

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 Six Months Ended July 31, 2018
(Based on Japanese GAAP)**

September 4, 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 to file Quarterly Securities Report: September 12, 2018
 Scheduled date to commence dividend payments: October 9, 2018
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the six months ended July 31, 2018 (from February 1, 2018 to July 31, 2018)

(1) Non-consolidated operating results (cumulative)

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	%
Six months ended July 31, 2018	14,044	(0.8)	1,073	(14.1)	1,107	(15.7)	723	(18.9)
Six months ended July 31, 2017	14,152	1.8	1,249	30.2	1,313	28.3	891	39.9

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended July 31, 2018	202.47		-	
Six months ended July 31, 2017	248.81		-	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of July 31, 2018	22,652	15,906	70.2
As of January 31, 2018	23,680	15,686	66.2

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 January 31, 2018	-	0.00	-	100.00	100.00
Year ending January 31, 2019	-	50.00	-	-	-
Year ending January 31, 2019 (Forecast)	-	-	-	50.00	100.00

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
Full year	29,400	(0.7)	2,060	(14.4)	2,100	(15.1)	1,330	(19.7)	372.36

4. Notes

(1) Application of special accounting methods for preparing quarterly non-consolidated financial statements: 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 July 31, 2018	⋮	3,669,226 shares	As of January 31, 2018	⋮	3,669,226 shares
---------------------	---	------------------	------------------------	---	------------------

Number of treasury shares at the end of the period

As of July 31, 2018	⋮	98,502 shares	As of January 31, 2018	⋮	96,859 shares
---------------------	---	---------------	------------------------	---	---------------

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

Six months ended July 31, 2018	⋮	3,571,779 shares	Six months ended July 31, 2017	⋮	3,581,936 shares
--------------------------------	---	------------------	--------------------------------	---	------------------

Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of January 31, 2018	As of July 31, 2018
Assets		
Current assets		
Cash and deposits	2,619,296	4,715,718
Notes and accounts receivable - trade	5,554,473	3,212,001
Securities	1,500,790	1,400,030
Merchandise and finished goods	2,106,530	758,177
Work in process	279,603	905,312
Raw materials and supplies	413,188	396,903
Other	221,528	299,612
Allowance for doubtful accounts	(22,000)	(12,900)
Total current assets	12,673,411	11,674,856
Non-current assets		
Property, plant and equipment		
Buildings, net	2,647,985	2,651,028
Land	3,234,338	3,234,338
Other, net	1,611,205	1,745,679
Total property, plant and equipment	7,493,529	7,631,046
Intangible assets	148,912	154,966
Investments and other assets		
Investment securities	2,435,496	2,243,993
Other	929,189	947,190
Total investments and other assets	3,364,685	3,191,183
Total non-current assets	11,007,127	10,977,196
Total assets	23,680,538	22,652,053

(Thousands of yen)

	As of January 31, 2018	As of July 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,217,041	1,153,371
Electronically recorded obligations - operating	1,733,368	998,306
Short-term loans payable	1,850,000	1,850,000
Income taxes payable	533,764	415,082
Provision for bonuses	240,530	241,010
Other	1,644,516	1,427,403
Total current liabilities	7,219,221	6,085,173
Non-current liabilities		
Provision for retirement benefits	158,452	77,640
Provision for environmental measures	4,286	2,340
Other	611,783	580,085
Total non-current liabilities	774,523	660,065
Total liabilities	7,993,745	6,745,239
Net assets		
Shareholders' equity		
Capital stock	3,737,467	3,737,467
Capital surplus	3,921,580	3,921,855
Retained earnings	7,271,935	7,637,875
Treasury shares	(369,904)	(381,145)
Total shareholders' equity	14,561,078	14,916,053
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	835,575	700,620
Revaluation reserve for land	290,138	290,138
Total valuation and translation adjustments	1,125,714	990,759
Total net assets	15,686,793	15,906,813
Total liabilities and net assets	23,680,538	22,652,053

Non-consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
Net sales	14,152,204	14,044,242
Cost of sales	7,134,327	7,097,446
Gross profit	7,017,876	6,946,795
Selling, general and administrative expenses	5,768,002	5,873,148
Operating profit	1,249,874	1,073,646
Non-operating income		
Interest income	304	433
Dividend income	28,823	25,546
Purchase quantity based dividend	23,570	–
Other	28,837	26,237
Total non-operating income	81,536	52,218
Non-operating expenses		
Interest expenses	13,593	13,593
Other	4,574	4,761
Total non-operating expenses	18,168	18,355
Ordinary profit	1,313,242	1,107,509
Extraordinary income		
Gain on sales of investment securities	40,275	–
Total extraordinary income	40,275	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	7,569	4,350
Total extraordinary losses	7,569	4,350
Profit before income taxes	1,345,948	1,103,159
Income taxes - current	436,279	343,031
Income taxes - deferred	18,445	36,950
Total income taxes	454,725	379,981
Profit	891,223	723,177

Non-consolidated statements of cash flows

(Thousands of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
Cash flows from operating activities		
Profit before income taxes	1,345,948	1,103,159
Depreciation	320,714	340,051
Increase (decrease) in provision for bonuses	130	480
Increase (decrease) in provision for retirement benefits	(16,093)	(80,812)
Increase (decrease) in allowance for doubtful accounts	(8,800)	(9,100)
Interest expenses	13,593	13,593
Interest and dividend income	(29,128)	(25,980)
Loss (gain) on sales of investment securities	(40,275)	–
Loss (gain) on sales and retirement of non-current assets	7,569	4,350
Decrease (increase) in notes and accounts receivable - trade	2,232,544	2,342,471
Decrease (increase) in inventories	837,153	738,928
Increase (decrease) in notes and accounts payable - trade	(918,155)	(798,732)
Other, net	(336,803)	(426,138)
Subtotal	3,408,397	3,202,269
Interest and dividend income received	32,730	27,119
Interest expenses paid	(13,913)	(14,843)
Income taxes paid	(520,908)	(433,375)
Net cash provided by (used in) operating activities	2,906,306	2,781,169
Cash flows from investing activities		
Payments into time deposits	–	(2,190,000)
Proceeds from withdrawal of time deposits	–	990,000
Purchase of securities	(1,401,496)	(1,900,557)
Proceeds from sales and redemption of securities	2,100,520	2,000,425
Purchase of property, plant and equipment and intangible assets	(595,377)	(406,374)
Proceeds from sales of property, plant and equipment and intangible assets	–	99
Purchase of investment securities	(2,650)	(2,739)
Proceeds from sales and redemption of investment securities	73,673	500
Other, net	(42,132)	(9,933)
Net cash provided by (used in) investing activities	132,537	(1,518,579)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(116,663)	(11,207)
Cash dividends paid	(250,108)	(354,961)
Net cash provided by (used in) financing activities	(366,772)	(366,168)
Net increase (decrease) in cash and cash equivalents	2,672,071	896,421
Cash and cash equivalents at beginning of period	1,583,583	1,629,296
Cash and cash equivalents at end of period	4,255,654	2,525,718