

MORITO CO., LTD.  
Financial Statement (Unaudited)  
For the Third Quarter of the Fiscal Year ended November 30, 2018  
(Translated from the Japanese original)

## Corporate Information

Code : 9837 Listings in First Section of the Tokyo Stock Exchange

(URL [http : www.morito.co.jp/english/index.html](http://www.morito.co.jp/english/index.html) )

Representative : Takaki Ichitsubo

Representative Director and President

Contact : Kenji Kojima

Director, Corporate management

Telephone: +81-6-6252-3551

Scheduled date of filing of Quarterly Report:

October 12, 2018

Scheduled date of dividend payment:

—

Supplementary explanation material for quarterly financial results:

Yes

Presentation meeting for quarterly financial results:

No

(Amounts rounded down)

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year 2018(December 1, 2017 through August 31, 2018)**

**(1) Consolidated Financial Results**

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q of FY 2018	31,900	6.0	1,135	10.2	1,170	11.8	782	Δ76.9
3Q of FY 2017	30,102	3.0	1,029	6.0	1,047	33.0	3,381	577.9

(Note) Comprehensive income : 314 million yen (Δ93.1%) (3Q of FY 2018) 4,575 million yen (-%)(3Q of FY 2017)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
3Q of FY 2018	28.44	28.38
3Q of FY 2017	121.74	121.70

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q of FY 2018	46,399	32,204	69.3
FY 2017	43,473	32,615	74.9

(Reference) Equity capital : 32,155 million yen (3Q of FY 2018) 32,581 million yen (FY 2017)

**2. Dividends**

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2017	-	14.00	-	14.00	28.00
FY 2018	-	12.50	-		
FY 2018 (Forecast)				12.50	25.00

(Note) Revisions of dividend forecast to the latest announcement: None

**3. Consolidated Forecast for FY 2018 (December 1, 2017 through November 30, 2018)**

(Percentages represent changes from corresponding period of previous year)

	Net Sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	44,000	6.3	2,000	17.1	1,900	11.5	1,300	△60.7	47.27

(Note) Revisions of consolidated forecast to the latest announcement: None

**\*Notes**

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation) : Yes

Newly included : Maneuverline Inc.

Extended company : None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

- |  |      |
|--|------|
| (i) Changes in accounting policies caused by revision of accounting standards: | None |
| (ii) Changes in accounting policies other than (i):                            | None |
| (iii) Changes in accounting estimates:   | None |
| (iv) Restatements:   | None |

(4) Number of outstanding shares (common shares)

- |   |                           |
|---|---------------------------|
| (i) Number of outstanding shares, including treasury shares at end of period: |                           |
| 30,800,000 shares   | (as of August 31, 2018)   |
| 30,800,000 shares   | (as of November 30, 2017) |
| (ii) Number of shares of treasury stock at end of period:                     |                           |
| 3,290,700 shares  | (as of August 31, 2018)   |
| 3,300,100 shares  | (as of November 30, 2017) |
| (iii) Average outstanding number of shares during the period:                 |                           |
| 27,504,233 shares   | (the 3Q of FY2018)        |
| 27,778,878 shares   | (the 3Q of FY2017)        |

\*This quarterly financial summary does not need to undergo an audit.

\*Disclosure and other special notes regarding performance forecasts

The forecast in this quarterly statement is based on information available to management as of the date on which these performance-related figures were disclosed, and various factors may cause actual results to differ from these forecasts.

For issues to keep in mind when using the forecasts and criteria conditioned upon the forecasts, please refer to "1. Qualitative Information for the Period under Review (2) Forecast of Consolidated Business Results and Other Forward-looking Information." on page 5.

We have also introduced "Stock Granting Trust (J-ESOP)" and "Board Incentive Plan (BIP)". Consequently, the shares held by Trust & Custody Service Bank, Ltd. and The Master Trust Bank of Japan, Ltd. are included in the treasury stock.

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## 1. Qualitative Information for the Period under Review

### (1) Overview of Business Performance

In the third quarter (From 1<sup>st</sup> December, 2017 to 31<sup>st</sup> August, 2018) of the fiscal year ended November 30<sup>th</sup>, 2018 (From 1<sup>st</sup> December, 2017 to 30<sup>th</sup> November, 2018), the Japanese economy has shown signs of gradual recovery with increasing personal consumption, driven by improving employment situation due to continued stable corporate performance.

In the global economy, despite concerns about the uncertainty of the overseas economy caused by the uncertainty of the financial markets and the impact on Japanese economy due to the increase of the US-China trade friction, the global economy was on a recovery trend, mainly in the US.

In such a situation, our group is accelerating a growth strategy by the development of value-added Japanese items, expansion of a global sales channel under the 7<sup>th</sup> mid-term management plan, and will promote the realization of value creation which the era seeks, expand our business in not only existing market such ASEAN, china, western, but also in untapped market.

As a result, in the current quarterly performance reaches net sales ¥31,900 million (increased by 6.0% from a year earlier), operating income ¥1,135 million (increased by 10.2% from a year earlier), ordinary income ¥1,170 million (increased by 11.8% from a year earlier), net income ¥782 million (decreased by 76.9% from a year earlier).

The exchange rate used for the oversea subsidiaries' consolidated financial statement of the current quarter end as below:

	1Q Oct-Dec	2Q Jan-Mar	3Q Apr-Jun
USD	112.98 (109.43)	108.23 (113.61)	109.10 (111.10)
EUR	133.01 (117.86)	133.15 (121.04)	130.03 (122.26)
RMB	17.08 (15.99)	17.04 (16.56)	17.13 (16.21)
HKD	14.47 (14.11)	13.83 (14.64)	13.90 (14.27)
TWD	3.75 (3.45)	3.70 (3.66)	3.67 (3.67)
VND	0.0050 (0.0048)	0.0048 (0.0050)	0.0048 (0.0048)
THB	3.43 (3.09)	3.43 (3.24)	3.42 (3.24)

\*() is the exchange rate of the quarter of FY2017.

Segment information as below

#### [Japan]

As for the apparel division, sales of the accessories for sports apparel manufacturer was decreased, however sales of the accessories for uniform/working wear and mass retailer were increased.

In the consumer product division, sales of accessories for health-related items such as medical supporters, sales of products for hardware store/working wear store, retailers and automobile interior components, and rental/cleanup of kitchen supplies were increased.

Furthermore, the results of Manueverline Inc., which acquired in April, are included in the consolidated income statement for Consolidated Financial Results of the Third Quarter of FY2018. Accordingly, Sales of business on Maneuverline Inc. which imports and sells goods for marine leisure, snowboarding, and skateboarding were increased.

As a result, net sales were ¥22,662 million (increased by 9.9% from a year earlier).

#### [Asia]

As for the apparel division, sales of the accessories for Japanese apparel manufacturers in Shanghai were increased, however sales of the accessories for Europe and the US apparel manufacturers in Hong Kong were decreased.

In the consumer product division, sales of accessories for video equipment in Hong Kong and Thailand were decreased.

As a result, net sales were ¥4,688 million (decreased by 10.5% from a year earlier).

#### [Europe and the US]

As for the apparel division, sales of the accessories in Europe and the US were increased.

In the consumer product division, sales of accessories for video equipment in Europe were decreased,

however sales of automobile interior component for Japanese auto maker in Europe and the US were increased.

As a result, net sales were ¥4,550 million (increased by 7.1% from a year earlier).

**(2) Forecast of Consolidated Business Results and Other Forward-looking Information**

Currently, there has been no change in the consolidated forecast of FY2018 which was announced in 12<sup>th</sup> January, 2018.

**2. Matters Concerning Summary Information**

**(1) Changes in Important Subsidiaries during the period under Review**

In Consolidated Financial Results of the Second Quarter of the Fiscal Year 2018, as a result of acquiring of shares of Manueverline Inc., Manueverline Inc. and its three subsidiaries are included in the scope of Consolidated Financial Results of the Second Quarter of the Fiscal Year 2018.

Since the date of the fiscal year end of these subsidiaries and our consolidated closing date are different, these financial results are consolidated using the financial statements based on the provisional settlement that considers June 30, 2018 as the settlement date of the Third Quarter of the Fiscal Year 2018.

**(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statement**

Not applicable

**(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revision Restated**

Not applicable

**(4) Additional Information**

Not applicable

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

	FY 2017 (As of November 30, 2017) Thousands of yen	FY 2018 (As of August 31, 2018) Thousands of yen
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,235,613	9,712,223
Notes and accounts receivable	10,797,872	11,348,313
Inventory	4,305,396	5,636,077
Other current assets	730,080	833,738
Allowance for doubtful accounts	△ 35,215	△ 38,679
<b>Total current assets</b>	<b>28,033,747</b>	<b>27,491,673</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Land	2,526,981	3,342,866
Other tangible fixed assets	3,356,661	5,181,374
<b>Total tangible fixed assets</b>	<b>5,883,643</b>	<b>8,524,240</b>
<b>Intangible fixed assets</b>		
Goodwill	2,728,172	3,387,224
Other Intangible fixed assets	1,276,348	1,163,190
<b>Total intangible fixed assets</b>	<b>4,004,521</b>	<b>4,550,414</b>
<b>Investments and other fixed assets</b>		
Investment securities	4,551,840	4,604,472
Net defined benefit asset	289,728	290,132
Other fixed assets	765,704	1,003,076
Allowance for doubtful account	△ 70,037	△ 75,115
<b>Total investments and other fixed assets</b>	<b>5,537,236</b>	<b>5,822,565</b>
<b>Total fixed assets</b>	<b>15,425,400</b>	<b>18,897,220</b>
Deferred assets	14,004	10,853
<b>Total assets</b>	<b>43,473,152</b>	<b>46,399,747</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	4,317,325	4,690,265
Short-term loans payable	50,000	200,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	161,081	664,756
Accrued tax payable	481,935	119,412
Reserve for bonuses	208,130	313,109
Reserve for director's bonuses	66,799	38,980
Other current liabilities	1,266,606	1,286,839
<b>Total current liabilities</b>	<b>6,951,879</b>	<b>7,713,362</b>
<b>Fixed liabilities</b>		
Bonds payable	1,000,000	800,000
Long-term debt	—	2,502,671
Provision for retirement benefit by stock	24,761	27,224
Provision for director's retirement benefit	41,083	46,708
Provision for director's retirement benefit by stock	51,552	66,168
Provision for environmental measures	20,217	19,822
Net defined benefit liability	916,630	899,360
Other fixed liabilities	1,851,890	2,119,925
<b>Total fixed liabilities</b>	<b>3,906,135</b>	<b>6,481,880</b>
<b>Total liabilities</b>	<b>10,858,014</b>	<b>14,195,243</b>

(Unaudited)

	FY 2017 (As of November 30, 2017) Thousands of yen	FY 2018 (As of August 31, 2018) Thousands of yen
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,498,724
Retained earnings	24,713,167	24,751,901
Treasury stock	△ 2,122,115	△ 2,118,444
<b>Total shareholders' equity</b>	<b>29,622,267</b>	<b>29,664,672</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,577,017	1,343,897
Deferred gains or losses on hedges	△ 1,203	1,528
Difference in revaluation of land	621,625	621,625
Foreign currency translation adjustment	789,883	547,847
Remeasurement of defined benefit plans	△ 28,110	△ 23,575
<b>Total other comprehensive income</b>	<b>2,959,211</b>	<b>2,491,322</b>
Subscription rights to shares	33,658	48,508
<b>Minority interests</b>	<b>—</b>	<b>—</b>
<b>Total net assets</b>	<b>32,615,138</b>	<b>32,204,503</b>
<b>Total liabilities and net assets</b>	<b>43,473,152</b>	<b>46,399,747</b>

**(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

## Quarterly Consolidated Statements of Income

The third quarter accounting period

	FY 2017 (December 1, 2016 through August 31, 2017) Thousands of yen	FY 2018 (December 1, 2017 through August 31, 2018) Thousands of yen
<b>Net sales</b>	<b>30,102,502</b>	<b>31,900,857</b>
<b>Cost of sales</b>	<b>22,023,035</b>	<b>23,411,326</b>
<b>Gross profit</b>	<b>8,079,466</b>	<b>8,489,531</b>
Total selling, general and administrative expense	7,049,481	7,354,298
<b>Operating Income</b>	<b>1,029,985</b>	<b>1,135,233</b>
<b>Non-operating income</b>		
Interest received	18,396	19,604
Dividends received	50,893	55,096
Rent on real estate	37,083	33,319
Equity in earnings of affiliates	33,109	42,366
Other non-operating income	37,694	49,282
Total non-operating income	177,177	199,669
<b>Non-operating expenses</b>		
Interest paid	4,813	3,708
Cash discount on sales	63,304	62,354
Foreign Exchange Loss	11,229	24,373
Others non-operating expense	80,131	73,513
Total non-operating expense	159,478	163,949
<b>Ordinary Income</b>	<b>1,047,684</b>	<b>1,170,952</b>
<b>Extra ordinary income</b>		
Gains on sales of fixed assets	3,291,825	16,387
Gains on sales of investment securities	—	9,405
Total extra ordinary income	3,291,825	25,793
<b>Extra ordinary loss</b>		
Loss on sales of fixed assets	3,075	273
Loss on disposal of fixed assets	53,488	9,101
Impairment loss	57,270	—
Loss of business restructuring	18,097	39,416
Loss on golf membership rights	700	—
Total extra ordinary loss	132,631	48,791
<b>Net income before taxes and other adjustment</b>	<b>4,206,878</b>	<b>1,147,954</b>
Corporate, inhabitant and business taxes	804,400	454,435
Adjustments to corporate and other taxes	20,706	△ 88,812
<b>Total income taxes</b>	<b>825,107</b>	<b>365,623</b>
<b>Net income</b>	<b>3,381,770</b>	<b>782,331</b>
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	3,381,770	782,331



## Quarterly Consolidated Statements of Comprehensive Income

The third quarter accounting period

	FY 2017 (December 1, 2016 through August 31, 2017) Thousands of yen	FY 2018 (December 1, 2017 through August 31, 2018) Thousands of yen
Net Income	3,381,770	782,331
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	104,433	△ 233,120
Deferred gains or losses on hedges	△ 5,640	2,739
Foreign currency translation adjustment	1,068,243	△ 242,035
Adjustments to retirement benefit	26,543	4,534
Share of other comprehensive income of associates accounted for using equity meth	—	△ 7
Total other comprehensive income	1,193,580	△ 467,888
Comprehensive income	4,575,350	314,442
(Breakdown)		
Comprehensive income attribute to the parent	4,575,350	314,442
Comprehensive income attribute to the minority shareholders	—	—

**(3) Notes regarding Quarterly Consolidated Financial Statements**

(Notes on assumption of going concern)

Not applicable.

(Notes on a Significant Change in Shareholders' Equity)

The Third Quarter of FY 2017 (December 1, 2016 through August 31, 2017)

## 1. Dividends paid

Decision-making body	Class of Shares	Total amount of dividends (thou. Yen)	Dividend per share (Yen)	Record date	Effective date	Dividend resource
Shareholders' Meeting, held on Feb. 23, 2017	Common shares	261,124	9.00	Nov. 30, 2016	Feb. 24, 2017	Retained earnings
Board Meeting held on Jul. 11, 2017	Common shares	395,179	14.00	May 31, 2017	Aug. 9, 2017	Retained earnings

(note)1 The total amount of dividends resolved at the general shareholders' meeting held on February 23, 2017 includes dividends of 3,508 thousand yen for 389,800 shares owned by Trust & Custody Service Bank, Ltd. as of the record date, and dividends of 1,557 thousand yen for 173,080 shares owned by The Master Trust Bank of Japan, Ltd. as of the record date.

2 The total amount of dividends resolved at the board meeting held on July 11, 2017 includes dividends of 5,457 thousand yen for 389,800 shares owned by Trust & Custody Service Bank, Ltd. as of the record date, and dividends of 2,423 thousand yen for 173,080 shares owned by The Master Trust Bank of Japan, Ltd. as of the record date.

2. Of dividends whose record date falls within the Third quarter consolidated cumulative period, dividends whose the effective date of the dividend will be after the end of the Third quarter consolidated accounting period

Not applicable

3. Significant changes in shareholders' equity

Not applicable

The Third Quarter of FY 2018 (December 1, 2017 through August 31, 2018)

## 1. Dividends paid

Decision-making body	Class of Shares	Total amount of dividends (thou. Yen)	Dividend per share (Yen)	Record date	Effective date	Dividend resource
Shareholders' Meeting, held on Feb. 23, 2018	Common shares	392,843	14.00	Nov. 30, 2017	Feb. 26, 2018	Retained earnings
Board Meeting held on Jul. 11, 2018	Common shares	350,753	12.50	May 31, 2018	Aug. 8, 2018	Retained earnings

(note)1 The total amount of dividends resolved at the general shareholders' meeting held on February 23, 2018 includes dividends of 5,422 thousand yen for 387,300 shares owned by Trust and Custody Service Bank, Ltd. as of the record date, and dividends of 2,423 thousand yen for 173,080 shares owned by The Master Trust Bank of Japan, Ltd. as of the record date.

2 The total amount of dividends resolved at the board meeting held on July 11, 2018 includes dividends of 4,766 thousand yen for 381,300 shares owned by Trust & Custody Service Bank, Ltd. as of the record date, and dividends of 2,163 thousand yen for 173,080 shares owned by The Master Trust Bank of Japan, Ltd. as of the record date.

2. Of dividends whose record date falls within the Third quarter consolidated cumulative period, dividends whose the effective date of the dividend will be after the end of the Third quarter consolidated accounting period

Not applicable

3. Significant changes in shareholders' equity

Not applicable

## (Segment Information)

## [Segment Information]

## 1. The Third Quarter of FY 2017 (December 1, 2016 through August 31, 2017)

## (1) The information on net sales, income or loss by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	20,617,370	5,235,656	4,249,475	30,102,502	—	30,102,502
Inter segment sales and transfer	1,705,316	1,856,960	59,320	3,621,597	Δ3,621,597	—
Total	22,322,687	7,092,617	4,308,795	33,724,099	Δ3,621,597	30,102,502
Segment income	770,297	296,619	207,248	1,274,165	Δ244,179	1,029,985

## (Notes)

- Adjustment of Δ244,179 thousand yen includes Δ234,515 thousand yen-corporate expenses that are not distributed to each reportable segment and other Δ9,664 thousand yen.
- The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

## (2) The information on net sales, income or loss by reportable segment

## (Significant Impairment Losses on Fixed Assets)

An impairment loss on land that was an idle asset was posted in Japan segment. The amount of the impairment loss was 57,270 thousand yen for the third quarter consolidated cumulative period of FY2017.

## 2. The Third Quarter of FY 2018 (December 1, 2017 through August 31, 2018)

## (1) The information on net sales, income or loss by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	22,662,157	4,688,133	4,550,566	31,900,857	—	31,900,857
Inter segment sales and transfer	1,895,887	2,474,549	40,620	4,411,057	Δ4,411,057	—
Total	24,558,044	7,162,682	4,591,187	36,311,915	Δ4,411,057	31,900,857
Segment income	910,809	318,745	171,878	1,401,432	Δ266,199	1,135,233

## (Notes)

- Adjustment of Δ266,199 thousand yen includes Δ211,445 thousand yen-corporate expenses that are not distributed to each reportable segment and other Δ54,753 thousand yen.
- The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the consolidated profit and loss statement.

## (2) Impairment loss on fixed assets or information on goodwill for each reporting segment

## (Significant changes in the amount of goodwill)

Regarding business combination resulting from acquiring Maneuverline Inc. in the second quarter consolidated accounting period, the goodwill is also the provisionally calculated amount in the third quarter consolidated accounting period. However, the amount of goodwill was revised by reviewing the acquisition cost based on reasonable information which is available at the latest.

(Business Combinations)

(Revised amount when the allocation amount of acquisition cost is revised)

Regarding allocation of acquisition cost for acquiring Maneuverline Inc. in the second quarter consolidated accounting period, the provisional accounting is applied based on available reasonable information at the time of preparation of the quarterly consolidated financial statements.

In the third quarter consolidated accounting period, the provisional accounting is continued to be applied, however the amount of goodwill was revised as below by reviewing the acquisition cost based on reasonable information which is available at the latest.

	(Thousands of yen)
The amount of goodwill (before revision):	1,218,724
The amount of goodwill (after revision):	861,478