

April 11, 2018

MORITO CO., LTD.
Financial Statement (Unaudited)
For the First Quarter of the Fiscal Year ended November 30, 2018
(Translated from the Japanese original)

Corporate Information

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

(URL [http : www.morito.co.jp/english/index.html](http://www.morito.co.jp/english/index.html))

Representative : Takaki Ichitsubo

Representative Director and President

Contact : Kenji Kojima

Director, Corporate management

Telephone: +81-6-6252-3551

Scheduled date of filing of Quarterly Report:

April 13, 2018

Scheduled date of dividend payment:

-

Supplementary explanation material for quarterly financial results:

None

Presentation meeting for quarterly financial results:

None

(Amounts rounded down)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year 2018(December 1, 2017 through February 28, 2018)

(1) Consolidated Financial Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY 2018	10,082	5.3	359	30.1	311	4.7	235	32.7
1Q of FY 2017	9,577	Δ4.4	276	Δ14.3	297	19.9	177	55.2

(Note) Comprehensive income : 298 million yen (Δ80.7%) (1Q of FY 2018) 1,549 million yen (-%)(1Q of FY 2017)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
1Q of FY 2018	8.55	8.53
1Q of FY 2017	6.31	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
1Q of FY 2018	43,569	32,526	74.6
FY 2017	43,473	32,615	74.9

(Reference) Equity capital : 32,487 million yen (1Q of FY 2018) 32,581 million yen (FY 2017)

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2017	-	14.00	-	14.00	28.00
FY 2018	-				
FY 2018 (Forecast)		12.50	-	12.50	25.00

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

3. Consolidated Forecast for FY 2018 (December 1, 2017 through November 30, 2018)

(Percentages represent changes from corresponding period of previous year)

	Net Sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	44,000	6.3	2,000	17.1	1,900	11.5	1,300	△60.7	47.27

***Notes**

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation) : None

Newly included : None

Extended company : None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies caused by revision of accounting standards: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares, including treasury shares at end of period:

30,800,000 shares (as of February 28, 2018)

30,800,000 shares (as of November 30, 2017)

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

3,300,000 shares (as of February 28, 2018)

3,300,100 shares (as of November 30, 2017)

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

27,500,000 shares (the 1Q of FY2017)

28,089,867 shares (the 1Q of FY2018)

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

*Disclosure and other special notes regarding performance forecasts

The forecast in this quarterly statement is based on information available to management as of the date on which these performance-related figures were disclosed, and various factors may cause actual results to differ from these forecasts. For issues to keep in mind when using the forecasts and criteria conditioned upon the forecasts, please refer to "1. Qualitative Information for the Period under Review (2) Outlook for the next fiscal year" on page 5.

We have also introduced "Stock Granting Trust (J-ESOP)" and "Board Incentive Plan (BIP)". Consequently, the shares held by Trust and Custody Service Bank, Ltd. and The Master Trust Bank of Japan, Ltd. are included in the treasury stock.

Index

1. Qualitative Information for the Period under Review	4
(1) Overview of Business Performance	4
(2) Forecast of Consolidated Business Results and other Forward-looking Information	5
2. Matters Concerning Summary Information	5
(1) Changes in Important Subsidiaries during the period under Review	5
(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statement	5
(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revision Restated	5
(4) Additional Information	5
3. Quarterly Consolidated Financial Statements	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	8
(3) Notes regarding Quarterly Consolidated Financial Statements	10
[Notes on assumption of going concern]	10
[Notes on a Significant Change in Shareholders' Equity]	10
[Segment Information]	10
(4) Significant Subsequent Events	11
[Acquisition ownership of a corporate]	11

1. Qualitative Information for the Period under Review

(1) Overview of Business Performance

In the first quarter (From 1st December, 2017 to 28th February, 2018) of the fiscal year ended November 30th, 2018 (From 1st December, 2017 to 30th November, 2018), the Japanese economy has shown signs of gradual recovery by improving employment situation and capital investment because corporate performance has continued stable.

In the global economy, although the improving economic in the U.S. was progressing, the uncertain situation continued due to the uncertainty of overseas economies and instability of raw material prices, and increase of uncertain international circumstances in Asia.

In such a situation, our group is accelerating a growth strategy by the development of value-added Japanese items, expansion of a global sales channel under the 7th mid-term management plan, and will promote the realization of value creation which the era seeks, expand our business in not only existing market such ASEAN, china, western, but also in untapped market.

As a result, in the current quarterly performance reaches net sales ¥10,082 million (increased by 5.3% from a year earlier), operating income ¥359 million (increased by 30.1% from a year earlier), ordinary income ¥311 million (increased by 4.7% from a year earlier), net income ¥235 million (increased by 32.7% from a year earlier).

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

	1Q Oct-Dec
USD	112.98 (109.43)
EUR	133.01 (117.86)
RMB	17.08 (15.99)
HKD	14.47 (14.11)
TWD	3.75 (3.45)
VND	0.0050 (0.0048)
THB	3.43 (3.09)

*() is the exchange rate of the 1st quarter of FY2017.

Segment information as below

[Japan]

As for the apparel division, sales of the accessories for sports apparel manufacturer was decreased, however sales of the accessories for uniform/working wear and mass retailer were increased.

In the consumer product division, sales of accessories for health-related items such as medical supporters, sales of accessories for shoes, and sales of products for footwear-related, hardware store/working wear store, retailers and automobile interior components were increased.

As a result, net sales were ¥6,949 million (increased by 5.7% from a year earlier).

[Asia]

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

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

As a result, net sales were ¥1,687 million (decreased by 4.3% from a year earlier).

[Europe and the U.S.]

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

In the consumer product division, sales of automobile interior component for Japanese auto makers in Europe was the same as 1st quarter of previous year, however sales of automobile interior component for Japanese auto maker in the US was increased.

As a result, net sales were ¥1,446 million (increased by 16.6% from a year earlier).

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

Currently, there has been no change in the consolidated forecast of FY2018 which was announced in 12th January, 2018.

2. Matters Concerning Summary Information

(1) Changes in Important Subsidiaries during the period under Review

Not applicable

(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statement

Not applicable

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revision Restated

Not applicable

(4) Additional Information

Not applicable

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	FY 2017 (As of November 30, 2017) Thousands of yen	FY 2018 (As of February 28, 2018) Thousands of yen
Assets		
Current assets		
Cash and deposits	12,235,613	11,100,612
Notes and accounts receivable	10,797,872	10,632,027
Inventory	4,305,396	4,998,441
Other current assets	730,080	603,917
Allowance for doubtful accounts	△35,215	△32,605
Total current assets	28,033,747	27,302,392
Fixed assets		
Tangible fixed assets		
Land	2,526,981	2,527,151
Other tangible fixed assets	3,356,661	4,224,824
Total tangible fixed assets	5,883,643	6,751,976
Intangible fixed assets		
Goodwill	2,728,172	2,690,547
Other Intangible fixed assets	1,276,348	1,249,493
Total intangible fixed assets	4,004,521	3,940,041
Investments and other fixed assets		
Investment securities	4,551,840	4,589,758
Net defined benefit asset	289,728	290,116
Other fixed assets	765,704	756,731
Allowance for doubtful account	△70,037	△74,159
Total investments and other fixed assets	5,537,236	5,562,447
Total fixed assets	15,425,400	16,254,464
Deferred assets	14,004	12,953
Total assets	43,473,152	43,569,810
Liabilities		
Current liabilities		
Notes and accounts payable	4,317,325	4,682,502
Short-term loans payable	50,000	50,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	161,081	78,066
Accrued tax payable	481,935	123,944
Reserve for bonuses	208,130	200,102
Reserve for director's bonuses	66,799	29,732
Other current liabilities	1,266,606	1,022,819
Total current liabilities	6,951,879	6,587,166
Fixed liabilities		
Bonds payable	1,000,000	1,000,000
Long-term debt	—	639,166
Provision for retirement benefit by stock	24,761	23,980
Provision for director's retirement benefit	41,083	42,283
Provision for director's retirement benefit by stock	51,552	56,424
Provision for environmental measures	20,217	20,272
Net defined benefit liability	916,630	913,058
Other fixed liabilities	1,851,890	1,761,273
Total fixed liabilities	3,906,135	4,456,458
Total liabilities	10,858,014	11,043,625

(Unaudited)

	FY 2017 (As of November 30, 2017) Thousands of yen	FY 2018 (As of February 28, 2018) Thousands of yen
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,498,724
Retained earnings	24,713,167	24,555,502
Treasury stock	△2,122,115	△2,122,076
Total shareholders' equity	29,622,267	29,464,642
Other comprehensive income		
Valuation difference on available-for-sale securities	1,577,017	1,552,315
Deferred gains or losses on hedges	△1,203	△862
Difference in revaluation of land	621,625	621,625
Foreign currency translation adjustment	789,883	876,496
Remeasurement of defined benefit plans	△28,110	△26,604
Total other comprehensive income	2,959,211	3,022,970
Subscription rights to shares	33,658	38,572
Minority interests	—	—
Total net assets	32,615,138	32,526,185
Total liabilities and net assets	43,473,152	43,569,810

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

Quarterly Consolidated Statements of Income

The First Quarter accounting period

	FY 2017 (December 1, 2016 through February 28, 2017) Thousands of yen	FY 2018 (December 1, 2017 through February 28, 2018) Thousands of yen
Net sales	9,577,100	10,082,802
Cost of sales	7,039,032	7,374,953
Gross profit	2,538,067	2,707,848
Total selling, general and administrative expense	2,261,904	2,348,692
Operating Income	276,163	359,156
Non-operating income		
Interest received	5,047	6,094
Dividends received	6,704	6,608
Rent on real estate	12,850	10,048
Foreign exchange gains	27,984	—
Equity in earnings of affiliates	11,019	10,463
Subsidy income	—	12,779
Other non-operating income	12,823	2,535
Total non-operating income	76,430	48,530
Non-operating expenses		
Interest paid	2,242	760
Cash discount on sales	21,264	19,786
Foreign Exchange Loss	—	53,998
Others non-operating expense	31,307	21,437
Total non-operating expense	54,814	95,983
Ordinary Income	297,779	311,702
Extra ordinary income		
Gains on sales of fixed assets	299	126
Total extra ordinary income	299	126
Extra ordinary loss		
Loss on sales of fixed assets	2,473	34
Loss on disposal of fixed assets	576	2,829
Loss of business restructuring	—	4,782
Loss on golf membership rights	700	—
Total extra ordinary loss	3,749	7,646
Net income before taxes and other adjustment	294,329	304,182
Corporate, inhabitant and business taxes	109,734	140,517
Adjustments to corporate and other taxes	7,318	△71,514
Total income taxes	117,052	69,003
Net income	177,276	235,179
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	177,276	235,179

Quarterly Consolidated Statements of Comprehensive Income
The First Quarter accounting period

	FY 2017 (December 1, 2016 through February 28, 2017) Thousands of yen	FY 2018 (December 1, 2017 through February 28, 2018) Thousands of yen
Net Income	177,276	235,179
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	Δ33,384	Δ24,701
Deferred gains or losses on hedges	Δ1,475	335
Foreign currency translation adjustment	1,402,233	86,612
Adjustments to retirement benefit	5,172	1,506
Share of other comprehensive income of associates accounted for using equity method	—	5
Total other comprehensive income	1,372,544	63,758
Comprehensive income	1,549,821	298,937
(Breakdown)		
Comprehensive income attribute to the parent	1,549,821	298,937
Comprehensive income attribute to the minority shareholders	—	—

(3) Notes regarding Quarterly Consolidated Financial Statements

[Notes on assumption of going concern]

Not applicable.

[Notes on a Significant Change in Shareholders' Equity]

Not applicable

[Segment Information]

1. The First quarter of FY 2017 (December 1, 2016 through February 28, 2017)

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

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	6,574,279	1,762,626	1,240,194	9,577,100	—	9,577,100
Inter segment sales and transfer	477,412	627,843	20,090	1,125,346	Δ1,125,346	—
Total	7,051,692	2,390,470	1,260,285	10,702,447	Δ1,125,346	9,577,100
Segment income	274,226	86,868	Δ4,009	357,085	Δ80,922	276,163

(Notes)

1. Adjustment of Δ80,922 thousand yen includes Δ77,948 thousand yen-corporate expenses that are not distributed to each reportable segment and other Δ2,974 thousand yen.
2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

2. The Third Quarter of FY 2017 (December 1, 2017 through February 28, 2018)

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

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	6,949,110	1,687,598	1,446,093	10,082,802	—	10,082,802
Inter segment sales and transfer	561,900	853,857	13,994	1,429,752	Δ1,429,752	—
Total	7,511,010	2,541,455	1,460,087	11,512,554	Δ1,429,752	10,082,802
Segment income	275,605	144,954	35,701	456,261	Δ97,105	359,156

(Notes)

1. Adjustment of Δ97,105 thousand yen includes Δ73,837 thousand yen-corporate expenses that are not distributed to each reportable segment and other Δ23,268 thousand yen.
2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the consolidated profit and loss statement.

(4) Significant Subsequent Events

[Acquisition ownership of a corporate]

The Board of Directors of Morito Co., Ltd. at its meeting held on March 15th, 2018 has decided on acquiring all common shares and classified shares of Maneuverline Inc. (“the Company”), and entered into a Share Transfer Agreement on that day.

In addition, on April 2, 2018, we acquired all the shares of the Company make it to a subsidiary.

1. Name and business description of the Company

①	Name of the Company	Maneuverline Inc.
②	Address	17-8, Koen-minami Yada 1-choume, Higashi Sumiyoshi-ku, Osaka city, Osaka
③	Name and Title of representative	CEO Masahide Kawasaki
④	Business description	Import and sell of goods for Marine leisure, Snowboarding, and apparel related
⑤	Net Revenue	2,758 million yen (FY2017 as of January 31th, 2017)
⑥	Net Assets	2,427 million yen (as of January 31th, 2017)
⑦	Total Assets	3,621 million yen (as of January 31th, 2017) ,

2. Purpose of stock acquisition

Morito Group has been steadily developing business so far with its basic policy of management specializing in apparel-related accessories for clothing and footwear, and consumer products for personal belongings.

We position M&A as one of the priority measures under the 7th mid-term management plan. Our target of M&A is that the business of the target company are within the scope of our organic business area or its surrounding area, a niche top, its stability, and some synergies with our business.

On the other hand, although the Company is maintaining a very stable achievement in the wholesale industry as a top runner in importing and selling marine leisure, snowboards, apparel supplies, etc., the Company was heirless. Then, as a result of these, the speculation of two companies matched.

In addition, we anticipate the synergy of switching accessories used for products that the Company purchases from third-party to our core products such as metal accessories and magic-tape®, or of an increase opportunities for sales at each other's sales channels.

3. Our group expansion of a global sales channel under

Masahide Kawasaki, Employee shareholding association of the Company

4. The date of stock acquisition

April 2nd, 2018

5. The number of acquiring stocks, acquisition cost and equity ratio after acquisition

①	The number of acquiring stocks	Common stock	150
		Classified stock (share with restricted voting right)	50
②	Acquisition cost (*excluding 30 million yen for advisory fee)	Common stock	2,962 million yen
		Classified stock	580 million yen
③	Equity ratio after acquisition		100%

6. Procurement method of payment fund

Self-funded