

April 12, 2019

MORITO CO., LTD.
Financial Statement (Unaudited)
For the First Quarter of the Fiscal Year ended November 30, 2019
(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))

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Representative Director and President

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Scheduled date of filing of Quarterly Report:

April 12, 2019

Scheduled date of dividend payment:

-

Supplementary explanation material for quarterly financial results:

Yes

Presentation meeting for quarterly financial results:

None

(Amounts rounded down)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year 2019(December 1, 2018 through February 28, 2019)

(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	%
1Q of FY 2019	11,145	10.5	370	3.2	347	11.4	210	△10.5
1Q of FY 2018	10,082	5.3	359	30.1	311	4.7	235	32.7

(Note) Comprehensive income : △204 million yen (-%) (1Q of FY2019) 298 million yen (△80.7%)(1Q of FY 2018)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
1Q of FY 2019	7.65	—
1Q of FY 2018	8.55	8.53

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q of FY 2019	46,814	32,394	69.1
FY 2018	48,011	32,959	68.5

(Reference) Equity capital : 32,335 million yen (1Q of FY 2019) 32,905 million yen (FY 2018)

(Note) We have started to adopt "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) at the beginning of the first quarter of FY2019. Therefore, major management index in the consolidated financial result for the fiscal year 2018 are restated by using the consolidated financial results which adopted this amendment.

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2018	-	12.50	-	12.50	25.00
FY 2019	-				
FY 2019 (Forecast)		13.00	-	13.00	26.00

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

3. Consolidated Forecast for FY 2019 (December 1, 2018 through November 30, 2019)

(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	47,000	7.0	1,900	10.1	1,900	6.1	1,400	11.3	50.90

***Notes**

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation) : None

Newly included : None

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 February 28, 2019)

30,800,000 shares (as of November 30, 2018)

(ii) Number of shares of treasury stock at end of period:

3,290,500 shares (as of February 28, 2019)

3,290,700 shares (as of November 30, 2018)

(iii) Average outstanding number of shares during the period:

27,509,367 shares (the 1Q of FY2019)

27,500,000 shares (the 1Q of FY2018)

*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) Outlook for the next fiscal year" on page 5.

We have also introduced "Stock Granting Trust (J-ESOP)" and "Board Incentive Plan (BIP)". Consequently, the shares held by Trust and 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 first quarter (From 1st December, 2018 to 28th February, 2019) of the fiscal year ended November 30th, 2019 (From 1st December, 2018 to 30th November, 2019), the Japanese economy has continued modest recovery due to improved corporate performance and increased consumer spending.

In the global economy, despite concerns about the increase of the US-China trade friction and the impact of financial market on the global economy, the global economy was on a recovery trend.

In such a situation, we will transit to a holding company in this year with positioning this year as the year of "Structural Reform". Furthermore, our group is accelerating a growth strategy by the development of value-added Japanese items, expansion of a global sales channel under the corporate vision 『Create Morito's existence value, Realize "New Morito Group", 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 ¥11,145, million (increased by 10.5% from a year earlier), operating income ¥370 million (increased by 3.2% from a year earlier), ordinary income ¥347 million (increased by 11.4. % from a year earlier), net income ¥210 million (decreased by 10.5 % 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
USD	112.91 (112.98)
EUR	128.82 (133.01)
RMB	16.32 (17.08)
HKD	14.42 (14.47)
TWD	3.66 (3.75)
VND	0.0048 (0.0050)
THB	3.44 (3.43)
MXN	5.70 (-)

(Notes)

1. () is the exchange rate of the 1st quarter of FY2018.

2. The result of MORITO SCOVILL MEXICO S.A. de C.V. included in the consolidated subsidiary from the first quarter of the FY2019. The exchange rate used to convert income and expense for consolidated financial results of this subsidiary is Mexican Peso (MXN).

Segment information as below

[Japan]

As for the apparel division, sales of the accessories for bags and uniform/working wear were increased.

In the consumer product division, sales of products for one dollar shop, automobile interior components were increased.

Furthermore, the results of MANEUVERLINE CO., LTD. which acquired in April, were included in the consolidated income statement from the third quarter of FY2018. Accordingly, sales of business on MANEUVERLINE CO., LTD. which imports and sells goods for marine leisure, snowboarding, and skateboarding were increased in the consolidated income statement for the first quarter of FY2019.

As a result, net sales were ¥8,350 million (increased by 20.2% from a year earlier).

[Asia]

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

In the consumer product division, sales of the products for healthcare in Shanghai was increased, however sales of accessories for video equipment in Thailand was decreased.

As a result, net sales were ¥1,460 million (decreased by 13.5% from a year earlier).

[Europe and the U.S.]

As for the apparel division, sales of the accessories in EU and the US were decreased.

In the consumer product division, sales of automobile interior component for Japanese auto makers in EU and the US were increased.

As a result, net sales were ¥1,334 million (decreased by 7.7% 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 FY2019 which was announced in 11th January, 2019.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	FY 2018 (As of February 28, 2018) Thousands of yen	FY 2019 (As of February 28, 2019) Thousands of yen
Assets		
Current assets		
Cash and deposits	9,343,274	9,218,675
Notes and accounts receivable	12,008,498	11,264,598
Inventory	5,406,890	5,684,416
Other current assets	859,513	694,406
Allowance for doubtful accounts	△38,224	△39,101
Total current assets	27,579,953	26,822,996
Fixed assets		
Tangible fixed assets		
Land	4,332,821	4,331,353
Other tangible fixed assets	5,813,996	5,852,539
Total tangible fixed assets	10,146,818	10,183,892
Intangible fixed assets		
Goodwill	3,196,351	3,079,220
Other Intangible fixed assets	1,156,215	1,170,318
Total intangible fixed assets	4,352,566	4,249,538
Investments and other fixed assets		
Investment securities	4,727,033	4,401,744
Net defined benefit asset	237,765	237,350
Other fixed assets	1,033,134	984,926
Allowance for doubtful account	△75,148	△75,139
Total investments and other fixed assets	5,922,784	5,548,881
Total fixed assets	20,422,170	19,982,313
Deferred assets	9,802	8,752
Total assets	48,011,926	46,814,061
Liabilities		
Current liabilities		
Notes and accounts payable	4,500,593	4,641,202
Short-term loans payable	200,000	200,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	749,146	729,375
Accrued tax payable	128,612	203,454
Reserve for bonuses	225,231	194,630
Reserve for director's bonuses	56,929	22,728
Other current liabilities	1,665,881	1,192,577
Total current liabilities	7,926,394	7,583,969
Fixed liabilities		
Bonds payable	600,000	600,000
Long-term debt	3,667,331	3,513,782
Provision for retirement benefit by stock	26,501	25,602
Provision for director's retirement benefit	48,583	50,574
Provision for director's retirement benefit by stock	71,040	76,027
Provision for environmental measures	20,367	19,889
Net defined benefit liability	894,881	877,189
Other fixed liabilities	1,797,615	1,672,789
Total fixed liabilities	7,126,319	6,835,854
Total liabilities	15,052,714	14,419,824

(Unaudited)

	FY 2018 (As of February 28, 2018) Thousands of yen	FY 2019 (As of February 28, 2019) Thousands of yen
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,498,724
Retained earnings	25,277,180	25,122,515
Treasury stock	△2,118,444	△2,118,366
Total shareholders' equity	30,189,951	30,035,364
Other comprehensive income		
Valuation difference on available-for-sale securities	1,409,695	1,208,152
Deferred gains or losses on hedges	451	258
Difference in revaluation of land	571,368	571,368
Foreign currency translation adjustment	802,769	583,031
Remeasurement of defined benefit plans	△68,550	△62,226
Total other comprehensive income	2,715,733	2,300,583
Subscription rights to shares	53,526	58,289
Minority interests	—	—
Total net assets	32,959,212	32,394,237
Total liabilities and net assets	48,011,926	46,814,061

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

Quarterly Consolidated Statements of Income

The First Quarter accounting period

	FY 2018 (December 1, 2017 through February 28, 2018) Thousands of yen	FY 2019 (December 1, 2018 through February 28, 2019) Thousands of yen
Net sales	10,082,802	11,145,908
Cost of sales	7,374,953	8,073,510
Gross profit	2,707,848	3,072,398
Total selling, general and administrative expense	2,348,692	2,701,600
Operating Income	359,156	370,798
Non-operating income		
Interest received	6,094	5,775
Dividends received	6,608	8,769
Rent on real estate	10,048	12,541
Equity in earnings of affiliates	10,463	10,799
Subsidy income	12,779	—
Insurance income	—	12,994
Other non-operating income	2,535	8,023
Total non-operating income	48,530	58,904
Non-operating expenses		
Interest paid	760	1,772
Cash discount on sales	19,786	21,317
Foreign Exchange Loss	53,998	27,337
Others non-operating expense	21,437	31,909
Total non-operating expense	95,983	82,336
Ordinary Income	311,702	347,365
Extra ordinary income		
Gains on sales of fixed assets	126	29
Total extra ordinary income	126	29
Extra ordinary loss		
Loss on sales of fixed assets	34	—
Loss on disposal of fixed assets	2,829	2,769
Loss of business restructuring	4,782	1,046
Total extra ordinary loss	7,646	3,815
Net income before taxes and other adjustment	304,182	343,579
Corporate, inhabitant and business taxes	140,517	161,831
Adjustments to corporate and other taxes	△71,514	△28,690
Total income taxes	69,003	133,140
Net income	235,179	210,439
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	235,179	210,439

Quarterly Consolidated Statements of Comprehensive Income

The First Quarter accounting period

	FY 2018 (December 1, 2017 through February 28, 2018) Thousands of yen	FY 2019 (December 1, 2018 through February 28, 2019) Thousands of yen
Net Income	235,179	210,439
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	△24,701	△201,542
Deferred gains or losses on hedges	335	△193
Foreign currency translation adjustment	86,612	△219,738
Adjustments to retirement benefit	1,506	6,323
Share of other comprehensive income of associates accounted for using equity method	5	0
Total other comprehensive income	63,758	△415,150
Comprehensive income	298,937	△204,711
(Breakdown)		
Comprehensive income attribute to the parent	298,937	△204,711
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]

Not applicable

[Additional Information]

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting)

We have started to adopt "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) at the beginning of the first quarter of FY2019. Therefore, deferred tax assets are shown in the category of Investments and other fixed assets, and deferred tax liabilities are shown in the category of Fixed liabilities.

[Segment Information]

1. The First Quarter of FY 2018 (December 1, 2017 through February 28, 2018)

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	6,949,110	1,687,598	1,446,093	10,082,802	—	10,082,802
Inter segment sales and transfer	561,900	853,857	13,994	1,429,752	△1,429,752	—
Total	7,511,010	2,541,455	1,460,087	11,512,554	△1,429,752	10,082,802
Segment income	275,605	144,954	35,701	456,261	△97,105	359,156

(Notes)

1. Adjustment of △97,105 thousand yen includes △73,837 thousand yen corporate expenses that are not distributed to each reportable segment and other △23,268 thousand yen.
2. 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. The First Quarter of FY 2019 (December 1, 2018 through February 28, 2019)

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	8,350,998	1,460,458	1,334,451	11,145,908	—	11,145,908
Inter segment sales and transfer	601,546	778,117	2,514	1,382,178	△1,382,178	—
Total	8,952,544	2,238,576	1,336,965	12,528,086	△1,382,178	11,145,908
Segment income	433,838	121,854	△48,637	507,055	△136,257	370,798

(Notes)

1. Adjustment of △136,257 thousand yen includes △86,663 thousand yen corporate expenses that are not distributed to each reportable segment and other △49,593 thousand yen.
2. 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.