

## Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending November 30, 2022 [Japanese GAAP]

October 14, 2022

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 quarterly securities report: 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 First Nine Months of the Fiscal Year Ending November 30, 2022 (December 1, 2021 to August 31, 2022)

#### (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	%
First Nine Months of FY2022	35,172	10.6	1,586	43.7	1,747	38.7	1,242	64.1
First Nine Months of FY2021	31,802	6.2	1,104	163.7	1,259	201.9	757	352.1

(Note) Comprehensive income: First Nine Months ¥3,034 million [ 85.9% ] of FY2022 First Nine Months ¥1,632 million [ -% ] of FY2021

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Nine Months of FY2022	46.08	-
First Nine Months of FY2021	27.65	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First Nine Months of FY2022	48,448	35,649	73.5
FY2021	45,938	33,914	73.7

(Reference) Equity: First Nine Months of FY2022 ¥35,593 million FY2021 ¥33,858 million

### 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	-	9.00	-	17.00	26.00
FY2022	-	13.50	-	-	-
FY2022 (Forecast)	-	-	-	15.50	29.00

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

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2022 (December 1, 2021 to November 30, 2022)

(% 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	46,000	5.4	2,000	23.5	2,100	14.5	1,550	10.1	57.78

(Note) Revisions to the latest announcement of performance forecast : 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 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, 2022: 30,000,000 shares

FY2021: 30,800,000 shares

- 2) Total number of treasury shares at the end of the period:

August 31, 2022: 3,295,500 shares

FY2021: 3,510,000 shares

- 3) Average number of shares during the period:

August 31, 2022: 26,960,430 shares

3Q of the fiscal year ended November 30, 2021: 27,381,720 shares

\* These quarterly consolidated financial results are outside the scope of audit by certified public accountants or audit firms.

\* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available and certain assumptions judged to be reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.

As for suppositions that form the assumptions for the forecast of financial results and cautionary notes concerning the use thereof, please refer to "(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

After being hit hard by the COVID-19 pandemic, there were signs of an economic recovery in the operating environment during the first nine months of the fiscal year ending November 30, 2022 (December 1, 2021 to August 31, 2022). However, the outlook for the future remains uncertain due to a combination of various risks, such as soaring raw material costs associated with rising crude oil prices triggered by the situation in Ukraine and other factors as well as currency fluctuations caused by global monetary tightening.

The Morito Group (the "Group"), which is mainly engaged in apparel-, product-, and transportation-related businesses, faced a number of hurdles that kept profits low, including soaring prices and difficulties in procuring raw materials for its mainstay products, production cutbacks and stoppages by automakers due to semiconductor shortages, delays in marine transportation, and rising transportation costs. On the other hand, the Group enjoyed favorable sales of accessories and products with superior functionality, including medical wear and working wear, which are unaffected by trends, as well as yoga, fishing, and other sporting goods, and medical device-related products. Under its newly coined "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 has also made ongoing efforts to cut transportation and other costs, which has substantially improved its profitability.

As a result, for the first nine months of the fiscal year under review, net sales increased 10.6% year on year to ¥35,172 million. Operating profit was up 43.7% to ¥1,586 million, ordinary profit grew 38.7% to ¥1,747 million, and profit attributable to owners of the parent increased 64.1% to ¥1,242 million.

The Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. effective as of the beginning of the first quarter of the fiscal year under review. This change resulted in a decrease of ¥252 million in net sales, ¥19 million in operating profit respectively and resulted in an increase of ¥24 million in ordinary profit and profit attributable to owners of the parent respectively for the first nine months of the fiscal year under review.

Exchange rates used for the conversion of revenue and expenses of the Group's overseas subsidiaries during the preparation of consolidated financial statements for the first nine months of the fiscal year under review are as follows.

	1Q	2Q	3Q
USD	113.71 (104.51)	116.34 (106.09)	129.73 (109.52)
EUR	130.04 (124.58)	130.40 (127.80)	138.25 (131.93)
CNY	17.78 (15.81)	18.31 (16.38)	19.60 (16.96)
HKD	14.60 (13.48)	14.90 (13.68)	16.53 (14.10)
TWD	4.09 (3.67)	4.16 (3.78)	4.41 (3.91)
VND	0.0050 (0.0045)	0.0051 (0.0046)	0.0056 (0.0048)
THB	3.41 (3.42)	3.52 (3.50)	3.77 (3.50)
MXN	5.48 (5.08)	5.67 (5.21)	6.48 (5.47)

(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 working wear and medical wear sold in Europe and the U.S. as well as casual wear and sportswear accessories.

The Product Division enjoyed increases in sales of medical device-related products, products for one-coin shops (like 100-yen stores), construction safety products, and snowboarding, surfing, and outdoor products.

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

As a result, net sales grew 9.9% year on year to total ¥24,139 million, and segment profit rose 24.0% year on year to reach ¥1,168 million.

Due to the adoption of the Accounting Standard for Revenue Recognition, etc., net sales and segment profit fell ¥252 million and ¥19 million respectively.

#### Asia

In China and Hong Kong apparel operations, sales of working wear accessories for the European and U.S. markets and accessories for casual wear were up while apparel operations in Vietnam enjoyed growing sales of athletic shoes accessories.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers decreased in China due to the semiconductor shortage.

As a result, net sales were up 5.3% year on year to total ¥6,277 million, and segment profit increased 107.1% year on year to reach ¥552 million.

#### Europe and the U.S.

In the Apparel Division, sales of accessories related to working wear and casual wear as well as accessories for high-end down wear increased.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers decreased due to the semiconductor shortage.

As a result, net sales increased 22.8% year on year to total ¥4,755 million, and segment profit jumped 214.7% year on year to reach ¥126 million.

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

No change has been made to the consolidated financial forecast figures for the fiscal year ending November 30, 2022, which were announced in the Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending November 30, 2022 (dated July 14, 2022).

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of November 30, 2021	As of August 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	11,103,207	9,988,072
Notes and accounts receivable - trade	10,649,689	11,616,522
Inventory	4,540,605	6,574,887
Other	707,446	844,216
Allowance for doubtful accounts	(43,235)	(48,909)
Total current assets	26,957,713	28,974,789
Non-current assets		
Property, plant and equipment		
Land	4,594,174	4,542,843
Other, net	5,282,796	5,552,593
Total property, plant and equipment	9,876,970	10,095,436
Intangible assets		
Goodwill	2,432,266	2,652,043
Other	1,037,483	1,158,661
Total intangible assets	3,469,750	3,810,704
Investments and other assets		
Investment securities	4,485,900	4,359,436
Retirement benefit asset	241,832	225,467
Other	1,014,733	1,128,720
Allowance for doubtful accounts	(108,676)	(146,241)
Total investments and other assets	5,633,790	5,567,382
Total non-current assets	18,980,511	19,473,524
Total assets	45,938,224	48,448,313
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,453,854	5,379,675
Short-term borrowings	50,000	50,000
Current portion of long-term borrowings	394,620	280,008
Income taxes payable	483,951	503,877
Provision for bonuses	286,425	430,890
Provision for bonuses for directors (and other officers)	86,065	98,784
Other	1,752,857	1,809,876
Total current liabilities	7,507,774	8,553,113
Non-current liabilities		
Long-term borrowings	1,703,302	1,493,296
Provision for share awards	32,274	37,946
Provision for retirement benefits for directors (and other officers)	32,158	40,983
Provision for share awards for directors (and other officers)	91,650	85,461
Provision for environmental measures	20,075	24,512
Retirement benefit liability	911,731	891,000
Other	1,724,387	1,672,752
Total non-current liabilities	4,515,579	4,245,953
Total liabilities	12,023,354	12,799,067

(Thousand yen)

	As of November 30, 2021	As of August 31, 2022
<b>Net assets</b>		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	3,507,603	2,962,803
Retained earnings	26,726,521	27,107,220
Treasury shares	(2,289,615)	(2,174,195)
Total shareholders' equity	31,477,001	31,428,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,321,667	1,202,377
Deferred gains or losses on hedges	4,612	(6,340)
Revaluation reserve for land	451,115	442,187
Foreign currency translation adjustment	641,116	2,553,704
Remeasurements of defined benefit plans	(36,922)	(26,704)
Total accumulated other comprehensive income	2,381,589	4,165,224
Share acquisition rights	56,280	55,702
Non-controlling interests	-	-
Total net assets	33,914,870	35,649,246
Total liabilities and net assets	45,938,224	48,448,313

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

## Quarterly Consolidated Statements of Income

The first nine-month period

(Thousand yen)

	December 1, 2020 – August 31, 2021	December 1, 2021 – August 31, 2022
Net sales	31,802,932	35,172,332
Cost of sales	23,530,200	26,036,399
Gross profit	8,272,731	9,135,932
Selling, general and administrative expenses	7,168,609	7,549,389
Operating profit	1,104,122	1,586,542
Non-operating profit		
Interest income	6,476	6,644
Dividend income	53,131	51,998
Rental income from real estate	50,299	58,719
Foreign exchange gains	-	11,342
Share of profit of entities accounted for using equity method	37,389	56,470
Subsidies for employment adjustment	86,794	4,205
Subsidy income	12,350	18,082
Other	32,622	23,021
Total non-operating profit	279,064	230,484
Non-operating expenses		
Interest expenses	7,946	8,771
Sales discounts	44,776	-
Foreign exchange losses	8,498	-
Other	62,100	60,315
Total non-operating expenses	123,322	69,087
Ordinary profit	1,259,864	1,747,939
Extraordinary income		
Gain on sale of non-current assets	352	123,184
Gain on sales of investment securities	5,960	68,444
Gain on reversal of share acquisition rights	577	577
Gain on sale of golf club membership	-	466
Insurance claim income	-	70,016
Total extraordinary income	6,891	262,689
Extraordinary losses		
Loss on sale of non-current assets	29	569
Loss on retirement of non-current assets	3,343	861
Loss on sale of investment securities	138	-
Restructuring loss	18,169	-
Complaint settlement	-	48,648
Total extraordinary losses	21,681	50,079
Profit before income taxes	1,245,074	1,960,550
Income taxes - current	530,921	759,305
Income taxes - deferred	(43,051)	(41,008)
Total income taxes	487,869	718,297
Profit	757,205	1,242,253
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	757,205	1,242,253

Quarterly Consolidated Statements of Comprehensive Income

The first nine-month period

(Thousand yen)

	December 1, 2020 – August 31, 2021	December 1, 2021 – August 31, 2022
Profit	757,205	1,242,253
Other comprehensive income		
Valuation difference on available-for-sale securities	393,220	(119,290)
Deferred gains or losses on hedges	(694)	(10,952)
Foreign currency translation adjustment	464,072	1,912,587
Remeasurements of defined benefit plans, net of tax	18,724	10,218
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	875,322	1,792,562
Comprehensive income	1,632,527	3,034,815
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,632,527	3,034,815
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)

As of August 31, 2022, the Company's treasury shares decreased by 800,000 shares due to the retirement of treasury shares, which was approved at the meeting of the Board of Directors held on August 19, 2021. As a result, capital surplus and treasury shares decreased by ¥544,800 thousand, respectively for the first nine months of the fiscal year under review, and capital surplus and treasury shares at the end of the first nine months of the fiscal year under review were ¥2,962,803 thousand and ¥2,174,195 thousand yen, respectively.

## (Changes in Accounting Policies)

### (Adoption of accounting standards for revenue recognition)

The Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. effective as of the beginning of the first quarter of the fiscal year under review. The Group now recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

The Group also uses the alternative treatment specified in paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, under which revenue is recognized when goods or products sold in Japan are shipped, as long as the period from the time of shipment to the time when control of the goods or products is transferred to customers is a normal period.

Major changes due to the adoption of the Accounting Standard for Revenue Recognition are as follows.

### (Principal vs. agent)

For transactions in which the Group acts as an agent in providing goods or services to customers, the Group previously recognized revenue in the gross amount of consideration received from the customer, but now recognizes revenue as the net amount of such gross consideration less amounts paid to suppliers of goods or services.

### (Variable consideration for transactions with potential discounts)

For sales that include discounts given to customers at a later date based on past sales, the Group previously reduced revenue based on historical experience of actual discounts given, but now recognizes revenue by excluding the amount equivalent to revenue from goods and products that are expected to be discounted at the time of sale. The price expected to be reduced is included in "other" under "current liabilities" as a refund liability.

### (Transactions in which a certain level of returns is expected)

For transactions in which a certain level of returns is expected, the Group previously reduced revenue and cost of sales based on historical experience of actual customer returns, but now recognizes revenue and cost of sales by excluding the amount equivalent to revenue and cost of sales of goods and products expected to be returned at the time of sale. The consideration for goods and products expected to be returned is included in "other" under "current liabilities" as a refund liability, and the asset recognized as the right to recover the goods and products from customers upon settling the refund liability is included in "other" under "current assets" as a return asset.

### (Consideration payable to customers)

The Group previously recognized consideration paid to customers, such as EDI commissions and center fees, as selling, general and administrative expenses, but now treats such consideration as a reduction in the transaction price.

### (Transactions involving materials supplied by customers for a fee)

For transactions in which products processed from materials supplied by customers for a fee are sold to those customers, the Group previously recognized revenue and cost of sales by including the amount equivalent to materials supplied for a fee, but now recognizes the amount excluding the amount equivalent to materials supplied for a fee as revenue and cost of sales.

### (Chargeable subcontracting)

For transactions involving chargeable subcontracting, the Group previously recognized the extinguishment of inventory for the goods supplied to its subcontractors for a fee. However, when the Group deems that it has an actual obligation to repurchase the supplied goods, it continues to recognize the inventory and includes the amount equivalent to the ending inventory of the supplied goods remaining with subcontractors in "other" under "current liabilities" as a liability related to chargeable subcontracting.

The Group uses the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment set forth in the proviso of paragraph 84 of the standard. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the first quarter of the fiscal year under review is added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year under review, and the new accounting policy has been applied starting with the said beginning balance of retained earnings. However, in accordance with the method set forth in paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized using the previous treatment prior to the beginning of the first quarter of the fiscal year under review. In addition, the Group has applied the method set forth in (1) of the second part of paragraph 86 of the Accounting Standard for Revenue Recognition to account for contract changes made prior to the beginning of the first quarter of the fiscal year under review based on the contract terms after reflecting all contract changes. The cumulative effect of such changes has been added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year under review.

As a result, net sales decreased by ¥252,883 thousand, cost of sales by ¥151,900 thousand, selling, general and administrative expenses by ¥81,260 thousand, and operating profit by ¥19,722 thousand, while ordinary profit and profit before income taxes increased by ¥24,598 thousand yen respectively in the first nine months of the fiscal year under review. The beginning balance of retained earnings decreased ¥27,800 thousand.

In accordance with the transitional treatment set forth in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on disaggregated revenue from contracts with customers for the first nine months of the previous fiscal year is not provided.

(Adoption of accounting standards for fair value measurement)

The Group has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. 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 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Group will apply the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. prospectively. This has no effect on the consolidated financial statements for the first nine months of the fiscal year under review.

(Additional Information)

(Impact of COVID-19 pandemic on accounting estimates)

The assumptions used in the accounting estimates for the impact of COVID-19 have not changed from those described in the additional information section of the financial results for the previous fiscal year.

(Segment Information, Etc.)

Segment information

I For the first nine months of the fiscal year ended November 30, 2021

1. Information on amounts of net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe & the U.S.	Total		
Net sales						
Net sales to external customers	21,967,622	5,963,395	3,871,913	31,802,932	-	31,802,932
Intersegment sales or transfers	1,271,885	1,712,240	29,159	3,013,285	(3,013,285)	-
Total	23,239,508	7,675,636	3,901,073	34,816,217	(3,013,285)	31,802,932
Segment profit	942,211	266,910	40,271	1,249,393	(145,270)	1,104,122

(Note) 1 The adjustment of ¥(145,270) thousand to segment profit includes corporate expenses of ¥(156,738) thousand not allocated to the reportable segments, and other in the amount of ¥11,467 thousand.

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

II For the first nine months of the fiscal year ending November 30, 2022

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

(Thousand 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 to segment profit includes corporate expenses of ¥(167,456) thousand not allocated to the reportable segments, and other in the amount of ¥(94,162) thousand.

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

## 2. Change of reportable segments

As described in "Changes in Accounting Policies," the Group has applied the Accounting Standard for Revenue Recognition, etc., from the beginning of the first quarter of the fiscal year under review and changed its accounting method for revenue recognition. Accordingly, the method of calculating profit or loss by geographic segment has also been changed.

As a result of this change, net sales and segment profit for Japan for the first nine months of the fiscal year under review are respectively ¥252,883 thousand and ¥19,722 thousand less than what they would be when calculated using the previous method.