

Translation

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

September 4, 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: Representative Director and Vice President Yoshinori Yamaoka TEL 078-822-5000
 Scheduled date to file Quarterly Securities Report: September 11, 2020
 Scheduled date to commence dividend payments: –
 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, 2020 (from February 1, 2020 to July 31, 2020)

(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, 2020	11,547	(17.1)	(134)	–	(25)	–	(195)	–
Six months ended July 31, 2019	13,927	(0.8)	744	(30.6)	776	(29.9)	488	(32.5)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended July 31, 2020	(55.60)		–	
Six months ended July 31, 2019	137.33		–	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of July 31, 2020	21,673	16,092	74.2
As of January 31, 2020	23,678	16,591	70.1

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, 2020	–	50.00	–	50.00	100.00
Year ending January 31, 2021	–	0.00	–	–	–
Year ending January 31, 2021 (Forecast)	–	–	–	–	–

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
Full year	–	–	–	–	–	–	–	–	–

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

As of July 31, 2020	⋮	153,220 shares	As of January 31, 2020	⋮	153,075 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended July 31, 2020	⋮	3,516,081 shares	Six months ended July 31, 2019	⋮	3,553,871 shares
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Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of January 31, 2020	As of July 31, 2020
Assets		
Current assets		
Cash and deposits	2,306,581	4,142,063
Notes and accounts receivable - trade	5,688,208	2,781,755
Securities	1,199,929	299,970
Merchandise and finished goods	2,356,135	777,492
Work in process	287,749	949,503
Raw materials and supplies	404,123	428,081
Other	85,450	383,490
Allowance for doubtful accounts	(22,454)	(11,400)
Total current assets	12,305,723	9,750,956
Non-current assets		
Property, plant and equipment		
Buildings, net	2,723,376	2,573,075
Land	3,234,338	3,234,338
Other, net	2,070,524	2,169,032
Total property, plant and equipment	8,028,240	7,976,446
Intangible assets	154,621	137,587
Investments and other assets		
Investment securities	1,607,708	1,449,964
Other	1,586,267	2,363,123
Allowance for doubtful accounts	(4,046)	(5,000)
Total investments and other assets	3,189,929	3,808,087
Total non-current assets	11,372,791	11,922,122
Total assets	23,678,515	21,673,078

(Thousands of yen)

	As of January 31, 2020	As of July 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,133,545	1,027,777
Electronically recorded obligations - operating	1,824,145	642,269
Short-term borrowings	1,850,000	1,850,000
Income taxes payable	146,827	97,930
Provision for bonuses	230,780	241,330
Other	1,375,744	1,210,731
Total current liabilities	6,561,041	5,070,039
Non-current liabilities		
Provision for retirement benefits	69,341	70,963
Provision for environmental measures	2,085	2,085
Other	455,031	437,732
Total non-current liabilities	526,457	510,781
Total liabilities	7,087,498	5,580,820
Net assets		
Shareholders' equity		
Share capital	3,737,467	3,737,467
Capital surplus	3,921,919	3,921,919
Retained earnings	8,876,219	8,504,905
Treasury shares	(662,718)	(663,504)
Total shareholders' equity	15,872,888	15,500,789
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	375,974	301,330
Revaluation reserve for land	342,153	290,138
Total valuation and translation adjustments	718,128	591,469
Total net assets	16,591,016	16,092,258
Total liabilities and net assets	23,678,515	21,673,078

Non-consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended July 31, 2019	Six months ended July 31, 2020
Net sales	13,927,379	11,547,198
Cost of sales	7,088,212	6,202,227
Gross profit	6,839,167	5,344,971
Selling, general and administrative expenses	6,094,382	5,479,761
Operating profit (loss)	744,784	(134,790)
Non-operating income		
Interest income	314	2,025
Dividend income	23,923	22,370
Surrender value of insurance policies	–	77,084
Other	26,516	25,419
Total non-operating income	50,753	126,899
Non-operating expenses		
Interest expenses	13,531	13,606
Other	6,001	3,653
Total non-operating expenses	19,533	17,259
Ordinary profit (loss)	776,005	(25,150)
Extraordinary income		
Gain on sales of investment securities	722	–
Subsidies for employment adjustment	–	57,040
Total extraordinary income	722	57,040
Extraordinary losses		
Loss on sales and retirement of non-current assets	11,053	3,001
Loss on sales of investment securities	–	10,009
Impairment loss	1,960	80,600
Compensation for absence from work to employee	–	137,094
Total extraordinary losses	13,014	230,706
Profit (loss) before income taxes	763,713	(198,816)
Income taxes - current	126,337	41,399
Income taxes - deferred	149,309	(44,709)
Total income taxes	275,646	(3,309)
Profit (loss)	488,067	(195,506)

Non-consolidated statements of cash flows

(Thousands of yen)

	Six months ended July 31, 2019	Six months ended July 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	763,713	(198,816)
Depreciation	377,648	396,303
Impairment loss	1,960	80,600
Increase (decrease) in provision for bonuses	3,610	10,550
Increase (decrease) in provision for retirement benefits	423	1,622
Decrease (increase) in prepaid pension cost	(465,047)	(262,652)
Increase (decrease) in allowance for doubtful accounts	(10,000)	(10,100)
Interest expenses	13,531	13,606
Interest and dividend income	(24,237)	(24,396)
Loss (gain) on sales of investment securities	(722)	10,009
Loss (gain) on sales and retirement of non-current assets	11,053	3,001
Decrease (increase) in trade receivables	2,512,086	2,906,453
Decrease (increase) in inventories	491,960	892,931
Increase (decrease) in trade payables	(857,424)	(1,287,643)
Other, net	(400,760)	(362,934)
Subtotal	2,417,795	2,168,534
Interest and dividends received	24,416	22,521
Interest paid	(17,181)	(13,633)
Income taxes paid	(299,271)	(79,850)
Net cash provided by (used in) operating activities	2,125,759	2,097,572
Cash flows from investing activities		
Payments into time deposits	(1,290,000)	–
Proceeds from withdrawal of time deposits	890,000	490,000
Purchase of securities	(2,299,938)	(299,977)
Proceeds from sales and redemption of securities	2,100,134	1,199,979
Purchase of property, plant and equipment and intangible assets	(509,299)	(370,210)
Purchase of investment securities	(2,772)	(2,830)
Proceeds from sales and redemption of investment securities	35,218	55,541
Other, net	(19,881)	(668,768)
Net cash provided by (used in) investing activities	(1,096,540)	403,733
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(101,999)	(1,224)
Dividends paid	(177,264)	(174,599)
Net cash provided by (used in) financing activities	(279,263)	(175,824)
Net increase (decrease) in cash and cash equivalents	749,955	2,325,481
Cash and cash equivalents at beginning of period	1,521,424	1,816,581
Cash and cash equivalents at end of period	2,271,380	4,142,063