

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



July 13, 2021

Company name: MORITO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9837

URL: [http://www.morito.co.jp/hd\\_en/](http://www.morito.co.jp/hd_en/)

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

Scheduled date of commencing dividend payments: August 6, 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 Second Quarter of the Fiscal Year Ended November 30, 2021 (December 1, 2020 to May 31, 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	%
2Q of FY 2021	21,225	0.1	775	87.9	885	120.4	533	245.6
2Q of FY 2020	21,198	(5.4)	412	(45.5)	401	(47.3)	154	(70.5)

(Note) Comprehensive income: 2Q of the Fiscal year ended November 30, 2021: ¥1,399 million [- %]

2Q of the Fiscal year ended November 30, 2020: ¥(261) million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
2Q of FY 2021	19.49	-
2Q of FY 2020	5.64	-

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q of FY 2021	44,712	33,282	74.3
FY 2020	43,699	32,015	73.1

(Reference) Equity: As of May 31, 2021: ¥33,226 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	-	9.00	-	-	-
Fiscal year ending November 30, 2021 (Forecast)	-		-	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 the scope of consolidation): No
- (2) Adoption of the 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) A total number of issued shares at the end of the period (including treasury shares):
    - 2Q 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:
    - 2Q of the fiscal year ended November 30, 2021: 3,417,660 shares
    - November 30, 2020: 3,420,060 shares
  - 3) The average number of shares during the period:
    - 2Q of the fiscal year ended November 30, 2021: 27,381,454 shares
    - 2Q of the fiscal year ended November 30, 2020: 27,379,940 shares

\* These quarterly consolidated financial results are outside the scope of the 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.

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## 1. Overview of Business Results, etc.

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

In the Second quarter (from December 1, 2020 to May 31, 2021) of the fiscal year ended November 30, 2021, the business environment has remained unpredictable as COVID-19 global pandemic hasn't resolved. On the other hand in some regions, such as the U.S. and China economic activity has been restarting by vaccination.

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, soaring costs of raw materials such as copper to manufacture the Group's main products such as eyelets and hooks and reducing production by automakers due to semiconductor shortage. In spite of these conditions, the Group focused on promoting "C.O.R.E." as the Group's commitment for the environment, such as development and sale of accessories made from "REAMIDE", the recycled material of waste fishing nets, launching GPS Watching Service "Mimalook", as the first products and services that integrate AI and Iot with subsidiary materials and accessories and selling products related to activities such as skateboarding and fishing that can be enjoyed outdoors at a safe social distance and products related to new lifestyle such as masks. Through these businesses, the Group has committed to achieving the Sustainable Development Goals (SDGs), strengthening our profitability. In addition, the Group has made efforts to review unprofitable businesses.

As a result, for the fiscal year under review, net sales increased by 0.1% year on year to ¥21,225 million. Operating profit increased by 87.9% to ¥775 million, ordinary profit increased by 120.4% to ¥885 million, and profit attributable to owners of parent increased by 245.6% to ¥533 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 second quarter of fiscal year under review are as follows.

	1Q		2Q	
USD	104.51	(108.76)	106.09	(108.87)
EUR	124.58	(120.32)	127.80	(120.09)
CNY	15.81	(15.44)	16.38	(15.59)
HKD	13.48	(13.90)	13.68	(14.01)
TWD	3.67	(3.57)	3.78	(3.62)
VND	0.0045	(0.0047)	0.0046	(0.0047)
THB	3.42	(3.59)	3.50	(3.48)
MXN	5.08	(5.65)	5.21	(5.49)

(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 clothes related to sports and outdoor activities increased by demand for stay home, but sales of accessories for thick-fabric wear, bag and shoes decreased.

In the consumer product division, sales of automobile interior components to Japanese automobile manufacturers, products for dollar stores, products related to PC such as tablet cases and mouse pads and products related to surfing and skateboard increased, but sales of products related to snowboards and safety for

construction site decreased.

As a result, net sales decreased by 2.2% year on year to ¥14,638 million.

[Asia]

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

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

As a result, net sales increased by 13.4% year on year to ¥4,079 million.

[Europe and the U.S.]

In the apparel division, 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 increased, but sales of automobile interior components to Japanese automobile manufacturers in the U.S. decreased.

As a result, net sales decreased by 4.9% year on year to ¥2,507 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 at January 14, 2021.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of November 30, 2020	As of May 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	10,125,070	10,292,103
Notes and accounts receivable - trade	9,957,014	10,093,219
Inventory	4,721,852	4,517,262
Other	733,414	456,535
Allowance for doubtful accounts	(40,942)	(38,890)
Total current assets	25,496,410	25,320,229
Non-current assets		
Fixed assets		
Land	4,076,183	4,592,840
Other	5,489,802	5,426,228
Total fixed assets	9,565,985	10,019,068
Intangible assets		
Goodwill	2,561,362	2,531,812
Other	1,089,779	1,094,249
Total intangible assets	3,651,142	3,626,061
Investments and other assets		
Investment securities	3,940,908	4,567,233
Retirement benefit asset	221,671	224,372
Other	889,879	1,024,689
Allowance for doubtful accounts	(67,945)	(69,541)
Total investments and other assets	4,984,514	5,746,754
Total non-current assets	18,201,643	19,391,885
Deferred assets	1,400	—
Total assets	43,699,454	44,712,114
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,255,918	4,241,560
Short-term borrowings	50,000	50,000
Current portion of bonds payable	200,000	—
Current portion of long-term borrowings	530,000	519,616
Income taxes payable	98,125	385,453
Provision for bonuses	184,683	159,424
Provision for bonuses for directors (and other officers)	50,841	41,817
Other	1,557,809	1,425,279
Total current liabilities	6,927,378	6,823,151
Non-current liabilities		
Long-term borrowings	2,097,922	1,843,306
Provision for share-based remuneration	37,453	34,934
Provision for retirement benefits for directors (and other officers)	62,099	65,900
Provision for share-based remuneration for directors (and other officers)	75,432	81,230
Provision for environmental measures	18,974	19,855
Retirement benefit liability	918,297	913,469
Other	1,546,555	1,647,346
Total non-current liabilities	4,756,735	4,606,043
Total liabilities	11,684,114	11,429,195

(Thousand yen)

	As of November 30, 2020	As of May 31, 2021
<b>Net assets</b>		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	3,507,603	3,507,603
Retained earnings	25,703,378	26,104,387
Treasury shares	(2,227,056)	(2,226,119)
Total shareholders' equity	30,516,416	30,918,362
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	945,536	1,358,304
Deferred gains or losses on hedges	118	80
Revaluation reserve for land	451,115	451,115
Foreign currency translation adjustment	112,743	553,584
Remeasurements of defined benefit plans	(67,659)	(55,175)
Total accumulated other comprehensive income	1,441,855	2,307,908
Share acquisition rights	57,067	56,647
Non-controlling interests	—	—
Total net assets	32,015,339	33,282,919
Total liabilities and net assets	43,699,454	44,712,114

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

(Thousand yen)

	December 1, 2019- May 31, 2020	December 1, 2020- May 31, 2021
Net sales	21,198,721	21,225,009
Cost of sales	15,701,304	15,733,368
Gross profit	5,497,416	5,491,641
Selling, general and administrative expenses	5,084,570	4,715,777
Operating profit	412,846	775,864
Non-operating income		
Interest income	8,081	4,861
Dividend income	37,314	36,832
Rental income from real estate	34,007	32,849
Share of profit of entities accounted for using equity method	24,792	22,665
Subsidies for employment adjustment	—	57,914
Other	35,885	29,127
Total non-operating income	140,082	184,251
Non-operating expenses		
Interest expenses	7,485	5,419
Sales discounts	37,552	29,103
Foreign exchange losses	50,851	1,052
Other	55,483	39,328
Total non-operating expenses	151,372	74,904
Ordinary profit	401,556	885,211
Extraordinary income		
Gain on sales of non-current assets	408	—
Gain on sales of investment securities	—	52
Gain on reversal of share acquisition rights	420	420
Total extraordinary income	828	472
Extraordinary losses		
Loss on sales of non-current assets	—	29
Loss on retirement of non-current assets	2,246	279
Loss on sales of golf club memberships	1,080	—
Loss on valuation of investment securities	10,663	—
Loss on valuation of golf club membership	5,374	—
Restructuring loss	—	17,063
Loss on COVID	26,144	—
Total extraordinary losses	45,508	17,371
Profit before income taxes	356,876	868,311
Income taxes - current	265,141	414,187
Income taxes - deferred	(60,899)	(79,561)
Total income taxes	204,241	334,626
Profit	152,635	533,685
Profit attributable to non-controlling interests	(1,789)	—
Profit attributable to owners of parent	154,424	533,685



Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	December 1, 2019- May 31, 2020	December 1, 2020- May 31, 2021
Profit	152,635	533,685
Other comprehensive income		
Valuation difference on available-for-sale securities	(495,470)	412,767
Deferred gains or losses on hedges	781	(38)
Foreign currency translation adjustment	75,876	440,841
Remeasurements of defined benefit plans, net of tax	4,745	12,483
Share of other comprehensive income of entities accounted for using equity method	2	1
Total other comprehensive income	(414,064)	866,053
Comprehensive income	(261,428)	1,399,739
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(259,639)	1,399,739
Comprehensive income attributable to non-controlling interests	(1,789)	—

## (3) Consolidated Statements of Cash Flows

(Thousand yen)

	December 1, 2019- May 31, 2020	December 1, 2020- May 31, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	356,876	868,311
Depreciation	492,086	464,810
Amortization of goodwill	119,499	117,167
Increase (decrease) in provision for bonuses	(62,728)	(27,705)
Decrease (increase) in retirement benefit asset	3,177	7,175
Increase (decrease) in retirement benefit liability	(4,107)	16,968
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6,925	3,800
Increase (decrease) in provision for share-based remuneration	7,123	(2,518)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	8,584	5,797
Increase (decrease) in allowance for doubtful accounts	(2,667)	(2,059)
Interest and dividend income	(45,396)	(41,693)
Interest expenses	7,485	5,419
Subsidies for employment adjustment	—	(57,914)
Share of loss (profit) of entities accounted for using equity method	(24,792)	(22,665)
Gain on reversal of share acquisition rights	(420)	(420)
Loss (gain) on sales of non-current assets	(408)	29
Loss (gain) on sales of investment securities	—	(52)
Loss (gain) on sales of golf club memberships	1,080	—
Loss (gain) on valuation of investment securities	10,663	—
Loss on retirement of non-current assets	2,246	279
Loss on COVID	26,144	—
Decrease (increase) in trade receivables	1,933,278	(42,864)
Decrease (increase) in inventories	(357,055)	310,584
Increase (decrease) in trade payables	(1,014,064)	(157,823)
Other, net	(439,068)	42,724
Subtotal	1,024,463	1,487,350
Interest and dividends received	45,395	41,676
Interest paid	(7,379)	(5,530)
Subsidies for employment adjustment received	—	38,900
Income taxes paid	(478,066)	(73,026)
Net cash provided by (used in) operating activities	584,413	1,489,370
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	215,497	4,798
Purchase of investment securities	(17,185)	(19,456)
Proceeds from sales of investment securities	—	1,402
Purchase of property, plant and equipment	(127,730)	(680,577)
Proceeds from sales of property, plant and equipment	3,570	449
Purchase of intangible assets	(36,543)	(48,108)
Collection of loans receivable	3,600	3,600
Other, net	(174)	(991)
Net cash provided by (used in) investing activities	41,033	(738,885)

(Thousand yen)

	December 1, 2019- May 31, 2020	December 1, 2020- May 31, 2021
Cash flows from financing activities		
Repayments of lease obligations	(26,355)	(11,059)
Repayments of lease liabilities	(73,585)	(87,891)
Repayments of long-term borrowings	(265,000)	(265,000)
Redemption of bonds	(200,000)	(200,000)
Dividends paid	(362,594)	(132,676)
Net cash provided by (used in) financing activities	(927,535)	(696,627)
Effect of exchange rate change on cash and cash equivalents	28,774	108,574
Net increase (decrease) in cash and cash equivalents	(273,314)	162,432
Cash and cash equivalents at beginning of period	9,442,330	10,052,070
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	32,779	—
Cash and cash equivalents at end of period	9,201,794	10,214,503

#### (4) 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 Second quarter (from December 1, 2020 to May 31, 2021) of the fiscal year ended November 30, 2021, the business environment has remained unpredictable as COVID-19 global pandemic hasn't resolved. On the other hand in some regions, such as the U.S. and China economic activity has been restarting by vaccination. 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.

Although the estimates are based on the information available at this point in time, there is a possibility that the business results and financial position of the Group may be affected if there is a difference between the expected recovery trend and the actual trend in the future.

(Segment Information, etc.)

[Segment information]

I. For the Second 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	14,964,133	3,598,624	2,635,963	21,198,721	—	21,198,721
Inter-segment sales or transfers	671,139	1,172,818	29,468	1,873,426	(1,873,426)	—
Total	15,635,272	4,771,443	2,665,432	23,072,148	(1,873,426)	21,198,721
Segment profit	389,481	147,457	(30,633)	506,305	(93,459)	412,846

- (Notes) 1. The adjustment of ¥(93,459) thousand to segment profit includes corporate expenses of ¥(103,425) thousand not allocated to the reportable segments, and other in the amount of ¥(9,965) thousand.
2. The amount of segment profit has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.

II. For the Second 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	14,638,044	4,079,188	2,507,776	21,225,009	—	21,225,009
Inter-segment sales or transfers	860,556	1,078,157	25,468	1,964,182	(1,964,182)	—
Total	15,498,601	5,157,345	2,533,244	23,189,192	(1,964,182)	21,225,009
Segment profit	670,258	147,977	49,616	867,853	(91,988)	775,864

- (Notes) 1. The adjustment of ¥(91,988) thousand to segment profit includes corporate expenses of ¥(99,599) thousand not allocated to the reportable segments, and other in the amount of ¥7,610 thousand.
2. The amount of segment profit has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.