

(Unaudited)

July 11, 2016

MORITO CO., LTD.  
Financial Statement (Unaudited)  
For the Second Quarter of the Fiscal Year ended November 30, 2016  
(Translated from the Japanese original)

## Corporate Information

Code : 9837 Listings : Second 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, Executive Officer and General Manager of Control Division  
Telephone: +81-6-6252-3551

Scheduled date of filing of Quarterly Report July 14, 2016  
Scheduled date of dividend payment: August 10, 2016  
Supplementary explanation material for quarterly financial results: Yes  
Presentation meeting for quarterly financial results: Yes

(Amounts rounded down)

**1. Consolidated Financial Results for the Second Quarter of Fiscal Year 2016(December 1, 2015 through May 31, 2016)**

**(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	%
2Q of FY 2016	20,332	△5.1	706	△19.2	580	△43.5	355	△31.1
2Q of FY 2015	21,418	24.6	874	30.5	1,026	49.4	516	△14.0

(Note) Comprehensive income: △641million yen (△130.0%) (2Q of FY 2016) 2,141million yen (134.6%) (2Q of FY 2015)

	Net income Per share	Fully diluted net Income per share
2Q of FY 2016	Yen 12.47	Yen —
2Q of FY 2015	17.83	—

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
2Q of FY 2016	Millions of yen 41,859	Millions of yen 29,989	% 71.6
FY 2015	47,331	31,113	65.7

(Reference) Equity capital: 29,986million yen (2Q of FY 2016) 31,113 million yen (FY 2015)

**2. Dividends**

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total (Annual)
FY 2015	Yen —	Yen 7.00	Yen —	Yen 7.50	Yen 14.50-
FY 2016	—	8.00			
FY 2016 (Forecast)			—	8.00	16.00

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

### 3. Consolidated Forecast for FY 2016 (December 1, 2015 through November 30, 2016)

(Percentages represent changes from corresponding period of previous year)

	Net Sales		Operating income		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	41,000	△5.3	1,600	△7.0	1,400	△25.2

	Net income		Net income per share
	Millions of yen	%	Yen
Full year	1,000	△30.2	35.11

(Note) Revision of consolidated earnings forecast to the latest announcement: Yes

#### \*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: Yes

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(Note) For details, please refer to 'Matters Concerning Summary Information (Note) (3) Changes in accounting policy, Changes in accounting estimates and Revision restated' on page 3 of the Attachment.

(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 May 31, 2016)

30,800,000 shares (as of November 30, 2015)

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

2,349,000 shares (as of May 31, 2015)

2,023,820 shares (as of November 30, 2015)

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

288,520,205 shares (the Second quarter of FY 2016)

28,973,484 shares (the Second quarter of FY 2015)

\*Status of execution of the quarterly review of financial statement

At the time of publication of this quarterly financial results release, the review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Law were completed.

\*Disclosure and other special notes regarding performance forecasts

The forecast above 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 "Qualitative Information for the Period under Review(1) Business Performance" on page 4

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 shares.

Index

1. Qualitative Information for the Period under Review .....	4
(1) Business Performance .....	4
(2) Forecast of Consolidated Business Results and Other Forward-looking Information .....	4
2. Matters Concerning Summary Information .....	5
(1) Changes in Important Subsidiaries during the period under Review .....	5
(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statement .....	5
(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revision Restated .....	5
3. Quarterly Consolidated Financial Statements .....	6
(1) Quarterly Consolidated Balance Sheets .....	6
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	8
Quarterly Consolidated statements of income .....	8
(3) Consolidated of Cash Flows .....	9
(4) Notes regarding Quarterly Consolidated Financial Statements .....	11
[Notes on assumption of going concern] .....	11
[Notes on a Significant Change in Shareholders' Equity] .....	11
[Segment Information] .....	11

## 1. Qualitative Information for the Period under Review

### (1) Business Performance

In the Second quarterly (From December 1, 2015 to May 31, 2016) of the fiscal year ended November 30, 2016, the Japanese economy has shown signs of modest recovery by monetary policy of government. However, the uncertain economy situation

maintains because of stagnation of personal consumption due to increase of consumption tax, the concern for the world economy situation and the slowdown in Chinese economy which made yen appreciation and stock market down.

In the global economy, the economic recovery of the U.S. economy is maintaining firm, but it is still uncertain because of concern for European's debt problem, political situation, and slowdown in Chinese economy.

In such a situation, our group is moving forward a growth strategy by the development of high valued Japan made items, expansion of a global sales channel under 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 to contribute our business.

As a result, in the current quarterly performance reach net sales ¥20,332million (decreased by 5.1% from a year earlier), operating income ¥706 million (decreased by 19.2% from a year earlier), ordinary income ¥580 million (decreased by 43.5% from a year earlier), net income ¥355 million (decreased by 31.1% from a year earlier).

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

¥112.69 to the U.S. dollar, ¥127.57 to the euro, ¥17.39 to the Chinese yuan, ¥14.53 to the Hong Kong dollar, ¥3.50 to the Taiwan dollar, ¥0.0050 to the Vietnamese dong, ¥3.20 to the Thai baht.

The exchange rate used for the consolidated financial statement of the year earlier quarter end as below:

¥120.27 to the U.S. dollar, ¥130.41 to the euro, ¥19.37 to the Chinese yuan, ¥15.51 to the Hong Kong dollar, ¥3.85 to the Taiwan dollar, ¥0.0056 to the Vietnamese dong, ¥3.69 to the Thai baht.

Segment information as below

#### [Japan]

As for the apparel division, sales of the accessories for domestic mass retailer and sports and outdoor apparel manufacturer in Japan are increased.

In the consumer product division, sales of accessories for camera, health-related items, magi tape®, automobiles, and insole are decreased.

As a result, net sales were ¥13,758 million (decreased by 1.9% from a year earlier).

#### [Asia]

As for the apparel division, sales of the accessories for EU and U.S. infant's wear in H.K., for Japanese apparel manufacture in Shanghai, China are decreased.

In the consumer product division, sales of the automobile interior component for Japanese auto makers in Thailand is increased, but sales of accessories for camera in Thailand, sales of the automobile interior component for Japanese auto makers in Shanghai is decreased.

As a result, net sales were ¥3,617 million (increased by 10.4% from a year earlier).

#### [Europe and the U.S.]

As for the apparel division, sales of the accessories for medical industry in U.S. is increased, but sales of accessories for U.S. domestic apparel market.

In the consumer product division, sales of automobile interior article for Japanese automobile manufacture in EU. Sales of accessories for camera in EU is decreased, neither.

As a result, net sales were ¥2,956 million (decreased by 12.0% 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 FY2016.

## **2. Matters Concerning Summary Information**

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

Not applicable

### **(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**

#### **Changes in Accounting Policies**

Standards such as the Accounting Standard for Business Combinations (ASBJ Statement No.21 of September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013) have been applied from the first quarter of the fiscal year under review. The purpose for applying these standards was to change the method for recording the difference from changes in the Company's equity in its subsidiaries that remain controlled by the Company as capital surplus and as an expense in the consolidated fiscal year in which expenses related to acquisition are incurred. For business combinations implemented after the beginning of the first quarter of the fiscal year under review, the method will be changed to one that reflects the revision of distributed amounts of acquisition costs by determining provisional accounting treatment in the quarterly consolidated financial statements for the quarterly consolidated accounting period to which the date of business combination belongs. In addition, the Company has changed the presentation of quarterly net profit and other items and the presentation of minority interests to non-controlling interests. To reflect this change, the quarterly consolidated financial statements and consolidated financial statements for the May 31, 2015 and fiscal year ended November 30, 2015 have been replaced.

Under these revised accounting standard, company changed some items related consolidated cash flow.

Cash flow for related expenses of acquisition or disposal of consolidated subsidiary, expenses which happened by acquisition or disposal of non-consolidated subsidiary are listed in "cash flows from operating activities".

The application of the Accounting Standard for Business Combinations and the other standards follows the transitional treatment specified in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statement, and Article 57-4 (4) of the Accounting Standard for Business Divestiture. The application of these standards has been under way since the beginning of the first quarter of the fiscal year under review, and will continue to be applied going forward.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

	FY 2015 (As of November 30, 2015) Thousands of yen	FY 2016 (As of May 31, 2016) Thousands of yen
<b>Assets</b>		
<b>Current assets</b>		
Cash equivalents	10,010,892	9,229,424
Notes and accounts receivable	10,755,928	10,211,221
Inventory	4,403,602	4,432,810
Other current assets	1,035,105	845,826
Allowance for doubtful accounts	△38,959	△40,432
<b>Total current assets</b>	<b>26,166,569</b>	<b>24,678,850</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Land	5,926,237	3,374,135
Other tangible fixed assets	4,077,419	3,370,485
<b>Total tangible fixed assets</b>	<b>10,003,656</b>	<b>6,744,621</b>
<b>Intangible fixed assets</b>		
Goodwill	3,687,790	3,390,474
Other Intangible fixed assets	1,549,867	1,408,792
<b>Total intangible fixed assets</b>	<b>5,237,657</b>	<b>4,799,267</b>
<b>Investments and other fixed assets</b>		
Investment securities	4,634,984	4,244,185
Net defined benefit asset	400,076	400,181
Other fixed assets	968,566	1,045,305
Allowance for doubtful account	△80,393	△72,805
<b>Total investments and other fixed assets</b>	<b>5,923,234</b>	<b>5,616,867</b>
<b>Total fixed assets</b>	<b>21,164,548</b>	<b>17,160,755</b>
<b>Deferred assets</b>	—	<b>20,306</b>
<b>Total assets</b>	<b>47,331,118</b>	<b>41,859,912</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	4,502,734	4,417,304
Short-term loans payable	4,960,000	260,000
Current portion of bond	—	400,000
Current portion of long-term debt	375,396	375,396
Income taxes payable	616,237	383,200
Allowance for bonuses	164,592	103,919
Allowance for director's bonuses	72,511	64,627
Other current liabilities	1,607,517	1,019,625
<b>Total current liabilities</b>	<b>12,298,989</b>	<b>7,024,073</b>
<b>Fixed liabilities</b>		
Bond	—	1,600,000
Long-term debt	536,477	348,779

(Unaudited)

Allowance for employee's retirement stock benefit	9,804	17,665
Allowance for director's retirement benefit	54,758	57,508
Allowance for director's retirement stock benefit	20,640	26,323
Allowance for environmental measures	23,813	20,338
Net defined benefit liability	829,319	837,950
Other fixed liabilities	2,443,694	1,937,661
<b>Total fixed liabilities</b>	<b>3,918,507</b>	<b>4,846,226</b>
<b>Total liabilities</b>	<b>16,217,496</b>	<b>11,870,300</b>
<i>Net Assets</i>		
<b>Shareholders' equity</b>		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,498,724
Retained earnings	22,436,316	23,335,203
Treasury stock	Δ956,696	Δ1,232,250
<b>Total shareholders' equity</b>	<b>28,510,835</b>	<b>29,133,169</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,625,548	1,347,398
Deferred gains or losses on hedges	Δ1,069	Δ908
Revaluation reserve for land	Δ514,664	Δ1,248,176
Foreign currency translation adjustment	1,403,231	679,215
Remeasurements of defined benefit plans	89,739	74,467
<b>Total other comprehensive income</b>	<b>2,602,789</b>	<b>851,995</b>
Stock acquisition right	—	3,447
Non-controlling interests	—	—
<b>Total net assets</b>	<b>31,113,622</b>	<b>29,989,612</b>
<b>Total liabilities and net assets</b>	<b>47,331,118</b>	<b>41,859,912</b>

**(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income****Quarterly Consolidated statements of income****The Third Quarter accounting period**

	FY 2015 (December 1, 2014 through May 31, 2015) Thousands of yen	FY 2016 (December 1, 2015 through May 31, 2016) Thousands of yen
<b>Net sales</b>	<b>21,418,115</b>	<b>20,332,540</b>
<b>Cost of sales</b>	<b>15,945,011</b>	<b>15,067,388</b>
<b>Gross profit</b>	<b>5,473,103</b>	<b>5,265,151</b>
<b>Total selling, general and administrative expense</b>	<b>4,598,955</b>	<b>4,558,884</b>
<b>Operating Income</b>	<b>874,148</b>	<b>706,266</b>
<b>Non-operating income</b>		
Interest received	11,716	11,930
Dividends received	44,184	38,790
Rent on real estate	38,499	38,545
Foreign exchange gains	66,427	—
Equity in earnings of affiliates	19,681	26,828
Other non-operating income	67,464	10,598
<b>Total non-operating income</b>	<b>247,972</b>	<b>126,693</b>
<b>Non-operating expenses</b>		
Interest paid	10,740	9,468
Cash discount on sales	43,584	43,753
Exchange Loss	—	150,034
Others non-operating expense	40,878	49,409
<b>Total non-operating expense</b>	<b>95,203</b>	<b>252,666</b>
<b>Ordinary Income</b>	<b>1,026,918</b>	<b>580,293</b>
<b>Extra ordinary income</b>		
Gains on sales of fixed assets	158,629	7,521
Gains on sales of securities	76,953	21,712
<b>Total extra ordinary income</b>	<b>235,583</b>	<b>29,234</b>
<b>Extra ordinary loss</b>		
Loss on disposal of fixed assets	1,140	7,138
Loss on sales of fixed assets	8,613	1,566
Loss on liquidation affiliates	301,721	—
<b>Total extra ordinary loss</b>	<b>311,475</b>	<b>8,704</b>
<b>Net income before taxes and other adjustment</b>	<b>951,025</b>	<b>600,823</b>
Corporate, inhabitant and business taxes	494,668	404,839
Adjustments to corporate and other taxes	△60,204	△159,686
<b>Total income taxes</b>	<b>434,463</b>	<b>245,152</b>
<b>Net income</b>	<b>516,562</b>	<b>355,671</b>
<b>Other comprehensive income</b>		
Other gain(loss) on available-for-sale securities	516,562	△278,150
Deferred gains or losses on hedges	980	160



(Unaudited)

Revaluation on Land	76,556	20,050
Foreign currency translation adjustment	995,696	△724,016
Remeasurements of defined benefit plans	△13,547	△15,272
<b>Total other comprehensive income</b>	<b>1,624,601</b>	<b>△997,227</b>
<b>Comprehensive income</b>	<b>2,141,163</b>	<b>△641,556</b>
(Breakdown)		
Comprehensive income attribute to owners of parent	2,141,163	△641,556
Comprehensive income attribute to the non-controlling interests	—	—

**(3) Consolidated of Cash Flows**

	FY 2015 (December 1, 2014 through May 31, 2015) Thousands of yen	FY 2016 (December 1, 2015 through May 31, 2016) Thousands of yen
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	951,025	600,823
Depreciation of amortization	346,515	334,236
Depreciation of goodwill	118,803	113,774
Change in provision for bonus	△24,160	△56,470
Changes in employee's retirement benefit asset	△116,336	△104
Changes in employee's retirement benefit liability	48,624	8,630
Changes in director's retirement benefit liability	△76,953	2,750
Changes in provision for employee's retirement stock benefit	8,613	7,860
Changes in provision for director's retirement stock benefit	301,721	5,683
Change in allowance for doubtful accounts	1,348	△18,914
Interest income and dividends income	△55,900	△50,721
Interest paid	10,740	9,468
Equity in net income of affiliates	△19,681	△26,828
Gains from sale of fixed assets	△157,489	△383
Gains from sale of investments	△76,953	△21,712
Loss on sales of fixed assets	8,613	1,566
Loss on liquidation affiliates	301,721	—
Change in notes and accounts	26,462	281,244
Change in inventory	16,988	△189,754
Change in account payable	△339,745	59,992
Others	63,562	59,288
Subtotal	1,034,718	1,120,430
Proceed from interest and dividends income	56,047	51,251
Payment of interest	△11,288	△14,803
Payment of corporate tax	△280,392	△601,610
<b>Net cash(used in)provided by operating activities</b>	<b>799,085</b>	<b>555,268</b>

(Unaudited)

<b>Cash flows from investing activities</b>		
Decrease in time deposit	Δ24,196	Δ266,893
Increase in time deposit	—	150,201
Purchase of investment securities	Δ18,241	Δ18,367
Increase of sale for investment securities	194,847	31,312
Purchase of stocks subsidiary	Δ261,500	—
Purchase of tangible fixed assets	Δ325,465	Δ158,665
Proceeds from sale for tangible fixed assets	212,665	2,760,336
Purchase of futile current assets	Δ6,923	Δ14,206
Proceeds from loans receivable	30,026	43,469
Decrease of loan	—	Δ34,780
Others	Δ14,734	Δ3,325
<b>Net cash provided by (used in) investing activities</b>	<b>Δ213,521</b>	<b>2,489,082</b>
<b>Cash flows from financing activities</b>		
Changes in short-term debt	10,000	Δ4,700,000
Repayments of lease obligations	Δ76,215	Δ88,311
Repayment of long-term loans	Δ187,698	Δ187,698
Proceeds of debenture	—	1,978,993
Proceeds from sale from treasury stock	168,009	1,412
Payments to acquire treasury stock	Δ168,000	Δ276,965
Payments of dividends	Δ190,875	Δ220,073
<b>Net cash used in financing activities</b>	<b>Δ444,779</b>	<b>Δ3,492,643</b>
<b>Effects of exchange rate on cash and cash equivalents</b>	<b>135,477</b>	<b>Δ338,660</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>276,261</b>	<b>Δ786,952</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>6,847,667</b>	<b>8,858,896</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	<b>—</b>	<b>Δ30,508</b>
<b>Cash and cash equivalents at end of quarter</b>	<b>7,123,928</b>	<b>8,041,435</b>

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

[Notes on assumption of going concern]

Not applicable.

[Notes on a Significant Change in Shareholders' Equity]

Not applicable

[Segment Information]

## 1. The Second quarter of FY 2015 (December 1, 2014 through May 31, 2015)

The information on net sales, income or loss, assets and other items 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	14,021,555	4,036,980	3,359,579	21,418,115	—	21,418,115
Inter segment sales and transfer	1,261,527	1,180,898	19,106	2,461,532	Δ2,461,532	—
Total	15,283,083	5,217,878	3,378,685	23,879,647	Δ2,461,532	21,418,115
Segment income	689,422	196,204	180,522	1,066,149	Δ192,000	874,148

(Notes)

1. Adjustment of Δ¥192,000 thousand includes Δ¥166,126 thousand -corporate expenses that are not distributed to each reportable segment and other Δ¥25,873 thousand.
2. 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 Second Quarter of FY 2016 (December 1, 2015 through May 31, 2016)

The information on net sales, income or loss, assets and other items 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	13,758,499	3,617,989	2,956,051	20,332,540	—	20,332,540
Inter segment sales and transfer	1,208,528	958,655	24,631	2,191,815	Δ2,191,815	—
Total	14,967,027	4,576,644	2,980,683	22,524,356	Δ2,191,815	20,332,540
Segment income	534,762	168,699	144,065	847,527	Δ141,260	706,266

(Notes)

1. Adjustment of Δ¥141,260 thousand includes Δ¥160,500 thousand -corporate expenses that are not distributed to each reportable segment and other Δ¥19,239 thousand.
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.