(Unaudited)

July 12, 2019

MORITO CO., LTD. Financial Statement (Unaudited) For the Second Quarter of the Fiscal Year ended November 30, 2019 (Translated from the Japanese original)

Corporate Information	
Code : 9837 Listings in First Section of t	he Tokyo Stock Exchange
(URL http: www.morito.co.jp/english/index	<u>c.html</u>)
Representative : Takaki Ichitsubo	Representative Director and President
Contact : Makoto Tsuji	Managing Director of General Affairs Dept
Telephone: +81-6-6252-3551	

Scheduled date of filing of Quarterly Report: Scheduled date of dividend payment: Supplementary explanation material for quarterly financial results: Presentation meeting for quarterly financial results:

(Amounts rounded down)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year 2019 December 1, 2018 through May 31, 2019)

(1) Consolidated Financial Results

(Percentages indicate year-on-year changes)

July 12, 2019

Yes

Yes

August 9, 2019

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY 2019	22,402	7.1	757	∆4.5	762	0.4	522	∆6.9
2Q of FY 2018	20,922	4.3	793	20.2	759	12.8	561	∆82.5

(Note) Comprehensive income : \triangle 250 million yen (-%)(2Q of FY2019) 40 million yen (\triangle 99.1%)(2Q of FY2018)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
2Q of FY 2019	19.05	—
2Q of FY 2018	20.42	20.37

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
2Q of FY 2019	45,824	32,222	70.2
FY 2018	48,011	32,959	68.5

(Reference) Equity capital : 32,164 million yen (2Q of FY2019) 32,905 million yen (FY2018)

(Note) We have started to adopt Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ) Statement No. 28, issued on February 16, 2018 at the beginning of the first quarter of FY2019. Therefore, major management indices in the consolidated financial result for the fiscal year 2018 are restated by using the consolidated financial results which adopted this amendment.

2. Dividends

	Dividends per share							
	First	Second	Third	Fiscal	Appuel			
	quarter-end	quarter-end	quarter-end	year-end	Annual			
	Yen	Yen	Yen	Yen	Yen			
FY 2018	-	12.50	-	12.50	25.00			
FY 2019	-	13.00						
FY 2019				13.00	26.00			
(Forecast)			-	13.00	20.00			

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

None

3. Consolidated Forecast for FY 2019 (December 1, 2018 through November 30, 2019) (Percentages represent changes from corresponding period of previous year)

(Percentages represent changes from corresponding period of previo							ous 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	47,000	7.0	1,900	10.1	1,900	6.1	1,400	11.3	50.90

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

*Notes

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

Newly included : None

Excluded : None

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

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

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(i	i) Changes in accounting policies caused by revision of accounting standards:	None
(i	ii) Changes in accounting policies other than (i):	None
(i	iii) Changes in accounting estimates:	None

Changes in accounting estimates: (iii)

(iv) **Restatements:**

(4) Number of outstanding shares (common shares)

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

30,800,000 shares	(as of May 31, 2019)

- 30.800,000 shares (as of November 30, 2018)
- (ii) Number of shares of treasury stock at end of period:

(as of May 31, 2019) 3,447,060 shares

(as of November 30, 2018) 3,290,700 shares

- (iii) Average outstanding number of shares during the period:
 - 27,452,023 shares (the 2Q of FY2019) 27,501,883 shares (the 2Q of FY2018)

* This quarterly financial summary is not subject to quarterly review by certified public accauntants or an audit firm.

* Disclosure and other special notes regarding performance forecasts.

The forecast in this cumulative quarterly statement is based on information available to Morito Group and certain premises which are deemed to be rational, and numbers we actually get may greatly differ from those in the forecasts due to various factors.

As for supporting premises to the performance forecasts or notes to be kept in mind for the usage of this forecasts, refer to "1. Qualitative Information for the Period under Review (2) Forecasts of Consolidated Business Results and other Forward-looking Information" in the attached page 5.

In addition, we have 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.

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[Notes on a Significant Change in Shareholders' Equity]	
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Segment Information	
[Business Combinations]	
[Significant events occurred subsequent to the combination]	

1. Qualitative Information for the Period under Review

(1) Overview of Business Performance

In the consolidated cumulative second quarter (From December 1, 2018 through May 31, 2019), the Japanese economy has continuously shown a gradual recovery with steady increases in domestic demands such as consumer spending, capital investment, etc. However, the global economy has been changing in increasing uncertainties from the US and China trade friction, Britain's withdrawal from EU, etc.

In such circumstances, Morito Group who deals with apparel materials and consumer products has made a transition to a holding company system as of June 1, 2019 positioning FY 2019 as "The year of "Structural Reform". Furthermore, we have been pushing forward with our efforts for creating values to satisfy demands from the eras putting weight on developing value-added Japanese items and expanding revenue bases through cultivating global sales channels. We have also been accelerating our efforts for the growth by developing untapped market as well as existing markets of ASEAN, China, US or Europe, under the corporate vision of [Create Morito' s existence value, Realize "New Morito Group"].

As a result, we reached 22,402 million yen (increased by 7.1% from a year earlier) in Net sales, 757 million yen (decreased by 4.5% from a year earlier) in Operating income, 762 million yen (up by 0.4% from a year earlier) in Ordinary income, and 522 million yen (decreased by 6.9% from a year earlier) in Net income.

The exchange rates used for the oversea subsidiaries' consolidated cumulative second quarter financial statements are as below.

As a result, in the current quarterly performance reaches net sales ¥11,145, million (increased by 10.5% from a year earlier), operating income ¥370 million (increased by 3.2% from a year earlier), ordinary income ¥347 million (increased by 11.4. % from a year earlier), net income ¥210 million (decreased by 10.5 % from a year earlier).

	1Q	2Q
USD	112.91 (112.98)	110.23 (108.23)
EUR	128.82 (133.01)	125.16 (133.15)
RMB	16.32 (17.08)	16.33 (17.04)
HKD	14.42 (14.47)	14.05 (13.83)
TWD	3.66 (3.75)	3.58 (3.70)
VND	0.0048 (0.0050)	0.0047 (0.0048)
THB	3.44 (3.43)	3.49 (3.43)
MXN	5.70 (-)	5.74 (-)

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

(Notes)

1. () is the exchange rate of the quarter of FY2018.

2. The results of MORITO SCOVILL MEXICO S.A.de C.V. were included in the consolidated subsidiary from the first quarter of FY 2019.

The exchange rates used to convert income and expense for consolidated financial results of this subsidiary is Mexican Peso (MXN).

Segment information as below

[Japan]

As for the apparel division, sales of the accessories for uniforms and working wear increased.

In the consumer product division, sales of products for one dollar shops and automobile interior components increased.

Furthermore, since the results of MANEUVERLINE INC. which we acquired in April were included in the consolidated income statements from the third quarter of FY2018, sales from their businesses of importing

and selling marine leisure and snowboarding, etc. increased in consolidated cumulative second quarter period.

As a result, net sales reached 16,427 million yen (increased by 11.0% from a year earlier).

[Asia]

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

In the consumer product division, sales of the automobile interior components bound for Japanese manufactures increased in Shanghai and Thailand. As a result, net sales reached 3,088 million yen (decreased by 0.2% from the previous year).

[Europe and the U.S.]

As for the apparel division, sales of the accessories to apparel manufacturers in the U.S. decreased. In the consumer product division, sales of automobile interior components to Japanese auto manufacturers

increased in Europe/US.

As a result, net sales reached 2,886 million yen (decreased by 4.5% from the previous year).

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

Currently, there has no change in the consolidated forecast of FY2019 which was announced in 11th January, 2019.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

,,	FY 2018	FY 2019
	(As of November 30, 2018) Thousands of yen	(As of May 31, 2019) Thousands of yen
issets		
Current assets		
Cash and deposits	9,343,274	8,681,383
Notes and accounts receivable	12,008,498	11,371,908
Inventory	5,406,890	5,675,571
Other current assets	859,513	576,726
Allowance for doubtful accounts	∆38,224	∆38,382
Total current assets	27,579,953	26,267,206
Fixed assets		
Tangible fixed assets		
Land	4,332,821	4,331,408
Other tangible fixed assets	5,813,996	5,881,118
Total tangible fixed assets	10,146,818	10,212,527
Intangible fixed assets		
Goodwill	3,196,351	3,020,831
Other Intangible fixed assets	1,156,215	1,236,801
Total intangible fixed assets	4,352,566	4,257,633
Investments and other fixed assets		
Investment securities	4,727,033	3,922,403
Net defined benefit asset	237,765	234,619
Other fixed assets	1,033,134	997,092
Allowance for doubtful account	∆75,148	∆75,052
Total investments and other fixed assets	5,922,784	5,079,063
Total fixed assets	20,422,170	19,549,223
Deferred assets	9,802	7,702
Total assets	48,011,926	45,824,132
iabilities		
Current liabilities		
Notes and accounts payable	4,500,593	4,682,478
Short-term loans payable	200,000	100,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	749,146	573,280
Accrued tax payable	128,612	390,684
Reserve for bonuses	225 224	165,672
Reserve for director's bonuses	225,231	
Other current liabilities	56,929	43,922
Total current liabilities	56,929	1,369,170
Fixed liabilities	56,929 1,665,881	1,369,170
	56,929 1,665,881	1,369,170 7,725,209
Fixed liabilities	56,929 1,665,881 7,926,394	1,369,170 7,725,209 400,000
Fixed liabilities Bonds payable	56,929 1,665,881 7,926,394 600,000 3,667,331	1,369,170 7,725,209 400,000 2,991,246
Fixed liabilities Bonds payable Long-term debt	56,929 1,665,881 7,926,394 600,000	1,369,170 7,725,209 400,000 2,991,246 34,655
Fixed liabilities Bonds payable Long-term debt Provision for retirement benefit by stock	56,929 1,665,881 7,926,394 600,000 3,667,331 26,501	1,369,170 7,725,209 400,000 2,991,246 34,655 52,799
Fixed liabilities Bonds payable Long-term debt Provision for retirement benefit by stock Provision for director's retirement benefit	56,929 1,665,881 7,926,394 600,000 3,667,331 26,501 48,583	1,369,170 7,725,209 400,000 2,991,246 34,655 52,799 45,532
Fixed liabilities Bonds payable Long-term debt Provision for retirement benefit by stock Provision for director's retirement benefit Provision for director's retirement benefit	56,929 1,665,881 7,926,394 600,000 3,667,331 26,501 48,583 71,040	1,369,170 7,725,209 400,000 2,991,246 34,655 52,799 45,532 19,907
Fixed liabilities Bonds payable Long-term debt Provision for retirement benefit by stock Provision for director's retirement benefit Provision for director's retirement benefit Provision for director's retirement benefit by stock Provision for director's retirement benefit by stock Provision for environmental measures	56,929 1,665,881 7,926,394 600,000 3,667,331 26,501 48,583 71,040 20,367 894,881	1,369,170 7,725,209 400,000 2,991,246 34,655 52,799 45,532 19,907 883,643
Fixed liabilities Bonds payable Long-term debt Provision for retirement benefit by stock Provision for director's retirement benefit Provision for director's retirement benefit Provision for director's retirement benefit Provision for environmental measures Net defined benefit liability	56,929 1,665,881 7,926,394 600,000 3,667,331 26,501 48,583 71,040 20,367	43,922 1,369,170 7,725,209 400,000 2,991,246 34,655 52,799 45,532 19,907 883,643 1,448,640 5,876,425

	FY 2018 (As of November 30, 2018) Thousands of yen	FY 2019 (As of May 31, 2019) Thousands of yen
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,502,970
Retained earnings	25,277,180	25,434,999
Treasury stock	△2,118,444	△2,248,341
Total shareholders' equity	30,189,951	30,222,120
Other comprehensive income		
Valuation difference on available-for-sale securities	1,409,695	870,586
Deferred gains or losses on hedges	451	259
Difference in revaluation of land	571,368	571,368
Foreign currency translation adjustment	802,769	555,844
Remeasurement of defined benefit plans	△68,550	∆55,902
Total other comprehensive income	2,715,733	1,942,155
Subscription rights to shares	53,526	58,222
Minority interests	_	_
Total net assets	32,959,212	32,222,498
Fotal liabilities and net assets	48,011,926	45,824,132

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

Quarterly Consolidated Statements of Income

The Second Quarter accounting period

	FY 2018	FY 2019
		(December 1, 2018 through
	May 31, 2018)	May 31, 2019)
	Thousands of yen	Thousands of yen
Net sales	20,922,099	22,402,663
Cost of sales	15,351,623	16,326,564
Gross profit	5,570,476	6,076,098
Total selling, general and administrative expense	4,777,322	5,318,329
Operating Income	793,154	757,768
Non-operating income		
Interest received	12,919	12,862
Dividends received	33,479	32,431
Rent on real estate	21,049	24,267
Equity in earnings of affiliates	34,742	33,113
Other non-operating income	27,358	29,817
Total non-operating income	129,549	132,493
Non-operating expenses		
Interest paid	1,800	4,090
Cash discount on sales	40,095	41,043
Foreign Exchange Loss	68,635	29,670
Others non-operating expense	52,569	53,157
Total non-operating expense	163,101	127,961
Ordinary Income	759,602	762,300
Extra ordinary income		
Gains on sales of fixed assets	16,368	29
Gains on sales of investment securities	5,419	81,849
Gain on reversal of subscription rights to shares		210
Total extra ordinary income	21,788	82,089
Extra ordinary loss		
Loss on sales of fixed assets	273	-
Loss on disposal of fixed assets	3,818	3,867
Loss on sales of investment securities	_	415
Loss of business restructuring	4,970	2,948
Total extra ordinary loss	9,063	7,231
Net income before taxes and other adjustment	772,327	837,158
Corporate, inhabitant and business taxes	332,172	368,248
Adjustments to corporate and other taxes	△121,503	∆54,013
Total income taxes	210,668	314,234
Net income	561,658	522,923
Profit(Loss) attributable to non-controlling interests		
Profit(Loss) attributable to owners of parent	561,658	522,923

Quarterly Consolidated Statements of Comprehensive Income

The Second Quarter accounting period

	FY 2018	FY 2019
	(December 1, 2017 through	(December 1, 2018 through
	May 31, 2018)	May 31, 2019)
	Thousands of yen	Thousands of yen
Net Income	561,658	522,923
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	△28,137	∆539,108
Deferred gains or losses on hedges	2,427	∆193
Foreign currency translation adjustment	∆498,882	∆246,924
Adjustments to retirement benefit	3,023	12,647
Share of other comprehensive income of associates accounted for using equity metho	∆1	1
Total other comprehensive income	∆521,570	∆773,578
Comprehensive income	40,088	△250,654
(Breakdown)		
Comprehensive income attribute to the parent	40,088	△250,654
Comprehensive income attribute to the minority shareholders	_	-

(3) Consolidated Cash Flows

Cash flows from operating activities - - - Income (loss) before income taxes 772.327 837 Depretation of anortization 333.761 415 Depretation of anortization 333.761 415 Depretation of anortization 333.761 415 Depretation of anortization 333.761 416 Change in provision for borus - A40.059 41 Changes in reverse for retineme bonefits conflores 3.760 4 Changes in reverse for retineme band 9.744 - - Changes in reverse for retineme band 1.800 4 - Interest income and divident income - <		FY 2018 (December 1, 2017 through May 31, 2018) Thousands of yen	FY 2019 (December 1, 2018 through May 31, 2019) Thousands of yen
Depreciation of anontization 333,761 415 Depreciation of anontization 346,733 121 Change in provision for bonus 346,733 565 Changes in net defined benefit itability 3190 43 Changes in reverse for employee stock ownership plan 3,107 8 Changes in reverse for employee stock ownership plan 9,144 Δ25 Changes in allowance for doubful accounts 4,013 4 Interest macrome and dividends income -4,63,38 A45 Gains from sale of internation select of the assets -1,60,44 - Gains from sale of internation select of the assets -3,818 -3 Loss on disposal of fixed assets -4,870 2 Change in interest and dividends income -4,85,88 -4,70 Others -1,0,27 100 Change in interest and dividends income -4,85,88 -3,761 <	Cash flows from operating activities		
Degreciation of goodwill 87,613 121 Changes in not defined benefit asset 24,6733 265 Changes in newsrato retirement benefits for officers 3,750 4 Changes in reverse for employee stock ownership plan 3,107 8 Changes in treverse for employee stock ownership plan 6,144 425 Changes in board incentive plan 4,433 4 Interest paid 4,433 4 Interest paid 1,800 4 Equity in the income and dividends income 4,45,338 A,447 Gains form sale of finical assets 2,47,42 A33 Gains form sale of finical assets 2,47,42 A33 Loss on disposal of fixed assets 4,870 2 Change in investmat securities 3,818 33 Loss on disposal of fixed assets 4,970 2 Others 4,0227 100 Others 4,038 4,741 Payment of coparata tax 4,683 4,761 Payment of coparata tax 4,683 4,761 Payment of coparata tax	Income (loss) before income taxes	772,327	837,158
Change in provision for borus A46,733 A66 Changes net defined benefit taset A4,059 A4 Changes in teverse for remployee stock ownership plan 3,750 A4 Changes in reverse for employee stock ownership plan 3,750 A4 Change in interverse for employee stock ownership plan 3,741 A252 Change in allowance for doubtful accounts 4,4138 A4538 Interest paid 1,800 A4 Equity in net income of effiliates 3,4744 A252 Gains from sale of infermating stock storage in the storage of filiates 3,4749 A33 Gains from sale of infermating stock storage of filiates 3,4749 A48 Loss on retirement of noncurrent assets 3,618 3 Loss on discount of noncurrent assets 4,870 2 Change in invertes and accounts 60,576 600 Change in invertes and accounts 60,576 600 Change in invertes and accounts 44,820 A4 Payment of interest and dividends income 41,820 A4 Payment of interest and dividends income 41,820 A4 Payment of interest and dividends income	Depreciation of amortization	333,761	415,195
Charges in net defined benefit isabitity A1.904 A3.3 Charges in reverse for retirement benefits for officers 3.750 A Charges in reverse for retirement benefits for officers 3.750 A Charges in reverse for retirement benefits for officers 3.750 A Charges in reverse for retirement benefits for officers 3.750 A Charges in inverse for retirement benefits for officers 3.750 A Charges in inverse for retirement of none officers 4.318 Cast Interest paid 1.800 A Interest paid 1.800 A Equity in a dividends income A.46,398 A.45 Cast form sale of fixed assets A.16,094		87,613	121,327
Changes net defined benefit liability 4.1,904 4.3 Changes in reverse for employee stock ownership plan 3,107 8 Changes in neverse for employee stock ownership plan 9,744 4.25 Changes in board incertifier plan 9,744 4.25 Changes in allowance for doubful accounts 4,318 4 Interest income and dividends income 4.4,318 4 Equity in ret income of affiliates 1,800 4 Cans from sale of investription rights to shares - - Cans from sale of investription rights to shares - - Cans from sale of investription rights to shares 3,818 3 Loss on retirement to roncurrent assets 3,818 3 Loss on diposal of fixed assets 4,970 2 Change in inventory 4353,868 3,307 Change in account payable 1,820 A4 Payment of interest and dividends income 43,508 47,516 Prochase Intime deposi		∆46,793	∆56,857
Change in reverse for retirement benefits for officers 3.750 4 Changes in reverse for renophyse stock workenship plan 3.107 8 Changes in indowance for doubful accounts 4.318 4.25 Change in allowance for doubful accounts 4.438 6.45 Interest paid 1.800 4 Equity interince of affiliates 6.347.42 6.33 Gains from sale of fided sests - 6.3 Cass from sale of investment securities 5.5.419 6.81 Loss on disposal of fixed assets 4.970 2 Change in inventory 6.35.88 6.307 Change in notes and accounts 60.576 6.00 Orbarge in inventory 6.35.888 6.307 Change in notes and accounts 6.0.576 6.00 Orbarge in inventory 6.35.868 6.307 Change in account payable 2.9582 1.96 Otters 4.10.227 100 Subtotal 4.46.332 4.42 Payment of interest and dividends income 4.85.06 4.77 Payment of interest and dividends income 4.85.00 6.47 Payment of interest and dividends income 4.85.00 6.42 Ant cash flows from interest and dividends income 9.306 166 <td></td> <td></td> <td>14,128</td>			14,128
Changes in reverse for employee stock ownership plan 9.744 Δ225 Change in allownere for doubtil accounts 4.318 Interest income and dividends income △46.388 △46 Interest plaid 1.800 △4 Equity in net income of affiliates △47.42 △33 Gains from sale of insetingtion rights to shares – ∠ Gains from sale of insetingtion rights to shares – ∠ Gains from sale of insetingtion rights to shares . _ Loss on retirement of oncurrent assets 3.818 3.818 Loss on retirement of noncurrent assets . . Othange in notes and accounts . . Othange in interest and dividends income . . Payment of interest and dividends incom			∆3,990
Changes in board incentive plan 9,744 Δ25 Changes in allowance of oubful accounts 4,318 Interest income and dividends income Δ46,338 Δ45 Interest paid 1,800 4 Equity in one income of affiliates			4,216
Change in allowance for doubtilu accounts 4.318 Interest paid .468,388 A45 Interest paid 1,800 4 Equity in net income of affiliates .034,742 .033 Gains from sale of fixed assets			8,154
Interest income and dividends income A46,388 A46 Interest paid 1,800 4 Equity in net income of affiliates $\Delta 34,742$ $\Delta 33$ Gain on reversal of subscription rights to shares Δ Δ Calars from sale of investment securities $\Delta 16,094$ Δ Gains from sale of investment securities $\Delta 318$ 33 Loss on disposal of fixed assets $A470$ 2 Change in notes and accounts $60,576$ 6000 Change in inventry $\Delta 353,868$ $\Delta 307$ Change in inventry $\Delta 353,868$ $\Delta 307$ Subtotal 895,684 1.761 Proceed from interest and dividends income $44,508$ 47 Payment of interest $\Delta 468,382$ $\Delta 424$ Net cash(used in)provided by operating activities $471,820$ $\Delta 44$ Purchase of investment securities 9308 106 Change in investing activities $212,343$ $\Delta 14$ Purchase of intergetorestment securities 9308 106 Purchase of intergetorestment seco			△25,507
Interest paid1.8004Equity in net income of affiliates $\Delta 34,742$ $\Delta 33$ Gain on reversal of subscription rights to shares $ \Delta$ Gains from sale of investment securities $\Delta 54,119$ $\Delta 84$ Loss on retirement of noncurrent assets3.8183Loss on retirement of noncurrent assets3.8183Loss on retirement of noncurrent assets4.9702Change in notes and accounts 60.576 600Change in inventory $\Delta 353,868$ $\Delta 307$ Change in inventory $\Delta 353,868$ $\Delta 307$ Change in inventory $\Delta 353,868$ $\Delta 307$ Change in account payable129,862166Others $\Delta 10,227$ 107Subtotal898,6641.761Proceed from interest and dividends income48,508447Payment of corporate tax $\Delta 463,382$ $\Delta 424$ Net cash/local inprovided by operating activities474,1691.764Cash flows from investing activities474,1691.764Cash flows from investing activities9.008106Purchase of interget of sale for investment securities9.308106Purchase of sale of investment securities9.308106Purchase of sale for investment securities4.26,587.144Payments of loans receivable-6.33,47213Proceeds from loans receivable-4.35,590.26,57,96Purchase of intrographic fixed assets3.74,991Purchase of investment escuri			750
Equity in net income of affiliates △34,742 △33 Gain on reversal of subscription rights to shares — △ Gains from sale of investment securities △54,419 △81 Loss on disposal of fixed assets 3,818 33 Loss on disposal of fixed assets 3,818 33 Loss on disposal of fixed assets 4,970 2 Change in inventory △353,868 △307 Change in account payable 129,582 198 Others △10,227 107 Subtotal 895,584 1,761 Proceed from interest and dividends income 44,508 447 Payment of interest and dividends income 44,8508 474 Payment of corporate tax △463,332 △44 Payment of opporate tax △463,332 △44 Net cash(used in)provided by operating activities √14,169 1,761 Cash flows from investment securities △12,333 △14 Net cash(used in investment securities △23,08 106 Purchase of investment securities △18,509 △47 Purchase of investment securities △11,850,000			∆45,294 4,090
Gain on reversal of subscription rights to shares - △ Gains from sale of investment securities △△46,094 Loss on retirement of noncurrent assets 3,818 3 Loss on retirement of noncurrent assets 3,818 3 Loss on retirement of noncurrent assets 4,970 2 Change in notes and accounts 60,576 600 Change in inventory △353,868 △307 Change in inventory △353,868 △307 Change in inventory △353,868 △307 Change in account payable 129,582 196 Others △10,227 107 Subtotal 989,564 1,761 Proceed from interest and dividends income 44,508 47 Payment of corporate tax △468,382 △42 Net cash(lused injprovided by operating activities △411,227 107 Decrease in time deposit △662,846 △222 Increase in time deposit △662,846 △222 Increase of integride fixed assets △124,343 △14 Purchase of investiment securities △13,308 106 Purchase of in			4,090
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Payments to acquire treasury stock-△151Proceeds from exercise of stock option-12Payments of dividends△392,843△350Net cash used in financing activities1,785,059△1,671Effects of exchange rate on cash and cash equivalents△95,471△49Net increase (decrease) in cash and cash equivalents△1,923,286△702Cash and cash equivalents at beginning of year10,776,5838,525Increase in cash and cash equivalents from newly consolidated subsidiary-32			∆851,951
Proceeds from exercise of stock option−12Payments of dividends△392,843△350Net cash used in financing activities1,785,059△1,671Effects of exchange rate on cash and cash equivalents△95,471△49Net increase (decrease) in cash and cash equivalents△1,923,286△702Cash and cash equivalents at beginning of year10,776,5838,525Increase in cash and cash equivalents from newly consolidated subsidiary−32		△200,000	∆200,000
Payments of dividends △392,843 △350 Net cash used in financing activities 1,785,059 △1,671 Effects of exchange rate on cash and cash equivalents △95,471 △49 Net increase (decrease) in cash and cash equivalents △1,923,286 △702 Cash and cash equivalents at beginning of year 10,776,583 8,525 Increase in cash and cash equivalents from newly consolidated subsidiary — 32		-	△151,148
Net cash used in financing activities 1,785,059 △1,671 Effects of exchange rate on cash and cash equivalents △95,471 △49 Net increase (decrease) in cash and cash equivalents △1,923,286 △702 Cash and cash equivalents at beginning of year 10,776,583 8,525 Increase in cash and cash equivalents from newly consolidated subsidiary - 32		-	12,368
Effects of exchange rate on cash and cash equivalents $\triangle 95,471$ $\triangle 49$ Net increase (decrease) in cash and cash equivalents $\triangle 1,923,286$ $\triangle 702$ Cash and cash equivalents at beginning of year $10,776,583$ $8,525$ Increase in cash and cash equivalents from newly consolidated subsidiary $ 32$	·		△350,753
Net increase (decrease) in cash and cash equivalents △1,923,286 △702 Cash and cash equivalents at beginning of year 10,776,583 8,525 Increase in cash and cash equivalents from newly consolidated subsidiary - 32			△1,671,564
Cash and cash equivalents at beginning of year10,776,5838,525Increase in cash and cash equivalents from newly consolidated subsidiary-32			△49,298
Increase in cash and cash equivalents from newly consolidated subsidiary - 32			△702,735
		10,776,583	8,525,759
Cash and cash equivalents at fiscal year-end 8,853,296 7,855		0 052 200	<u>32,021</u> 7,855,044

(4) Notes regarding Quarterly Consolidated Financial Statements

[Notes on assumption of going concern] Not applicable.

[Notes on a Significant Change in Shareholders' Equity] Not applicable

[Additional Information]

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting)

We have started to adopt "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) at the beginning of the first quarter of FY2019. Therefore, deferred tax assets are shown in the category of Investments and other fixed asses, and deferred tax liabilities are shown in the category of Fixed liabilities.

[Segment Information]

I. The Second Quarter of FY 2018 (December 1, 2017 through May 31, 2018)

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

				(Thous	ands of yen)
Reportable Segment					Consolidated
Japan	Asia	EU and US	Total	Adjustment (Note 1)	Statement Amount (Note 2)
					, ,
14,804,879	3,093,753	3,023,467	20,922,099	_	20,922,099
1,234,781	1,594,290	28,870	2,857,943	△2,857,943	_
16,039,660	4,688,043	3,052,338	23,780,042	∆2,857,943	20,922,099
674,103	199,292	80,206	953,602	∆160,448	793,154
	14,804,879 1,234,781 16,039,660	Japan Asia 14,804,879 3,093,753 1,234,781 1,594,290 16,039,660 4,688,043	Japan Asia EU and US 14,804,879 3,093,753 3,023,467 1,234,781 1,594,290 28,870 16,039,660 4,688,043 3,052,338	Japan Asia EU and US Total 14,804,879 3,093,753 3,023,467 20,922,099 1,234,781 1,594,290 28,870 2,857,943 16,039,660 4,688,043 3,052,338 23,780,042	Reportable Segment Japan Asia EU and US Total Adjustment (Note 1) 14,804,879 3,093,753 3,023,467 20,922,099 — 1,234,781 1,594,290 28,870 2,857,943 △2,857,943 16,039,660 4,688,043 3,052,338 23,780,042 △2,857,943

(Notes)

1. Adjustment of △160,448 thousand yen includes corporates expenses of △143,858 thousand yen that are not distributed to each reportable segment and other △16,589 thousand yen.

2. The amount of segment income is subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statements.

2. Impairment Loss on intangible assets or information on goodwill by reportable segment.

(Significant fluctuations in the amount of goodwill)

The amount of goodwill is reported in the segment of "Japan" due to the acquisition of MANEUVERLINE INC. The increase in the amount of goodwill incurred from this event is 661,478 thousand yen in Consolidated Cumulative Results of the Second Quarter of FY2019. Besides, the above amount is included results after an important review on the originally allocated costs for the business combination was completed upon settling the provisional account processing as written in "Notes (Business Combination-related)"

II. The Second Quarter of FY2019 (December 1, 2018 through May 31, 2019.)

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

(Thousands of yen)						
		Reportable Segment				Consolidated
	Japan	Asia	EU and US	Total	Adjustment (Note 1)	Statement Amount (Note 2)
Net Sales						
Sales to external customers	16,427,985	3,088,046	2,886,631	22,402,663	_	22,402,663
Inter segment sales and transfer	1,226,164	1,515,961	11,741	2,753,866	∆2,753,866	_
Total	17,654,149	4,604,007	2,898,372	25,156,530	△2,753,866	22,402,663
Segment income	709,308	225,300	14,777	949,386	∆191,618	757,768

(Notes)

1. Adjustment of △191,618 thousand yen includes corporate expenses of △167,751 that are not distributed to each reportable segment and other △23,867 thousand yen.

2. The amount of segment income is adjusted with operating profits on the consolidated quarterly profit and loss statements.

[Business Combinations]

(Important review on the originally allocated costs for the business combination in comparative information) We have made a provisional account processing in the previous consolidated second quarter for the business combination with MANEUVERLINE INC. taken place in April 2, 2018, which was settled in the previous consolidated accounting year-end.

With the settlement of this provisional account processing, an important review on the originally allocated costs for the business combination is reflected in comparative information included in the quarterly consolidated financial statements for the period of the current consolidated cumulative Second quarter, and the amount of goodwill has been changed from 1,218,724 thousand yen to 661,478 thousand yen.

There is no effect on the quarterly consolidated profit and loss statements for the previous Consolidated Cumulative Second Quarterly period.

[Significant events occurred subsequent to the combination]

(Transition to the Holding Company system with the Conclusion of an Absorption-type Company Split Agreement)

Morito has determined to conclude an Absorption-type Company Split Agreement with Morito Japan Co., Ltd (hereafter referred to as "Succession Company") at the board meeting held on December 13, 2018, in order to transfer to a holding company system through splitting its businesses as a splitting company to the Succession Company as of June 1, 2019. Along with this transition, Morito has transferred to a Holding Company system as of June 1, 2019.

1. Outline of Corporate division

(1) Business functions subject to the division

Manufacturing and selling accessories or parts for apparel products and automobile interior components,

etc.

(2) Date of business combination

June 1, 2019

- (3) Legal form of the business combination Absorption-type Company Split through which Morito Co., Ltd, is a splitting company, and Morito Japan Co., Ltd., a succession company.
- (4) Name of the entity after the business combination A splitting company: Morito Co., Ltd.

A succession company: Morito Japan Co., Ltd.

(5) Purpose of the business combination

Business environment around Morito Group has been rapidly changing due to mid- to long-term shrinkage of the domestic demands resulted from the decreasing population, etc., global creation of new business models beyond borders of industries, or emergence of new technologies such as IoT or Artificial Intelligence, etc. happing at a time.

In such circumstances, we have been putting efforts on creating values to satisfy demands from the eras and expanding revenue bases through cultivating global channels, under the corporate vision of 『Create Morito' s existence value, Realize "New Morito Group"』. We have made a decision to make a transition to a Holding Company system as it would seemingly be the optimal way for us to pursue further growth and revenue. Our purposes for transferring to a Holding Company system are as follows;

①Strengthening Group management strategic functions

The Holding Company is to be specialized for managing businesses for the entire Morito group, planning Group management strategies to expand new businesses including M&A, and maximizing corporate values of the entire group by allocating management resources optimally and utilizing it effectively.

② Making decisions rapidly by clarifying authorities and responsibilities.

Separating organizations from group management to business promotion, and clarifying responsibilities and authorities of both organizations for their prompt decision making, and promoting businesses in a flexible manner to enhance our competitiveness.

③ Maximizing group synergy effects

Synergy effects among group companies are maximized in the utilization of management resources owned by our group companies cross-functionally and effectively centering the Holding Company.

2. Brief information on the account processing conducted

Based on "Accounting standards pertaining to Business Combination" and "Guideline for Accounting Standards for Business Combination and Corporate division", the accounts are recoded and processed as transactions under the control of common rules and regulations.