

# Consolidated Financial Results for the Fiscal Year Ended February 28, 2018 [Japanese GAAP]



April 6, 2018

Company name: MARUZEN CO.,LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 5982

URL: <http://www.maruzen-kitchen.co.jp>

Representative: Keiichi Watanabe, President

Contact: Fusao Banmi, Senior Vice President and General Manager of Administration Division

Phone: +81-3-5603-7755

Scheduled date of Annual General Meeting of Shareholders: May 24, 2018

Scheduled date of commencing dividend payments: May 25, 2018

Scheduled date of filing annual securities report: May 28, 2018

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen.)

## 1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended February 28, 2018	49,895	5.4	4,287	6.4	4,648	6.0	3,200	10.2
February 28, 2017	47,324	(0.1)	4,029	6.7	4,384	6.3	2,903	16.2

(Note) Comprehensive income: Fiscal year ended February 28, 2018: ¥4,417 million (39.3%)

Fiscal year ended February 28, 2017: ¥3,171 million (20.9%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended February 28, 2018	186.37	-	10.1	9.3	8.6
February 28, 2017	155.52	-	9.8	9.2	8.5

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended February 28, 2018: ¥- million

Fiscal year ended February 28, 2017: ¥- million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2018	51,207	32,266	63.0	1,995.38
As of February 28, 2017	48,589	30,995	63.8	1,660.11

(Reference) Equity: As of February 28, 2018: ¥32,266 million

As of February 28, 2017: ¥30,995 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended February 28, 2018	4,172	(991)	(3,175)	17,835
February 28, 2017	3,238	(787)	(1,011)	17,828

## 2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 28, 2017	-	10.00	-	12.00	22.00	410	14.1	1.4
February 28, 2018	-	13.00	-	13.00	26.00	420	14.0	1.4
Fiscal year ending February 28, 2019 (Forecast)	-	13.00	-	13.00	26.00		13.0	

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2019 (March 1, 2018 to February 28, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	25,765	1.1	2,533	0.1	2,753	0.9	1,900	1.9	117.50
Full year	50,000	0.2	4,303	0.4	4,679	0.7	3,229	0.9	199.68

### \* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: - (Company name: -)

Exclusion: - (Company name: -)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

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

February 28, 2018	19,780,000 shares
February 28, 2017	19,780,000 shares

2) Total number of treasury shares at the end of the period:

February 28, 2018	3,609,439 shares
February 28, 2017	1,109,246 shares

3) Average number of shares during the period:

Fiscal Year ended February 28, 2018	17,170,655 shares
Fiscal Year ended February 28, 2017	18,670,822 shares

(Reference) Summary of Non-consolidated Financial Results

**1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2018	47,264	6.9	3,070	12.1	4,339	8.4	2,998	12.9
February 28, 2017	44,212	(0.8)	2,739	6.9	4,001	3.8	2,657	13.7

Fiscal year ended	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
February 28, 2018	174.65		-	
February 28, 2017	142.32		-	

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of February 28, 2018	45,632		30,037		65.8		1,857.56	
As of February 28, 2017	43,542		28,970		66.5		1,551.63	

(Reference) Equity: As of February 28, 2018: ¥30,037 million

As of February 28, 2017: ¥28,970 million

\* These financial results are outside the scope of audit.

\* Explanation of the proper use of financial results forecast and other notes

Financial results forecasts and other forward-looking statements herein are based on information currently available and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors. As for the conditions of business performance forecasts and notes for using the financial results forecasts, please refer to the [attached document] P.3 “1. Overview of Operating Results, etc. (1) Overview of Operating Results for the Fiscal Year under Review 2) Outlook for the Next Fiscal Year”

## Table of Contents of Appendix

1. Overview of Operating Results, etc .....	2
(1) Overview of Operating Results for the Fiscal Year under Review.....	2
(2) Overview of Financial Position for the Fiscal Year under Review .....	3
(3) Basic policy related to profit allocation and dividends for the current and next fiscal years .....	4
2. Basic Stance Concerning Choice of Accounting Standards .....	4
3. Consolidated Financial Statements .....	5
(1) Consolidated Balance Sheets .....	5
(2) Consolidated Statements of Income and Comprehensive Income .....	7
Consolidated Statement of Income .....	7
Consolidated Statement of Comprehensive Income .....	8
(3) Consolidated Statements of Changes in Equity .....	9
(4) Consolidated Statements of Cash Flows .....	11
(5) Notes on consolidated financial statements .....	12
(Notes concerning assumptions regarding ongoing concerns) .....	12
(Significant matters that constitute the basis for preparing consolidated financial statements) .....	12
(Changes in accounting policy) .....	12
(Additional information) .....	12
(Concerning Consolidated Statement of Changes in Net Assets) .....	12
(Segment information, etc.) .....	13
(Per share information) .....	16
(Important subsequent events) .....	16
4. Others.....	16
(1) Changing of officers .....	16
(2) Other .....	16

## 1. Overview of Operating Results, etc.

### (1) Overview of Operating Results for the Fiscal Year under Review

#### 1) Overview of the consolidated fiscal year under review

During the fiscal year under review, despite some concerns with the uncertainty of overseas economies, both the country's economy and personal consumption have been back on course for a slow recovery due to the improved employment and income situation. While our Group's major customers in the restaurant/home-meal and the bread industries continue to face an increasingly severe business environment such as a lack of manpower and rising labour costs and costs of materials, lifestyle changes such as a rapidly aging population and a declining birthrate, and women's social advancement, etc. and the inbound effects have helped the overall market make a steady recovery. In this economic situation, our company's consolidated net sales was 49,895 million yen (5.4% increase from the previous term), operating profit was 4,287 million (6.4% increase from the previous term), ordinary profit was 4,648 million yen (6.0% increase from the previous term) and net profit attributable to shareholders of the parent company was 3,200 million yen (10.2% increase from the previous term), reaching the highest sales and profit level. The business results for each segment are shown as follows.

#### (Commercial Kitchen Department)

The Company's main business operation, the Commercial Kitchen Department, promoted solution sales, in which we offered solutions to our customers' problems such as a lack of manpower and energy saving in the work environment, based on our unique top-of-the-industry products. Also, the Company was engaged in annual promotional campaigns for the direct/route sales channels, and events such as sales and exhibitions, and cooking classes. Catalogues and brochures are utilized to maximize daily sales activities. The Company's homepage has been enhanced with renewed content, providing our customers with a wide variety of useful information. The Niigata Sales Office was newly established as a major hub for the Northern Japan region, and at their test kitchen, combined with another one of the Fukuoka Branch's in the Kyushu region, not only are some of the most important sales promotions such as exhibitions and cooking classes done there, but also cooking demonstrations with our customers as guests were held to add to our daily sales efforts. The Company's test kitchens are currently located in 8 locations; Sapporo, Sendai, Niigata, Tokyo, Nagoya, Osaka, Hiroshima and Fukuoka. As for the maintenance and service aspect, a prompt response to repairs are offered daily, as well as offers for effective and preventative measures for any issues. We also performed vigorous sales promotions for products such as detergents and demineralizer water cartridges, focusing on our customers' safety and improving the level of customer satisfaction.

For business in product development, we actively promote developing new products that reflect a good understanding of customers' needs as a manufacturer, as well as reviewing the Company's existing products. During this fiscal year, the Company developed a variety of new products through improvements and model changes. Various products were developed and released on the market such as the *Undercounter Dishwasher (Depth 450mm)* that can be installed in a small kitchen, and contributes to improved efficiency and cost reductions, *Electric Double Auto-lift Fryer* whose two fry baskets with the auto-lift device make it possible to simultaneously cook a variety of food to compensate for any lack of labour, *Dish Sterile Storage with 2 Baskets* that is optimum for small-scale facilities and daycares/preschools, etc., *Cart-In Storage with Cooling Function*, that is equipment to enable the safe delivery of cold meals to school lunch centers by keeping temperatures low, and *Cool Kitchen Series Low Range*, a low price convection gas range that contributes to a comfortable work environment.

Some existing products were also upgraded; for example, the *Rack Conveyor Dishwasher* was made smaller in size with improved water and energy-saving performance, and the *Undercounter Dishwasher* was also made compact with improved functions.

As a result, due to the increase in profits achieved by the sales of the Company's major products including labor-saving auto-lift fryers and dishwashers, our net sales increased by 7.0% year on year to 46,671 million yen, and the operating profit increased by 7.3% year on year to 4,610 million yen.

#### (Bakery Department)

In our Bakery Department, the Company strived to expand sales to bread manufacturers in Japan, as well as develop business with overseas bread manufacturers and manufacturers in various different food industries, mostly in South East Asia. Because of the backlash from a large overseas project last year, etc., this fiscal year's net sales decreased by 15.6% year on year to 2,676 million yen, and the operating profit increased by 40.9% year on year to 130 million yen.

(Rental Building Department)

Our Rental Building Department owns a total of 5 rental properties; 3 business chain hotels, 1 assisted-living nursing home, and 1 distribution warehouse, in order to make efficient use of the Company's properties and funds.

Business operations for this fiscal year was carried out as planned, resulting in net sales of 592 million yen (0.3% increase from the previous term) and an operating profit of 397 million yen (0.1% decrease from the previous term).

## 2) Outlook for the Next Fiscal Year

In accordance with increasing inbound demands, our Commercial Kitchen Department expects even more active growth in the hospitality and restaurant industries. Japan's "Dynamic Engagement of All Citizens" is also expected to contribute to further growth in the restaurant and home-meal market due to the rising number of dual-income households and women's social advancement, as well as an increase in the number of facilities related to social security such as child-care support and an aging society. Despite such trends, the Company also anticipates being in an even tougher business environment because of rising distribution costs resulting from a lack of manpower and increasing costs of stainless steel, etc.

In this situation, the Company plans to utilize its top-of-the-industry product variation to continue visiting end users and distributors in various industries throughout the country, as well as to make valuable proposals for our automated/labor-saving equipment, etc., to compensate for the shortage of labor. At the same time, we will continue to gain trust and enhance strong relationships with our existing customers by offering follow-up services such as free inspections of their kitchens and offering maintenance agreements that help them facilitate the safe operation of their businesses.

In the Research and Development Department, we will focus on the development of new products that match the needs of society such as the shortage of labor and a review on our existing products, and will aim to contribute to increased sales that lead to the Company's increased profit in order to improve our business results.

Our Manufacturing Department will promote in-house manufacturing by improving the utilization of production equipment; as well, we will continue to carry on with 5S Methodology and proposals for improvements, etc., to achieve cost reductions and improved productivity.

In the Bakery Department, we will continue with the annual sale of new products and reviewed products to strengthen the Company's product power, and will visit a wide range of customers to introduce our new products to enhance sales with domestic/overseas bread manufacturers. Also, we will continue to develop new business relationships with various food manufacturers in different industries, as well as bread manufacturers in South East Asia, in order to secure stable sales results.

The Rental Building Department is expected to achieve the results as planned with the existing properties.

The outlook for the next fiscal year includes net sales of 50,000 million yen (0.2% increase from the previous term), and an operating profit of 4,303 million yen (0.4% increase from the previous term), ordinary profit of 4,679 million yen (0.7% increase from the previous term), and net profit attributable to shareholders of the parent company of 3,292 million yen (0.9% increase from the previous term).

## (2) Overview of Financial Position for the Fiscal Year under Review

### 1) Overview of assets, liabilities and net assets

The Company's financial position for this consolidated fiscal year resulted in total assets of 51,207 million, an increase of 2,617 million yen from the end of the previous consolidated fiscal year.

The breakdown of assets is; current assets of 974 million yen due to a sales increase resulting from the increased number of collections for notes and accounts receivable, and non-current assets of 1,642 million yen resulting from an appreciating appraisal value of company stocks.

As for the liabilities, there was an increase of 1,346 million yen from the previous consolidated fiscal year due to the increased number of notes and accounts payable resulting from additional procurement costs in relation to rising sales profits, to a total of 18,940 million yen.

Although the Company's net assets saw some increase in retained earnings due to the recording of profits attributable to shareholders of the parent company, they had some decrease as well due to the acquisition of treasury stocks. Also, the amount of accumulated other comprehensive income showed an increase of 1,270 million yen due to an appreciation in the Company's stock value, to 32,266 million yen from the previous consolidated fiscal year.

## 2) Overview of Cash Flow for the Fiscal Year under Review

Cash and cash equivalents (hereafter referred to as “capital”) as of this fiscal year had an increase of 6 million yen to 17,835 million yen (0.0% increase from the same period last year). Also, the conditions of each cash flow and major factors are as follows:

(Cash flow provided by operating activities)

The sales activities resulted in capital of 4,172 million yen (28.9% increase from the same period last year). This is mainly attributable to the recording of profit before income taxes of 4,644 million yen.

(Cash flow provided by investment activities)

Capital used in investment activities was 991 million yen (25.9% increase from the same period last year).

This is mainly attributable to the acquisition of tangible fixed assets valued at 1,031 million yen.

(Cash flow provided by financing activities)

Capital used for financing activities was 3,175 million yen (214.0% increase from the same period last year).

This is mainly attributable to the 2,740 million yen payment to acquire 2,500,000 treasury stocks and to cash dividends paid of 434 million yen in view of the circumstances such as shareholder returns and improved capital efficiency.

## (3) Basic policy related to profit allocation and dividends for the current and next fiscal years

The Company considers returning profits to our shareholders as one of the most important tasks as a corporation, and made it a standard corporate policy to provide stable dividends continuously. Also, the retained earnings will be used to invest in research and development, equipment and expansion of the Company’s market share to secure a steady increase in our business scale and to improve our company’s corporate value.

Per our announcement on March 19<sup>th</sup>, 2018, the cash dividend per share at the end of this fiscal year was 13 yen, and the annual dividend per share was 26 yen (in addition to 13 yen at the interim period). The Company’s profits continued to improve steadily from the previous term, exceeding the original profit projection.

The Company’s annual cash dividend per share is planned at 26 (13 yen at the end of the 2<sup>nd</sup> quarter, 13 yen at the end of the fiscal year) from the viewpoint of providing steady and continuous allocation.

In order to return profits to our shareholders and improve capital efficiency, the Company acquired 2,500,000 treasury stocks worth 2,700 million yen in June 2017 (12.64% of the total issued shares).

The Company is also offering a special benefit plan for shareholders to express our gratitude for their support of our business. At the end of February and August of the current fiscal year, those who own more than 1,000 shares will receive a JF Gourmet Card (gift certificate that can be used at restaurants throughout Japan).

## 2. Basic Stance Concerning Choice of Accounting Standards

By taking comparability of consolidated financial statements with other terms and with other companies into consideration, our Corporate Group plans to continue using Japanese accounting standards for our consolidated financial statements for the foreseeable future.

Also, use of International Financial Reporting Standards (IFRS) will be considered for application based on the domestic and overseas business situations.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Thousand yen)

	As of Feb. 28, 2017	As of Feb. 28, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	17,828,878	17,835,449
Notes and accounts receivable - trade	8,093,076	8,641,530
Merchandise and finished goods	2,905,996	3,142,572
Work in process	493,462	643,440
Raw materials and supplies	1,010,016	1,066,791
Deferred tax assets	340,660	359,709
Other	201,983	156,769
Allowance for doubtful accounts	(11,442)	(8,672)
Total current assets	30,862,632	31,837,590
Non-current assets		
Tangible assets		
Buildings and structures	15,678,824	15,981,006
Cumulative depreciation	(9,462,476)	(9,808,626)
Buildings and structures, net	6,216,348	6,172,379
Machinery, equipment and vehicles	6,786,451	7,004,367
Cumulative depreciation	(5,021,954)	(5,330,632)
Machinery and delivery equipment, net	1,764,497	1,673,734
Land	6,917,315	7,042,419
Leased assets	28,996	33,522
Cumulative depreciation	(12,629)	(18,646)
Leased assets, net	16,367	14,875
Construction in progress	79,103	2,194
Other	1,231,155	1,254,204
Cumulative depreciation	(1,145,548)	(1,170,780)
Other, net	85,606	83,423
Total tangible assets	15,079,237	14,989,027
Intangible assets		
Software	22,384	14,556
Leased assets	12,110	11,360
Total intangible assets	34,495	25,917
Investments and other assets		
Investment securities	2,192,671	3,945,254
Long-term loans	76,319	64,194
Deferred tax credits	152,416	157,664
Other	223,393	213,735
Allowance for doubtful accounts	(31,691)	(26,071)
Total investments and other assets	2,613,110	4,354,776
Total non-current assets	17,726,843	19,369,721
<b>Total assets</b>	<b>48,589,475</b>	<b>51,207,312</b>



(Thousand yen)

	As of Feb. 28, 2017	As of Feb. 28, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,174,192	11,045,419
Short-term loans payable	700,000	700,000
Lease obligations	10,307	12,168
Income taxes payable	838,566	785,368
Provision for bonuses	612,000	657,000
Reserve for directors' bonuses	41,452	48,794
Notes payable-equipment	473,558	457,118
Other	1,571,895	1,594,342
Total current liabilities	14,421,971	15,300,211
Non-current liabilities		
Lease obligations	20,448	16,166
Deferred tax liabilities	114,504	649,542
Deferred tax liability on reappraisals	172,264	172,264
Provision for directors' retirement benefits	313,600	290,700
Debt related to retirement benefits	1,662,862	1,730,811
Notes payable-long-term installations	802,348	695,575
Other	85,915	85,639
Total non-current liabilities	3,171,942	3,640,699
Total liabilities	17,593,914	18,940,911
Net assets		
Shareholders' equity		
Capital stock	3,164,950	3,164,950
Capital surplus	2,494,610	2,494,610
Retained earnings	29,246,683	32,012,533
Treasury shares	(598,193)	(3,311,034)
Total shareholders' equity	34,308,050	34,361,058
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	1,240,386	2,456,120
Difference in revaluation of land	(4,556,285)	(4,556,285)
Re-measurements of defined benefit plans	3,409	5,507
Total other accumulated comprehensive income	(3,312,489)	(2,094,657)
Total net assets	30,995,561	32,266,400
Total liabilities and net assets	48,589,475	51,207,312

## (2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)

(Thousand yen)

	For the fiscal year ended Feb. 28, 2017	For the fiscal year ended Feb. 28, 2018
Net sales	47,324,574	49,895,588
Cost of sales	33,288,311	34,968,542
Gross profits	14,036,263	14,927,046
Sales, general and administrative expenses		
Shipping and packing expenses	1,436,111	1,644,949
Advertising expenses	225,081	222,588
Provision for allowance for doubtful accounts	18,796	8,672
Directors' compensation and salary payments	4,453,243	4,826,249
Benefit expenses	812,176	841,468
Provision for accrued bonuses	508,821	549,938
Transfer to reserves for directors' bonuses	41,452	48,794
Retirement benefit expenses	171,245	140,887
Transfer to reserves for directors in recognition of service	36,900	33,400
Depreciation	148,582	142,918
Rental charges	227,275	230,098
R&D costs	417,339	397,638
Other	1,509,374	1,551,638
Cost of goods sold and administrative costs	10,006,399	10,639,243
Operating profits	4,029,863	4,287,803
Non-operating revenue		
Interest earned	2,648	1,147
Dividends earned	48,055	69,128
Rents for fixed assets	28,730	26,996
Purchase discounts	143,758	121,521
Revenue on sale of work scrap	103,888	146,578
Other	37,718	30,251
Total non-operating revenue	364,800	395,624
Non-operating expenses		
Interest expenses	3,750	2,171
Sales discounts	5,885	4,292
Treasury stock acquisition costs	—	27,950
Other	298	429
Total non-operating expenses	9,934	34,844
Ordinary profits	4,384,729	4,648,583
Extraordinary income		
Gain from sale of fixed assets	3,061	1,967
Gain on sales of investment securities	86,865	—
Total extraordinary income	89,927	1,967
Extraordinary losses		
Loss on sale of fixed assets	7	4,605
Loss on retirement of non-current assets	1,204	1,114
Loss on valuation of investment securities	2,153	—
Total extraordinary losses	3,364	5,719
Profit before income taxes	4,471,291	4,644,831
Income taxes - current	1,556,005	1,471,214
Income taxes - deferred	11,654	(26,501)
Total income taxes	1,567,660	1,444,713
Profits	2,903,630	3,200,118
Profits attributable to stockholders of parent company	2,903,630	3,200,118

## (Consolidated Statement of Comprehensive Income)

(Thousand yen)

	For the fiscal year ended Feb. 28, 2017	For the fiscal year ended Feb. 28, 2018
Profits	2,903,630	3,200,118
Other comprehensive income		
Valuation difference on available-for-sale securities	229,365	1,215,734
Difference in revaluation of land	9,451	—
Re-measurements of defined benefit plans, net of taxes	28,877	2,097
Other total comprehensive income	267,695	1,217,831
Comprehensive income	3,171,326	4,417,950
(Breakdown)		
Comprehensive income attributable to parent company stockholders	3,171,326	4,417,950
Comprehensive income attributable to non-controlling interests	—	—

### (3) Consolidated Statements of Changes in Equity

For the fiscal year ended February 28, 2017 (March 1, 2016 to February 28, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,164,950	2,494,610	26,753,813	(597,814)	31,815,559
Change during period					
Surplus dividends			(410,761)		(410,761)
Purchase of shares of consolidated subsidiaries			2,903,630		2,903,630
Purchase of treasury shares				(378)	(378)
Net changes of items other than shareholders' equity					
Total change during period	—	—	2,492,869	(378)	2,492,490
Balance at end of current period	3,164,950	2,494,610	29,246,683	(598,193)	34,308,050

	Other accumulated comprehensive income				
	Valuation difference on available-for-sale securities	Difference in revaluation of land	Re-measurement of defined benefit plan	Other accumulated comprehensive income	Total net assets
Balance at beginning of period	1,011,020	(4,565,736)	(25,468)	(3,580,184)	28,235,374
Change during period					
Surplus dividends					(410,761)
Purchase of shares of consolidated subsidiaries					2,903,630
Purchase of treasury shares					(378)
Net changes of items other than shareholders' equity	229,365	9,451	28,877	267,695	267,695
Total change during period	229,365	9,451	28,877	267,695	2,760,186
Balance at end of current period	1,240,386	(4,556,285)	3,409	(3,312,489)	30,995,561

For the fiscal year ended February 28, 2018 (March 1, 2017 to February 28, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,164,950	2,494,610	29,246,683	(598,193)	34,308,050
Change during period					
Surplus dividends			(434,268)		(434,268)
Purchase of shares of consolidated subsidiaries			3,200,118		3,200,118
Purchase of treasury shares				(2,712,841)	(2,712,841)
Net changes of items other than shareholders' equity					
Total change during period	—	—	2,765,849	(2,712,841)	53,008
Balance at end of current period	3,164,950	2,494,610	32,012,533	(3,311,034)	34,361,058

	Other accumulated comprehensive income				
	Valuation difference on available-for-sale securities	Difference in revaluation of land	Re-measurement of defined benefit plan	Other accumulated comprehensive income	Total net assets
Balance at beginning of period	1,240,386	(4,556,285)	3,409	(3,312,489)	30,995,561
Change during period					
Surplus dividends					(434,268)
Purchase of shares of consolidated subsidiaries					3,200,118
Purchase of treasury shares					(2,712,841)
Net changes of items other than shareholders' equity	1,215,734		2,097	1,217,831	1,217,831
Total change during period	1,215,734	—	2,097	1,217,831	1,270,839
Balance at end of current period	2,456,120	(4,556,285)	5,507	(2,094,657)	32,266,400

## (4) Consolidated Statement of Cash Flows

(Thousand yen)

	For the fiscal year ended Feb. 28, 2017	For the fiscal year ended Feb. 28, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,471,291	4,644,831
Depreciation	825,952	881,559
Increase (decrease) in allowance for bonuses	7,000	45,000
Increase (decrease) in allowance for directors' bonuses	(10,742)	7,342
Increase (decrease) in liabilities related to retirement benefits	75,276	70,972
Increase (decrease) in reserves for retirement benefits	36,900	33,400
Increase (decrease) in allowance for doubtful accounts	5,390	(8,390)
Interest income and dividends received	(50,704)	(70,276)
Interest expenses	3,750	2,171
Loss (gain) on sale of investment securities	(86,865)	—
Loss (gain) on valuation of investment securities	2,153	—
Loss (gain) on sale of tangible assets	(3,054)	2,637
Loss on retirement of tangible assets	1,204	1,114
Decrease (increase) in notes and accounts receivable – trade	287,575	(547,197)
Decrease (increase) in inventories	(494,334)	(443,328)
Decrease (increase) in other current assets	(96,721)	26,622
Decrease (increase) in other non-current assets	(26)	(40)
Increase (decrease) in notes and accounts payable – trade	(403,302)	871,226
Increase (decrease) in accrued consumption tax, etc.	65,748	157,897
Increase (decrease) in other current liabilities	120,429	51,029
Increase (decrease) in other non-current liabilities	355	(275)
Other	(28,730)	(55,345)
Subtotal	4,728,547	5,670,950
Interest and dividend income received	50,933	70,276
Interest expenses paid	(3,266)	(2,126)
Income taxes paid	(1,538,072)	(1,566,283)
Cash flows from operating activities	3,238,141	4,172,816
<b>Cash flows from investment activities</b>		
Purchase of tangible fixed assets	(919,075)	(1,031,249)
Proceeds from sales of tangible fixed assets	5,639	3,203
Purchase of intangible fixed assets	(11,607)	(7,471)
Purchase of other fixed assets	(8,392)	(7,998)
Proceeds from decrease in other fixed assets	5,670	13,816
Purchase of investment securities	(14,732)	(531)
Proceeds from sale and redemption of investment securities	113,740	—
Revenue from collection of loans	12,814	12,118
Other	28,730	27,048
Cash flows from investment activities	(787,212)	(991,063)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(600,000)	—
Purchase of treasury shares	(378)	(2,740,792)
Cash dividends paid	(410,672)	(434,388)
Net cash provided by financing activities	(1,011,050)	(3,175,180)
Effects of exchange rate changes on cash and cash equivalents	—	0
Net increase (decrease) in cash and cash equivalents	1,439,878	6,571
Cash and cash equivalents at beginning of period	16,388,999	17,828,878
Cash and cash equivalents at end of period	17,828,878	17,835,449

(5) Notes on consolidated financial statements

(Notes concerning assumptions regarding ongoing concerns)

Not applicable

(Significant matters that constitute the basis for preparing consolidated financial statements)

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: two companies

Names of major consolidated subsidiaries: Maruzen Industries  
Fujiwara Maruzen Company Ltd.

(2) Names of major unconsolidated subsidiaries

Maruzen (Taiwan) Co., Ltd., Maruzen (Thailand) Co., Ltd.

(Reason excluded from scope of consolidation)

This is due to the fact that these are small subsidiaries with total assets, sales, net income (amount corresponding to equity interest), and retained interest (amount corresponding to equity interest) that do not significantly impact its consolidated financial statements.

2. Matters related to the application of the equity method

For the non-consolidated subsidiaries Maruzen (Taiwan) Co., Ltd., and Maruzen (Thailand) Co., Ltd., which do not apply the equity method, in terms of net income (amount corresponding to equity interest) and retained earnings (amount commensurate with equity interests), even if these are excluded from the scope of equity method, the impact on consolidated financial statements is minor. Also, since it is not generally important, it is excluded from the scope of application of the equity method.

3. Matters related to the business year of consolidated subsidiaries

The last day of the business year for the consolidated subsidiaries is consistent with the consolidated closing date.

(Changes in accounting policy)

Not applicable.

(Additional information)

(Application of Application Guidelines on the Recoverability of Deferred Tax Assets)

Application Guidelines on the Recoverability of Deferred Tax Assets (Corporate Accounting Standards Application Guideline No. 26 of March 28, 2016) have been applied ever since the current consolidated fiscal year.

(Concerning Consolidated Statement of Changes in Net Assets)

(Significant fluctuations in the amount of shareholders' equity)

Based on a written decision made in lieu of a resolution of the Board of Directors dated June 1, 2017, the company acquired 2,500,000 treasury shares. As a result, during the consolidated fiscal year under review, treasury shares, including acquisitions through purchase of fractional shares, increased by over ¥2.7 billion, ending the current consolidated fiscal year at over ¥3.3 billion.

(Segment information, etc.)

[Segment information]

#### 1. Overview of reporting segments

Isolated financial information of the Group's constituent units is available from the Group's reporting segments; this information is subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate business performance.

The Group classifies sales management into manufactured goods (heating equipment, work equipment, bakery equipment and so on) and merchandise (cooling equipment, cooking equipment, bakery-related equipment and so on). Responding to the needs of each customer, it is developing comprehensive domestic and overseas sales strategies and expanding its business activities. Moreover, the Group also treats three business classifications based on the makeup of sales –*the commercial kitchen equipment manufacturing and sales business, the bakery equipment manufacturing and sales business and the building rental business* - as reporting segments.

The *commercial kitchen equipment manufacturing and sales business* consists of manufacturing, purchasing and selling commercial kitchen equipment. The *bakery equipment manufacturing and sales business* consists of the manufacture, sales and maintenance of bakery equipment such as bread plants. The *building rental business* rents out buildings (business hotels, for-profit nursing home etc.)

#### 2. Method of calculating the amount of sales, profits or losses, assets, liabilities and other items for each reporting segment

The method of accounting for reported business segments is the same as that described in “Important matters as the basis for preparing consolidated financial statements.”

Reported segment earnings are based on operating income.

Internal revenues and transfers between segments are based on prevailing market prices.



3. Information on the amount of sales, profits or losses, assets, liabilities and other items per reported segment  
For the fiscal year ended Feb. 28, 2017

(Thousand yen)

	Reporting segment				Adjusted amount See Note 1 See Note 2 See Note 3	Amount recorded on consolidated financial statements See Note 4
	Commercial kitchen equipment manufacturing and sales business	Bakery equipment manufacturing and sales business	Building rental business	Total		
Sales						
Sales to external customers	43,621,450	3,112,186	590,938	47,324,574	—	47,324,574
Internal sales or transfers between segments	—	61,005	—	61,005	(61,005)	—
Total	43,621,450	3,173,191	590,938	47,385,579	(61,005)	47,324,574
Segment profits	4,296,088	92,489	398,008	4,786,586	(756,723)	4,029,863
Segment assets	25,252,873	1,112,390	3,971,949	30,337,213	18,252,262	48,589,475
Other items						
Depreciation costs	683,351	18,256	112,238	813,845	12,107	825,952
Increase in tangible and intangible fixed assets	1,180,584	1,282	9,031	1,190,897	11,397	1,202,294

(Notes)1. The -¥756.7 million adjustment for segment profits includes elimination of intersegment transactions of ¥120 million and company-wide expenses of -¥876.7 million not allocated to each reporting segment. Company-wide expenses are mainly made up of general administrative expenses not attributable to reporting segments.

2. The -¥18.25 billion adjustment for segment assets are company-wide assets not allocated to each reporting segment, with major items consisting of management funds (cash and deposits) and assets related to the management (headquarters) division.

3. The -¥12.1 million adjustment for depreciation expenses consists of amortization expenses for all corporate assets.

4. Segment profits are coordinated with the operating income of consolidated financial statements.

For the fiscal year ended Feb. 28, 2018

(Thousand yen)

	Reporting segment				Adjusted amount See Note 1 See Note 2 See Note 3	Amount recorded on consolidated financial statements See Note 4
	Commercial kitchen equipment manufacturing and sales business	Bakery equipment manufacturing and sales business	Building rental business	Total		
Sales						
Sales to external customers	46,671,946	2,631,102	592,540	49,895,588	—	49,895,588
Internal sales or transfers between segments	—	45,813	—	45,813	(45,813)	—
Total	46,671,946	2,676,916	592,540	49,941,402	(45,813)	49,895,588
Segment profits	4,610,751	130,327	397,518	5,138,598	(850,795)	4,287,803
Segment assets	27,693,804	1,407,577	3,869,334	32,970,716	18,236,596	51,207,312
Other items						
Depreciation costs	739,339	20,708	108,947	868,994	12,564	881,559
Increase in tangible and intangible fixed assets	694,214	72,644	9,163	776,021	11,079	787,101

(Notes) 1. The -¥850.8 million adjustment for segment profits includes elimination of intersegment transactions of ¥120 million and company-wide expenses of -¥970.8 million not allocated to each reporting segment. Company-wide expenses are mainly made up of general administrative expenses not attributable to reporting segments.

2. The -¥18.24 billion adjustment for segment assets are company-wide assets not allocated to each reporting segment, with major items consisting of management funds (cash and deposits) and assets related to the management (headquarters) division.

3. The -¥12.6 million adjustment for depreciation expenses consists of amortization expenses for all corporate assets.

4. Segment profits are coordinated with the operating income of consolidated financial statements.

[Related information]

For the fiscal year ended Feb. 28, 2017

1. Information for each product and service

(Thousand yen)

	Commercial kitchen equipment manufacturing and sales business						Bakery equipment manufacturing and sales business		Building rental business	Total
	Company products				Products purchased from other companies		Company products	Products purchased from other companies		
	Heating equipment	Work equipment		Parts, etc.	Cooling equipment	Cooking service equipment	Bakery equipment	Bakery-related equipment		
		Standard	Orders							
Sales to external customers	11,644,757	2,426,456	3,758,612	3,914,313	8,516,989	13,360,320	2,975,352	136,834	590,938	47,324,574

2. Information by region

(1) Sales

Since sales to customers outside of Japan exceed 90% of sales on the consolidated income statement, the description is omitted.

(2) Tangible fixed assets

Since the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on the consolidated income statement, the description is omitted.

3. Major customer-specific information

Since no customer makes up 10% or more of sales to outside customers on the consolidated income statement, the description is omitted.

For the fiscal year ended Feb. 28, 2018

1. Information for each product and service

(Thousand yen)

	Commercial kitchen equipment manufacturing and sales business						Bakery equipment manufacturing and sales business		Building rental business	Total
	Company products				Products purchased from other companies		Company products	Products purchased from other companies		
	Thermal equipment	Work equipment		Parts, etc.	Cooling equipment	Cooking service equipment	Bakery equipment	Bakery-related equipment		
		Standard	Orders							
Sales to external customers	12,816,953	2,676,021	3,992,102	4,178,865	8,857,964	14,150,039	2,466,149	164,952	592,540	49,895,588

2. Information by region

(1) Sales

Since sales to customers outside of Japan exceed 90% of sales on the consolidated income statement, the

description is omitted.

(2) Tangible fixed assets

Since the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on the consolidated income statement, the description is omitted.

3. Major customer-specific information

Since no customer makes up 10% or more of sales to outside customers on the consolidated income statement, the description is omitted.

[Information on impairment loss of fixed assets by reporting segment]

Not applicable.

[Information on negative goodwill amortization and unamortized balance by reporting segment]

Not applicable.

[Information on negative goodwill amortization by reporting segment]

Not applicable.

(Per share information)

Item	For the fiscal year ended Feb. 28, 2017	For the fiscal year ended Feb. 28, 2018
Net assets per share	¥1,660.11	¥1,995.38
Net income per share	¥155.52	¥186.37

(Notes) 1. No net income per share adjusted for potential diluted shares is stated because there are no potential shares.

2. The basis for calculating net income per share is as follows.

	For the fiscal year ended Feb. 28, 2017	For the fiscal year ended Feb. 28, 2018
Amount of net income per share		
Net income attributable to parent company shareholders (thousand yen)	2,903,630	3,200,118
Amount not contributable to common shareholders (thousand yen)	—	—
Net income attributable to shareholders of the parent company related to common stock (thousand yen)	2,903,630	3,200,118
Average number of shares during the period (thousand shares)	18,670	17,170

(Important subsequent events)

Not applicable.

4. Other

(1) Changing of officers

Not applicable.

(2) Other

Not applicable.