

October 11, 2019

MORITO CO., LTD.  
Financial Statement (Unaudited)  
For the Third 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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Scheduled date of filing of Quarterly Report: October 15, 2019  
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 2019(December 1, 2018 through August 31, 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	%
3Q of FY 2019	34,177	7.1	1,088	△4.5	1,100	△6.4	991	25.9
3Q of FY 2018	31,900	6.0	1,140	10.7	1,175	12.2	787	△76.7

(Note) Comprehensive income : △119 million yen (－%) (3Q of FY2019) 319 million yen △93.0%) (3Q of FY2018)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
3Q of FY 2019	36.14	—
3Q of FY 2018	28.63	28.56

(Note) Account processing pertaining to the business combination had been settled provisionally in the previous Consolidated Fiscal Year, and thus provisional account processing settled was reflected on the numbers in each account of the Third Quarter of FY2018.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q of FY 2019	45,940	32,016	69.6
FY 2018	48,011	32,959	68.5

(Reference) Equity capital 31,958 million yen (3Q of FY2019) 32,905 million yen (FY2018)

(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 indices 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	-	13.00			
FY 2019 (Forecast)			-	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

(Note) Revision of performance forecast to the latest announcement: None

**\*Notes**

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

Newly included : None

Excluded : 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, 2019)

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

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

3,420,060 shares (as of August 31, 2019)

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

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

27,427,884 shares (the 3Q of FY2019)

27,504,233 shares (the 3Q of FY2018)

\* This quarterly financial summary is not subject to quarterly review by certified public accountants or an audit firm.

\* Disclosure and other special notes regarding performance forecasts.

The forecast in this cumulative quarterly statement is based on information available to Morito Group and certain premises which are deemed to be rational, and numbers we actually get may greatly differ from those in the forecasts due to various factors.

As for supporting premises to the performance forecasts or notes to be kept in mind for the usage of this forecasts, refer to "1. Qualitative Information for the Period under Review (2) Forecasts of Consolidated Business Results and other Forward-looking Information" in the attached page 5.

In addition, we have 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 Third quarter (from December 1, 2018 through August 31, 2019) of the fiscal year ended November 30th, 2019, despite the fact that the Japanese economy has been on a gradual recovery trend due to the continued improvement in income environment and steadily increased consumer spending, uncertainties have been growing due to unclear global economy resulted from persistent US and China trade conflicts or the Britain's withdrawal from EU (Brexit) and so on.

In such circumstances, Morito Group who deals with apparel materials and consumer products has made a transition to a holding company system as of June 1, 2019 positioning FY 2019 as "The year of "Structural Reform". Furthermore, we have been pushing forward with our efforts for creating values to satisfy demands from the eras putting weight on developing value-added Japanese items and expanding revenue bases through

cultivating global sales channels. We have also been accelerating our efforts for the growth by developing untapped market as well as existing markets of ASEAN, China, US or Europe, under the corporate vision of 『Create Morito's existence value, Realize "New Morito Group"』

As a result, in the current cumulative third quarterly performance, we reached 34,177 million yen (increased by 7.1% from a year earlier) in Net sales, 1,088 million yen (decreased by 4.5% from a year earlier) in Operating income, 1,100 million yen (decreased by 6.4% from a year earlier) in Ordinary income, and 991 million yen (increased by 25.9% from a year earlier) in quarterly net income.

Furthermore, account processing had been provisionally conducted for the business combination with MANEUVERLINE INC. executed on April 2, 2018 in the previous consolidated third quarter accounting period. However, since the account processing has been settled in the previous consolidated accounting year-end, for the comparisons or analysis of numbers with those in the same quarter of the previous consolidated period, numbers settled after reviewing on the provisional account processing are posted.

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

	1Q	2Q	3Q
USD	112.91 (112.98)	110.23 (108.23)	109.90( 109.10)
EUR	128.82 (133.01)	125.16 (133.15)	123.50 (130.03)
RMB	16.32 (17.08)	16.33 (17.04)	16.07 (17.13)
HKD	14.42 (14.47)	14.05 (13.83)	14.02 (13.90)
TWD	3.66 (3.75)	3.58 (3.70)	3.53 (3.67)
VND	0.0048 (0.0050)	0.0047 (0.0048)	0.0047 (0.0048)
THB	3.44 (3.43)	3.49 (3.43)	3.48 (3.42)
MXN	5.70 (-)	5.74 (-)	5.75 (-)

(Notes)

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

2. The results of MORITO SCOVILL MEXICO S.A.de C.V. were included in the consolidated subsidiary from the first quarter of FY 2019.

The exchange rates 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 accessories for uniforms or working wear increased.

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

Furthermore, since the results of MANEUVERLINE INC. which we acquired in April were included in the consolidated income statements from the third quarter of FY2018, sales from their businesses of importing and selling marine leisure and snowboarding, etc. increased in consolidated cumulative third quarter period.

As a result, net sales reached 24,381 million yen (increased by 7.6% from a year earlier).

[Asia]

As for the apparel division, sales of the accessories to Japanese apparel manufacturers in Shanghai and to European apparel manufacturers in Hong Kong decreased.

In the consumer product division, sales of the interior automobile components to Japanese auto manufacturers in Shanghai and Thailand increased.

As a result, net sales reached 5,389 million yen (increased by 15.0% from a year earlier).

[Europe and the U.S.]

As for the apparel division, sales of accessories to apparel manufacturers in the US decreased.

In the consumer product division, sales of interior automobile components to Japanese auto manufacturers in Europe increased.

As a result, net sales reached 445 million yen (decreased by 3.2% from a year earlier).

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

Currently, there has no change in the consolidated forecast of FY2019 which was announced in 11<sup>th</sup> January, 2019.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

	FY 2018 (As of November 30, 2018) Thousands of yen	FY 2019 (As of August 31, 2019) Thousands of yen
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,343,274	10,123,347
Notes and accounts receivable	12,008,498	10,653,508
Inventory	5,406,890	5,574,164
Other current assets	859,513	465,560
Allowance for doubtful accounts	△38,224	△35,085
<b>Total current assets</b>	<b>27,579,953</b>	<b>26,781,495</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Land	4,332,821	4,074,789
Other tangible fixed assets	5,813,996	5,790,483
<b>Total tangible fixed assets</b>	<b>10,146,818</b>	<b>9,865,272</b>
<b>Intangible fixed assets</b>		
Goodwill	3,196,351	2,894,385
Other Intangible fixed assets	1,156,215	1,174,600
<b>Total intangible fixed assets</b>	<b>4,352,566</b>	<b>4,068,986</b>
<b>Investments and other fixed assets</b>		
Investment securities	4,727,033	3,947,045
Net defined benefit asset	237,765	223,110
Other fixed assets	1,033,134	1,122,791
Allowance for doubtful account	△75,148	△75,287
<b>Total investments and other fixed assets</b>	<b>5,922,784</b>	<b>5,217,659</b>
<b>Total fixed assets</b>	<b>20,422,170</b>	<b>19,151,917</b>
Deferred assets	9,802	6,652
<b>Total assets</b>	<b>48,011,926</b>	<b>45,940,065</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	4,500,593	4,838,663
Short-term loans payable	200,000	50,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	749,146	506,666
Accrued tax payable	128,612	413,097
Reserve for bonuses	225,231	290,556
Reserve for director's bonuses	56,929	64,053
Other current liabilities	1,665,881	1,482,311
<b>Total current liabilities</b>	<b>7,926,394</b>	<b>8,045,348</b>
<b>Fixed liabilities</b>		
Bonds payable	600,000	400,000
Long-term debt	3,667,331	2,807,090
Provision for retirement benefit by stock	26,501	33,595
Provision for director's retirement benefit	48,583	55,024
Provision for director's retirement benefit by stock	71,040	50,980
Provision for environmental measures	20,367	19,322
Net defined benefit liability	894,881	865,351
Other fixed liabilities	1,797,615	1,646,608
<b>Total fixed liabilities</b>	<b>7,126,319</b>	<b>5,877,973</b>
<b>Total liabilities</b>	<b>15,052,714</b>	<b>13,923,322</b>

(Unaudited)

	FY 2018 (As of November 30, 2018) Thousands of yen	FY 2019 (As of August 31, 2019) Thousands of yen
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,503,243
Retained earnings	25,277,180	25,660,860
Treasury stock	△2,118,444	△2,222,696
<b>Total shareholders' equity</b>	<b>30,189,951</b>	<b>30,473,898</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,409,695	876,603
Deferred gains or losses on hedges	451	△226
Difference in revaluation of land	571,368	451,115
Foreign currency translation adjustment	802,769	206,970
Remeasurement of defined benefit plans	△68,550	△49,579
<b>Total other comprehensive income</b>	<b>2,715,733</b>	<b>1,484,884</b>
Subscription rights to shares	53,526	57,960
<b>Minority interests</b>	<b>—</b>	<b>—</b>
<b>Total net assets</b>	<b>32,959,212</b>	<b>32,016,743</b>
<b>Total liabilities and net assets</b>	<b>48,011,926</b>	<b>45,940,065</b>

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

Quarterly Consolidated Statements of Income

The Third Quarter accounting period

	FY 2018 (December 1, 2017 through August 31, 2018) Thousands of yen	FY 2019 (December 1, 2018 through August 31, 2019) Thousands of yen
<b>Net sales</b>	31,900,857	34,177,031
<b>Cost of sales</b>	23,411,326	25,021,525
<b>Gross profit</b>	8,489,531	9,155,505
Total selling, general and administrative expense	7,349,298	8,066,893
<b>Operating Income</b>	1,140,233	1,088,612
<b>Non-operating income</b>		
Interest received	19,604	20,829
Dividends received	55,096	53,232
Rent on real estate	33,319	50,507
Equity in earnings of affiliates	42,366	50,898
Other non-operating income	49,282	46,684
Total non-operating income	199,669	222,152
<b>Non-operating expenses</b>		
Interest paid	3,708	6,912
Cash discount on sales	62,354	63,422
Foreign Exchange Loss	24,373	44,087
Others non-operating expense	73,513	96,213
Total non-operating expense	163,949	210,635
<b>Ordinary Income</b>	1,175,952	1,100,129
<b>Extra ordinary income</b>		
Gains on sales of fixed assets	16,387	322,484
Gains on sales of investment securities	9,405	85,339
Gain on reversal of subscription rights to shares	—	367
Total extra ordinary income	25,793	408,191
<b>Extra ordinary loss</b>		
Loss on sales of fixed assets	273	67
Loss on disposal of fixed assets	9,101	4,037
Loss on sales of investment securities	—	415
Loss of business restructuring	39,416	5,307
Total extra ordinary loss	48,791	9,827
<b>Net income before taxes and other adjustment</b>	1,152,954	1,498,493
Corporate, inhabitant and business taxes	454,435	570,954
Adjustments to corporate and other taxes	△88,812	△63,573
<b>Total income taxes</b>	365,623	507,380
<b>Net income</b>	787,331	991,112
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	787,331	991,112

Quarterly Consolidated Statements of Comprehensive Income  
The Third Quarter accounting period

	FY 2018 (December 1, 2017 through August 31, 2018) Thousands of yen	FY 2019 (December 1, 2018 through August 31, 2019) Thousands of yen
Net Income	787,331	991,112
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	△233,120	△533,091
Deferred gains or losses on hedges	2,739	△677
Foreign currency translation adjustment	△242,035	△595,798
Adjustments to retirement benefit	4,534	18,971
Share of other comprehensive income of associates accounted for using equity method	△7	△0
Total other comprehensive income	△467,888	△1,110,597
Comprehensive income	319,442	△119,484
(Breakdown)		
Comprehensive income attribute to the parent	319,442	△119,484
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]

I. 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	△4,411,057	—
Total	24,558,044	7,162,682	4,591,187	36,311,915	△4,411,057	31,900,857
Segment income	915,809	318,745	171,878	1,406,43	△266,199	1,140,233

(Notes)

1. Adjustment of △266,199 thousand yen includes corporates expenses of △211,445 thousand yen that are not distributed to each reportable segment and other△54,753 thousand yen.
2. The income in reportable segments is subsequently adjusted with the amount of operating income in the quarterly consolidated profit and loss statements.

2. Impairment Loss on intangible assets or information on goodwill by reportable segment.

(Significant fluctuations in the amount of goodwill)

The amount of goodwill is reported in the segment of "Japan" due to the acquisition of MANEUVERLINE INC.

The increase in the amount of goodwill incurred from this event is 661,478 thousand yen in Consolidated Cumulative Results of the Third Quarter of FY2019. Besides, the above amount is included results after an important review on the originally allocated costs for the business combination was completed upon settling the provisional account processing as written in "Notes (Business Combination-related)"

## II. The Third Quarter of FY2019 (December 1, 2018 through August 31, 2019.)

## 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	24,381,730	5,389,914	4,405,385	34,177,031	–	34,177,031
Inter segment sales and transfer	1,825,944	1,914,478	13,340	3,753,763	△3,753,763	–
Total	26,207,675	7,304,393	4,418,726	37,930,795	△3,753,763	34,177,031
Segment income	1,118,025	385,196	147,667	1,650,889	△562,277	1,088,612

(Notes)

1. Adjustment of △562,277 thousand yen includes corporate expenses of △434,647 that are not distributed to each reportable segment and other △127,629 thousand yen.
2. The amount of segment income is subsequently adjusted with operating profits on the consolidated quarterly profit and loss statements.

## 2. Changes in Reportable Segment t

(Changes of calculation methods for profits or losses in Reportable segment)

Along with our transition to a Holding Company system since the Consolidated Cumulative Third Quarter, we have changed the allocation basis of entity costs. Mainly, we have recorded group management costs incurred in Morito Co., Ltd, a holding company, in the account of entity costs instead of allocating it to each reportable segment.

With that change, comparing with the conventional method, segment profits of “Japan” increased by 182,203 thousand yen and adjustment of the segment profits decreased by 182,203 thousand yen.

## [Business Combinations]

(Important review on the originally allocated costs for the business combination in comparative information)

We have made a provisional account processing in the previous consolidated third quarter for the business combination with MANEUVERLINE INC. taken place in April 2, 2018, which was settled in the previous consolidated accounting year-end.

With the settlement of this provisional account processing, an important review on the originally allocated costs for the business combination is reflected in comparative information included in the quarterly consolidated financial statements for the period of the current consolidated cumulative third quarter, and the amount of goodwill has been changed from 861,478 thousand yen to 661,478 thousand yen.

As a result, the amount of Goodwill amortization decreased by 5,000 thousand yen in the previous Consolidate Cumulative Third Quarter of the quarterly consolidated profit and loss statements, and operating profit, ordinary profit and quarterly net income before tax increased by 5,000 thousand yen respectively.

## [Transactions under common control]

Transition to the Holding Company through corporate division

Morito has determined to conclude an Absorption-type Company Split Agreement with Morito Japan Co., Ltd (hereafter referred to as “Succession Company”) at the board meeting held on December 13, 2018 in which Morito is a splitting company who is going to transfer itself to a holding company, and our businesses have been transferred to the Succession Company as of June 1, 2019. Along with this transition, Morito has transferred itself to a Holding Company as of June 1, 2019.

## 1. Outline of Corporate division

## (1) Business functions subject to the division

Manufacturing and selling accessories or parts for apparel products and automobile interior components, etc.

- (2) Date of business combination  
June 1, 2019
  - (3) Legal form of the business combination  
Absorption-type Company Split through which Morito Co., Ltd, is a splitting company, and Morito Japan Co., Ltd., a succession company.
  - (4) Name of the entity after the business combination  
A splitting company: Morito Co., Ltd.  
A succession company: Morito Japan Co., Ltd.
  - (5) Purpose of the business combination  
Business environment around Morito Group has been rapidly changing due to mid- to long-term shrinkage of the domestic demands resulted from the decreasing population, etc., global creation of new business models beyond borders of industries, or emergence of new technologies such as IoT or Artificial Intelligence, etc. happening at a time.  
In such circumstances, we have been putting efforts on creating values to satisfy demands from the eras and expanding revenue bases through cultivating global channels, under the corporate vision of 『Create Morito's existence value, Realize "New Morito Group"』. We have made a decision to make a transition to a Holding Company system as it would seemingly be the optimal way for us to pursue further growth and revenue. Our purposes for transferring to a Holding Company system are as follows;
    - (i) Strengthening Group management strategic functions  
The Holding Company is to be specialized for managing businesses for the entire Morito group, planning Group management strategies to expand new businesses including M&A, and maximizing corporate values of the entire group by allocating management resources optimally and utilizing it effectively.
    - (ii) Making decisions rapidly by clarifying authorities and responsibilities.  
Separating organizations from group management to business promotion, and clarifying responsibilities and authorities of both organizations for their prompt decision making, and promoting businesses in a flexible manner to enhance our competitiveness.
    - (iii) Maximizing group synergy effects  
Synergy effects among group companies are maximized in the utilization of management resources owned by our group companies cross-functionally and effectively centering the Holding Company.
2. Brief information on the account processing conducted  
Based on "Accounting standards pertaining to Business Combination" and "Guideline for Accounting Standards for Business Combination and Corporate division", the accounts are recoded and processed as transactions under the control of common rules and regulations.