

October 11, 2016

MORITO CO., LTD.
Financial Statement (Unaudited)
For the Third 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))
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Scheduled date of filing of Quarterly Report October 14, 2016
Scheduled date of dividend payment: —
Supplementary explanation material for quarterly financial results: Yes
Presentation meeting for quarterly financial results: Yes

(Amounts rounded down)

1. Consolidated Financial Results for the Third Quarter of Fiscal Year 2016(December 1, 2015 through August 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	%
3Q of FY 2016	29,221	△9.7	971	△21.4	787	△43.6	498	△37.4
3Q of FY 2015	32,353	25.0	1,236	34.5	1,397	35.8	797	△23.4

(Note) Comprehensive income: △1,702million yen (△166.6%) (3Q of FY 2016) 2,556million yen (105.5%) (2Q of FY 2015)

	Net income Per share	Fully diluted net Income per share
3Q of FY 2016	Yen 17.51	Yen —
3Q of FY 2015	27.51	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
3Q of FY 2016	Millions of yen 39,999	Millions of yen 28,702	% 71.7
FY 2015	47,331	31,113	65.7

(Reference) Equity capital: 28,694million 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: None

*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 August 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 August 31, 2015)

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

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

288,497,136 shares (the Third quarter of FY 2016)

288,973,484 shares (the Third 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

<u>1. Qualitative Information for the Period under Review</u>	4
<u>(1) Business Performance</u>	4
<u>(2) Forecast of Consolidated Business Results and Other Forward-looking Information</u>	4
<u>2. Matters Concerning Summary Information</u>	5
<u>(1) Changes in Important Subsidiaries during the period under Review</u>	5
<u>(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statement</u>	5
<u>(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revision Restated</u>	5
<u>3. Quarterly Consolidated Financial Statements</u>	6
<u>(1) Quarterly Consolidated Balance Sheets</u>	6
<u>(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income</u>	8
<u>Quarterly Consolidated statements of income</u>	8
<u>(3) Notes regarding Quarterly Consolidated Financial Statements</u>	10
<u>[Notes on assumption of going concern]</u>	10
<u>[Notes on a Significant Change in Shareholders' Equity]</u>	10
<u>[Segment Information]</u>	10

1. Qualitative Information for the Period under Review

(1) Business Performance

In the Third quarterly (From December 1, 2015 to August 31, 2016) of the fiscal year ended November 30, 2016, the Japanese economy has shown signs of modest recovery by economy policy of government and monetary easing of bank of Japan. However, the uncertain economy situation maintains because of export and capital investments are still weak due to yen appreciation.

In the global economy, the developed countries especially U.S. are leading slow recovery, but it is still uncertain because emerging countries especially China are showing slowdown, and EU economy is also uncertain due to Brexit.

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 7th 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 ¥29,221million (decreased by 9.7% from a year earlier), operating income ¥971 million (decreased by 21.4% from a year earlier), ordinary income ¥787 million (decreased by 43.6% from a year earlier), net income ¥498 million (decreased by 37.4% from a year earlier).

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

¥102.96 to the U.S. dollar, ¥114.36 to the euro, ¥15.46 to the Chinese yuan, ¥13.27 to the Hong Kong dollar, ¥3.19 to the Taiwan dollar, ¥0.0046 to the Vietnamese dong, ¥2.93 to the Thai baht.

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

¥122.48 to the U.S. dollar, ¥137.20 to the euro, ¥19.74 to the Chinese yuan, ¥15.80 to the Hong Kong dollar, ¥3.97 to the Taiwan dollar, ¥0.0056 to the Vietnamese dong, ¥3.64 to the Thai baht.

Segment information as below

[Japan]

As for the apparel division, sales of the accessories for domestic mass retailer and sports 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 ¥20,344 million (decreased by 2.2% 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 ¥4,769 million (increased by 24.6% from a year earlier).

[Europe and the U.S.]

As for the apparel division, sales of the accessories for working wear in EU 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 ¥4,107 million (decreased by 21.5% 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 August 31, 2015 and fiscal year ended November 30, 2015 have been replaced.

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.

(Application of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Pursuant to an amendment in the Corporation Tax Act, the Company has applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issue Task Force (PITF) No.32 issued on June 17, 2016) from the third quarter of the current fiscal year. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method. The effect of this change in accounting policies to the quarterly consolidated financial statements for the first quarter under review is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	FY 2015 (As of November 30, 2015) Thousands of yen	FY 2016 (As of August 31, 2016) Thousands of yen
<i>Assets</i>		
Current assets		
Cash equivalents	10,010,892	8,802,864
Notes and accounts receivable	10,755,928	9,782,856
Inventory	4,403,602	4,476,095
Other current assets	1,035,105	772,769
Allowance for doubtful accounts	△38,959	△35,470
Total current assets	26,166,569	23,799,116
Fixed assets		
Tangible fixed assets		
Land	5,926,237	3,368,784
Other tangible fixed assets	4,077,419	3,139,782
Total tangible fixed assets	10,003,656	6,508,566
Intangible fixed assets		
Goodwill	3,687,790	3,097,960
Other Intangible fixed assets	1,549,867	1,288,078
Total intangible fixed assets	5,237,657	4,386,039
Investments and other fixed assets		
Investment securities	4,634,984	3,947,052
Net defined benefit asset	400,076	399,946
Other fixed assets	968,566	1,015,761
Allowance for doubtful account	△80,393	△75,819
Total investments and other fixed assets	5,923,234	5,286,940
Total fixed assets	21,164,548	16,181,546
Deferred assets	—	19,255
Total assets	47,331,118	39,999,919
<i>Liabilities</i>		
Current liabilities		
Notes and accounts payable	4,502,734	4,208,104
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	158,060
Allowance for bonuses	164,592	247,038
Allowance for director's bonuses	72,511	80,7033
Other current liabilities	1,607,517	959,682
Total current liabilities	12,298,989	6,688,983
Fixed liabilities		
Bond	—	1,600,000

(Unaudited)

Long-term debt	536,477	254,930
Allowance for employee's retirement stock benefit	9,804	17,396
Allowance for director's retirement benefit	54,758	58,883
Allowance for director's retirement stock benefit	20,640	31,123
Allowance for environmental measures	23,813	18,463
Net defined benefit liability	829,319	845,629
Other fixed liabilities	2,443,694	1,781,685
Total fixed liabilities	3,918,507	4,608,111
Total liabilities	16,217,496	11,297,095
<i>Net Assets</i>		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,498,724
Retained earnings	22,436,316	23,246,303
Treasury stock	Δ956,696	Δ1,230,960
Total shareholders' equity	28,510,835	29,046,559
Other comprehensive income		
Valuation difference on available-for-sale securities	1,625,548	1,158,112
Deferred gains or losses on hedges	Δ1,069	Δ4,959
Revaluation reserve for land	Δ514,664	Δ1,248,176
Foreign currency translation adjustment	1,403,231	Δ323,046
Remeasurements of defined benefit plans	89,739	65,717
Total other comprehensive income	2,602,789	Δ352,353
Stock acquisition right	—	8,618
Non-controlling interests	—	—
Total net assets	31,113,622	28,702,824
Total liabilities and net assets	47,331,118	39,999,919

(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 August 31, 2015) Thousands of yen	FY 2016 (December 1, 2015 through August 31, 2016) Thousands of yen
Net sales	32,353,384	29,221,515
Cost of sales	24,068,955	21,553,440
Gross profit	8,284,429	7,668,075
Total selling, general and administrative expense	7,047,637	6,696,191
Operating Income	1,236,792	971,883
Non-operating income		
Interest received	19,978	17,800
Dividends received	66,047	57,879
Rent on real estate	57,529	58,381
Foreign exchange gains	59,778	—
Equity in earnings of affiliates	24,372	43,519
Other non-operating income	80,238	30,534
Total non-operating income	307,944	208,115
Non-operating expenses		
Interest paid	17,000	12,598
Cash discount on sales	68,354	65,177
Exchange Loss	—	235,507
Others non-operating expense	61,978	79,180
Total non-operating expense	147,334	392,463
Ordinary Income	1,397,402	787,535
Extra ordinary income		
Gains on sales of fixed assets	236,762	7,365
Gains on sales of securities	76,953	24,254
Gains on liquidation of affiliates	—	15,903
Total extra ordinary income	313,716	47,523
Extra ordinary loss		
Loss on disposal of fixed assets	3,034	11,644
Loss on sales of fixed assets	9,411	2,025
Loss on liquidation affiliates	322,950	—
Total extra ordinary loss	335,396	13,669
Net income before taxes and other adjustment	1,375,722	821,389
Corporate, inhabitant and business taxes	570,183	514,119
Adjustments to corporate and other taxes	8,339	△191,611
Total income taxes	578,522	322,507
Net income	797,199	498,881
Other comprehensive income		

(Unaudited)

Other gain(loss) on available-for-sale securities	483,659	Δ467,436
Deferred gains or losses on hedges	1,734	Δ3,890
Revaluation on Land	76,556	20,050
Foreign currency translation adjustment	1,220,054	Δ1,726,278
Remeasurements of defined benefit plans	Δ23,103	Δ24,021
Total other comprehensive income	1,758,902	Δ2,201,576
Comprehensive income	2,556,101	Δ1,702,695
(Breakdown)		
Comprehensive income attribute to owners of parent	2,556,101	Δ1,702,695
Comprehensive income attribute to the non-controlling interests	—	—

(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

[Segment Information]

1. The Third Quarter of FY 2015 (December 1, 2014 through August 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	20,792,334	6,325,769	5,235,280	32,353,384	—	32,353,384
Inter segment sales and transfer	1,903,416	1,718,384	71,728	3,693,529	Δ3,693,529	—
Total	22,695,751	8,044,153	5,307,009	36,046,914	Δ3,693,529	32,353,384
Segment income	834,005	323,023	385,554	1,542,583	Δ305,791	1,236,792

(Notes)

1. Adjustment of Δ¥305,791 thousand includes Δ¥255,648 thousand -corporate expenses that are not distributed to each reportable segment and other Δ¥50,142 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 Third Quarter of FY 2016 (December 1, 2015 through August 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	20,344,393	4,769,977	4,107,143	29,221,515	—	29,221,515
Inter segment sales and transfer	1,747,294	1,385,063	41,692	3,174,050	Δ3,174,050	—
Total	22,091,688	6,155,041	4,148,836	32,395,566	Δ3,174,050	29,221,515
Segment income	680,640	260,891	230,358	1,171,889	Δ200,006	971,883

(Notes)

1. Adjustment of Δ¥200,006 thousand includes Δ¥237,378 thousand -corporate expenses that are not distributed to each reportable segment and other Δ¥37,372 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.