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MORITO



Consolidated Financial Results for the Nine Months of the Fiscal Year Ending November 30, 2023 [Japanese GAAP]

October 13, 2023

Company name: MORITO CO., LTD. Stock exchange listing: Tokyo Stock Exchange
Code number: 9837 URL: <https://www.morito.co.jp>
Representative: Takaki Ichitsubo, Representative Director, CEO
Kiyomi Akui, Director, Senior Executive Officer, Division Manager of
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Management Division

Scheduled date of filing quarterly securities report: October 16, 2023 Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results : Available

Schedule of quarterly financial results briefing session : None scheduled

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

1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending November 30, 2023

(December 1, 2022 to August 31, 2023)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-----------------------------------|-----------------|------|------------------|------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Nine months ended August 31, 2023 | 35,551 | 1.1 | 1,750 | 10.3 | 1,993 | 14.0 | 1,729 | 39.2 |
| Nine months ended August 31, 2022 | 35,172 | 10.6 | 1,586 | 43.7 | 1,747 | 38.7 | 1,242 | 64.1 |

(Note) Comprehensive income: Nine months ended August 31, 2,537 million yen[(16.4)%] ended August 31, 2023
Nine months ended August 31, 3,034 million yen[85.9%] 2022

| | Basic earnings per share | Diluted earnings per share |
|-----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended August 31, 2023 | 64.70 | 64.55 |
| Nine months ended August 31, 2022 | 46.08 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-----------------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| Nine months ended August 31, 2023 | 50,279 | 37,894 | 75.3 |
| FY2022 | 50,271 | 36,684 | 72.9 |

(Reference) Equity: Nine months ended August 31, 2023 37,865 million yen FY2022 36,628 million yen

2. Dividends

| | Annual dividends | | | | |
|------------------|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2022 | - | 13.50 | - | 18.50 | 32.00 |
| FY2023 | - | 27.00 | - | - | - |
| FY2023(Forecast) | - | - | - | 27.00 | 54.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2023

(December 1, 2022 to November 30, 2023)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-----------------|-----|------------------|------|-----------------|------|---|------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 50,000 | 3.1 | 2,400 | 13.4 | 2,700 | 15.3 | 2,200 | 31.4 | 82.29 |

(Note) Revision to the latest announcement of performance forecast : Yes

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 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 : Yes
- 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): | August 31, 2023: | 30,000,000 | November 30, 2022: | 30,000,000 |
| 2) Total number of treasury shares at the end of the period: | August 31, 2023: | 3,323,100 | November 30, 2022: | 3,295,500 |
| 3) Average number of shares during the period: | For the nine months of the fiscal year ending November 30, 2023: | 26,736,150 | For the nine months of the fiscal year ended November 30, 2022: | 26,960,430 |

* 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 “(2) Forecast of Consolidated Business Results and other Forward-looking Information” in “1. Qualitative Information for the Period under Review” on page 5.

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. Qualitative Information for the Period under Review

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

For the nine months of the fiscal year ending November 30, 2023 (December 1, 2022 to August 31, 2023) saw economic activity steadily return to normal as the impact of the COVID-19 pandemic eased. However, the outlook for the future remains uncertain due to a sharp rise in raw material prices caused by the situation in Ukraine and other factors, accelerating global inflation and the possibility of an economic slowdown overseas, particularly in Europe and the U.S., as well as exchange rate fluctuations.

Working against this backdrop, the Morito Group (the “Group”), which is mainly engaged in the apparel, product, and transportation businesses, faced an uphill battle due to soaring raw material prices for its mainstay products and other factors, which all kept profits low, as well as stagnant demand caused by slowing consumption in Europe, the U.S., and Asia. On the other hand, the Group enjoyed favorable sales of accessories and products with superior functionality, including athletic shoes- and medical device-related products, which are unaffected by trends, while the performance of its kitchen appliance and related service business remained upbeat. Under its “Rideeco®” initiative aimed at realizing a sustainable society, the Group moved forward with the development and sales of environmentally friendly products, using discarded fishing nets and fabric scraps from garment factories, with a focus on winning new business contracts. The Group also enjoyed higher operating profit thanks to increased sales of high-value-added products and the enhanced efficiency of logistics operations.

As a result, for the nine months of the fiscal year under review, net sales increased 1.1% year on year to 35,551 million yen. Operating profit was up 10.3% to 1,750 million yen, ordinary profit grew 14.0% to 1,993 million yen, and profit attributable to owners of the parent increased 39.2% to 1,729 million yen.

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 nine months of the fiscal year under review are as follows.

| | 1Q | | 2Q | | 3Q | |
|-----|--------|----------|--------|----------|--------|----------|
| USD | 141.39 | (113.71) | 132.43 | (116.34) | 137.49 | (129.73) |
| EUR | 144.26 | (130.04) | 142.17 | (130.40) | 149.58 | (138.25) |
| CNY | 19.85 | (17.78) | 19.35 | (18.31) | 19.56 | (19.60) |
| HKD | 18.07 | (14.60) | 16.89 | (14.90) | 17.54 | (16.53) |
| TWD | 4.51 | (4.09) | 4.36 | (4.16) | 4.48 | (4.41) |
| VND | 0.0058 | (0.0050) | 0.0056 | (0.0051) | 0.0059 | (0.0056) |
| THB | 3.89 | (3.41) | 3.91 | (3.52) | 3.99 | (3.77) |
| MXN | 7.19 | (5.48) | 7.11 | (5.67) | 7.79 | (6.48) |

(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

The Apparel Division saw increases in sales of accessories for workwear and athletic shoes as well as for bags although sales of medical wear accessories for the European and the U.S. markets declined.

The Product Division enjoyed increases in sales of medical device-related products and products for one-coin shops (like 100-yen stores) as well as higher revenues for the kitchen appliance rental, sales, and cleaning business, despite declined sales of surfboard-related products.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers increased.

As a result, net sales grew 4.5% year on year to total 25,229 million yen, and segment profit rose 31.1% year on year to reach 1,531 million yen.

Asia

The Apparel Division enjoyed growing sales of baby wear accessories in China and Hong Kong as well as athletic shoe accessories and workwear-related products in Vietnam although sales of casual wear and workwear accessories for the European and the U.S. markets declined in China and Hong Kong.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers decreased in China due to the semiconductor shortage and China's zero-COVID policy in addition to the restructuring of unprofitable businesses.

As a result, net sales decreased 15.2% year on year to total 5,322 million yen while segment profit dropped 9.9% year on year to total 497 million yen.

Europe and the U.S.

In the Apparel Division, sales of accessories for casual wear and workwear decreased.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers increased.

As a result, net sales increased 5.1% year on year to total 4,999 million yen while segment loss came to 42 million yen (segment profit for the same period in the previous fiscal year was 126 million yen).

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

In the consolidated financial forecast for the fiscal year ending November 30, 2023, figures are expected to be higher than initially announced.

For more information, see "Notice Concerning Revision of Consolidated Financial Forecast for the Fiscal Year Ending November 30, 2023" announced today (October 13, 2023).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | As of November 30, 2022 | As of August 31, 2023 |
|--|-------------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,399,699 | 11,660,557 |
| Notes and accounts receivable - trade | 9,255,694 | 7,620,926 |
| Electronically recorded monetary claims - operating | 2,847,664 | 3,017,377 |
| Inventories | 6,953,716 | 6,728,934 |
| Other | 1,076,907 | 999,931 |
| Allowance for doubtful accounts | (52,481) | (69,186) |
| Total current assets | 30,481,201 | 29,958,542 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 4,547,309 | 4,498,240 |
| Other, net | 5,619,621 | 5,483,833 |
| Total property, plant and equipment | 10,166,930 | 9,982,074 |
| Intangible assets | | |
| Goodwill | 2,712,342 | 2,499,957 |
| Other | 1,154,268 | 1,065,328 |
| Total intangible assets | 3,866,611 | 3,565,285 |
| Investments and other assets | | |
| Investment securities | 4,465,618 | 5,507,622 |
| Retirement benefit asset | 286,915 | 287,265 |
| Other | 1,150,405 | 1,113,401 |
| Allowance for doubtful accounts | (145,760) | (134,317) |
| Total investments and other assets | 5,757,179 | 6,773,971 |
| Total non-current assets | 19,790,721 | 20,321,332 |
| Total assets | 50,271,922 | 50,279,874 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,684,932 | 3,609,363 |
| Electronically recorded obligations - operating | 940,625 | 996,117 |
| Short-term borrowings | 50,000 | 50,000 |
| Current portion of long-term borrowings | 280,008 | 280,008 |
| Income taxes payable | 577,794 | 405,922 |
| Provision for bonuses | 393,205 | 536,683 |
| Provision for bonuses for directors (and other officers) | 145,842 | 83,341 |
| Other | 2,237,096 | 2,025,150 |
| Total current liabilities | 9,309,505 | 7,986,587 |
| Non-current liabilities | | |
| Long-term borrowings | 1,423,294 | 1,213,288 |
| Provision for share awards | 37,448 | 49,253 |
| Provision for retirement benefits for directors (and other officers) | 45,558 | 50,083 |
| Provision for share awards for directors (and other officers) | 88,468 | 97,487 |
| Provision for environmental measures | 25,968 | 26,000 |
| Retirement benefit liability | 862,554 | 864,044 |
| Other | 1,794,765 | 2,098,128 |
| Total non-current liabilities | 4,278,056 | 4,398,287 |
| Total liabilities | 13,587,562 | 12,384,875 |

(Thousands of yen)

| | As of November 30, 2022 | As of August 31, 2023 |
|---|-------------------------|-----------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,532,492 | 3,532,492 |
| Capital surplus | 2,962,803 | 3,031,906 |
| Retained earnings | 27,539,047 | 28,049,918 |
| Treasury shares | (2,174,195) | (2,302,049) |
| Total shareholders' equity | 31,860,146 | 32,312,268 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,274,715 | 2,080,959 |
| Deferred gains or losses on hedges | (15,199) | 43,789 |
| Revaluation reserve for land | 442,187 | 419,773 |
| Foreign currency translation adjustment | 3,023,530 | 2,977,759 |
| Remeasurements of defined benefit plans | 43,380 | 31,374 |
| Total accumulated other comprehensive income | 4,768,615 | 5,553,656 |
| Share acquisition rights | 55,597 | 29,074 |
| Non-controlling interests | - | - |
| Total net assets | 36,684,360 | 37,894,999 |
| Total liabilities and net assets | 50,271,922 | 50,279,874 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
The nine-month period

| | (Thousands of yen) | |
|---|--|--|
| | For the nine months ended August 31, 2022 | For the nine months ended August 31, 2023 |
| Net sales | 35,172,332 | 35,551,815 |
| Cost of sales | 26,036,399 | 25,944,746 |
| Gross profit | 9,135,932 | 9,607,069 |
| Selling, general and administrative expenses | 7,549,389 | 7,856,431 |
| Operating profit | 1,586,542 | 1,750,637 |
| Non-operating income | | |
| Interest income | 6,644 | 13,288 |
| Dividend income | 51,998 | 58,046 |
| Gain on redemption of investment securities | - | 28,809 |
| Rental income from real estate | 58,719 | 55,128 |
| Foreign exchange gains | 11,342 | 87,961 |
| Share of profit of entities accounted for using equity method | 56,470 | 41,486 |
| Subsidies for employment adjustment | 4,205 | - |
| Subsidy income | 18,082 | 2,459 |
| Other | 23,021 | 69,851 |
| Total non-operating income | 230,484 | 357,032 |
| Non-operating expenses | | |
| Interest expenses | 8,771 | 8,481 |
| Loss on derivatives | - | 68,757 |
| Other | 60,315 | 37,158 |
| Total non-operating expenses | 69,087 | 114,397 |
| Ordinary profit | 1,747,939 | 1,993,272 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 123,184 | 20,462 |
| Gain on sales of investment securities | 68,444 | 299,156 |
| Gain on reversal of share acquisition rights | 577 | 787 |
| Gain on sale of golf membership | 466 | - |
| Insurance claim income | 70,016 | - |
| Gain on liquidation of subsidiaries | - | 130,102 |
| Total extraordinary income | 262,689 | 450,508 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 569 | 0 |
| Loss on retirement of non-current assets | 861 | 4,850 |
| Loss on valuation of golf club membership | - | 1,690 |
| Claim settlement money | 48,648 | - |
| Total extraordinary losses | 50,079 | 6,541 |
| Profit before income taxes | 1,960,550 | 2,437,239 |
| Income taxes - current | 759,305 | 795,340 |
| Income taxes - deferred | (41,008) | (87,852) |
| Total income taxes | 718,297 | 707,487 |
| Profit | 1,242,253 | 1,729,751 |
| Profit attributable to non-controlling interests | - | - |
| Profit attributable to owners of parent | 1,242,253 | 1,729,751 |

Quarterly Consolidated Statements of Comprehensive Income
The nine-month period

(Thousands of yen)

| | For the nine months ended August 31, 2022 | For the nine months ended August 31, 2023 |
|--|--|--|
| Profit | 1,242,253 | 1,729,751 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (119,290) | 806,243 |
| Deferred gains or losses on hedges | (10,952) | 58,989 |
| Foreign currency translation adjustment | 1,912,587 | (45,771) |
| Remeasurements of defined benefit plans, net of tax | 10,218 | (12,005) |
| Share of other comprehensive income of entities accounted for using equity method | (0) | (0) |
| Total other comprehensive income | 1,792,562 | 807,454 |
| Comprehensive income | 3,034,815 | 2,537,206 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,034,815 | 2,537,206 |
| Comprehensive income attributable to non-controlling interests | - | - |

(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.

(Changes in Accounting Policies)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) effective as of the beginning of the first quarter of the fiscal year under review. In accordance with the transitional treatment set forth in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has decided to apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively. This has no effect on the quarterly consolidated financial statements.

(Segment Information, Etc.)

Segment information

I For the nine months of the fiscal year ended November 30, 2022

Information on amounts of net sales and profit (loss) by reportable segment and disaggregated revenue

(Thousands of yen)

| | Reportable Segment | | | | Adjustment (Note 1) | Amount recorded in Consolidated Financial Statements (Note 2) |
|---------------------------------------|--------------------|-----------|----------------------|------------|------------------------|--|
| | Japan | Asia | Europe & the U.S. | Total | | |
| Net sales | | | | | | |
| Apparel | 8,262,233 | 4,275,603 | 3,971,004 | 16,508,842 | - | 16,508,842 |
| Product | 12,611,999 | 532,266 | 30,968 | 13,175,234 | - | 13,175,234 |
| Transportation | 3,265,415 | 1,469,744 | 753,095 | 5,488,255 | - | 5,488,255 |
| Revenue from contracts with customers | 24,139,648 | 6,277,615 | 4,755,068 | 35,172,332 | - | 35,172,332 |
| Net sales to external customers | 24,139,648 | 6,277,615 | 4,755,068 | 35,172,332 | - | 35,172,332 |
| Intersegment sales or transfers | 1,306,693 | 2,485,052 | 92,295 | 3,884,041 | (3,884,041) | - |
| Total | 25,446,341 | 8,762,667 | 4,847,364 | 39,056,373 | (3,884,041) | 35,172,332 |
| Segment profit | 1,168,665 | 552,770 | 126,725 | 1,848,161 | (261,618) | 1,586,542 |

(Note) 1 The adjustment of (261,618) thousand yen to segment profit includes corporate expenses of (167,456) thousand yen not allocated to the reportable segments, and other in the amount of (94,162) thousand yen.

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

II For the nine months of the fiscal year ending November 30, 2023

Information on amounts of net sales and profit (loss) by reportable segment and disaggregated revenue

(Thousands of yen)

| | Reportable Segment | | | | Adjustment (Note 1) | Amount recorded in Consolidated Financial Statements (Note 2) |
|---------------------------------------|--------------------|-----------|----------------------|------------|------------------------|--|
| | Japan | Asia | Europe & the U.S. | Total | | |
| Net sales | | | | | | |
| Apparel | 8,651,175 | 4,171,822 | 3,927,225 | 16,750,223 | - | 16,750,223 |
| Product | 12,938,696 | 423,784 | 21,473 | 13,383,954 | - | 13,383,954 |
| Transportation | 3,639,732 | 727,083 | 1,050,820 | 5,417,637 | - | 5,417,637 |
| Revenue from contracts with customers | 25,229,605 | 5,322,690 | 4,999,519 | 35,551,815 | - | 35,551,815 |
| Net sales to external customers | 25,229,605 | 5,322,690 | 4,999,519 | 35,551,815 | - | 35,551,815 |
| Intersegment sales or transfers | 1,347,648 | 3,249,967 | 69,752 | 4,667,368 | (4,667,368) | - |
| Total | 26,577,254 | 8,572,658 | 5,069,271 | 40,219,184 | (4,667,368) | 35,551,815 |
| Segment profit (loss) | 1,531,635 | 497,918 | (42,665) | 1,986,888 | (236,251) | 1,750,637 |

(Note) 1 The adjustment of (236,251) thousand yen to segment profit (loss) includes corporate expenses of (172,500) thousand yen not allocated to the reportable segments, and other in the amount of (63,750) thousand yen.

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