taxes	746,596	589,574
Profit	1,399,015	1,095,924

Non-consolidated statements of changes in equity

Fiscal year ended January 31, 2019

(Thousands of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					Treasury shares
		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	General reserve	Retained earnings brought forward		
Balance at beginning 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	(369,904)
Changes of items during period										
Purchase of treasury shares										(73,399)
Disposal of treasury shares			275	275						355
Dividends of surplus								(535,772)	(535,772)	
Profit								1,399,015	1,399,015	
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	275	275	-	-	-	863,242	863,242	(73,044)
Balance at end of current period	3,737,467	3,918,352	3,502	3,921,855	614,883	156,611	2,300,000	5,063,682	8,135,177	(442,948)

	Shareholders' equity	Valuation and translation adjustments			Total net assets
	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	14,561,078	835,575	290,138	1,125,714	15,686,793
Changes of items during period					
Purchase of treasury shares	(73,399)				(73,399)
Disposal of treasury shares	630				630
Dividends of surplus	(535,772)				(535,772)
Profit	1,399,015				1,399,015
Net changes of items other than shareholders' equity		(406,841)	-	(406,841)	(406,841)
Total changes of items during period	790,473	(406,841)	-	(406,841)	383,632
Balance at end of current period	15,351,552	428,734	290,138	718,873	16,070,425

Fiscal year ended January 31, 2020

(Thousands of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					Treasury shares
		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	General reserve	Retained earnings brought forward		
Balance at beginning of current period	3,737,467	3,918,352	3,502	3,921,855	614,883	156,611	2,300,000	5,063,682	8,135,177	(442,948)
Changes of items during period										
Purchase of treasury shares										(220,035)
Disposal of treasury shares			64	64						265
Dividends of surplus								(354,882)	(354,882)	
Profit								1,095,924	1,095,924	
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	64	64	-	-	-	741,041	741,041	(219,770)
Balance at end of current period	3,737,467	3,918,352	3,567	3,921,919	614,883	156,611	2,300,000	5,804,724	8,876,219	(662,718)

	Shareholders' equity	Valuation and translation adjustments			Total net assets
	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	15,351,552	428,734	290,138	718,873	16,070,425
Changes of items during period					
Purchase of treasury shares	(220,035)				(220,035)
Disposal of treasury shares	329				329
Dividends of surplus	(354,882)				(354,882)
Profit	1,095,924				1,095,924
Net changes of items other than shareholders' equity		(52,759)	52,014	(744)	(744)
Total changes of items during period	521,335	(52,759)	52,014	(744)	520,590
Balance at end of current period	15,872,888	375,974	342,153	718,128	16,591,016

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,145,611	1,685,498
Depreciation	738,200	831,804
Impairment loss	27,926	6,692
Increase (decrease) in provision for bonuses	(270)	(9,480)
Increase (decrease) in provision for retirement benefits	(94,414)	5,303
Decrease (increase) in prepaid pension costs	(54,608)	(509,037)
Increase (decrease) in allowance for doubtful accounts	–	4,500
Interest expenses	27,832	27,707
Interest and dividend income	(36,380)	(35,648)
Loss (gain) on sales of investment securities	(18,780)	(13,314)
Loss (gain) on valuation of investment securities	46,024	–
Loss (gain) on sales and retirement of non-current assets	19,891	29,478
Decrease (increase) in notes and accounts receivable - trade	(20,398)	(113,336)
Decrease (increase) in inventories	(58,295)	(190,390)
Increase (decrease) in notes and accounts payable - trade	45,015	(37,734)
Increase (decrease) in accrued consumption taxes	30,192	(276,013)
Other, net	(52,329)	10,468
Subtotal	2,745,216	1,416,499
Interest and dividend income received	37,786	35,843
Interest expenses paid	(28,499)	(31,207)
Income taxes paid	(831,400)	(649,303)
Net cash provided by (used in) operating activities	1,923,102	771,830
Cash flows from investing activities		
Payments into time deposits	(3,080,000)	(1,780,000)
Proceeds from withdrawal of time deposits	3,180,000	2,180,000
Purchase of securities	(3,900,520)	(3,499,878)
Proceeds from sales and redemption of securities	3,300,415	4,400,112
Purchase of property, plant and equipment and intangible assets	(906,373)	(1,301,162)
Proceeds from sales of property, plant and equipment and intangible assets	99	–
Payments for asset retirement obligations	(1,310)	(12,671)
Purchase of investment securities	(5,474)	(5,570)
Proceeds from sales and redemption of investment securities	28,380	139,880
Payments of loans receivable	–	(300)
Collection of loans receivable	10,000	305
Payments for leasehold and guarantee deposits	(22,520)	(17,060)
Proceeds from collection of leasehold and guarantee deposits	15,472	11,911
Purchase of long-term prepaid expenses	(150)	(525)
Other payments	(43,036)	(18,291)
Other proceeds	30	–
Net cash provided by (used in) investing activities	(1,424,988)	96,748
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(73,068)	(220,019)
Cash dividends paid	(532,918)	(353,401)
Net cash provided by (used in) financing activities	(605,986)	(573,421)
Net increase (decrease) in cash and cash equivalents	(107,872)	295,157
Cash and cash equivalents at beginning of period	1,629,296	1,521,424
Cash and cash equivalents at end of period	1,521,424	1,816,581