

Translation

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**Summary of Non-Consolidated Financial Results
for the Year Ended January 31, 2019
(Based on Japanese GAAP)**

March 15, 2019

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, 2019
 Scheduled date to file Securities Report: April 26, 2019
 Scheduled date to commence dividend payments: April 26, 2019
 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, 2019 (from February 1, 2018 to January 31, 2019)

(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, 2019	29,547	(0.2)	2,189	(9.0)	2,220	(10.2)	1,399	(15.5)
Year ended January 31, 2018	29,600	1.5	2,405	19.7	2,472	19.6	1,656	35.0

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended January 31, 2019	391.91	–	8.8	9.4	7.4
Year ended January 31, 2018	463.04	–	11.0	10.7	8.1

(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, 2019	23,744	16,070	67.7	4,515.51
As of January 31, 2018	23,680	15,686	66.2	4,391.15

(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, 2019	1,923	(1,424)	(605)	1,521
Year ended January 31, 2018	1,992	(1,572)	(374)	1,629

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, 2018	–	0.00	–	100.00	100.00	357	21.6	2.4
Year ended January 31, 2019	–	50.00	–	50.00	100.00	355	25.5	2.2
Year ending January 31, 2020 (Forecast)	–	50.00	–	50.00	100.00		30.8	

3. Forecast of non-consolidated financial results for the year ending January 31, 2020 (from February 1, 2019 to January 31, 2020)

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, 2019	14,060	0.1	860	(19.9)	890	(19.6)	560	(22.6)	156.87
Full year	29,500	(0.2)	1,800	(17.8)	1,830	(17.6)	1,160	(17.1)	324.95

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, 2019	3,669,226 shares	As of January 31, 2018	3,669,226 shares
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Number of treasury shares at the end of the period

As of January 31, 2019	110,289 shares	As of January 31, 2018	96,859 shares
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Average number of shares during the period

Year ended January 31, 2019	3,569,728 shares	Year ended January 31, 2018	3,577,363 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of January 31, 2018	As of January 31, 2019
Assets		
Current assets		
Cash and deposits	2,619,296	2,411,424
Notes receivable - trade	4,860	–
Accounts receivable - trade	5,549,613	5,574,871
Securities	1,500,790	2,100,000
Merchandise and finished goods	2,106,530	2,215,381
Work in process	279,603	253,807
Raw materials and supplies	413,188	388,429
Prepaid expenses	29,441	30,820
Deferred tax assets	134,979	126,294
Short-term loans receivable	10,000	–
Accounts receivable - other	14,844	13,955
Other	32,264	37,425
Allowance for doubtful accounts	(22,000)	(22,000)
Total current assets	12,673,411	13,130,409
Non-current assets		
Property, plant and equipment		
Buildings	7,064,408	7,126,828
Accumulated depreciation	(4,416,422)	(4,541,588)
Buildings, net	2,647,985	2,585,239
Structures	474,390	474,890
Accumulated depreciation	(400,462)	(408,598)
Structures, net	73,928	66,292
Machinery and equipment	6,284,897	6,645,174
Accumulated depreciation	(5,331,613)	(5,507,621)
Machinery and equipment, net	953,284	1,137,553
Vehicles	32,928	32,928
Accumulated depreciation	(25,503)	(28,521)
Vehicles, net	7,425	4,407
Tools, furniture and fixtures	2,845,147	2,917,478
Accumulated depreciation	(2,431,357)	(2,477,286)
Tools, furniture and fixtures, net	413,789	440,192
Land	3,234,338	3,234,338
Construction in progress	162,778	156,813
Total property, plant and equipment	7,493,529	7,624,837
Intangible assets		
Telephone subscription right	33,490	33,494
Trademark right	383	283
Right of using facilities	1,327	1,128
Software	113,710	124,370
Total intangible assets	148,912	159,277

(Thousands of yen)

	As of January 31, 2018	As of January 31, 2019
Investments and other assets		
Investment securities	2,435,496	1,801,995
Shares of subsidiaries and associates	114,729	114,729
Investments in capital	49,646	74,378
Lease and guarantee deposits	558,733	565,781
Life insurance funds	181,042	199,356
Long-term prepaid expenses	18,186	12,476
Prepaid pension cost	–	54,608
Other	6,850	6,850
Total investments and other assets	3,364,685	2,830,176
Total non-current assets	11,007,127	10,614,291
Total assets	23,680,538	23,744,701
Liabilities		
Current liabilities		
Notes payable - trade	–	10,293
Electronically recorded obligations - operating	1,733,368	1,858,747
Accounts payable - trade	1,217,041	1,126,384
Short-term loans payable	1,850,000	1,850,000
Accounts payable - other	48,274	45,379
Accrued expenses	925,084	910,554
Income taxes payable	533,764	365,575
Accrued consumption taxes	474,550	504,742
Deposits received	33,957	35,482
Provision for bonuses	240,530	240,260
Notes payable - facilities	26,640	50,153
Electronically recorded obligations-facilities	136,009	135,980
Total current liabilities	7,219,221	7,133,552
Non-current liabilities		
Deferred tax liabilities	293,614	157,520
Deferred tax liabilities for land revaluation	202,735	202,735
Provision for retirement benefits	158,452	64,037
Provision for environmental measures	4,286	2,340
Asset retirement obligations	89,044	87,998
Other	26,390	26,091
Total non-current liabilities	774,523	540,723
Total liabilities	7,993,745	7,674,276

(Thousands of yen)

	As of January 31, 2018	As of January 31, 2019
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	3,227	3,502
Total capital surpluses	3,921,580	3,921,855
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	4,200,439	5,063,682
Total retained earnings	7,271,935	8,135,177
Treasury shares	(369,904)	(442,948)
Total shareholders' equity	14,561,078	15,351,552
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	835,575	428,734
Revaluation reserve for land	290,138	290,138
Total valuation and translation adjustments	1,125,714	718,873
Total net assets	15,686,793	16,070,425
Total liabilities and net assets	23,680,538	23,744,701

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended January 31, 2018	Fiscal year ended January 31, 2019
Net sales	29,600,498	29,547,100
Cost of sales		
Beginning finished goods	2,241,577	2,106,530
Cost of products manufactured	14,111,943	14,419,366
Purchase of finished goods	943,753	946,524
Transfer from other account	20,718	12,733
Total	17,317,993	17,485,155
Transfer to other account	128,377	147,044
Ending finished goods	2,106,530	2,215,381
Total cost of sales	15,083,085	15,122,729
Gross profit	14,517,413	14,424,371
Selling, general and administrative expenses	12,111,645	12,234,928
Operating profit	2,405,768	2,189,442
Non-operating income		
Interest income	60	350
Interest on securities	573	442
Dividend income	38,124	35,587
Purchase quantity based dividend	23,570	–
Electrical sales income	12,161	12,122
Miscellaneous income	29,239	23,081
Total non-operating income	103,731	71,584
Non-operating expenses		
Interest expenses	27,832	27,832
Electrical sales expense	6,876	6,086
Miscellaneous loss	2,191	6,433
Total non-operating expenses	36,901	40,352
Ordinary profit	2,472,598	2,220,673
Extraordinary income		
Gain on sales of investment securities	78,272	18,780
Total extraordinary income	78,272	18,780
Extraordinary losses		
Loss on sales and retirement of non-current assets	18,026	19,891
Loss on valuation of investment securities	–	46,024
Impairment loss	16,266	27,926
Total extraordinary losses	34,293	93,842
Profit before income taxes	2,516,578	2,145,611
Income taxes - current	801,322	697,796
Income taxes - deferred	58,783	48,799
Total income taxes	860,105	746,596
Profit	1,656,472	1,399,015

Non-consolidated statements of changes in equity

Fiscal year ended January 31, 2018

(Thousands of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus		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

	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	3,227	3,921,580	614,883	156,611	–	2,300,000	4,200,439	7,271,935
Changes of items during period										
Purchase of treasury shares										
Disposal of treasury shares			275	275						
Dividends of surplus									(535,772)	(535,772)
Profit									1,399,015	1,399,015
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										
Total changes of items during period	–	–	275	275	–	–	–	–	863,242	863,242
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

	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	(369,904)	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)				(73,399)
Disposal of treasury shares	355	630				630
Dividends of surplus		(535,772)				(535,772)
Profit		1,399,015				1,399,015
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			(406,841)	–	(406,841)	(406,841)
Total changes of items during period	(73,044)	790,473	(406,841)	–	(406,841)	383,632
Balance at end of current period	(442,948)	15,351,552	428,734	290,138	718,873	16,070,425

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended January 31, 2018	Fiscal year ended January 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,516,578	2,145,611
Depreciation	670,762	738,200
Impairment loss	16,266	27,926
Increase (decrease) in provision for bonuses	580	(270)
Increase (decrease) in provision for retirement benefits	(207,014)	(94,414)
Decrease (increase) in prepaid pension costs	–	(54,608)
Increase (decrease) in allowance for doubtful accounts	600	–
Interest expenses	27,832	27,832
Interest and dividend income	(38,759)	(36,380)
Loss (gain) on sales of investment securities	(78,272)	(18,780)
Loss (gain) on valuation of investment securities	–	46,024
Loss (gain) on sales and retirement of non-current assets	18,026	19,891
Decrease (increase) in notes and accounts receivable - trade	(155,657)	(20,398)
Decrease (increase) in inventories	141,951	(58,295)
Increase (decrease) in notes and accounts payable - trade	(92,355)	45,015
Increase (decrease) in accrued consumption taxes	(9,930)	30,192
Other, net	53,909	(52,329)
Subtotal	2,864,518	2,745,216
Interest and dividend income received	43,610	37,786
Interest expenses paid	(27,768)	(28,499)
Income taxes paid	(887,915)	(831,400)
Net cash provided by (used in) operating activities	1,992,445	1,923,102
Cash flows from investing activities		
Payments into time deposits	(990,000)	(3,080,000)
Proceeds from withdrawal of time deposits	–	3,180,000
Purchase of securities	(3,302,765)	(3,900,520)
Proceeds from sales and redemption of securities	3,900,511	3,300,415
Purchase of property, plant and equipment and intangible assets	(1,252,013)	(906,373)
Proceeds from sales of property, plant and equipment and intangible assets	100	99
Payments for asset retirement obligations	–	(1,310)
Purchase of investment securities	(5,336)	(5,474)
Proceeds from sales and redemption of investment securities	138,541	28,380
Payments of loans receivable	(10,000)	–
Collection of loans receivable	587	10,000
Payments for lease and guarantee deposits	(33,303)	(22,520)
Proceeds from collection of lease and guarantee deposits	6,694	15,472
Purchase of long-term prepaid expenses	(150)	(150)
Other payments	(25,124)	(43,036)
Other proceeds	–	30
Net cash provided by (used in) investing activities	(1,572,258)	(1,424,988)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(123,807)	(73,068)
Cash dividends paid	(250,665)	(532,918)
Net cash provided by (used in) financing activities	(374,472)	(605,986)
Net increase (decrease) in cash and cash equivalents	45,713	(107,872)
Cash and cash equivalents at beginning of period	1,583,583	1,629,296
Cash and cash equivalents at end of period	1,629,296	1,521,424