

(Unaudited)

April 12, 2017

MORITO CO., LTD.
Financial Statement (Unaudited)
For the First Quarter of the Fiscal Year ended November 30, 2017
(Translated from the Japanese original)

Corporate Information

Code : 9837

Listings : First 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

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Scheduled date of filing of Quarterly Report

April 14, 2017

Scheduled date of dividend payment:

—

Supplementary explanation material for quarterly financial results:

None

Presentation meeting for quarterly financial results:

None

(Amounts rounded down)

1. Consolidated Financial Results for the 1Q of FY2017 (December 1, 2016 through February 28, 2017)**(1) Consolidated Financial Results**

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY2017	9,577	Δ4.4	276	Δ14.3	297	19.9	177	55.2
1Q of FY2016	10,019	Δ2.6	322	Δ10.5	248	Δ42.3	114	Δ67.4

(Note) Comprehensive income: 1,549million yen (421.3%) (1Q of FY2017) Δ482million yen (Δ129.1%) (1Q of FY2016)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
1Q of FY2017	6.31	—
1Q of FY2016	3.99	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q of FY2017	40,804	29,937	73.3
FY2016	40,853	29,260	71.6

(Reference) Equity capital: 29,919million yen (1Q of FY2017) 29,246 million yen (FY2016)

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total (Annual)
	Yen	Yen	Yen	Yen	Yen
FY2015	—	8.00	—	9.00	17.00
FY2016	—				
FY2017 (Forecast)		14.00	—	14.00	28.00

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

(Unaudited)

3. Consolidated Forecast for FY2017 (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

(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 : None

(ii) Changes in accounting policies other than (i) : Yes

(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 February 28, 2017)

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

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

3,002,600 shares (as of February 28, 2017)

2,349,000 shares (as of November 30, 2016)

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

28,089,867 shares (the 1Q of FY2017)

28,590,305 shares (the 1Q of FY2016)

*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 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 "01. 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	2
(1) Business Performance.....	2
(2) Forecast of Consolidated Business Results and Other Forward-looking Information	3
2. Matters Concerning Summary Information	3
(1) Changes in Important Subsidiaries during the period under Review	3
(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statement.....	3
(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revision Restated.....	3
(4) Additional Information.....	3
3. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	6
(3) Notes regarding Quarterly Consolidated Financial Statements	8
[Notes on assumption of going concern]	8
[Notes on a Significant Change in Shareholders' Equity]	8
[Segment Information].....	8
[Significant Subsequent Events]	9

1. Qualitative Information for the Period under Review

(1) Business Performance

In the First quarter (From 1st December, 2016 to 28th February, 2017) of the fiscal year ended November 30th, 2017, the Japanese economy has shown signs of modest recovery by improving employment situation and income. However, the economy situation was still unstable due to uncertain economic situation of emerging countries and risk of rapid exchange fluctuations in unstable global market.

In the global economy, economic recovery in the US continues due to the increase in consumption and capital investment was caused by economic policies of new government. However, EU economy was also uncertain due to Brexit and debt problem of major Banks around EU.

In such a situation, our group is accelerating a growth strategy by the development of value-added Japanese 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.

As a result, in the current quarterly performance reach net sales ¥95,707million (decreased by 4.4% from a year earlier), operating income ¥276 million (decreased by 14.3% from a year earlier), ordinary income ¥297 million (increased by 19.9% from a year earlier), net income ¥177 million (increased by 55.2% from a year earlier).

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

¥109.43 to the U.S. dollar, ¥117.86 to the euro, ¥15.99 to the Chinese yuan, ¥14.11 to the Hong Kong dollar, ¥3.45 to the Taiwan dollar, ¥0.0048 to the Vietnamese dong, ¥3.09 to the Thai baht.

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

¥120.54 to the U.S. dollar, ¥131.67 to the euro, ¥18.34 to the Chinese yuan, ¥15.55 to the Hong Kong dollar, ¥3.68 to the Taiwan dollar, ¥0.0053 to the Vietnamese dong, ¥3.35 to the Thai baht.

Segment information as below

[Japan]

As for the apparel division, sales of the accessories for uniform/working wear and women were increased, however sales of the accessories for sports and outdoor apparel manufacturer which was strong in same period a year earlier were decreased.

In the consumer product division, sales of accessories for health-related items, automobile interior components, rental and cleanup of kitchen supplies were increased, but sales of the accessories for shoes and video equipment were decreased.

As a result, net sales were ¥6,574 million (increased by 1.4% from a year earlier).

[Asia]

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

In the consumer product division, sales of the automobile interior component for Japanese auto makers in Shenzhen, and sales of accessories for video equipment in Thailand were decreased.

As a result, net sales were ¥1,762 million (decreased by 11.4% from a year earlier) including effect of Japan yen appreciation.

[Europe and the U.S.]

As for the apparel division, sales of the accessories for domestic market in the U.S. were

deceased.

In the consumer product division, sales of automobile interior article for Japanese automobile manufacture in the U.S. and sales of the accessories for video equipment were decreased.

As a result, net sales were ¥1,240 million (decreased by 19.7% from a year earlier) including effect of Japan yen appreciation.

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

Currently, there has been no change in the consolidated forecast of FY2017 which was announced in 13th January, 2017.

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 the method of foreign currency conversion for Income and Expense in overseas subsidiaries

Income and Expense in overseas subsidiaries has been converted by an exchange rate as of accounting date into Japanese yen up to now. However, the method which is that Income and Expense in overseas subsidiaries has been converted by average number of exchange rate into Japanese yen is applied from the first quarter of this fiscal year. The purpose for this change was to take a financial result of overseas subsidiaries more appropriately in consolidated accounting, because it will be becoming more important for consolidated accounting.

As a result, retroactive application was not implemented since the effect on the first quarter of previous year and the term to beginning of this fiscal year caused by this change was minor.

(4) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Statement No.26 of March 28, 2016), have been applied from the first quarter of the fiscal year under review.

(Unaudited)

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	FY 2016 (As of November 30, 2016) Thousands of yen	FY 2017 (As of February 28, 2017) Thousands of yen
Assets		
Current assets		
Cash and deposits	9,442,122	8,558,214
Notes and accounts receivable	10,583,460	10,277,776
Inventory	4,034,245	4,685,666
Other current assets	1,097,177	941,357
Allowance for doubtful accounts	△29,950	△32,940
Total current assets	25,127,055	24,430,074
Fixed assets		
Tangible fixed assets		
Land	3,224,579	3,233,054
Other tangible fixed assets	3,151,432	3,378,032
Total tangible fixed assets	6,376,011	6,611,087
Intangible fixed assets		
Goodwill	3,000,353	3,310,257
Other Intangible fixed assets	1,239,174	1,347,558
Total intangible fixed assets	4,239,528	4,657,815
Investments and other fixed assets		
Investment securities	4,055,364	4,025,763
Net defined benefit asset	221,830	221,705
Other fixed assets	890,628	912,124
Allowance for doubtful account	△74,988	△70,988
Total investments and other fixed assets	5,092,834	5,088,605
Total fixed assets	15,708,375	16,357,508
Deferred assets	18,205	17,155
Total assets	40,853,636	40,804,737

(Unaudited)

	FY 2016 (As of November 30, 2016) Thousands of yen	FY 2017 (As of February 28, 2017) Thousands of yen
Liabilities		
Current liabilities		
Notes and accounts payable	4,262,005	4,273,652
Short-term loans payable	180,000	180,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	375,396	375,396
Accrued tax payable	379,220	155,994
Reserve for bonuses	175,722	157,682
Reserve for director's bonuses	79,232	28,238
Other current liabilities	1,465,489	1,081,638
Total current liabilities	7,317,066	6,652,602
Fixed liabilities		
Bonds payable	1,400,000	1,400,000
Long-term debt	161,081	67,232
Provision for retirement benefit by stock	17,375	16,020
Provision for director's retirement benefit	30,433	31,633
Provision for director's retirement benefit by stock	35,059	38,721
Provision for environmental measures	18,133	20,896
Net defined benefit liability	918,021	921,089
Other fixed liabilities	1,695,603	1,718,791
Total fixed liabilities	4,275,706	4,214,385
Total liabilities	11,592,772	10,866,988
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,498,724
Retained earnings	23,966,197	23,882,349
Treasury stock	△1,230,960	△1,847,019
Total shareholders' equity	29,766,453	29,066,546
Other comprehensive income		
Valuation difference on available-for-sale securities	1,336,046	1,302,661
Deferred gains or losses on hedges	861	△614
Difference in revaluation of land	△1,280,438	△1,280,438
Foreign currency translation adjustment	△463,484	938,748
Remeasurement of defined benefit plans	△112,982	△107,810
Total other comprehensive income	△519,997	852,546
Subscription rights to shares	14,408	18,656
Minority interests	—	—
Total net assets	29,260,863	29,937,749
Total liabilities and net assets	40,853,636	40,804,737

(Unaudited)

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

Quarterly Consolidated statements of income

The First Quarter accounting period

	FY 2016 (December 1, 2015 through February 29, 2016) Thousands of yen	FY 2017 (December 1, 2016 through February 28, 2017) Thousands of yen
Net sales	10,019,651	9,577,100
Cost of sales	7,417,945	7,039,032
Gross profit	2,601,706	2,538,067
Total selling, general and administrative expense	2,279,618	2,261,904
Operating Income	322,088	276,163
Non-operating income		
Interest received	5,882	5,047
Dividends received	10,894	6,704
Rent on real estate	19,025	12,850
Foreign exchange gains	—	27,984
Equity in earnings of affiliates	13,968	11,019
Other non-operating income	5,690	12,823
Total non-operating income	55,461	76,430
Non-operating expenses		
Interest paid	4,706	2,242
Cash discount on sales	21,611	21,264
Foreign Exchange Loss	76,067	—
Others non-operating expense	26,729	31,307
Total non-operating expense	129,114	54,814
Ordinary Income	248,435	297,779
Extra ordinary income		
Gains on sales of fixed assets	1,682	299
Total extra ordinary income	1,682	299
Extra ordinary loss		
Loss on disposal of fixed assets	953	576
Loss on sales of fixed assets	9,892	2,473
Loss on golf membership rights	—	700
Total extra ordinary loss	10,846	3,749
Net income before taxes and other adjustment	239,272	294,329
Corporate, inhabitant and business taxes	89,254	109,734
Adjustments to corporate and other taxes	35,802	7,318
Total income taxes	125,056	117,052
Net income	114,215	177,276
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	114,215	177,276

(Unaudited)

Consolidated Statements of Comprehensive Income

	FY 2016 (December 1, 2015 through February 29, 2016) Thousands of yen	FY 2017 (December 1, 2016 through February 28, 2017) Thousands of yen
Net Income	114,215	177,276
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	Δ564,695	Δ33,384
Deferred gains or losses on hedges	Δ5,229	Δ1,475
Foreign currency translation adjustment	Δ18,147	1,402,233
Adjustments to retirement benefit	Δ8,537	5,172
Total other comprehensive income	Δ596,610	1,372,544
Comprehensive income	Δ482,394	1,549,821
(Breakdown)		
Comprehensive income attribute to the parent	Δ482,394	1,549,821
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.

[Segment Information]

1. The First quarter of FY 2016 (December 1, 2015 through February 29, 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	6,485,661	1,990,191	1,543,799	10,019,651	—	10,019,651
Inter segment sales and transfer	558,878	481,654	25,303	1,065,837	Δ1,065,837	—
Total	7,044,539	2,471,845	1,569,103	11,085,489	Δ1,065,837	10,019,651
Segment income	227,398	117,332	63,483	408,213	Δ86,125	322,088

(Notes)

- Adjustment of Δ86,125 thousand yen includes Δ78,816 thousand yen-corporate expenses that are not distributed to each reportable segment and other Δ7,308 thousand yen.
- 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 First Quarter of FY 2017 (December 1, 2016 through February 28, 2017)

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	6,574,279	1,762,626	1,240,194	9,577,100	—	9,577,100
Inter segment sales and transfer	477,412	627,843	20,090	1,125,346	Δ1,125,346	—
Total	7,051,692	2,390,470	1,260,285	10,702,447	Δ1,125,346	9,577,100
Segment income	274,226	86,868	Δ4,009	357,085	Δ80,922	276,163

(Notes)

- Adjustment of Δ80,922 thousand includes Δ77,948 thousand yen-corporate expenses that are not distributed to each reportable segment and other Δ2,974 thousand yen.
- 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.

[Significant Subsequent Events]

Transfer of Fixed Assets

The Board of Directors of Morito Co., Ltd. (the "Company"), at its meeting held on December 20, 2016, has decided on transfer of fixed assets. Moreover, its fixed asset has been transferred on March 15, 2017. Details are as follows

1. The purpose of transfer
To increase efficiency and promote effective use of managerial resources

2. Details of the transferred fixed asset

Class of Asset	Land (983.63 m ²) Minami-Honmachi, Chuo-ku, Osaka
Use before transferred	Parking
Book Value	605 million yen
Deposition Price	3,900 million yen

3. Outline of a transactional company
Details of a transactional company (the "Party") are not disclosed under Non-Disclosure Agreement. However, the Company had never had any business relationship with the Party such as capital or personal, furthermore the Party is not related parties.

4. Schedule

Date of Corporate resolution	December 20, 2016
Contract day	December 21, 2016
Date of Transferred	March 15, 2017

5. Effect on profit and loss
3,291 million yen by gain from sales of fixed asset will be posted in second quarter of FY2017 as Extraordinary profit.