

Translation

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**Summary of Non-Consolidated Financial Results
for the Year Ended January 31, 2021
(Based on Japanese GAAP)**

March 16, 2021

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 of ordinary general meeting of shareholders: April 27, 2021
 Scheduled date to file Securities Report: April 28, 2021
 Scheduled date to commence dividend payments: April 28, 2021
 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, 2021 (from February 1, 2020 to January 31, 2021)

(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, 2021	25,672	(13.0)	751	(55.1)	862	(49.5)	352	(67.9)
Year ended January 31, 2020	29,523	(0.1)	1,674	(23.5)	1,708	(23.1)	1,095	(21.7)

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended January 31, 2021	100.17	–	2.1	3.6	2.9
Year ended January 31, 2020	309.61	–	6.7	7.2	5.7

(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, 2021	24,039	16,778	69.8	4,772.41
As of January 31, 2020	23,678	16,591	70.1	4,718.52

(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, 2021	1,635	143	(178)	3,417
Year ended January 31, 2020	771	96	(573)	1,816

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, 2020	–	50.00	–	50.00	100.00	352	32.3	2.2
Year ended January 31, 2021	–	–	–	60.00	60.00	210	59.9	1.3
Year ending January 31, 2022 (Forecast)	–	–	–	60.00	60.00		42.2	

3. Forecast of non-consolidated financial results for the year ending January 31, 2022 (from February 1, 2021 to January 31, 2022)

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, 2021	12,240	6.0	260	–	290	–	150	–	42.66
Full year	26,500	3.2	860	14.5	900	4.4	500	42.0	142.21

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, 2021	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 January 31, 2021	153,497 shares	As of January 31, 2020	153,075 shares
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Average number of shares during the period

Year ended January 31, 2021	3,515,963 shares	Year ended January 31, 2020	3,539,718 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of January 31, 2020	As of January 31, 2021
Assets		
Current assets		
Cash and deposits	2,306,581	3,417,188
Accounts receivable - trade	5,688,208	5,671,457
Securities	1,199,929	–
Merchandise and finished goods	2,356,135	2,051,132
Work in process	287,749	325,788
Raw materials and supplies	404,123	373,282
Prepaid expenses	36,448	35,689
Short-term loans receivable	415	100,240
Accounts receivable - other	10,703	15,126
Other	37,883	37,238
Allowance for doubtful accounts	(22,454)	(22,660)
Total current assets	12,305,723	12,004,482
Non-current assets		
Property, plant and equipment		
Buildings	7,278,113	7,239,991
Accumulated depreciation	(4,554,736)	(4,702,223)
Buildings, net	2,723,376	2,537,767
Structures	474,890	479,450
Accumulated depreciation	(414,300)	(419,991)
Structures, net	60,590	59,459
Machinery and equipment	6,998,042	6,938,739
Accumulated depreciation	(5,577,185)	(5,528,610)
Machinery and equipment, net	1,420,856	1,410,128
Vehicles	31,588	31,243
Accumulated depreciation	(26,683)	(28,542)
Vehicles, net	4,904	2,700
Tools, furniture and fixtures	3,017,811	2,839,938
Accumulated depreciation	(2,528,993)	(2,438,372)
Tools, furniture and fixtures, net	488,818	401,566
Land	3,234,338	3,234,338
Construction in progress	95,355	–
Total property, plant and equipment	8,028,240	7,645,962
Intangible assets		
Telephone subscription right	33,503	33,505
Trademark right	183	83
Right to use facilities	929	730
Software	120,005	85,700
Total intangible assets	154,621	120,020

(Thousands of yen)

	As of January 31, 2020	As of January 31, 2021
Investments and other assets		
Investment securities	1,607,708	1,626,061
Shares of subsidiaries and associates	114,729	514,729
Investments in capital	74,378	82,191
Long-term loans receivable	664	424
Long-term loans receivable from subsidiaries and associates	–	500,000
Distressed receivables	4,044	4,044
Leasehold and guarantee deposits	570,931	569,168
Life insurance funds	217,742	135,940
Long-term prepaid expenses	33,279	24,478
Prepaid pension costs	563,646	810,392
Other	6,850	6,850
Allowance for doubtful accounts	(4,046)	(5,240)
Total investments and other assets	3,189,929	4,269,041
Total non-current assets	11,372,791	12,035,024
Total assets	23,678,515	24,039,507
Liabilities		
Current liabilities		
Notes payable - trade	6,856	–
Electronically recorded obligations - operating	1,824,145	1,706,124
Accounts payable - trade	1,126,688	926,631
Short-term borrowings	1,850,000	1,850,000
Accounts payable - other	49,601	48,830
Accrued expenses	941,871	1,017,231
Income taxes payable	146,827	283,561
Accrued consumption taxes	228,729	331,240
Deposits received	32,100	167,123
Provision for bonuses	230,780	224,210
Notes payable - facilities	58,080	–
Electronically recorded obligations-facilities	65,360	45,102
Asset retirement obligations	–	6,336
Total current liabilities	6,561,041	6,606,392
Non-current liabilities		
Deferred tax liabilities	166,489	247,428
Deferred tax liabilities for land revaluation	150,720	202,735
Provision for retirement benefits	69,341	74,677
Provision for environmental measures	2,085	2,085
Asset retirement obligations	111,543	101,850
Other	26,277	25,829
Total non-current liabilities	526,457	654,607
Total liabilities	7,087,498	7,261,000

(Thousands of yen)

	As of January 31, 2020	As of January 31, 2021
Net assets		
Shareholders' equity		
Share capital	3,737,467	3,737,467
Capital surplus		
Legal capital surplus	3,918,352	3,918,352
Other capital surplus	3,567	3,567
Total capital surpluses	3,921,919	3,921,919
Retained earnings		
Legal retained earnings	614,883	614,883
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	156,611	156,611
General reserve	2,300,000	2,300,000
Retained earnings brought forward	5,804,724	5,981,100
Total retained earnings	8,876,219	9,052,595
Treasury shares	(662,718)	(665,080)
Total shareholders' equity	15,872,888	16,046,903
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	375,974	441,465
Revaluation reserve for land	342,153	290,138
Total valuation and translation adjustments	718,128	731,604
Total net assets	16,591,016	16,778,507
Total liabilities and net assets	23,678,515	24,039,507

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Net sales	29,523,299	25,672,838
Cost of sales		
Beginning finished goods inventory	2,215,381	2,356,135
Cost of products manufactured	14,629,189	12,698,363
Purchase of finished goods	885,639	648,943
Transfer from other account	20,569	16,751
Total	17,750,781	15,720,193
Transfer to other account	156,940	116,450
Ending finished goods inventory	2,356,135	2,051,132
Total cost of sales	15,237,704	13,552,610
Gross profit	14,285,594	12,120,228
Selling, general and administrative expenses	12,611,294	11,368,894
Operating profit	1,674,299	751,333
Non-operating income		
Interest income	245	4,952
Interest on securities	291	91
Dividend income	35,110	30,825
Surrender value of insurance policies	–	77,084
Electricity sale income	11,212	11,127
Miscellaneous income	25,799	22,298
Total non-operating income	72,659	146,379
Non-operating expenses		
Interest expenses	27,707	28,359
Electrical sales expense	5,384	4,765
Miscellaneous loss	5,511	2,543
Total non-operating expenses	38,603	35,669
Ordinary profit	1,708,355	862,044
Extraordinary income		
Subsidies for employment adjustment	–	146,475
Gain on sales of investment securities	13,314	–
Total extraordinary income	13,314	146,475
Extraordinary losses		
Loss on sales and retirement of non-current assets	29,478	26,805
Loss on sales of investment securities	–	10,009
Loss on valuation of investment securities	–	19,323
Impairment loss	6,692	152,531
Compensation for absence from work to employee	–	139,085
Total extraordinary losses	36,171	347,755
Profit before income taxes	1,685,498	660,764
Income taxes - current	433,863	260,002
Income taxes - deferred	155,710	48,578
Total income taxes	589,574	308,580
Profit	1,095,924	352,183

Non-consolidated statements of changes in equity

Fiscal year ended January 31, 2020

(Thousands of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of 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
Changes during period									
Purchase of treasury shares									
Disposal of treasury shares			64	64					
Dividends of surplus								(354,882)	(354,882)
Profit								1,095,924	1,095,924
Net changes in items other than shareholders' equity									
Total changes during period	-	-	64	64	-	-	-	741,041	741,041
Balance at end of 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

	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 period	(442,948)	15,351,552	428,734	290,138	718,873	16,070,425
Changes during period						
Purchase of treasury shares	(220,035)	(220,035)				(220,035)
Disposal of treasury shares	265	329				329
Dividends of surplus		(354,882)				(354,882)
Profit		1,095,924				1,095,924
Net changes in items other than shareholders' equity			(52,759)	52,014	(744)	(744)
Total changes during period	(219,770)	521,335	(52,759)	52,014	(744)	520,590
Balance at end of period	(662,718)	15,872,888	375,974	342,153	718,128	16,591,016

Fiscal year ended January 31, 2021

(Thousands of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of 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
Changes during period									
Purchase of treasury shares									
Disposal of treasury shares									
Dividends of surplus								(175,807)	(175,807)
Profit								352,183	352,183
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	-	-	176,376	176,376
Balance at end of period	3,737,467	3,918,352	3,567	3,921,919	614,883	156,611	2,300,000	5,981,100	9,052,595

	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 period	(662,718)	15,872,888	375,974	342,153	718,128	16,591,016
Changes during period						
Purchase of treasury shares	(2,361)	(2,361)				(2,361)
Disposal of treasury shares		-				-
Dividends of surplus		(175,807)				(175,807)
Profit		352,183				352,183
Net changes in items other than shareholders' equity			65,490	(52,014)	13,476	13,476
Total changes during period	(2,361)	174,014	65,490	(52,014)	13,476	187,490
Balance at end of period	(665,080)	16,046,903	441,465	290,138	731,604	16,778,507

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,685,498	660,764
Depreciation	831,804	830,508
Impairment loss	6,692	152,531
Increase (decrease) in provision for bonuses	(9,480)	(6,570)
Increase (decrease) in provision for retirement benefits	5,303	5,336
Decrease (increase) in prepaid pension costs	(509,037)	(246,746)
Increase (decrease) in allowance for doubtful accounts	4,500	1,400
Interest expenses	27,707	28,359
Interest and dividend income	(35,648)	(35,869)
Loss (gain) on sales of investment securities	(13,314)	10,009
Loss (gain) on valuation of investment securities	–	19,323
Loss (gain) on sales and retirement of non-current assets	29,478	26,805
Decrease (increase) in trade receivables	(113,336)	16,750
Decrease (increase) in inventories	(190,390)	297,805
Increase (decrease) in trade payables	(37,734)	(324,934)
Increase (decrease) in accrued consumption taxes	(276,013)	102,511
Other, net	10,468	220,304
Subtotal	1,416,499	1,758,290
Interest and dividends received	35,843	31,391
Interest paid	(31,207)	(28,237)
Income taxes paid	(649,303)	(126,228)
Net cash provided by (used in) operating activities	771,830	1,635,216
Cash flows from investing activities		
Payments into time deposits	(1,780,000)	–
Proceeds from withdrawal of time deposits	2,180,000	490,000
Purchase of securities	(3,499,878)	(299,977)
Proceeds from sales and redemption of securities	4,400,112	1,499,976
Purchase of property, plant and equipment and intangible assets	(1,301,162)	(674,612)
Payments for asset retirement obligations	(12,671)	–
Purchase of investment securities	(5,570)	(5,407)
Proceeds from sales and redemption of investment securities	139,880	55,541
Purchase of shares of subsidiaries and associates	–	(400,000)
Loan advances	(300)	–
Loan advances to subsidiaries and associates	–	(650,000)
Collection of loans receivable	305	415
Collection of loans receivable from subsidiaries and affiliates	–	50,000
Payments of leasehold and guarantee deposits	(17,060)	(7,567)
Proceeds from refund of leasehold and guarantee deposits	11,911	9,329
Purchase of long-term prepaid expenses	(525)	(300)
Other payments	(18,291)	(26,104)
Other proceeds	–	102,124
Net cash provided by (used in) investing activities	96,748	143,416

(Thousands of yen)

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(220,019)	(2,809)
Dividends paid	(353,401)	(175,217)
Net cash provided by (used in) financing activities	(573,421)	(178,026)
Net increase (decrease) in cash and cash equivalents	295,157	1,600,606
Cash and cash equivalents at beginning of period	1,521,424	1,816,581
Cash and cash equivalents at end of period	1,816,581	3,417,188