

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

Corporate Information

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

(URL : <http://www.morito.co.jp/english/ir/>)

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 annual general meeting of shareholders: February 23, 2017

Scheduled date of dividend payment: February 24, 2017

Scheduled date of filling of Security Report: February 24, 2017

Supplementary explanation material for financial results: Yes

Presentation meeting for financial results: Yes (for analyst and institution investors)

(Amounts rounded down)

1. Consolidated Financial Results for Fiscal Year 2016 (December 1, 2015 through November 30, 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	%
FY 2016	40,086	Δ7.4	1,767	2.7	1,647	Δ12.0	1,181	Δ17.5
FY 2015	43,293	20.7	1,721	20.4	1,871	8.2	1,432	12.7

(Note) Comprehensive income: Δ1,156 million yen (Δ153.7%) (FY 2016) 2,152 million yen (Δ9.0%) (FY 2015)

	Net income Per share	Fully diluted net Income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2016	41.48	—	3.9	3.7	4.4
FY 2015	49.48	—	4.7	4.0	4.0

(Reference) Equity in earnings (losses) of affiliates: 38 million yen (FY 2016) 23 million yen (FY 2015)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY 2016	40,853	29,260	71.6	1,027.96
FY 2015	47,331	31,113	65.7	1,081.23

(Reference) Equity capital: 29,246 million yen (FY2016) 31,113 million yen (FY 2015)

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2016	1,391	2,728	Δ4,301	8,322
FY 2015	2,034	977	Δ1,113	8,858

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividends Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter- end	Second quarter- end	Third quarter- end	Fiscal year- end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2015	-	7.00	-	7.50	14.50	426	29.3	1.4
FY 2016	-	8.00	-	9.00	17.00	493	41.0	1.6
FY 2017 (Forecast)	-	14.00	-	14.00	28.00		26.6	

(Note) 1: Each 3 yen commemorative dividends are included in both of FY2017 Second quarter-end and FY2017 fiscal year end dividends.

(Note) 2: Dividends payout ratio(consolidated) 26.6% is mentioned. But it is more than 50% based on net income excluded special extraordinary income.

3. Consolidated Forecast for FY 2017 (December 1, 2016 through November 30, 2017)

(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	43,000	7.3	1,800	1.8	1,700	3.2

	Net income		Net income per share
	Millions of yen	%	Yen
Full year	3,000	154.0	105.44

*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) 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 |

(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares, including treasury shares at end of period:

30,800,000 shares (as of November 30, 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 November 30, 2016)

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

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

28,485,602 shares (FY 2016)

28,950,950 shares (FY 2015)

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for FY 2016 (December 1, 2015 through November 30, 2016)

(1) Non-Consolidated Financial Results (Percentages represent changes from corresponding period of previous year)

	Net Sales		Operating income		Ordinary profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of Yen	%
FY 2016	25,821	Δ1.2	702	4.5	1,003	Δ6.9	849	Δ32.4
FY 2015	26,124	Δ0.1	672	0.1	1,078	Δ11.2	1,256	22.0

	Net income per share	Fully diluted net Income per share
	Yen	Yen
FY 2016	29.84	-
FY 2015	43.41	-

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY 2016	35,442	26,694	75.3	937.75
FY 2015	39,847	28,623	67.3	932.13

(Note) (Reference) Equity capital: 26,680million yen (FY2016) 26,823 million yen (FY 2015)

*Update on the Execution Status of Audit Procedures

As of the date on which this financial report was released, an audit of the financial statements, based on the Financial Instruments and Exchange Law, had not been completed.

*Disclosure and other special notes regarding performance forecasts

The forecast above are 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. Operating results, (1) Analysis of operating results” on page 3

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. is included in the treasury shares.

Index

1. Operating Results.....	5
(1) Analysis of Operating Results.....	5
(2) Analysis of Financial Position	6
(3) Basic policy on Payment of Dividends and Dividends	6
2. Organization of the group	8
3. Management Policy	10
(1) Basic Management Policy	10
(2) Target Indicator	10
(3) Medium and Long-Term Management Strategy	10
(4) Issues to be Addressed	10
(5) Other Material Matters.....	10
4. Basic concept concerning the selection of accounting standards.....	10
5. Consolidated Financial Statements	11
(1) Consolidated Balance Sheets	11
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	13
(3) Consolidated Statements of Changes in Shareholders' Equity.....	15
(4) Consolidated of Cash Flows	17
(5) Notes regarding Consolidated Financial Statements.....	19
[Notes on assumption of going concern]	19
[Changes in accounting principal].....	19
[Additional Information].....	19
[Segment Information].....	21
[Per share data]	22
[Significant subsequent events]	23
5. Others.....	23
(1)Changes in Senior Managements	23

1. Operating Results

(1) Analysis of Operating Results

In the fiscal year ended November 30, 2016 (From December 1, 2015 to 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 investment are still weak due to yen appreciation in the first half of this year.

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 40,086million (decreased by 7.4% from a year earlier), operating income ¥1,767 million (increased by 2.7% from a year earlier), ordinary income ¥1,647 million (decreased by 12.0% from a year earlier), net income ¥1,181 million (decreased by 17.5% from a year earlier).

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

¥101.12 to the U.S. dollar, ¥113.29 to the euro, ¥15.15 to the Chinese yuan, ¥13.04 to the Hong Kong dollar, ¥3.22 to the Taiwan dollar, ¥0.0045 to the Vietnamese dong, ¥2.91 to the Thai baht.

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

¥119.97 to the U.S. dollar, ¥134.94 to the euro, ¥18.97 to the Chinese yuan, ¥15.48 to the Hong Kong dollar, ¥3.63 to the Taiwan dollar, ¥0.0053 to the Vietnamese dong, ¥3.30 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 is increased, but health-related items, magi tape®, automobiles, and insole are decreased.

As a result, net sales were ¥28,089 million (decreased by 1.1% 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 ¥6,522 million (increased by 19.9% 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 ¥5,474 million (decreased by 19.0% from a year earlier).

(ii) Outlook for the next fiscal year

Our group set and promote 『Create Morito's existence value, Realize "New Morito Group"』 under 7th mid-term management plan "Make it happn, We develop our future ! ! !" (December 1, 2015 through November 30, 2019). In the first year of this mid-term management plan FY2016, Morito considers development of Japan made high valued items and global expansion as the core management plan, and Morito realizes to create Morito's value which era needs. At the same time, we accelerate our business in not only existing markets such as Asia, China, U.S. and EU, but also in untapped markets.

The forecast for consolidated results for the full year of fiscal 2017 is net- sales ¥43,000 million yen, operating income ¥1,800 million, ordinary profit ¥1,700 million and net income ¥3,000 million (Exchange rate: US\$1.00 = ¥106).

(2) Analysis of Financial Position

(i) Assets, liability and net assets

Total assets stood at ¥40,853million, decreased by ¥6,477million from a year earlier.

Total current assets reached ¥25,127 million, decreased by ¥1,039 million from a year earlier. This change was primarily due to decrease in cash ¥568 million.

Total fixed assets came to ¥15,708 million, decreased by ¥5,456 million from a year earlier. This change was mainly due to decrease in land ¥2,701 million.

Total current liabilities reached ¥7,317 million, decreased by ¥4,981 million yen from a year earlier. This change was mainly due to decrease in short-term loans ¥4,708 million.

Total fixed liabilities came to ¥4,275 million, increased by ¥357 million from a year earlier. This change was mainly due to increase in bond ¥140 million.

Total net assets became ¥29,260 million, decreased by ¥1,852 million from a year earlier. Share holders' equity ratio was 71.6%, increased by 5.9% from a year earlier.

(ii) Cash Flows

The overall situation regarding cash flow during the fiscal year as follow:

[Cash flows from operating activities]

Net cash provided by operating activities was ¥1,391 million (¥2,034 million provided in the same period of the previous fiscal year). This change was mainly due to acquisition of net income before taxes.

[Cash flows from investing activities]

Net cash used in investing activities was ¥2,728 million (¥977 million provided in the same period of the previous fiscal year). This change was principally due to tangible fixed assets.

[Cash flows from financing activities]

Net cash used by financing activities was ¥4,301 million yen (¥1,113 million used in the same period of the previous fiscal year). This change was mainly due to return of short-term debt and dividends payout.

As a result of above, cash and cash equivalent was ¥8,322 million, decreased by ¥536 million from a year earlier.

The following table shows financial indicators associated with cash flows.

	FY 2014	FY 2015	FY 2016
Equity ratio	64.7%	65.7%	71.6%
Equity ratio (market value basis)	52.0%	52.0%	55.7%
Interest-bearing debt / cashflow ratio	556.1%	288.7%	180.8%
Interest coverage ratio	77.5	91.4	78.3

(Note)

Equity ratio = Equity capital / Total assets

Equity ratio (market value basis) = Market capitalization / Total Assets

Interest-bearing debt / cash flow ratio = Interest-bearing debt/net cash provided by operating activities

Interest coverage ratio = Operating cash flows / Interest paid

*Each indicator is calculated on a consolidated basis.

*Market capitalization is based on the year-end share price multiple by the number of shares issued and outstanding at year-end not including treasury stocks.

*Operating cash flows refers to net cash provided by operating activities in the consolidated statement of cash flows.

*Interest-bearing debt includes short-term loans payable on the consolidated balance sheet.

*The interest payments use the interest paid as recorded in the consolidated statement of cash flows.

(3) Basic policy on Payment of Dividends and Dividends

The company's basic dividend policy is to return the profit to our shareholders by reinforced financial ground and improved profitability. In addition, we will use the internal reserve to invest, and M&A for the long-term growth in the future.

Dividend was distributed in a manner that reflects the consolidated company result and financial standing.

- Continuous dividends payment
- Maintain DOE 1.5%
- Basic policy of dividend payout ratio more than 50%

The company will consider stock buy-back to enrich shareholder return promptly, based on the company's financial

situation and share price.

During this fiscal year, we scheduled to propose the general meeting of shareholders to payout ¥9 per share as dividend of year-ended. As a result, dividends for the subject fiscal year amount to ¥17 per share including the interim dividends of ¥8 per share.

For next fiscal year, we plan each ¥14(¥11 for normal dividends and ¥3 for commemorative dividends) for both of FY2017 Second quarter-end and FY2017 fiscal year end dividends. Total dividends is ¥28 per share.

2. Organization of the group

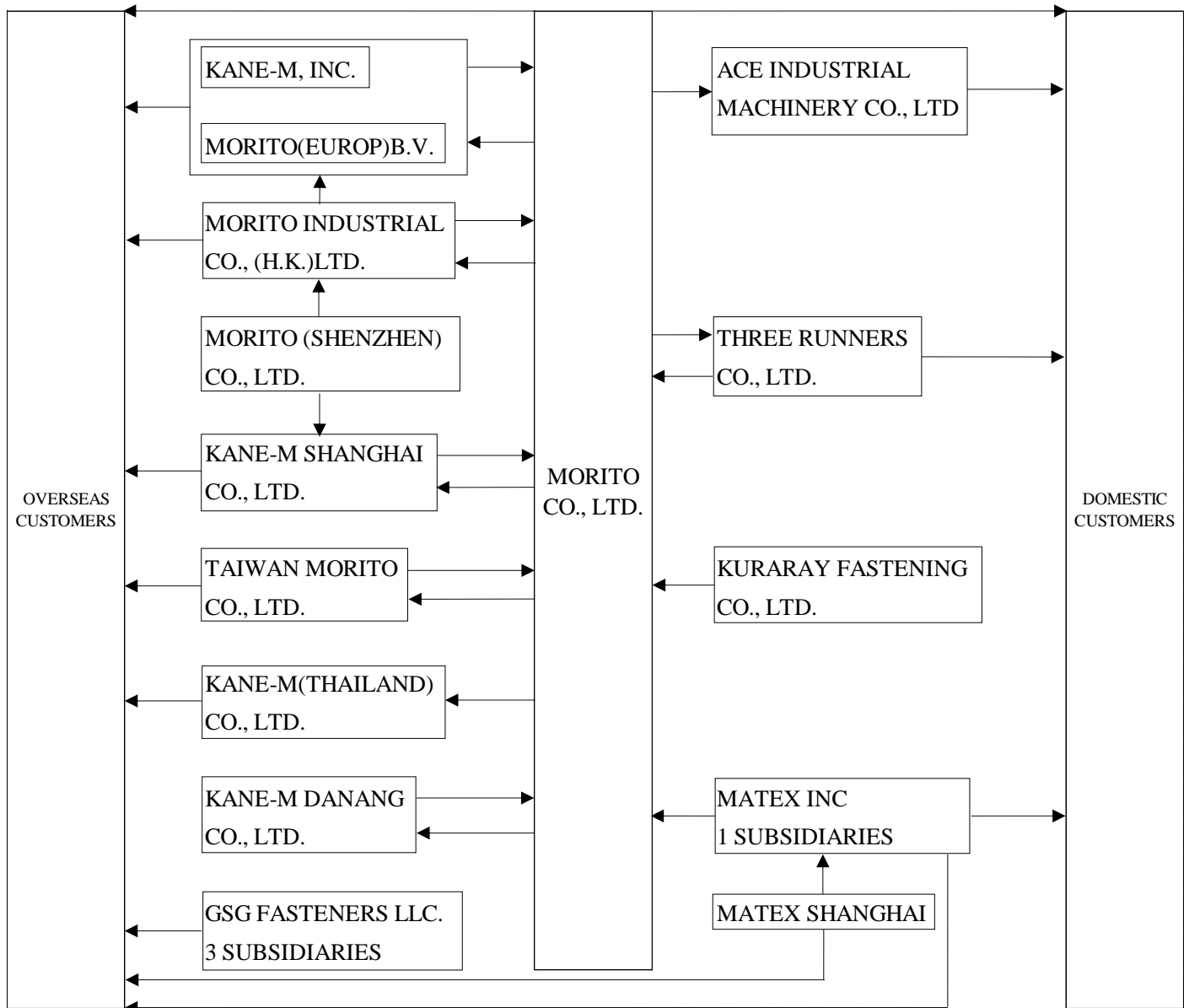
Our group consists of the parent company, 17 subsidiaries and 1 affiliate company. The group's main business is sales and manufacture of materials for daily-life: including apparel materials, parts for automotive, life style goods, and rental and cleaning of kitchen appliances etc.

- ⊙:Consolidated subsidiaries: 16 companies ○:Non-consolidated subsidiaries: 1 companies □:Affiliates: 1 company
- ⊙ MORITO INDUSTRIAL CO., (H.K.) LTD. : Selling of apparel and consumer products
 - ⊙ MORITO (SHENZHEN) CO., LTD. : Subsidiaries of Morito Industrial Co., (H.K.) Ltd.(100% owned)
Manufacturing of component of apparel and consumer products
 - ⊙ TAIWAN MORITO CO., LTD. : Selling and manufacturing of component of apparel and consumer products.
 - ⊙ KANE-M SHANGHAI CO., LTD. : Selling and manufacturing of component of apparel and consumer products.
 - ⊙ KANE-M INC. : Selling of component of apparel and consumer products.
 - ⊙ MORITO (EUROPE) B.V. : Selling of component of apparel and consumer products.
 - ⊙ KANE-M DANANG CO., LTD : Selling and manufacturing of component of apparel and consumer products, operation of rental factories.
 - ⊙ KANE-M (THAILAND) CO., LTD. : Selling of component of electronic and automobile.
 - ⊙ MATEX SHANGHAI : Subsidiaries of MATEX INC. (100%). Manufacturing and selling of apparel parts, design and copying to Chinese and overseas.
 - MATEX BANGKOK CO., LTD. : Subsidiaries of MATEX INC. (100%). Manufacturing and selling of apparel parts, design and copying to Thailand and overseas.
 - ⊙ GSG FASTENERS, LLC. : Manufacturing and selling of component of apparel and consumer products.
 - ⊙ GSG FATENERS ASIA LIMITED : Subsidiaries of GSG FASTENERS, LLC. (100%). Selling of component of apparel and consumer products.
 - ⊙ GSG FATENERS UK LIMITED : Subsidiaries of GSG FASTENERS, LLC. (100%). Selling of component of apparel and consumer products
 - ⊙ GSG FATENERS INDIA LIMITED : Subsidiaries of GSG FASTENERS, LLC. (100%). Selling of component of apparel and consumer products
 - ⊙ ACE INDUSTRIAL MACHINERY CO., LTD. : Rental service, selling and cleaning of kitchen appliance
 - ⊙ THREE RUNNERS CO., LTD. : Selling and manufacturing of sports supporter.
 - ⊙ MATEX INC. : Manufacturing and designing apparel component, HP designing and producing and DTP printing.
 - Kuraray Fastening Co., Ltd. : Selling and manufacturing of hook and loop fastener.

(Note 1)

IAKK SERVICE CO., LTD. was excluded from non-consolidated subsidiaries in September, 2016.

Business Flow Chart



3. Management Policy

(1) Basic Management Policy

We manage business under the corporate principle of ‘DESIGN YOUR BRIGHT FUTURE WITH OUR VARIOUS PARTS’.

To enhance the sense of unity and centripetal force, we define and infiltrate our values which are existing in Morito’s employers and employees as implicit knowledge as “MORITO Value”, to all of Morito’s staffs, and we realize new value creation which is not caught in habit.

(2) Target Indicator

Our targets to be achieved at the FY 2019 under the 7th mid-term management plan are as below:

Consolidated sales: 50 billion yen

Consolidated operating sales: 2.6 billion yen

(3) Medium and Long-Term Management Strategy

We promote expansion and strengthening our group revenue, establish capital policy, strengthening internal control, under the 7th middle of mid-term management plan from FY2016 to FY2019 『Create Morito’s existence value, Realize “New Morito Group”』 .

(4) Issues to be Addressed

We treat following subjects as our business challenges under the process of the 7th mid-term management plan to enhance our corporate values.

1, Expansion and strengthening our group revenue

Strengthening plan and development with domestic and global business partners, and industry-academic collaboration. At the same time, establish global production, purchase, and stock based on sales strategy. At the beginning, strength domestic logistic to minimize logistic costs. And we actively invest to strength and expand of group revenue, enhance sales tool, capital investment, new base.

2, Establish capital policy

The company changed “Basic policy on Payment of Dividends and Dividends” as mentioned in 1 (3). We will try to maintain proper share price based on PBR.

3, Strengthening internal control

We and corporate governance including strength business management control and compliance, and fulfill accountability to all of stakeholders through IR activity. We promote activation of diversity of management to correspond low birthrate and longevity, population decrease, and promote of female and foreign national employees. Furthermore, we speed up decision making of management and sales from timely catching of group information by the effective use of SAP.

(5) Other Material Matters

Nil

4. Basic concept concerning the selection of accounting standards

We keep adopting Japan standard financial report for easy comparison with other companies for certain moment. For IFRS, we will consider to adopt it with various world and economic situation.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	FY 2015 (As of November 30, 2015) Thousands of yen	FY 2016 (As of November 30, 2016) Thousands of yen
Assets		
Current assets		
Cash and deposits	10,010,892	9,442,122
Notes and accounts receivable	10,755,928	10,583,460
Commercial goods and finished goods	3,835,339	3,574,856
Work in process	188,413	168,972
Raw materials and supplies	379,848	290,417
Deferred tax assets	272,235	216,002
Other current assets	762,878	881,175
Allowance for doubtful accounts	- 38,959	- 29,950
Total current assets	26,166,569	25,127,055
Fixed assets		
Tangible fixed assets		
Building and structures	6,160,984	4,551,503
Accumulated depreciation	- 3,481,294	- 2,564,670
Building and structures (net)	2,679,689	1,986,832
Machinery and delivery equipment	1,736,143	1,525,055
Accumulated depreciation	- 1,145,856	- 1,045,873
Machinery and delivery equipment (net)	590,286	479,182
Tools, furniture and fixtures	2,488,395	2,375,325
Accumulated depreciation	- 2,040,161	- 1,989,123
Tools, furniture and fixtures (net)	448,233	386,201
Land	5,926,237	3,224,579
Lease assets	426,970	355,106
Accumulated depreciation	- 159,761	- 128,903
Lease assets (net)	207,208	226,202
Construction-in-process-in-process	91,999	73,013
Total tangible fixed assets	10,003,656	6,376,011
Intangible fixed assets		
Goodwill	3,687,790	3,000,353
Lease assets	339,349	242,152
Other Intangible fixed assets	1,210,517	997,022
Total intangible fixed assets	5,237,657	4,239,528
Investments and other fixed assets		
Investment securities	4,634,984	4,055,364
Long-term loans	106,400	112,400
Deferred tax	60,538	40,723
Net defined benefit asset	400,076	221,830
Other fixed assets	801,628	737,505
Allowance for doubtful account	- 80,393	- 74,988
Total investments and other fixed assets	5,923,234	5,092,834
Total fixed assets	21,375,394	15,708,375

Deferred assets	—	18,205
Total assets	45,593,500	40,853,636
<i>Liabilities</i>		
Current liabilities		
Notes and accounts payable	4,502,734	4,262,005
Short-term loans payable	4,960,000	180,000
Current portion of bond	—	400,000
Current portion of long-term debt	375,396	375,396
Accrued tax payable	616,237	379,220
Reserve for bonuses	164,592	175,722
Reserve for director's bonuses	72,511	79,232
Other current liabilities	1,607,517	1,465,489
Total current liabilities	12,298,989	7,317,066
Fixed liabilities		
Bond	—	1,400,000
Long-term debt	536,477	161,081
Deferred tax	1,129,115	1,001,179
Deferred tax assets for revaluation	758,339	351,211
Provision for stock benefits	9,804	17,375
Provision for director's retirement benefits	54,758	30,433
Reserve for retirement allowance	20,640	35,059
Provision for environmental measures	23,813	18,133
Net defined benefit liability	829,319	918,021
Other fixed liabilities	556,239	343,212
Total fixed liabilities	3,918,507	4,275,706
Total liabilities	16,217,496	11,592,772
<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	23,966,197
Treasury stock	-956,696	-1,230,960
Total shareholders' equity	28,510,835	29,766,453
Other comprehensive income		
Valuation difference on available-for-sale securities	1,625,548	1,336,046
Deferred gains or losses on hedges	-1,069	861
Difference in revaluation of land	-514,664	-1,280,438
Foreign currency translation adjustment	1,403,231	-463,484
Remeasurements of defined benefit plans	89,739	-112,982
Total other comprehensive income	2,602,786	-519,998
Subscription rights to shares	—	14,408
Minority interests	—	—
Total net assets	31,113,622	29,260,863
Total liabilities and net assets	47,331,118	40,853,636

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

Consolidated statements of income

	FY 2015 (December 1, 2014 through November 30, 2015) Thousands of yen	FY 2016 (December 1, 2015 through November 30, 2016) Thousands of yen
Net sales	43,293,935	40,086,554
Cost of sales	32,174,918	29,285,355
Gross profit	11,119,017	10,801,198
Selling, general and administrative expenses		
Salary	3,126,916	2,987,662
Bonus	556,773	628,877
Welfare expense	723,426	683,552
Retirement benefit	82,297	89,833
Provision of director's bonus	59,747	72,886
Provision of directors' retirement benefits	9,600	5,558
Provision for board incentive plan	20,640	16,262
Postage	140,170	132,425
Freightage and packing expense	1,174,406	1,184,867
Provision of allowance for doubtful account	—8,734	274
Commission paid	763,732	689,491
Rental expense	412,594	454,575
Depreciation	372,782	320,659
Other selling, general and administrative expense	1,942,595	1,766,384
Total selling, general and administrative expense	9,398,007	9,033,310
Operating Income	1,721,010	1,767,888
Non-operating income		
Interest received	27,387	24,831
Dividends received	87,482	80,425
Rent on real estate	76,118	76,559
Foreign exchange gains	48,264	—
Commission received	3,647	1,271
Equity in earnings of affiliates	23,010	38,703
Others	96,635	32,496
Total non-operating income	362,545	254,287
Non-operating expenses		
Interest paid	22,131	16,448
Cash discount on sales	91,926	86,658
Depreciation expense of assets lent	11,112	8,297
Foreign exchange losses	—	155,748
Others non-operating expense	86,933	107,977
Total non-operating expense	212,104	375,130
Ordinary Income	1,871,451	1,647,045
Extra ordinary income		
Gains on sales of fixed assets	337,128	18,619
Gains on sales of securities	699,121	124,284
Gains on liquidation of subsidiaries and affiliates	—	83,495

Total Extra Ordinary Income	1,036,249	226,399
Extra ordinary expenses		
Losses on sales of fixed assets	3,992	11,774
Losses on retirement of fixed assets	11,704	2,221
Losses on revaluation of investments in securities	21,022	—
Loss on liquidation of affiliates	458,658	—
Total extra ordinary loss	495,378	13,996
Net income before taxes and other adjustment	2,412,322	1,859,448
Corporate, inhabitant and business taxes	883,924	798,953
Adjustments to corporate and other taxes	95,995	— 121,096
Total income taxes	979,920	677,857
Income before minority interest	1,432,401	1,181,591
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	1,432,401	1,181,591

Consolidated statement of comprehensive income

	FY 2015 (December 1, 2014 through November 30, 2015) Thousands of yen	FY 2016 (December 1, 2015 through November 30, 2016) Thousands of yen
Income before income taxes	1,432,401	1,181,591
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	— 186,548	— 289,501
Deferred gains or losses on hedges	784	1,930
Land Revaluation	67,545	19,269
Foreign currency translation adjustment	857,488	— 1,866,716
Adjustments to retirement benefit	— 18,853	— 202,722
Total other comprehensive income	720,416	— 2,337,740
Comprehensive income	2,152,818	— 1,156,149
(Breakdown)		
Comprehensive income attribute to the parent	2,152,818	— 1,156,149
Comprehensive income attribute to the minority shareholders	—	—

(3) Consolidated Statements of Changes in Shareholders' Equity
FY 2015 (December 1, 2014 through November 30, 2015)

(Thousands of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of current period	3,532,492	3,395,115	21,364,202	− 680,993	27,610,816
Cumulative effects of changes in accounting policies			41,752		41,752
Restated balance	3,5532,492	3,395,115	21,405,955	− 680,993	27,652,569
Changes of items during the period					
Dividends from surplus			− 397,659		− 397,659
Profit (loss) attributable to owners of parent			1,432,401		1,432,401
Purchase of treasury stock				− 340,109	− 340,109
Disposal of treasury stock		103,608		64,405	168,014
Increase (decrease) in from change of scope of consolidation					
Reversal of revaluation reserve for land			− 4,381		− 4,381
Net changes of items other than shareholders' equity					
Total changes of items during the period	−	103,608	1,030,361	− 275,703	858,266
Balance at the end of current period	3,532,492	3,498,724	22,436,316	− 956,696	28,510,835

	Accumulated other comprehensive income						Stock option	Total net asset
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Difference in revaluation of land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,812,097	− 1,853	− 586,591	545,742	108,593	1,877,988	−	29,488,805
Cumulative effects of changes in accounting policies								41,752
Restated balance	1,812,097	− 1,853	− 586,591	545,742	108,593	1,877,988	−	29,530,557
Changes of items during the period								
Dividends from surplus								− 397,659
Profit (loss) attributable to owners of parent								1,432,401
Purchase of treasury stock								− 340,109
Disposal of treasury stock								168,014
Increase (decrease) in								−

from change of scope of consolidation								
Reversal of revaluation reserve for land								-4,381
Net changes of items other than shareholders' equity	-186,548	784	71,926	857,488	-18,853	724,797	-	724,797
Total changes of items during the period	-186,548	784	71,926	857,488	-18,853	724,797	-	1,583,064
Balance at the end of current period	1,625,548	-1,069	-514,664	1,403,231	89,739	2,602,786	-	31,113,622

FY 2016 (December 1, 2015 through November 30, 2016)

(Thousands of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of current period	3,532,492	3,498,724	22,436,316	-956,696	28,510,835
Cumulative effects of changes in accounting policies					
Restated balance	3,5532,492	3,498,724	22,436,316	-956,696	28,510,835
Changes of items during the period					
Dividends from surplus			-452,184		-452,184
Profit (loss) attributable to owners of parent			1,181,591		1,181,591
Purchase of treasury stock				-276,965	-276,965
Disposal of treasury stock				2,702	2,702
Increase (decrease) in from change of scope of consolidation			15,431		15,431
Reversal of revaluation reserve for land			785,043		785,043
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	1,529,880	-274,263	1,255,617
Balance at the end of current period	3,532,492	3,498,724	23,966,197	-1,230,960	29,766,453

	Accumulated other comprehensive income						Stock option	Total net asset
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Difference in revaluation of land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,625,548	-1,069	-514,664	1,403,231	89,739	2,602,786	-	31,113,622
Cumulative effects of changes in accounting policies								
Restated balance	1,625,548	-1,069	-514,664	1,403,231	89,739	2,602,786	-	31,113,622

Changes of items during the period								
Dividends from surplus								−452,184
Profit (loss) attributable to owners of parent								1,181,591
Purchase of treasury stock								−276,965
Disposal of treasury stock								2,702
Increase (decrease) in from change of scope of consolidation								15,431
Reversal of revaluation reserve for land								785,043
Net changes of items other than shareholders' equity	−289,501	1,930	−765,773	−1,866,716	−202,722	−3,122,784	14,408	−3,108,376
Total changes of items during the period	−289,501	1,930	−765,773	−1,866,716	−202,722	−3,122,784	14,408	−1,852,758
Balance at the end of current period	1,336,046	861	−1,280,438	−463,484	−112,982	−519,998	14,408	29,260,863

(4) Consolidated of Cash Flows

	FY 2015 (December 1, 2014 through November 30, 2015) Thousands of yen	FY 2016 (December 1, 2015 through November 30, 2016) Thousands of yen
Cash flows from operating activities		
Income (loss) before income taxes	2,412,322	1,859,448
Depreciation of amortization	726,221	617,115
Depreciation of goodwill	237,208	212,195
Change in provision for bonus	25,083	21,882
Changes in net defined benefit asset	−161,918	178,246
Changes net defined benefit liability	76,756	88,701
Change in reverse for retirement benefits for officers	−74,850	−24,325
Changes in reverse for employee stock ownership plan	5,178	7,570
Changes in board incentive plan	20,640	14,419
Change in allowance for doubtful accounts	−47,053	−24,366
Interest income and dividends income	−114,869	−105,256
Interest paid	22,131	16,448
Equity in net income of affiliates	−23,010	−38,703
Gains from sale of fixed assets	−333,135	−6,845
Gains from sale of investment securities	−699,121	−124,284
Loss on retirement of noncurrent assets	11,704	2,221
Profit from revaluation of investment securities	21,022	—
Reversal of foreign currency translation adjustment for reducing the capital of controlled foreign subsidiaries	458,658	−83,495
Change in notes and accounts	−108,627	−353,153
Change in inventory	333,308	−13,196
Change in account payable	−276,601	32,344
Others	22,603	45,067

Subtotal	2,533,654	2,322,036
Proceed from interest and dividends income	119,604	103,852
Payment of interest	—22,251	—17,781
Payment of corporate tax	—596,218	—1,016,211
Net cash(used in)provided by operating activities	2,034,248	1,391,896
Cash flows from investing activities		
Decrease in time deposit	—104,040	—224,457
Increase in time deposit	—	242,899
Purchase of investment securities	—27,604	—27,871
Increase of sale for investment securities	865,498	209,288
Purchase of stocks of affiliates	—261,500	—
Proceeds from liquidation of affiliates	—	87,723
Purchase of tangible fixed assets	—549,070	—386,153
Proceeds from sale for tangible fixed assets	1,049,020	2,944,419
Purchase of intangible assets	—11,459	—32,590
Proceeds from loans receivable	45,026	52,469
Payments of loans receivable	—	—105,750
Others	—28,755	—31,090
Net cash provided by (used in) investing activities	977,114	2,728,887
Cash flows from financing activities		
Changes in short-term debt	—	—4,810,300
Repayments of lease obligations	—168,635	—168,756
Repayment of long-term loans	—375,396	—375,396
Proceeds from issuance of bonds	—	1,978,993
Redemption of bonds	—	—200,000
Proceeds from sale from treasury stock	168,014	2,702
Payments to acquire treasury stock	—340,109	—276,965
Payments of dividends	—397,659	—452,184
Net cash used in financing activities	—1,113,784	—4,301,906
Effects of exchange rate on cash and cash equivalents	113,651	—387,580
Net increase (decrease) in cash and cash equivalents	2,011,229	—568,702
Cash and cash equivalents at beginning of year	6,847,667	8,858,896
Increase in cash and cash equivalents from newly consolidated subsidiary	—	63,022
Decrease in cash and cash equivalents from newly consolidated subsidiary	—	—30,508
Cash and cash equivalents at fiscal year-end	8,858,896	8,322,707

(5) Notes regarding Consolidated Financial Statements

[Notes on assumption of going concern]

Not applicable.

[Changes in accounting principal]

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 this 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 yearly consolidated financial statements for the yearly consolidated accounting period to which the date of business combination belongs. In addition, the Company has changed the presentation of net profit and other items and the presentation of minority interests to non-controlling interests. To reflect this change, the consolidated financial statements for the 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.

Under these revised accounting standard, company changed some tiles related consolidate 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".

This change never effect to operating profit, ordinary profit income before income taxes and minority interests, and per share information.

(Practical Solution on a Change in the Depreciation Method)

Following the revision to the Corporation Tax Act, the Company adopted the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) effective from the third quarter of this consolidated accounting term. It also changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, making the switch from the declining balance method to the straight line method.

The effect of the change on the Company's operating profit, ordinary profit, and income before income taxes and minority interests for this consolidated fiscal year is minimal.

[Additional Information]

(The transaction for employees through trust)

(1) The overview of the transaction

We have introduced "Stock Granting Trust(J-Esop)" to motivate employees for share price and revenue.

This is the system that employee get Morito's share based on certain requirement which determined by our stock benefit regulations.

It imparts points in accordance with the individual contributions, to benefit the stock corresponding to the granted point when acquiring the entitlement by certain conditions. For shares to be benefits to employees, including to get future than the amount which had been previously trust settings, and then shall be managed separately as trust property.

With the introduction of this system, in addition to interest in the motivation and stock of employees' increases, it is expected that contribute to secure excellent human resources.

(2) Treasury stock in the trust

The treasury shares in the trust, booked value in the trust, have been recorded as treasury shares in net assets.

The number of shares and booked value are 153,076 thousand yen, 392shares in FY2015, and 152,216 thousand yen, 389shares in FY2016.

(The Transaction for the Board Incentive Plan Trust)

The Board Incentive Plan Trust was approved by the general shareholders meeting held on February 26, 2015. The main objective of this scheme is to increase the board members' motivation to make contributions to improve business performance and increase enterprise value.

Trust transaction is accounted based on "Practical handling concerning the delivering of company outstanding shares to employee through the trust" (ASBJ PITF No.30 of March 26, 2015).

(1) Summary of the Transaction

This system is a performance-based stock compensation which delivers treasury stock to directors by level of achievement for sales and operating profit of each fiscal year. However, board member may receive the grant of the company shares at the time of retirement.

(2) Remaining treasury stock in the trust

Remaining treasury stock in the trust is recorded in net assets as treasury stock by book value of the trust.

The book value of the treasury stock at the end of the FY2015 is ¥168,000 thousand, 175 thousand shares.

The number of the treasury stock at the end of the current fiscal year is ¥166,156 thousand, 173 thousand shares.

[Segment Information]

1. Fiscal Year 2015(December 1, 2014 through November 30, 2015)

The information on net sales, income or loss, assets and other items by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1,3)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales	Japan	Asia	EU and US	Total		
Sales to external customers	28,397,032	8,138,317	6,758,585	43,293,935	—	43,293,935
Inter segment sales and transfer	2,494,776	2,225,975	117,525	4,838,277	−4,838,277	—
Total	30,891,809	10,364,293	6,876,110	48,132,213	−4,838,277	43,293,935
Segment income	1,176,332	468,718	468,136	2,113,188	−392,178	1,721,010
Segment asset	31,399,836	7,011,055	7,743,139	46,154,030	1,177,087	47,331,118
Other						
Depreciation	375,775	181,462	168,983	726,221	—	726,221
Increase in tangible fixed assets	536,707	99,869	98,179	734,755	—	734,755

(Notes)

1. Adjustment of −392,178 thousand yen includes −326,820 thousand yen corporate expenses that are not distributed to each reportable segment and other −65,357 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.
3. The adjustment for segment asset includes elimination of intersegment transaction −9,867,282 thousand yen and corporate asset 11,044,370 thousand yen that have not been distributed to reportable segment. Corporate assets consists mainly of assets not belonging to specific segment (cash and cash equivalent and investments in securities) and assets related to administrative operations.

Fiscal Year 2016(December 1, 2015 through November 30, 2016)

The information on net sales, income or loss, assets and other items by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1,3)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales	Japan	Asia	EU and US	Total		
Sales to external customers	28,089,934	6,522,586	5,474,033	40,086,554	—	40,086,554
Inter segment sales and transfer	2,396,899	2,376,064	49,156	4,822,120	−4,822,120	—
Total	30,486,833	8,898,651	5,523,189	44,908,675	−4,822,120	40,086,554
Segment income	1,310,161	489,481	250,774	2,050,416	−282,528	1,767,888
Segment asset	28,056,904	6,149,224	6,534,711	40,740,840	112,796	40,853,636
Other						
Depreciation	336,824	149,928	130,362	617,115	—	617,115
Increase in tangible fixed assets	293,901	94,669	68,917	457,488	—	457,488

(Notes)

1. Adjustment of −282,528 thousand yen includes −343,105 thousand yen corporate expenses that are not distributed to each reportable segment and other −60,576 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.
3. The adjustment for segment asset includes elimination of intersegment transaction −9,855,011 thousand yen and corporate asset 9,967,807 thousand yen that have not been distributed to reportable segment. Corporate assets consists mainly of assets not belonging to specific segment (cash and cash equivalent and investments in securities) and assets related to administrative operations.

[Per share data]

Item	FY2015	FY2016
	(December 1, 2014 through November 30, 2015)	(December 1, 2015 through November 30, 2016)
Net assets per share	1,081.23 yen	1,027.96 yen
Net income per share	49.48 yen	41.48 yen
Diluted net income per share	—	—

(Notes)

- No statement is made of the amount of current net profit per share after adjusting for residual stocks because there were no residual stocks that had a dilution effect.
- The amount of treasury stock to calculate the net assets per share and the weighted-average number of common shares to calculate net income per share and net income per share after adjustment for dilutive securities included the company's shares owned by Trust & Custody Services Bank, Ltd (for J-Esop, FY2016 389 thousand shares, FY2015 392thousand shares), and The Master Trust Bank Of Japan, LTD (for BIP, FY2016 173thousand shares, FY2015 175thousand shares).

(Notes)The basis for calculating

- Net assets per share

Item	FY2015	FY2016
	(December 1, 2014 through November 30, 2015)	(December 1, 2015 through November 30, 2016)
The total net assets in the consolidated balance sheet (Thousand of yen)	31,113,622	29,260,863
Deducted amount from total net asset	—	14,408
Stock Option	—	— 14,408
Non-controlling interests	—	—
The net assets associated with common stock (Thousand of yen)	31,113,622	29,246,455
Number of issued stock (Thousand shares)	30,800	30,800
Number of treasury stock (Thousand shares)	2,023	2,349
Number of common stock for calculating the net assets per share	28,776	28,451

(Note)

The amount of treasury stock of common stock to calculate the net asset per share is included the stock of Trust & Custody Services Bank, Ltd. and Master Trust Bank Of Japan, LTD owned.

- Net income per share and Diluted net income per share

Item	FY2015	FY2016
	(December 1, 2014 through November 30, 2015)	(December 1, 2015 through November 30, 2016)
Net income per share		
Profit (loss) attributable to owners of parent (Thousand yen)	1,432,401	1,181,591
Share unallocated to common stock (Thousand shares)	—	—
Profit (loss) attributable to owners of parent relating to common stock	1,432,401	1,181,591
Shares on the average during the fiscal year (Thousand share)	28,950	28,485
Details of shares not included in calculation of fully diluted net income per share due to non-dilutive effect	—	—

(Note)

The weighted-average number of common shares to calculate the net income per share is included the stock of Trust & Custody Services Bank, Ltd. and Master Trust Bank Of Japan, LTD owned.

[Significant subsequent events]

As the followings, real estate selling was resolved in December 20, 2016.

1, schedule and transferee

- ① The date of sales contract : December 21, 2016
- ② Transfer day : March 15, 2017 (plan)
- ③ Transferee : Not-Open (There is no capital ties, business relations between transferee and us)

2, Details of real estate

Asset Name and address	Price	Book value	Profit	Details
Yokobori Car Park	3,900 million yen	605 million yen	3,290 million yen	car park
4-8-9, Minami Hommachi, Chuo-ku, Osaka				

5. Others

(1) Changes in Senior Managements

(i) Changes in President

Not applicable.

(ii) Changes in other officers (Limited scheduled on February 23rd, 2017)

1. Newly appointed director candidate
Director Motoo Matsuzawa
Unaffiliated Director Candidate which is set by Ordinance for Enforcement of the Companies Act 2.3.7.
2. Retiring auditor
Not Applicable
3. Newly appointed auditor
Not applicable
4. Retiring auditor
Not applicable