

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 Consolidated Financial Results for the Six Months Ended July 31, 2023 (Based on Japanese GAAP)

September 11, 2023

Company name: Morozoff Limited
 Stock exchange listing: Tokyo
 Stock code: 2217 URL <https://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 13, 2023
 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. Consolidated financial results for the six months ended July 31, 2023 (from February 1, 2023 to July 31, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended July 31, 2023	15,748	8.1	834	4.7	856	(13.0)	539	(14.0)
Six months ended July 31, 2022	14,568	–	796	–	984	–	627	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended July 31, 2023	76.63	–
Six months ended July 31, 2022	89.18	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of July 31, 2023	25,832	19,036	73.7
As of January 31, 2023	26,595	18,580	69.9

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, 2023	–	0.00	–	65.00	65.00
Year ending January 31, 2024	–	0.00			
Year ending January 31, 2024 (Forecast)			–	55.00	55.00

3. Forecast of consolidated financial results for the year ending January 31, 2024 (from February 1, 2023 to January 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	33,800	4.0	1,830	(24.5)	1,830	(30.0)	1,140	(33.1)	161.98

4. Notes

- (1) Changes in significant subsidiaries during the six months ended July 31, 2023
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of July 31, 2023	7,088,452 shares	As of January 31, 2023	7,088,452 shares
---------------------	------------------	------------------------	------------------

Number of treasury shares at the end of the period

As of July 31, 2023	49,150 shares	As of January 31, 2023	51,604 shares
---------------------	---------------	------------------------	---------------

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

Six months ended July 31, 2023	7,037,933 shares	Six months ended July 31, 2022	7,034,919 shares
--------------------------------	------------------	--------------------------------	------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of January 31, 2023	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	6,137,290	8,838,355
Notes and accounts receivable - trade	6,512,340	3,343,540
Securities	499,950	499,950
Merchandise and finished goods	1,917,312	766,203
Work in process	283,427	1,082,812
Raw materials and supplies	474,326	541,570
Other	96,783	138,476
Allowance for doubtful accounts	(1,500)	(1,000)
Total current assets	15,919,931	15,209,908
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,523,842	2,434,674
Land	3,644,738	3,644,738
Other, net	1,627,055	1,638,093
Total property, plant and equipment	7,795,636	7,717,506
Intangible assets		
Other	139,687	129,159
Total intangible assets	139,687	129,159
Investments and other assets		
Investment securities	1,607,710	1,587,906
Retirement benefit asset	253,970	284,008
Other	879,015	903,813
Total investments and other assets	2,740,696	2,775,728
Total non-current assets	10,676,019	10,622,395
Total assets	26,595,951	25,832,303
Liabilities		
Current liabilities		
Notes and accounts payable - trade	884,677	1,099,341
Electronically recorded obligations - operating	1,993,360	1,239,447
Short-term borrowings	1,670,000	1,600,000
Income taxes payable	608,273	383,892
Provision for bonuses	227,180	202,130
Other	1,967,247	1,540,446
Total current liabilities	7,350,739	6,065,259
Non-current liabilities		
Retirement benefit liability	81,333	81,340
Other	583,661	649,529
Total non-current liabilities	664,995	730,869
Total liabilities	8,015,734	6,796,129

(Thousands of yen)

	As of January 31, 2023	As of July 31, 2023
Net assets		
Shareholders' equity		
Share capital	3,737,467	3,737,467
Capital surplus	3,918,352	3,922,552
Retained earnings	10,688,523	10,969,987
Treasury shares	(112,182)	(107,581)
Total shareholders' equity	18,232,161	18,522,426
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	474,108	540,013
Revaluation reserve for land	290,138	290,138
Foreign currency translation adjustment	–	71,855
Remeasurements of defined benefit plans	(416,193)	(388,259)
Total accumulated other comprehensive income	348,054	513,748
Total net assets	18,580,216	19,036,174
Total liabilities and net assets	26,595,951	25,832,303

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended July 31, 2022	Six months ended July 31, 2023
Net sales	14,568,111	15,748,729
Cost of sales	6,787,852	7,523,318
Gross profit	7,780,259	8,225,410
Selling, general and administrative expenses	6,983,863	7,391,212
Operating profit	796,395	834,197
Non-operating income		
Dividend income	64,729	17,476
Other	138,229	19,018
Total non-operating income	202,958	36,495
Non-operating expenses		
Interest expenses	12,724	11,651
Other	2,529	2,898
Total non-operating expenses	15,254	14,550
Ordinary profit	984,099	856,142
Extraordinary income		
Gain on sale of investment securities	–	5,153
Total extraordinary income	–	5,153
Extraordinary losses		
Loss on sale and retirement of non-current assets	9,011	891
Loss on sale of investment securities	16,697	–
Impairment losses	–	623
Total extraordinary losses	25,709	1,514
Profit before income taxes	958,390	859,781
Income taxes	331,042	320,489
Profit	627,348	539,291
Profit attributable to owners of parent	627,348	539,291

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended July 31, 2022	Six months ended July 31, 2023
Profit	627,348	539,291
Other comprehensive income		
Valuation difference on available-for-sale securities	42,897	65,904
Foreign currency translation adjustment	–	29,884
Remeasurements of defined benefit plans, net of tax	16,462	27,933
Total other comprehensive income	59,360	123,722
Comprehensive income	686,708	663,014
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	686,708	663,014
Comprehensive income attributable to non-controlling interests	–	–

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended July 31, 2022	Six months ended July 31, 2023
Cash flows from operating activities		
Profit before income taxes	958,390	859,781
Depreciation	350,919	346,981
Impairment losses	–	623
Increase (decrease) in provision for bonuses	7,290	(25,050)
Increase (decrease) in retirement benefit liability	215	244
Decrease (increase) in retirement benefit asset	(9,632)	9,962
Increase (decrease) in allowance for doubtful accounts	(11,770)	(500)
Interest expenses	12,724	11,651
Interest and dividend income	(64,729)	(18,613)
Loss (gain) on sale of investment securities	16,697	(5,153)
Loss (gain) on sale and retirement of non-current assets	9,011	891
Decrease (increase) in trade receivables	2,539,450	3,221,235
Decrease (increase) in inventories	493,833	376,531
Increase (decrease) in trade payables	(641,174)	(559,666)
Other, net	(211,043)	(573,166)
Subtotal	3,450,182	3,645,753
Interest and dividends received	64,726	18,588
Interest paid	(14,193)	(12,451)
Income taxes paid	(581,667)	(526,357)
Net cash provided by (used in) operating activities	2,919,048	3,125,533
Cash flows from investing activities		
Payments into time deposits	(490,000)	(490,000)
Proceeds from withdrawal of time deposits	–	490,000
Purchase of securities	–	(499,949)
Proceeds from sale and redemption of securities	–	499,976
Purchase of property, plant and equipment and intangible assets	(253,701)	(214,229)
Purchase of investment securities	(2,797)	(2,963)
Proceeds from sale and redemption of investment securities	43,810	10,809
Other, net	(16,900)	(17,880)
Net cash provided by (used in) investing activities	(719,589)	(224,237)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(150,000)	(70,000)
Repayments of lease liabilities	(7,024)	(7,668)
Net decrease (increase) in treasury shares	(520)	(1,835)
Dividends paid	(314,812)	(454,756)
Net cash provided by (used in) financing activities	(472,357)	(534,261)
Effect of exchange rate change on cash and cash equivalents	–	26,517
Net increase (decrease) in cash and cash equivalents	1,727,101	2,393,552
Cash and cash equivalents at beginning of period	5,383,737	5,647,290
Beginning balance in cash and cash equivalents resulting from newly consolidation of subsidiaries	44,192	307,512
Cash and cash equivalents at end of period	7,155,030	8,348,355