

Consolidated Financial Results for the Fiscal Year Ended November 30, 2020 [Japanese GAAP]



January 14, 2021

Company name: MORITO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9837

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

Representative: Takaki Ichitsubo, Representative Director and President

Contact: Kiyomi Akui, Board Member, Senior Executive Officer and Managing Director of Administration Div.

Phone: +81-6-6252-3551

Scheduled date of Annual General Meeting of Shareholders: February 24, 2021

Scheduled date of filing annual securities report: February 25, 2021

Scheduled date of commencing dividend payments: February 25, 2021

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2020 (December 1, 2019 to November 30, 2020)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended November 30, 2020	40,727	(11.4)	856	(50.6)	928	(47.8)	470	(66.5)
November 30, 2019	45,987	4.7	1,734	0.5	1,779	(0.6)	1,402	11.6

(Note) Comprehensive income: Fiscal year ended November 30, 2020: ¥129 million [(78.0) %]

Fiscal year ended November 30, 2019: ¥589 million [(44.6) %]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
November 30, 2020	17.17	-	1.5	2.0	2.1
November 30, 2019	51.17	-	4.3	3.7	3.8

(Reference) Equity in earnings (losses) of associates:

Fiscal year ended November 30, 2020: ¥37 million

Fiscal year ended November 30, 2019: ¥69 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of November 30, 2020	43,699	32,015	73.1	1,167.21
As of November 30, 2019	47,185	32,725	69.2	1,193.13

(Reference) Equity: As of November 30, 2020: ¥31,958 million

As of November 30, 2019: ¥32,667 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
November 30, 2020	2,462	(16)	(1,878)	10,052
November 30, 2019	3,614	110	(2,694)	9,442

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
November 30, 2019	-	13.00	-	13.00	26.00	725	50.8	2.2
November 30, 2020	-	13.25	-	4.75	18.00	502	104.8	1.5
Fiscal year ending November 30, 2021 (Forecast)	-	9.00	-	9.00	18.00		70.4	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2021 (December 1, 2020 to November 30, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	43,000	5.6	1,300	51.8	1,300	40.1	700	48.9	25.57

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No

Note: For details, please refer to “4. Consolidated Financial Statements and Primary Notes (5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies)” on page 19.
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - November 30, 2020: 30,800,000 shares
 - November 30, 2019: 30,800,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - November 30, 2020: 3,420,060 shares
 - November 30, 2019: 3,420,060 shares
 - 3) Average number of shares during the period:
 - Fiscal year ended November 30, 2020: 27,379,940 shares
 - Fiscal year ended November 30, 2019: 27,415,898 shares

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available and certain assumptions judged to be reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.

As for suppositions that form the assumptions for the forecast of financial results and cautionary notes concerning the use thereof, please refer to “1. Overview of Business Results, etc. (4) Future Outlook” on page 4.

The Company and some of the Morito Group companies have introduced the “Japanese version of the employee stock ownership plan (J-ESOP)” and the “officer remuneration board incentive plan (BIP) trust.” Consequently, the shares of the Company held by Custody Bank of Japan, Ltd. (trust account E) and The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account), respectively, are included in treasury shares.

Custody Bank of Japan, Ltd. was formed on July 27, 2020 via the merger of JTC Holdings, Ltd., Trust & Custody Services Bank, Ltd., and Japan Trustee Services Bank, Ltd.

Table of Contents

1. Overview of Business Results, etc.	2
(1) Overview of Business Results for the Period under Review.....	2
(2) Overview of Financial Position for the Period under Review.....	3
(3) Overview of Cash Flows for the Period under Review.....	3
(4) Future Outlook	4
(5) Basic Dividend Policy and Payments for the Period under Review and the Next Period.....	5
2. Overview of the Corporate Group	6
3. Basic Stance Regarding Choice of Accounting Standards	9
4. Consolidated Financial Statements and Primary Notes.....	10
(1) Consolidated Balance Sheets	10
(2) Consolidated Statements of Income and Comprehensive Income	12
(3) Consolidated Statements of Changes in Equity	15
(4) Consolidated Statements of Cash Flows	17
(5) Notes to the Consolidated Financial Statements	19
(Notes on Going Concern Assumption)	19
(Changes in Accounting Policies)	19
(Additional Information)	19
(Segment Information, etc.)	20
(Per Share Information).....	22
5. Other Information.....	24
(1) Changes in Officers	24

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period under Review

In the fiscal year under review (from December 1, 2019 to November 30, 2020), the COVID-19 global pandemic led to the implementation of lockdowns and state of emergency declarations in many countries, which caused the global economy to stagnate at an unprecedented scale. Although economic activities have resumed, along with the arrival of winter, concerns over the downside risk of the global economy have heightened due to new waves of infection.

Amid such circumstances, the Morito Group (the “Group”), which engages in the handling of apparel materials and consumer products, faced extremely harsh business conditions, due to the impact of voluntary business suspensions of department stores and mass retailers worldwide, as well as the impact of temporary operational suspensions of automobile-related factories in Japan and overseas. In spite of these punitive conditions, the Group focused on the development and sales of value-added products that take safety, security, health and environmental-friendliness into consideration. As business suspensions occurred one after another due to the lockdowns implemented in each country, we did our utmost to continue our business, in order to contribute to society through the provision of our core products, such as by continuing the production of hooks used in medical equipment in the U.S.

As a result, for the fiscal year under review, net sales decreased by 11.4% year on year to ¥40,727 million. Operating profit decreased by 50.6% to ¥856 million, ordinary profit decreased by 47.8% to ¥928 million, and profit attributable to owners of parent decreased by 66.5% to ¥470 million.

Exchange rates used for the conversion of revenue and expenses of the Group’s overseas subsidiaries during the preparation of consolidated financial statements for the fiscal year under review are as follows.

	1Q		2Q		3Q		4Q	
USD	108.76	(112.91)	108.87	(110.23)	107.63	(109.90)	106.22	(107.37)
EUR	120.32	(128.82)	120.09	(125.16)	118.58	(123.50)	124.08	(119.41)
CNY	15.44	(16.32)	15.59	(16.33)	15.17	(16.07)	15.35	(15.30)
HKD	13.90	(14.42)	14.01	(14.05)	13.89	(14.02)	13.71	(13.71)
TWD	3.57	(3.66)	3.62	(3.58)	3.60	(3.53)	3.62	(3.45)
VND	0.0047	(0.0048)	0.0047	(0.0047)	0.0046	(0.0047)	0.0046	(0.0046)
THB	3.59	(3.44)	3.48	(3.49)	3.37	(3.48)	3.39	(3.50)
MXN	5.65	(5.70)	5.49	(5.74)	4.63	(5.75)	4.81	(5.53)

(Note) The exchange rate of the same period in the previous fiscal year is stated in parentheses.

Business results by segment are as follows.

[Japan]

In the apparel division, sales related to new demand for masks and other products increased, but sales of accessories for casual wear, working wear and thick-fabric menswear decreased.

In the consumer product division, sales of sports-related products for activities such as skateboarding and surfing that can be enjoyed at a safe social distance, as well as sales of products for dollar stores increased, but sales of products related to automobile interior components decreased.

As a result, net sales decreased by 13.4% year on year to ¥28,810 million.

[Asia]

In the apparel division, sales of accessories to apparel manufacturers decreased.

In the consumer product division, sales of automobile interior components to Japanese automobile manufacturers increased in China.

As a result, net sales increased by 3.8% year on year to ¥7,225 million.

[Europe and the U.S.]

In the apparel division, sales of accessories to the medical industry increased, but sales of accessories to apparel manufacturers decreased.

In the consumer product division, sales of automobile interior components to Japanese automobile manufacturers in Europe and the U.S. decreased.

As a result, net sales decreased by 18.6% year on year to ¥4,691 million.

(2) Overview of Financial Position for the Period under Review

Total assets for the fiscal year under review decreased by ¥3,486 million from the previous fiscal year-end to ¥43,699 million.

Current assets decreased by ¥2,161 million from the previous fiscal year-end to ¥25,496 million. This was mainly attributable to decreases in notes and accounts receivable - trade and merchandise and finished goods by ¥1,816 million and ¥390 million, respectively.

Non-current assets decreased by ¥1,320 million from the previous fiscal year-end to ¥18,201 million. This was mainly attributable to decreases in investment securities and goodwill by ¥455 million and ¥277 million, respectively.

Current liabilities decreased by ¥1,964 million from the previous fiscal year-end to ¥6,927 million. This was mainly attributable to decreases in notes and accounts payable - trade, income taxes payable, and accounts payable - other under other, by ¥603 million, ¥343 million and ¥660 million, respectively.

Non-current liabilities decreased by ¥811 million from the previous fiscal year-end to ¥4,756 million. This was mainly attributable to decreases in long-term borrowings and deferred tax liabilities by ¥576 million and ¥209 million, respectively.

Net assets decreased by ¥710 million from the previous fiscal year-end to ¥32,015 million.

The shareholders' equity ratio increased from 69.2% to 73.1%, rising by 3.9 points from the previous fiscal year.

(3) Overview of Cash Flows for the Period under Review

The status of cash flows for the fiscal year under review is as follows.

(Cash flows from operating activities)

Cash flows provided by operating activities amounted to ¥2,462 million, compared to cash flows of ¥3,614 million provided in the previous fiscal year. This was mainly attributable to an increase in funds due to a decrease in trade receivables and the recording of depreciation and profit before income taxes, offsetting a decrease in funds due to payment of corporate taxes, etc.

(Cash flows from investing activities)

Cash flows used in investing activities amounted to ¥16 million, compared to cash flows of ¥110 million provided in the previous fiscal year. This was mainly attributable to a decrease in funds due to purchase of property, plant and equipment, offsetting an increase in funds due to withdrawal of time deposits.

(Cash flows from financing activities)

Cash flows used in financing activities amounted to ¥1,878 million, compared to cash flows of ¥2,694 million used in the previous fiscal year. This was mainly attributable to a decrease in funds due to the payment of dividends, repayments of long-term borrowings and redemption of bonds.

As a result of the above, cash and cash equivalents at the end of the fiscal year under review increased by ¥609 million from the previous fiscal year-end to ¥10,052 million.

Trends of cash flow indicators are as follows.

	Fiscal year ended November 30, 2018	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Equity ratio (%)	68.5	69.2	73.1
Equity ratio based on fair value (%)	46.5	46.4	38.3
Cash flow to interest-bearing debt ratio (%)	896.1	106.0	116.9
Interest coverage ratio (times)	109.8	473.8	175.4

(Notes)

Equity ratio: Shareholders' equity / Total assets
Equity ratio based on fair value: Total market value of shares / Total assets
Cash flow to interest-bearing debt ratio: Interest-bearing debts / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest paid

- * The indicators were calculated using financial figures on a consolidated basis.
- * The total market value of shares was calculated by multiplying the closing share price by the total number of shares outstanding (less the treasury shares) on the date of the fiscal year-end.
- * Operating cash flow is the amount of net cash provided by (used in) operating activities recorded in the Consolidated Statements of Cash Flows.
- * Among the liabilities recorded on the Consolidated Balance Sheets, interest-bearing debts apply to bonds payable and borrowings.
- * Interest paid is the amount of interest paid recorded on the Consolidated Statements of Cash Flows.

(4) Future Outlook

The fiscal year under review was the first fiscal year of the 8th mid-term management plan (spanning five years from fiscal 2020 to fiscal 2024), where the Group operated under the corporate vision of "Creating existence value: Realization of a new Morito Group." Amid the ongoing COVID-19 global pandemic, all employees made concerted efforts to create value and exert originality and ingenuity, as well as explored means of how to best implement the management plan under the COVID-19 crisis. However, due to new waves of infection, we have deemed that it is difficult to execute the mid-term management plan, formulated before the pandemic, according to schedule, and have decided to review the implementation period of quantitative targets in the mid-term management plan.

The two-year period from fiscal 2020 to fiscal 2021 will be set as the period to construct a business structure for the era of the COVID-19 crisis. The period covered by the 8th mid-term management plan will be the five years from fiscal 2022 to fiscal 2026. Aiming for consolidated net sales of ¥50.0 billion and consolidated operating profit of ¥2.5 billion in the fiscal year ending November 30, 2026, we will implement various initiatives to adapt to rapidly changing markets and lifestyles. Qualitative targets in the management plan remain unchanged from the details announced on January 14, 2020, and we are promoting measures to achieve them.

Regarding the full-year forecast of the Group for the fiscal year ending November 30, 2021, although the outlook for the global economy remains uncertain, due to factors including the continued spread of COVID-19 and U.S.-China trade friction, the Group will focus on sales of value-added products that will be needed in any

circumstances. The consolidated financial results for fiscal 2021 are forecasted to exceed those of fiscal 2020, with net sales of ¥43.0 billion, operating profit of ¥1.3 billion, ordinary profit of ¥1.3 billion, and profit attributable to owners of parent of ¥0.7 billion.

*Notes on the future outlook

The aforementioned outlook is based on information available at the date of release of these materials. Actual results and other details may differ from the outlook due to various factors in the future such as the spread of COVID-19. We will promptly disclose any changes in forecast figures.

(5) Basic Dividend Policy and Payments for the Period under Review and the Next Period

The Company's basic dividend policy is to secure a sound management foundation, strengthen its financial structure, and improve profitability while recognizing the return of profits to shareholders as an important management issue. Internal reserves will be utilized in areas such as investments aimed at long-term growth, expansions of existing core business, and preparations for new businesses, M&As, and such, in order to increase our corporate value in the future.

Dividends are determined after considering factors such as the financial position and net assets.

- Realize continuous dividend payments
- Maintain a dividend on equity (DOE) of 1.5%
- Depending on business results, dividend payout ratio of 50% or more in relation to profit attributable to owners of parent is the standard

(However, in a fiscal year with a significant fluctuation in after-tax profit attributable to owners of parent due to special factors such as extraordinary income or losses, the dividend amount will be determined in consideration of the corresponding impact.)

From the perspective of striving to further enhance shareholder returns, after considering factors such as the Company's earnings and expenditure balance as well as the share price level, the Company will continuously review the need to flexibly conduct a purchase or retirement of its treasury shares.

For the fiscal year under review, we plan to propose a year-end dividend of ¥4.75 per share in the Annual General Meeting of Shareholders that will be held on February 24, 2021. Accordingly, including the interim dividend of ¥13.25 per share, the annual dividend for the fiscal year under review will amount to ¥18.00 per share.

Regarding dividends for the next fiscal year, based on the above-mentioned basic dividend policy, we plan to pay out an interim dividend of ¥9.00, a year-end dividend of ¥9.00, which will combine to form an annual dividend of ¥18.00.

2. Overview of the Corporate Group

The Group consists of the parent company (the Company), 21 subsidiaries, and 1 associate. The main business of the Group is the sales and manufacturing of materials for lifestyle goods, centering around daily necessities. Business activities of the Group include: sales and manufacturing of materials for lifestyle goods such as apparel, transportation equipment, video equipment, stationery, and OA equipment; sales of lifestyle goods via sales channels that are mass retailers or retail stores of hardware stores and department stores, as a distribution retail-related business; and the rental, sales and cleaning of kitchen appliances.

- ⊙ Consolidated subsidiaries: 20 companies
- Non-consolidated subsidiaries: 1 company
- Associates accounted for using equity method: 1 company

(Japan)

- ⊙ MORITO JAPAN CO., LTD.: Sales of materials for apparel and consumer products
- ⊙ ACE INDUSTRIAL MACHINERY CO., LTD.: Rental, sales, and cleaning of kitchen appliances
- ⊙ MATEX INC.: Manufacturing of apparel secondary materials, design, printing, website creation, desktop publishing, and graphic design production planning
- ⊙ 52DESIGN CO., LTD.: Sales and manufacturing of bags, accessories, clothes, furniture and miscellaneous goods
- ⊙ MANEUVERLINE CO., LTD.: Import, sales and wholesaling of marine leisure, snowboarding, and apparel goods
- ⊙ CANVAS CO., LTD.: A subsidiary of MANEUVERLINE CO., LTD. (100%); import, sales and wholesaling of apparel goods
- Kuraray Fastening Co., Ltd.: Sales and manufacturing of hook and loop fasteners

(Asia)

- ⊙ MORITO SCOVILL HONG KONG Co., LTD.: Sales of materials for apparel and consumer products
- ⊙ MORITO (SHENZHEN) CO., LTD.: A subsidiary of MORITO SCOVILL HONG KONG Co., LTD. (100%); manufacturing of materials for apparel and consumer products
- ⊙ TAIWAN MORITO CO., LTD.: Sales of materials for apparel and consumer products
- ⊙ KANE-M SHANGHAI CO., LTD.: Sales of materials for apparel and consumer products
- ⊙ KANE-M DANANG CO., LTD.: Sales and manufacturing of materials for apparel and consumer products, and operation of rental factories
- ⊙ KANE-M (THAILAND) CO., LTD.: Sales of materials for apparel and consumer products
- ⊙ SHANGHAI NEW WORLD MATEX INTERNATIONAL TRADE CO., LTD.: A subsidiary of MATEX INC. (100%); sales and manufacturing of apparel secondary materials, design, and sales of printing materials both in and outside China
- MATEX BANGKOK CO., LTD.: A subsidiary of MATEX INC. (100%); sales and manufacturing of apparel secondary materials, design, and sales of printing materials both in and outside Thailand
- ⊙ GSG (SCOVILL) FASTENERS ASIA LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%); sales of materials for apparel and consumer products
- ⊙ SCOVILL FASTENERS INDIA PVT. LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%); sales of materials for apparel and consumer products

(Europe and the U.S.)

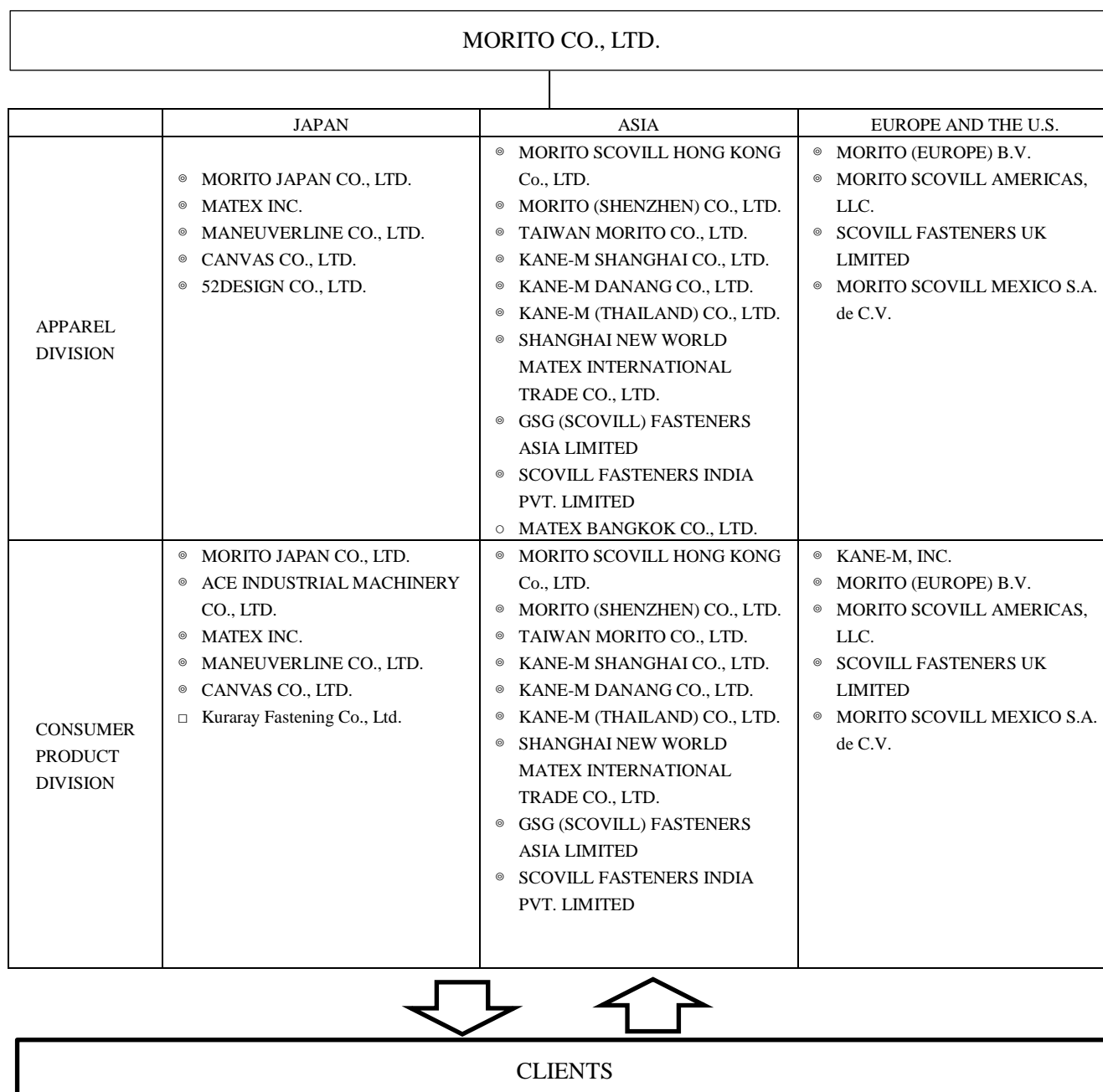
- ⊙ KANE-M, INC.: Sales of materials for consumer products
- ⊙ MORITO (EUROPE) B.V.: Sales of materials for apparel and consumer products

- ⊙ MORITO SCOVILL AMERICAS, LLC.: Sales and manufacturing of materials for apparel and consumer products
- ⊙ SCOVILL FASTENERS UK LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%); sales of materials for apparel and consumer products
- ⊙ MORITO SCOVILL MEXICO S.A. de C.V.: A subsidiary of KANE-M, INC. (89.4%) and MORITO SCOVILL AMERICAS, LLC (10.6%); sales of automobile interior components and apparel accessories

(Notes)

1. The Group has included 52DESIGN CO., LTD. in the scope of consolidation from the fiscal year under review.
2. On April 17, 2020, FUSION CO., LTD., a former consolidated subsidiary, was absorbed in an absorption-type merger with another consolidated subsidiary MANEUVERLINE CO., LTD. as the surviving company, and therefore has been excluded from the scope of consolidation.
3. On October 1, 2020, THREE RUNNERS CO., LTD., a former consolidated subsidiary, was absorbed in an absorption-type merger with another consolidated subsidiary MORITO JAPAN CO., LTD. as the surviving company, and therefore has been excluded from the scope of consolidation.

The Group conducts business with the following organization structure.



(Note) ⊗: Consolidated subsidiaries ○: Non-consolidated subsidiaries □: Associates accounted for using equity method

3. Basic Stance Regarding Choice of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group's policy is to continue preparing its consolidated financial statements using Japanese GAAP for the time being.

With regard to the application of International Financial Reporting Standards (IFRS), the Group's policy is to respond appropriately based on considerations of the situation in Japan and overseas.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of November 30, 2019	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	9,716,355	10,125,070
Notes and accounts receivable - trade	11,773,061	9,957,014
Merchandise and finished goods	4,328,969	3,938,285
Work in process	390,137	327,184
Raw materials and supplies	364,573	456,382
Other	1,115,458	733,414
Allowance for doubtful accounts	(30,645)	(40,942)
Total current assets	27,657,908	25,496,410
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,473,810	7,463,749
Accumulated depreciation	(3,230,638)	(3,456,342)
Buildings and structures, net	4,243,172	4,007,407
Machinery, equipment and vehicles	2,147,062	2,271,573
Accumulated depreciation	(1,436,321)	(1,575,838)
Machinery, equipment and vehicles, net	710,740	695,734
Tools, furniture and fixtures	2,342,957	2,354,404
Accumulated depreciation	(1,769,947)	(1,878,222)
Tools, furniture and fixtures, net	573,009	476,181
Land	4,074,904	4,076,183
Leased assets	238,524	146,782
Accumulated depreciation	(143,691)	(90,491)
Leased assets, net	94,832	56,291
Right of use assets	—	384,915
Accumulated depreciation	—	(135,111)
Right of use assets, net	—	249,803
Construction in progress	114,230	4,382
Total property, plant and equipment	9,810,890	9,565,985
Intangible assets		
Goodwill	2,839,168	2,561,362
Leased assets	15,941	7,565
Other	1,138,306	1,082,213
Total intangible assets	3,993,417	3,651,142
Investments and other assets		
Investment securities	4,396,289	3,940,908
Long-term loans receivable	160,800	54,000
Deferred tax assets	409,360	417,186
Retirement benefit asset	268,300	221,671
Other	550,348	418,693
Allowance for doubtful accounts	(67,253)	(67,945)
Total investments and other assets	5,717,844	4,984,514
Total non-current assets	19,522,152	18,201,643
Deferred assets	5,601	1,400
Total assets	47,185,662	43,699,454

(Thousand yen)

	As of November 30, 2019	As of November 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,859,108	4,255,918
Short-term borrowings	50,000	50,000
Current portion of bonds payable	400,000	200,000
Current portion of long-term borrowings	506,666	530,000
Income taxes payable	441,253	98,125
Provision for bonuses	229,983	184,683
Provision for bonuses for directors (and other officers)	71,595	50,841
Other	2,333,488	1,557,809
Total current liabilities	8,892,095	6,927,378
Non-current liabilities		
Bonds payable	200,000	—
Long-term borrowings	2,674,590	2,097,922
Deferred tax liabilities	1,229,287	1,019,472
Deferred tax liabilities for land revaluation	275,959	275,959
Provision for share-based remuneration	31,824	37,453
Provision for retirement benefits for directors (and other officers)	57,249	62,099
Provision for share-based remuneration for directors (and other officers)	56,428	75,432
Provision for environmental measures	19,360	18,974
Retirement benefit liability	892,694	918,297
Other	130,675	251,123
Total non-current liabilities	5,568,069	4,756,735
Total liabilities	14,460,164	11,684,114
Net assets		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	3,503,243	3,507,603
Retained earnings	26,072,687	25,703,378
Treasury shares	(2,222,696)	(2,227,056)
Total shareholders' equity	30,885,726	30,516,416
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,185,435	945,536
Deferred gains or losses on hedges	946	118
Revaluation reserve for land	451,115	451,115
Foreign currency translation adjustment	170,300	112,743
Remeasurements of defined benefit plans	(25,723)	(67,659)
Total accumulated other comprehensive income	1,782,074	1,441,855
Share acquisition rights	57,697	57,067
Non-controlling interests	—	—
Total net assets	32,725,498	32,015,339
Total liabilities and net assets	47,185,662	43,699,454

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

(Thousand yen)

	For the fiscal year ended November 30, 2019	For the fiscal year ended November 30, 2020
Net sales	45,987,996	40,727,340
Cost of sales	33,444,996	30,153,485
Gross profit	12,543,000	10,573,854
Selling, general and administrative expenses		
Salaries	3,451,236	3,317,633
Bonuses	636,178	518,167
Welfare expenses	830,071	765,766
Retirement benefit expenses	204,036	187,652
Provision for bonuses for directors (and other officers)	68,939	63,357
Provision for retirement benefits for directors (and other officers)	8,666	7,975
Provision for management board incentive plan trust	21,331	19,003
Communication expenses	134,594	117,786
Freight and packing costs	1,596,694	1,397,117
Provision of allowance for doubtful accounts	511	11,479
Commission expenses	821,058	784,050
Rent expenses	309,623	177,487
Depreciation	449,196	539,807
Other	2,276,587	1,810,101
Total selling, general and administrative expenses	10,808,726	9,717,387
Operating profit	1,734,274	856,467
Non-operating income		
Interest income	27,386	14,108
Dividend income	86,262	79,325
Rental income from real estate	70,084	66,643
Commission income	731	733
Share of profit of entities accounted for using equity method	69,164	37,208
Subsidies for employment adjustment	—	63,301
Other	52,781	70,928
Total non-operating income	306,410	332,250
Non-operating expenses		
Interest expenses	8,506	14,437
Sales discounts	83,660	65,753
Depreciation of assets for rent	39,052	37,260
Foreign exchange losses	40,985	60,798
Other	89,171	82,312
Total non-operating expenses	261,377	260,563
Ordinary profit	1,779,307	928,154

(Thousand yen)

	For the fiscal year ended November 30, 2019	For the fiscal year ended November 30, 2020
Extraordinary income		
Gain on sales of non-current assets	325,159	867
Gain on sales of investment securities	85,339	15,263
Gain on reversal of share acquisition rights	630	630
Total extraordinary income	411,128	16,761
Extraordinary losses		
Loss on sales of non-current assets	67	17,526
Loss on retirement of non-current assets	5,034	40,152
Loss on sales of investment securities	415	—
Loss on sales of golf club memberships	—	1,080
Loss on valuation of investment securities	599	16,080
Loss on valuation of golf club membership	—	5,374
Restructuring loss	5,699	31,928
Loss on COVID	—	26,561
Total extraordinary losses	11,816	138,703
Profit before income taxes	2,178,619	806,212
Income taxes - current	840,184	416,227
Income taxes - deferred	(64,504)	(80,113)
Total income taxes	775,679	336,114
Profit	1,402,940	470,097
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,402,940	470,097

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended November 30, 2019	For the fiscal year ended November 30, 2020
Profit	1,402,940	470,097
Other comprehensive income		
Valuation difference on available-for-sale securities	(224,259)	(239,898)
Deferred gains or losses on hedges	495	(828)
Foreign currency translation adjustment	(632,469)	(57,556)
Remeasurements of defined benefit plans, net of tax	42,827	(41,935)
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(813,406)	(340,219)
Comprehensive income	589,533	129,877
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	589,533	129,877
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Equity
For the fiscal year ended November 30, 2019

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,532,492	3,498,724	25,277,180	(2,118,444)	30,189,951
Changes during period					
Dividends of surplus			(713,334)		(713,334)
Profit attributable to owners of parent			1,402,940		1,402,940
Purchase of treasury shares				(151,148)	(151,148)
Disposal of treasury shares		4,519		46,897	51,416
Effect of Change of scope of consolidation			(14,350)		(14,350)
Reversal of revaluation reserve for land			120,252		120,252
Net changes in items other than shareholders' equity					
Total changes during period	—	4,519	795,507	(104,251)	695,774
Balance at end of period	3,532,492	3,503,243	26,072,687	(2,222,696)	30,885,726

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,409,695	451	571,368	802,769	(68,550)	2,715,733	53,526	—	32,959,212
Changes during period									
Dividends of surplus									(713,334)
Profit attributable to owners of parent									1,402,940
Purchase of treasury shares									(151,148)
Disposal of treasury shares									51,416
Effect of Change of scope of consolidation									(14,350)
Reversal of revaluation reserve for land									120,252
Net changes in items other than shareholders' equity	(224,259)	495	(120,252)	(632,469)	42,827	(933,659)	4,170	—	(929,488)
Total changes during period	(224,259)	495	(120,252)	(632,469)	42,827	(933,659)	4,170	—	(233,713)
Balance at end of period	1,185,435	946	451,115	170,300	(25,723)	1,782,074	57,697	—	32,725,498

For the fiscal year ended November 30, 2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,532,492	3,503,243	26,072,687	(2,222,696)	30,885,726
Changes during period					
Dividends of surplus			(732,691)		(732,691)
Profit attributable to owners of parent			470,097		470,097
Purchase of treasury shares				(31,120)	(31,120)
Disposal of treasury shares		4,360		26,760	31,120
Effect of Change of scope of consolidation			(106,715)		(106,715)
Reversal of revaluation reserve for land					—
Net changes in items other than shareholders' equity					
Total changes during period	—	4,360	(369,309)	(4,360)	(369,309)
Balance at end of period	3,532,492	3,507,603	25,703,378	(2,227,056)	30,516,416

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,185,435	946	451,115	170,300	(25,723)	1,782,074	57,697	—	32,725,498
Changes during period									
Dividends of surplus									(732,691)
Profit attributable to owners of parent									470,097
Purchase of treasury shares									(31,120)
Disposal of treasury shares									31,120
Effect of Change of scope of consolidation									(106,715)
Reversal of revaluation reserve for land									—
Net changes in items other than shareholders' equity	(239,898)	(828)	—	(57,556)	(41,935)	(340,219)	(630)	—	(340,849)
Total changes during period	(239,898)	(828)	—	(57,556)	(41,935)	(340,219)	(630)	—	(710,159)
Balance at end of period	945,536	118	451,115	112,743	(67,659)	1,441,855	57,067	—	32,015,339

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended November 30, 2019	For the fiscal year ended November 30, 2020
Cash flows from operating activities		
Profit before income taxes	2,178,619	806,212
Depreciation	860,463	962,214
Amortization of goodwill	240,708	237,745
Increase (decrease) in provision for bonuses	7,119	(45,929)
Decrease (increase) in retirement benefit asset	26,521	511
Increase (decrease) in retirement benefit liability	2,485	11,276
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8,666	4,850
Increase (decrease) in provision for share-based remuneration	5,323	5,629
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	(14,611)	19,003
Increase (decrease) in allowance for doubtful accounts	(13,219)	10,863
Interest and dividend income	(113,649)	(93,434)
Interest expenses	8,506	13,888
Subsidies for employment adjustment	—	(63,301)
Share of loss (profit) of entities accounted for using equity method	(69,164)	(37,208)
Gain on reversal of share acquisition rights	(630)	(630)
Loss (gain) on sales of non-current assets	(325,092)	16,658
Loss (gain) on sales of investment securities	(84,924)	(15,263)
Loss (gain) on sales of golf club memberships	—	1,080
Loss (gain) on valuation of investment securities	599	16,080
Loss on valuation of golf club membership	—	5,374
Loss on retirement of non-current assets	5,034	40,152
Decrease (increase) in trade receivables	40,883	1,811,874
Decrease (increase) in inventories	145,907	370,029
Increase (decrease) in trade payables	502,316	(599,590)
Other, net	521,557	(313,206)
Subtotal	3,933,423	3,164,880
Interest and dividends received	115,404	93,456
Interest paid	(7,628)	(14,036)
Subsidies for employment adjustment received	—	42,004
Income taxes paid	(426,914)	(823,727)
Net cash provided by (used in) operating activities	3,614,285	2,462,577
Cash flows from investing activities		
Payments into time deposits	(28,211)	—
Proceeds from withdrawal of time deposits	549,028	220,295
Purchase of investment securities	(30,313)	(27,811)
Proceeds from sales of investment securities	120,721	61,929
Purchase of property, plant and equipment	(901,293)	(251,301)
Proceeds from sales of property, plant and equipment	615,253	34,274
Purchase of intangible assets	(219,228)	(81,873)
Proceeds from sales of shares of subsidiaries and associates	—	29,287
Collection of loans receivable	16,792	7,200
Loan advances	(3,000)	—
Other, net	(8,918)	(8,762)
Net cash provided by (used in) investing activities	110,828	(16,761)

(Thousand yen)

	For the fiscal year ended November 30, 2019	For the fiscal year ended November 30, 2020
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(150,000)	—
Repayments of lease obligations	(58,009)	(41,903)
Repayments of lease liabilities	—	(150,370)
Repayments of long-term borrowings	(1,235,221)	(553,334)
Redemption of bonds	(400,000)	(400,000)
Proceeds from sales of treasury shares	—	31,120
Purchase of treasury shares	(151,148)	(31,120)
Proceeds from exercise of employee share options	13,221	—
Dividends paid	(713,334)	(732,691)
Net cash provided by (used in) financing activities	(2,694,493)	(1,878,299)
Effect of exchange rate change on cash and cash equivalents	(146,070)	9,444
Net increase (decrease) in cash and cash equivalents	884,549	576,961
Cash and cash equivalents at beginning of period	8,525,759	9,442,330
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	32,021	32,779
Cash and cash equivalents at end of period	9,442,330	10,052,070

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Some overseas consolidated subsidiaries have applied IFRS 16 “Leases” from the beginning of the fiscal year under review, where in principle, lessees recognize all leases as assets and liabilities. Regarding the application of the said accounting standard, the method of recognizing the cumulative effects due to the application of the standard on the initial date of application, which is permitted as a transitional measure, has been adopted.

The impact of this change on the consolidated financial statements for the fiscal year ended November 30, 2020 is immaterial.

(Additional Information)

(Impact of COVID-19 pandemic on accounting estimates)

In the fiscal year under review (from December 1, 2019 to November 30, 2020), the COVID-19 global pandemic led to the implementation of lockdowns and state of emergency declarations in many countries, which caused the global economy to stagnate at an unprecedented scale. Although economic activities have resumed, the arrival of winter has triggered new waves of infection, intensifying downside risks to the global economy.

Amid such circumstances, the Group, which engages in the handling of apparel materials and consumer products, estimated future cash flows and made accounting estimates related to the application of impairment accounting to non-current assets (including goodwill) for the fiscal year under review in the segments of Japan, Asia, Europe and the U.S. based on the following assumptions:

In Japan, we assume that the economy will recover to the levels of the previous year in and after the middle of the next fiscal year.

In Asia, we assume that the economy will recover to the levels of the previous year in the middle of the next fiscal year, as in Japan.

In Europe and the U.S., we assume that the economy will begin recovering gradually in the middle of the next fiscal year and regain the levels of the previous year toward the end of the next fiscal year onward.

While estimates are made according to information currently available, the Group’s business results and financial position may be affected in the event of any discrepancies between assumed recovery trends and actual trends in the future.

(Segment Information, etc.)

[Segment information]

I. For the fiscal year ended November 30, 2019

1. Information on amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Notes 1, 3)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe and the U.S.	Total		
Net sales						
Net sales to external customers	33,262,134	6,963,361	5,762,501	45,987,996	—	45,987,996
Inter-segment sales or transfers	2,364,981	3,070,111	31,396	5,466,489	(5,466,489)	—
Total	35,627,115	10,033,473	5,793,897	51,454,486	(5,466,489)	45,987,996
Segment profit	1,509,267	524,407	13,173	2,046,848	(312,574)	1,734,274
Segment assets	32,734,371	6,874,226	6,319,317	45,927,914	1,257,747	47,185,662
Other items						
Depreciation	541,001	169,539	149,923	860,463	—	860,463
Increase in property, plant and equipment and intangible assets	482,649	208,675	277,493	968,818	—	968,818

- (Notes)
1. The adjustment of ¥(312,574) thousand to segment profit includes corporate expenses of ¥(298,112) thousand not allocated to the reportable segments, and other in the amount of ¥(14,461) thousand.
 2. The amount of segment profit has been adjusted with operating profit in the Consolidated Statements of Income.
 3. The amount of the adjustment to segment assets includes inter-segment elimination of ¥(8,820,399) thousand, and corporate assets of ¥10,078,147 thousand not allocated to the reportable segments. Corporate assets mainly refer to the financial assets (cash and deposits, investment securities, etc.) held by the Company, which is the holding company of the Group.

2. Matters regarding changes, etc. in reportable segments

(Change in method of measuring profit (loss) of reportable segments)

In line with the transition to a holding company structure, the allocation standards for corporate expenses have been changed from the fiscal year under review. Group administrative expenses mainly incurred by the Company, which is the holding company, is reported as corporate expenses not allocated to the reportable segments.

In line with this change, segment profit of “Japan” decreased by ¥52,881 thousand, and the adjustment of segment profit increased by ¥52,881 thousand compared to the former method.

II. For the fiscal year ended November 30, 2020

Information on amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Notes 1, 3)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe and the U.S.	Total		
Net sales						
Net sales to external customers	28,810,688	7,225,029	4,691,622	40,727,340	—	40,727,340
Inter-segment sales or transfers	1,285,134	2,194,204	54,330	3,533,668	(3,533,668)	—
Total	30,095,822	9,419,234	4,745,952	44,261,009	(3,533,668)	40,727,340
Segment profit (loss)	868,563	255,957	(63,042)	1,061,478	(205,011)	856,467
Segment assets	29,019,427	6,351,442	6,050,196	41,421,066	2,278,387	43,699,454
Other items						
Depreciation	488,951	294,710	178,552	962,214	—	962,214
Increase in property, plant and equipment and intangible assets	277,262	195,754	56,934	529,952	—	529,952

(Notes) 1. The adjustment of ¥(205,011) thousand to segment profit includes corporate expenses of ¥(210,100) thousand not allocated to the reportable segments, and other in the amount of ¥5,088 thousand.

2. The amount of segment profit has been adjusted with operating profit in the Consolidated Statements of Income.

3. The amount of the adjustment to segment assets includes inter-segment elimination of ¥(8,932,180) thousand, and corporate assets of ¥11,210,568 thousand not allocated to the reportable segments. Corporate assets mainly refer to the financial assets (cash and deposits, investment securities, etc.) held by the Company, which is the holding company of the Group.

4. As stated in “Changes in Accounting Policies,” some overseas consolidated subsidiaries have applied IFRS 16 “Leases” from the beginning of the fiscal year under review, where in principle, lessees recognize all leases as assets and liabilities.

The impact of this change on segment results is immaterial.

(Per Share Information)

Item	Previous fiscal year (December 1, 2018 to November 30, 2019)	Fiscal year under review (December 1, 2019 to November 30, 2020)
Net assets per share	¥1,193.13	¥1,167.21
Basic earnings per share	¥51.17	¥17.17
Diluted earnings per share	—	—

- (Notes) 1. The number of common shares that are treasury shares used to calculate “net assets per share,” and the average number of common shares during the period that are treasury shares used to calculate “basic earnings per share” include the Company’s shares (376 thousand shares in the previous fiscal year, 376 thousand shares in the fiscal year under review) held by Custody Bank of Japan, Ltd. (trust account E), and the Company’s shares (153 thousand shares in the previous fiscal year, 166 thousand shares in the fiscal year under review) held by The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account).
2. Diluted earnings per share are not stated as there were no residual shares with a dilutive effect.
3. Custody Bank of Japan, Ltd. was formed on July 27, 2020 via the merger of JTC Holdings, Ltd., Trust & Custody Services Bank, Ltd., and Japan Trustee Services Bank, Ltd.

(Note) Basis for the Calculations

1. Net assets per share

Item	As of November 30, 2019	As of November 30, 2020
Total net assets on Consolidated Balance Sheets (Thousand yen)	32,725,498	32,015,339
Amount deducted from total net assets (Thousand yen)	57,697	57,067
[Including: Share acquisition rights (Thousand yen)]	[57,697]	[57,067]
[Including: Non-controlling interests (Thousand yen)]	—	—
Net assets relating to common shares (Thousand yen)	32,667,801	31,958,271
Number of common issued shares (Thousand shares)	30,800	30,800
Number of common shares that are treasury shares (Thousand shares)	3,420	3,420
Number of common shares used to calculate net assets per share (Thousand shares)	27,379	27,379

(Note) The number of common shares that are treasury shares used to calculate net assets per share includes the Company’s shares held respectively by Custody Bank of Japan, Ltd. (trust account E) and The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account) as treasury shares.

2. Basic earnings per share

Item	Previous fiscal year (December 1, 2018 to November 30, 2019)	Fiscal year under review (December 1, 2019 to November 30, 2020)
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	1,402,940	470,097
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common shares (Thousand yen)	1,402,940	470,097
Average number of common shares during the period (Thousand shares)	27,415	27,379
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	Share acquisition rights resolved by the Board of Directors and at the Annual General Meeting of Shareholders held on February 25, 2016 Common shares: 549,500	Share acquisition rights resolved by the Board of Directors and at the Annual General Meeting of Shareholders held on February 25, 2016 Common shares: 543,500

(Note) The average number of common shares during the period used to calculate basic earnings per share and diluted earnings per share includes the Company's shares held respectively by Custody Bank of Japan, Ltd. (trust account E) and The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account) as treasury shares.

5. Other Information

(1) Changes in Officers

1. Changes of representative
Not applicable.
2. Changes of other officers
Not applicable.