

Consolidated Financial Results for the First Quarter of the Fiscal Year Ended November 30, 2021 [Japanese GAAP]



April 13, 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, CEO

Contact: Kiyomi Akui, Director, Senior Executive Officer and Division Manager of Corporate Administrative Division

Phone: +81-6-6252-3551

Scheduled date of filing quarterly securities report: April 14, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: No

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ended November 30, 2021 (December 1, 2020 to February 28, 2021)

(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	%
1Q of FY 2021	10,629	(4.9)	473	40.6	485	58.6	288	70.8
1Q of FY 2020	11,171	0.2	336	(9.2)	306	(11.8)	169	(19.7)

(Note) Comprehensive income: 1Q of the Fiscal year ended November 30, 2021: ¥271 million [- %]

1Q of the Fiscal year ended November 30, 2020: ¥(100) million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
1Q of FY 2021	10.54	-
1Q of FY 2020	6.17	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q of FY 2021	43,919	32,154	73.1
FY 2020	43,699	32,015	73.1

(Reference) Equity: As of February 28, 2021: ¥32,098 million

As of November 30, 2020: ¥31,958 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended November 30, 2020	Yen -	Yen 13.25	Yen -	Yen 4.75	Yen 18.00
November 30, 2021	-	-	-	-	-
Fiscal year ending November 30, 2021 (Forecast)	-	9.00	-	9.00	18.00

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

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

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

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - 1Q of the fiscal year ended November 30, 2021: 30,800,000 shares
 - November 30, 2020: 30,800,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - 1Q of the fiscal year ended November 30, 2021: 3,418,360 shares
 - November 30, 2020: 3,420,060 shares
 - 3) Average number of shares during the period:
 - 1Q of the fiscal year ended November 30, 2021: 27,380,790 shares
 - 1Q of the fiscal year ended November 30, 2020: 27,379,940 shares

* These quarterly 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. (2) Forecast of Consolidated Business Results and other Forward-looking Information ” on page 3.

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.

Table of Contents

1. Qualitative Information for the Period under Review	2
(1) Overview of Business Results for the Period under Review.....	2
(2) Forecast of Consolidated Business Results and other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Primary Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statements of Income	6
Quarterly Consolidated Statements of Comprehensive Income	7
(3) Notes to the Quarterly Consolidated Financial Statements.....	8
(Notes on Going Concern Assumption)	8
(Notes on Significant Changes in the amount of Shareholders' Equity)	8
(Additional Information).....	8
(Segment Information, etc.)	9

1. Overview of Business Results, etc.

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

In the first quarter (from December 1, 2020 to February 28, 2021) of the fiscal year ended November 30, 2021, the business environment has remained unpredictable due to COVID-19 global pandemic, even though in some regions, such as the U.S. and China it tended to recover by success of economic measures.

Amid such circumstances, the Morito Group (the “Group”), which engages in the handling of apparel materials and consumer products, faced harsh business conditions due to adjusting inventories in department stores and mass retailers around the world caused by stagnation of demand by COVID-19. In spite of these conditions, the Group focused on the development and sales of value-added products that take safety, security, health and environmental-friendliness into consideration. Through these businesses, the Group committed to achieving the Sustainable Development Goals (SDGs) and strengthening our profitability.

As a result, for the fiscal year under review, net sales decreased by 4.9% year on year to ¥10,629 million. Operating profit increased by 40.6% to ¥473 million, ordinary profit increased by 58.6% to ¥485 million, and profit attributable to owners of parent increased by 70.8% to ¥288 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 first quarter of fiscal year under review are as follows.

	1Q	
USD	104.51	(108.76)
EUR	124.58	(120.32)
CNY	15.81	(15.44)
HKD	13.48	(13.90)
TWD	3.67	(3.57)
VND	0.0045	(0.0047)
THB	3.42	(3.59)
MXN	5.08	(5.65)

(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 of fitness clothes increased by demand for stay home, but sales of accessories for casual wear, working wear and thick-fabric menswear decreased.

In the consumer product division, sales of products for dollar stores, accessories for school bag and rental, sales and cleaning business of kitchen equipment increased, but sales of products related to snowboards and safety-related accessories for construction site decreased.

As a result, net sales decreased by 7.0% year on year to ¥7,347 million.

[Asia]

In the apparel division, sales of accessories to Japanese apparel manufacturers in Thailand decreased, but sales of accessories to Europe and the U.S. apparel manufacturers in Hong Kong increased.

In the consumer product division, sales of products for video equipment in Thailand decreased, but sales of

automobile interior components to Japanese automobile manufacturers increased in China.

As a result, net sales increased by 2.8% year on year to ¥2,083 million.

[Europe and the U.S.]

In the apparel division, sales of accessories to apparel manufacturers in the U.S. increased, but sales of accessories to apparel manufacturers in Europe 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 3.5% year on year to ¥1,198 million.

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

The consolidated financial forecast for the fiscal year ending November 30, 2021 remains unchanged from the figures announced in the “Consolidated Financial Results for the Fiscal Year Ended November 30, 2020” (January 14, 2021). The impact of COVID-19 is expected, and will be disclosed as soon as the impact on business performance becomes clear.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	FY 2020 (As of November 30, 2020) Thousands of yen	FY 2021 (As of February 28, 2021) Thousands of yen
Assets		
Current assets		
Cash and deposits	10,125,070	10,401,341
Notes and accounts receivable	9,957,014	10,092,671
Inventory	4,721,852	4,855,379
Other current assets	733,414	586,947
Allowance for doubtful accounts	(40,942)	(36,182)
Total current assets	25,496,410	25,900,156
Fixed assets		
Tangible fixed assets		
Land	4,076,183	4,074,924
Other tangible fixed assets	5,489,802	5,343,120
Total tangible fixed assets	9,565,985	9,418,044
Intangible fixed assets		
Goodwill	2,561,362	2,460,828
Other Intangible fixed assets	1,089,779	1,052,122
Total intangible fixed assets	3,651,142	3,512,950
Investments and other fixed assets		
Investment securities	3,940,908	4,072,491
Net defined benefit asset	221,671	221,399
Other fixed assets	889,879	861,869
Allowance for doubtful account	(67,945)	(67,929)
Total investments and other fixed assets	4,984,514	5,087,831
Total fixed assets	18,201,643	18,018,826
Deferred assets	1,400	350
Total assets	43,699,454	43,919,333
Liabilities		
Current liabilities		
Notes and accounts payable	4,255,918	4,641,805
Short-term loans payable	50,000	50,000
Current portion of bonds	200,000	200,000
Current portion of long-term debt	530,000	553,334
Accrued tax payable	98,125	170,280
Reserve for bonuses	184,683	166,124
Reserve for director's bonuses	50,841	21,762
Other current liabilities	1,557,809	1,347,208
Total current liabilities	6,927,378	7,150,515
Fixed liabilities		
Long-term debt	2,097,922	1,965,422
Provision for retirement benefit by stock	37,453	36,110
Provision for director's retirement benefit	62,099	64,058
Provision for director's retirement benefit by stock	75,432	76,021
Provision for environmental measures	18,974	18,563
Net defined benefit liability	918,297	913,493
Other fixed liabilities	1,546,555	1,540,410
Total fixed liabilities	4,756,735	4,614,079
Total liabilities	11,684,114	11,764,595

(Thousand yen)

	FY 2020 (As of November 30, 2020) Thousands of yen	FY 2021 (As of February 28, 2021) Thousands of yen
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,507,603	3,507,603
Retained earnings	25,703,378	25,859,364
Treasury stock	(2,227,056)	(2,226,392)
Total shareholders' equity	30,516,416	30,673,067
Other comprehensive income		
Valuation difference on available-for-sale securities	945,536	1,034,229
Deferred gains or losses on hedges	118	10
Difference in revaluation of land	451,115	451,115
Foreign currency translation adjustment	112,743	1,084
Remeasurement of defined benefit plans	(67,659)	(61,417)
Total other comprehensive income	1,441,855	1,425,022
Subscription rights to shares	57,067	56,647
Minority interests	—	—
Total net assets	32,015,339	32,154,737
Total liabilities and net assets	43,699,454	43,919,333

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

(Thousand yen)

	FY 2020 (December 1, 2019 through February 29, 2020) Thousands of yen	FY 2021 (December 1, 2020 through February 28, 2021) Thousands of yen
Net sales	11,171,357	10,629,541
Cost of sales	8,236,318	7,834,483
Gross profit	2,935,039	2,795,057
Total selling, general and administrative expense	2,598,468	2,321,769
Operating Income	336,571	473,288
Non-operating income		
Interest received	4,822	2,766
Dividends received	10,672	9,300
Rent on real estate	16,520	16,087
Equity in earnings of affiliates	11,556	4,158
Employment adjustment subsidy	—	24,955
Other non-operating income	4,036	8,424
Total non-operating income	47,609	65,692
Non-operating expenses		
Interest paid	3,688	2,601
Cash discount on sales	19,743	14,840
Foreign Exchange Loss	27,064	12,360
Others non-operating expense	27,472	23,427
Total non-operating expense	77,969	53,230
Ordinary Income	306,211	485,750
Extra ordinary income		
Gains on sales of fixed assets	408	—
Gain on reversal of subscription rights to shares	105	420
Total extra ordinary income	513	420
Extra ordinary loss		
Loss on sales of fixed assets	—	29
Loss on disposal of fixed assets	1,994	171
Loss on sales of golf club memberships	1,080	—
Loss on valuation of golf club membership	5,374	—
Total extra ordinary loss	8,448	200
Net income before taxes and other adjustment	298,276	485,969
Corporate, inhabitant and business taxes	154,369	189,894
Adjustments to corporate and other taxes	(25,132)	7,412
Total income taxes	129,236	197,306
Net income	169,039	288,663
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	169,039	288,663

Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	FY 2020 (December 1, 2019 through February 29, 2020) Thousands of yen	FY 2021 (December 1, 2020 through February 28, 2021) Thousands of yen
Net Income	169,039	288,663
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	(475,027)	88,693
Deferred gains or losses on hedges	(1,338)	(110)
Foreign currency translation adjustment	204,096	(111,659)
Adjustments to retirement benefit	2,372	6,241
Share of other comprehensive income of associates accounted for using equity method	1	2
Total other comprehensive income	(269,894)	(16,832)
Comprehensive income	(100,854)	271,830
(Breakdown)		
Comprehensive income attribute to the parent	(100,854)	271,830
Comprehensive income attribute to the minority shareholders	—	—

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Impact of COVID-19 pandemic on accounting estimates)

In the first quarter (from December 1, 2020 to February 28, 2021) of the fiscal year ended November 30th, 2021 (From December 1, 2020 to November 30, 2021), the business environment has remained unpredictable due to COVID-19 global pandemic, even though in some regions, such as the U.S. and China it tended to recover by success of economic measures.

Amid such circumstances, the assumptions used in the accounting estimates for the COVID-19 in Japan, Asia, Europe and the U.S. have not changed from the additional information in the financial statements for the previous fiscal year.

(Segment Information, etc.)

[Segment information]

I. For the First Quarter of the fiscal year ended November 30, 2020
Information on amounts of net sales, profit (loss) by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Notes 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe and the U.S.	Total		
Net sales						
Net sales to external customers	7,902,692	2,026,554	1,242,110	11,171,357	—	11,171,357
Inter-segment sales or transfers	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 profit	348,605	114,823	(55,010)	408,417	(71,846)	336,571

- (Notes) 1. The adjustment of ¥(71,846) thousand to segment profit includes corporate expenses of ¥(50,788) thousand not allocated to the reportable segments, and other in the amount of ¥(21,057) thousand.
2. The amount of segment profit has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.

II. For the First Quarter of the fiscal year ended November 30, 2021
Information on amounts of net sales, profit (loss) by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Notes 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe and the U.S.	Total		
Net sales						
Net sales to external customers	7,347,816	2,083,234	1,198,490	10,629,541	—	10,629,541
Inter-segment sales or transfers	403,514	530,745	9,263	943,522	(943,522)	—
Total	7,751,330	2,613,979	1,207,754	11,573,064	(943,522)	10,629,541
Segment profit	384,893	57,180	22,892	464,965	8,322	473,288

- (Notes) 1. The adjustment of ¥8,322 thousand to segment profit includes corporate expenses of ¥(49,034) thousand not allocated to the reportable segments, and other in the amount of ¥57,356 thousand.
2. The amount of segment profit has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.