

April 13, 2020

MORITO CO., LTD.
Financial Statement (Unaudited)
For the First Quarter of the Fiscal Year ended November 30, 2020
(Translated from the Japanese original)

Corporate Information

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

(URL : http://www.morito.co.jp/hd_en/)

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Representative Director and President

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Scheduled date of filing of Quarterly Report:

April 14, 2020

Scheduled date of dividend payment:

—

Supplementary explanation material for quarterly financial results:

Yes

Presentation meeting for quarterly financial results:

None

(Amounts rounded down)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year 2020(December 1, 2019 through February 29, 2020)

(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 FY 2020	11,171	.0.2	336	△9.2	306	△11.8	169	△19.7
1Q of FY 2019	11,145	10.5	370	3.2	347	11.4	210	△10.5

(Note) Comprehensive income : △100 million yen (-%) (1Q of FY2020) △204 million yen (-%)(1Q of FY 2019)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
1Q of FY 2020	6.17	—
1Q of FY 2019	7.65	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q of FY 2020	45,569	32,261	70.7
FY 2019	47,185	32,725	69.2

(Reference) Equity capital : 32,204 million yen (1Q of FY 2020) 32,667 million yen (FY 2019)

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2019	-	13.00	-	13.00	26.00
FY 2020	-				
FY 2020 (Forecast)		13.25	-	13.25	26.50

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

3. Consolidated Forecast for FY 2020 (December 1, 2019 through November 30, 2020)

(Percentages represent changes from corresponding period of previous year)

	Net Sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	47,000	2.2	1,900	9.6	1,900	6.8	1,450	3.4	52.96

(Note) Revision of performance 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

(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, 2020)

30,800,000 shares (as of November 30, 2019)

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

3,420,060 shares (as of February 28, 2020)

3,420,060 shares (as of November 30, 2019)

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

27,379,940 shares (the 1Q of FY2020)

27,509,367 shares (the 1Q of FY2019)

*This quarterly financial summary does not need to undergo an audit.

*Disclosure and other special notes regarding performance forecasts

The forecast in this quarterly statement 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 "1. Qualitative Information for the Period under Review (2) Outlook for the next fiscal year" on page 5.

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 stock.

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1. Qualitative Information for the Period under Review

(1) Overview of Business Performance

In the first quarter (From 1st December, 2019 to 29th February, 2020) of the fiscal year ended November 30th, 2020 (From 1st December, 2019 to 30th November, 2020), the Japanese economy has continued modest recovery by improved employment rate and the income environment. However, due to the various problems such as the prolongation of the US-China trade issues, the Brexit effects and concerns over the global epidemic of the novel coronavirus, the global economy remains extremely uncertain.

In such circumstances, Morito Group who deals with apparel materials and consumer products has been pushing forward with the 8th mid-term management plan and aiming for continuous business growth by creating values new value for the Morito Group beyond the value-added our items, under the corporate vision of 『Create Morito's existence value, Realize "New Morito Group"』.

As a result, in the current quarterly performance reaches net sales ¥11,171 million (increased by 0.2% from a year earlier), operating income ¥336 million (decreased by 9.2% from a year earlier), ordinary income ¥306 million (decreased by 11.8 % from a year earlier), net income ¥169 million (decreased by 19.7 % from a year earlier).

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

	1Q Oct-Dec
USD	108.76 (112.91)
EUR	120.32 (128.82)
RMB	15.44 (16.32)
HKD	13.90 (14.42)
TWD	3.57 (3.66)
VND	0.0047 (0.0048)
THB	3.59 (3.44)
MXN	5.65 (5.70)

(Notes)

1. () is the exchange rate of the 1st quarter of FY2019.

Segment information as below

[Japan]

As for the apparel division, sales of accessories for outdoor-related products increased, but sales of accessories for working wear and men's heavy clothing decreased.

In the consumer product division, sales of products for one dollar shop and the safety-related accessories for construction site, but sales of products related to shoes and automobile interior components decreased.

As a result, net sales were ¥7,902 million (decreased by 5.4% from a year earlier).

[Asia]

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

In the consumer product division, sales of accessories for video equipment in Thailand decreased, however sales of automobile interior component for Japanese auto makers in Shanghai increased.

As a result, net sales were ¥2,026 million (increased by 38.8% from a year earlier).

[Europe and the U.S.]

As for the apparel division, sales of the accessories in EU and the US decreased.

In the consumer product division, sales of automobile interior component for Japanese auto makers in EU and the US increased.

As a result, net sales were ¥1,242 million (decreased by 6.9% 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 FY2020 which was announced in 14th January, 2020. The impact on business results by the novel coronavirus is unclear. It will be disclosed promptly when it is clarified.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	FY 2019 (As of November 30, 2019) Thousands of yen	FY 2020 (As of February 29, 2020) Thousands of yen
Assets		
Current assets		
Cash and deposits	9,716,355	9,249,645
Notes and accounts receivable	11,773,061	11,149,535
Inventory	5,083,679	5,400,615
Other current assets	1,115,458	708,249
Allowance for doubtful accounts	△30,645	△22,930
Total current assets	27,657,908	26,485,115
Fixed assets		
Tangible fixed assets		
Land	4,074,904	4,075,779
Other tangible fixed assets	5,735,985	6,020,319
Total tangible fixed assets	9,810,890	10,096,098
Intangible fixed assets		
Goodwill	2,839,168	2,810,822
Other Intangible fixed assets	1,154,248	1,129,966
Total intangible fixed assets	3,993,417	3,940,788
Investments and other fixed assets		
Investment securities	4,396,289	3,730,452
Net defined benefit asset	268,300	268,162
Other fixed assets	1,120,508	1,111,431
Allowance for doubtful account	△67,253	△67,259
Total investments and other fixed assets	5,717,844	5,042,787
Total fixed assets	19,522,152	19,079,674
Deferred assets	5,601	4,551
Total assets	47,185,662	45,569,341
Liabilities		
Current liabilities		
Notes and accounts payable	4,859,108	4,841,007
Short-term loans payable	50,000	50,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	506,666	530,000
Accrued tax payable	441,253	168,329
Reserve for bonuses	229,983	211,435
Reserve for director's bonuses	71,595	21,192
Other current liabilities	2,333,488	1,723,072
Total current liabilities	8,892,095	7,945,036
Fixed liabilities		
Bonds payable	200,000	200,000
Long-term debt	2,674,590	2,518,756
Provision for retirement benefit by stock	31,824	30,875
Provision for director's retirement benefit	57,249	61,912
Provision for director's retirement benefit by stock	56,428	59,803
Provision for environmental measures	19,360	19,645
Net defined benefit liability	892,694	869,403
Other fixed liabilities	1,635,921	1,601,963
Total fixed liabilities	5,568,069	5,362,360
Total liabilities	14,460,164	13,307,396

(Unaudited)

	FY 2019 (As of November 30, 2019) Thousands of yen	FY 2020 (As of February 29, 2020) Thousands of yen
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,503,243	3,507,603
Retained earnings	26,072,687	25,879,133
Treasury stock	△2,222,696	△2,227,056
Total shareholders' equity	30,885,726	30,692,171
Other comprehensive income		
Valuation difference on available-for-sale securities	1,185,435	710,407
Deferred gains or losses on hedges	946	△390
Difference in revaluation of land	451,115	451,115
Foreign currency translation adjustment	170,300	374,397
Remeasurement of defined benefit plans	△25,723	△23,350
Total other comprehensive income	1,782,074	1,512,180
Subscription rights to shares	57,697	57,592
Minority interests	—	—
Total net assets	32,725,498	32,261,944
Total liabilities and net assets	47,185,662	45,569,341

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

Quarterly Consolidated Statements of Income

The First Quarter accounting period

	FY 2019 (December 1, 2018 through February 28, 2019) Thousands of yen	FY 2020 (December 1, 2019 through February 29, 2020) Thousands of yen
Net sales	11,145,908	11,171,357
Cost of sales	8,073,510	8,236,318
Gross profit	3,072,398	2,935,039
Total selling, general and administrative expense	2,701,600	2,598,468
Operating Income	370,798	336,571
Non-operating income		
Interest received	5,775	4,822
Dividends received	8,769	10,672
Rent on real estate	12,541	16,520
Equity in earnings of affiliates	10,799	11,556
Insurance income	12,994	—
Other non-operating income	8,023	4,036
Total non-operating income	58,904	47,609
Non-operating expenses		
Interest paid	1,772	3,688
Cash discount on sales	21,317	19,743
Foreign Exchange Loss	27,337	27,064
Others non-operating expense	31,909	27,472
Total non-operating expense	82,336	77,969
Ordinary Income	347,365	306,211
Extra ordinary income		
Gains on sales of fixed assets	29	408
Gain on reversal of subscription rights to shares	—	105
Total extra ordinary income	29	513
Extra ordinary loss		
Loss on disposal of fixed assets	2,769	1,994
Loss on sales of golf club memberships	—	1,080
Loss on valuation of golf club membership	—	5,374
Loss of business restructuring	1,046	—
Total extra ordinary loss	3,815	8,448
Net income before taxes and other adjustment	343,579	298,276
Corporate, inhabitant and business taxes	161,831	154,369
Adjustments to corporate and other taxes	△28,690	△25,132
Total income taxes	133,140	129,236
Net income	210,439	169,039
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	210,439	169,039

Quarterly Consolidated Statements of Comprehensive Income

The First Quarter accounting period

	FY 2019 (December 1, 2018 through February 28, 2019) Thousands of yen	FY 2020 (December 1, 2019 through February 29, 2020) Thousands of yen
Net Income	210,439	169,039
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	△201,542	△475,027
Deferred gains or losses on hedges	△193	△1,338
Foreign currency translation adjustment	△219,738	204,096
Adjustments to retirement benefit	6,323	2,372
Share of other comprehensive income of associates accounted for using equity met	0	1
Total other comprehensive income	△415,150	△269,894
Comprehensive income	△204,711	△100,854
(Breakdown)		
Comprehensive income attribute to the parent	△204,711	△100,854
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

[Changes in accounting statements]

Some overseas consolidated subsidiaries have applied IFRS 16 "Leases" from the beginning of the first quarter consolidated accounting period. And in principle, lessees recognize all leases as assets and liabilities. Regarding the application of this accounting standard, the method of recognizing the cumulative effect of the application of this standard, which is permitted as a transitional measure, on the date of initial application is adopted.

The impact of this change on the quarterly consolidated financial statements for the current first quarter consolidated cumulative period is immaterial.

[Segment Information]

1. The First Quarter of FY 2019 (December 1, 2018 through February 28, 2019)

The information on net sales, income or loss by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	8,350,998	1,460,458	1,334,451	11,145,908	—	11,145,908
Inter segment sales and transfer	601,546	778,117	2,514	1,382,178	△1,382,178	—
Total	8,952,544	2,238,576	1,336,965	12,528,086	△1,382,178	11,145,908
Segment income	433,838	121,854	△48,637	507,055	△136,257	370,798

(Notes)

1. Adjustment of △136,257 thousand yen includes △86,663 thousand yen corporate expenses that are not distributed to each reportable segment and other △49,593 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.

2. The First Quarter of FY 2020 (December 1, 2019 through February 29, 2020)

The information on net sales, income or loss by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	7,902,692	2,026,554	1,242,110	11,171,357	—	11,171,357
Inter segment sales and transfer	362,167	682,398	12,921	1,057,487	△1,057,487	—
Total	8,264,860	2,708,953	1,255,031	12,228,845	△1,057,487	11,171,357
Segment income	348,605	114,823	△55,010	408,417	△71,846	336,571

(Notes)

1. Adjustment of △71,846 thousand yen includes △50,788 thousand yen corporate expenses that are not distributed to each reportable segment and other △21,057 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.