

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



April 13, 2021

Company name: MORITO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9837

URL: http://www.morito.co.jp/hd_en/

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

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: No

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ended November 30, 2021 (December 1, 2020 to February 28, 2021)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---------------|-------------|-------|------------------|-------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| 1Q of FY 2021 | 10,629 | (4.9) | 473 | 40.6 | 485 | 58.6 | 288 | 70.8 |
| 1Q of FY 2020 | 11,171 | 0.2 | 336 | (9.2) | 306 | (11.8) | 169 | (19.7) |

(Note) Comprehensive income: 1Q of the Fiscal year ended November 30, 2021: ¥271 million [- %]

1Q of the Fiscal year ended November 30, 2020: ¥(100) million [- %]

| | Basic earnings per share | Diluted earnings per share |
|---------------|--------------------------|----------------------------|
| | Yen | Yen |
| 1Q of FY 2021 | 10.54 | - |
| 1Q of FY 2020 | 6.17 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| 1Q of FY 2021 | 43,919 | 32,154 | 73.1 |
| FY 2020 | 43,699 | 32,015 | 73.1 |

(Reference) Equity: As of February 28, 2021: ¥32,098 million

As of November 30, 2020: ¥31,958 million

2. Dividends

| | Annual dividends | | | | |
|---|------------------|-----------------|-----------------|----------|-----------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended November 30, 2020 | Yen - | Yen 13.25 | Yen - | Yen 4.75 | Yen 18.00 |
| November 30, 2021 | - | - | - | - | - |
| Fiscal year ending November 30, 2021 (Forecast) | - | 9.00 | - | 9.00 | 18.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2021 (December 1, 2020 to November 30, 2021)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|-----|------------------|------|-----------------|------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 43,000 | 5.6 | 1,300 | 51.8 | 1,300 | 40.1 | 700 | 48.9 | 25.57 |

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

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in 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: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - 1Q of the fiscal year ended November 30, 2021: 30,800,000 shares
 - November 30, 2020: 30,800,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - 1Q of the fiscal year ended November 30, 2021: 3,418,360 shares
 - November 30, 2020: 3,420,060 shares
 - 3) Average number of shares during the period:
 - 1Q of the fiscal year ended November 30, 2021: 27,380,790 shares
 - 1Q of the fiscal year ended November 30, 2020: 27,379,940 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 “1. Overview of Business Results, etc. (2) Forecast of Consolidated Business Results and other Forward-looking Information ” on page 3.

The Company and some of the Morito Group companies have introduced the “Japanese version of the employee stock ownership plan (J-ESOP)” and the “officer remuneration board incentive plan (BIP) trust.” Consequently, the shares of the Company held by Custody Bank of Japan, Ltd. (trust account E) and The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account), respectively, are included in treasury shares.

Table of Contents

| | |
|---|---|
| 1. Qualitative Information for the Period under Review | 2 |
| (1) Overview of Business Results for the Period under Review..... | 2 |
| (2) Forecast of Consolidated Business Results and other Forward-looking Information | 3 |
| 2. Quarterly Consolidated Financial Statements and Primary Notes | 4 |
| (1) Quarterly Consolidated Balance Sheets | 4 |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income | 6 |
| Quarterly Consolidated Statements of Income | 6 |
| Quarterly Consolidated Statements of Comprehensive Income | 7 |
| (3) Notes to the Quarterly Consolidated Financial Statements | 8 |
| (Notes on Going Concern Assumption) | 8 |
| (Notes on Significant Changes in the amount of Shareholders' Equity) | 8 |
| (Additional Information) | 8 |
| (Segment Information, etc.) | 9 |

1. Overview of Business Results, etc.

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

In the first quarter (from December 1, 2020 to February 28, 2021) of the fiscal year ended November 30, 2021, the business environment has remained unpredictable due to COVID-19 global pandemic, even though in some regions, such as the U.S. and China it tended to recover by success of economic measures.

Amid such circumstances, the Morito Group (the “Group”), which engages in the handling of apparel materials and consumer products, faced harsh business conditions due to adjusting inventories in department stores and mass retailers around the world caused by stagnation of demand by COVID-19. In spite of these conditions, the Group focused on the development and sales of value-added products that take safety, security, health and environmental-friendliness into consideration. Through these businesses, the Group committed to achieving the Sustainable Development Goals (SDGs) and strengthening our profitability.

As a result, for the fiscal year under review, net sales decreased by 4.9% year on year to ¥10,629 million. Operating profit increased by 40.6% to ¥473 million, ordinary profit increased by 58.6% to ¥485 million, and profit attributable to owners of parent increased by 70.8% to ¥288 million.

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

| | 1Q | |
|-----|--------|----------|
| USD | 104.51 | (108.76) |
| EUR | 124.58 | (120.32) |
| CNY | 15.81 | (15.44) |
| HKD | 13.48 | (13.90) |
| TWD | 3.67 | (3.57) |
| VND | 0.0045 | (0.0047) |
| THB | 3.42 | (3.59) |
| MXN | 5.08 | (5.65) |

(Note) The exchange rate of the same period in the previous fiscal year is stated in parentheses.

Business results by segment are as follows.

[Japan]

In the apparel division, sales of fitness clothes increased by demand for stay home, but sales of accessories for casual wear, working wear and thick-fabric menswear decreased.

In the consumer product division, sales of products for dollar stores, accessories for school bag and rental, sales and cleaning business of kitchen equipment increased, but sales of products related to snowboards and safety-related accessories for construction site decreased.

As a result, net sales decreased by 7.0% year on year to ¥7,347 million.

[Asia]

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

In the consumer product division, sales of products for video equipment in Thailand decreased, but sales of

automobile interior components to Japanese automobile manufacturers increased in China.

As a result, net sales increased by 2.8% year on year to ¥2,083 million.

[Europe and the U.S.]

In the apparel division, sales of accessories to apparel manufacturers in the U.S. increased, but sales of accessories to apparel manufacturers in Europe decreased.

In the consumer product division, sales of automobile interior components to Japanese automobile manufacturers in Europe and the U.S. decreased.

As a result, net sales decreased by 3.5% year on year to ¥1,198 million.

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

The consolidated financial forecast for the fiscal year ending November 30, 2021 remains unchanged from the figures announced in the “Consolidated Financial Results for the Fiscal Year Ended November 30, 2020” (January 14, 2021). The impact of COVID-19 is expected, and will be disclosed as soon as the impact on business performance becomes clear.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

| | FY 2020 (As of November 30, 2020) Thousands of yen | FY 2021 (As of February 28, 2021) Thousands of yen |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,125,070 | 10,401,341 |
| Notes and accounts receivable | 9,957,014 | 10,092,671 |
| Inventory | 4,721,852 | 4,855,379 |
| Other current assets | 733,414 | 586,947 |
| Allowance for doubtful accounts | (40,942) | (36,182) |
| Total current assets | 25,496,410 | 25,900,156 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Land | 4,076,183 | 4,074,924 |
| Other tangible fixed assets | 5,489,802 | 5,343,120 |
| Total tangible fixed assets | 9,565,985 | 9,418,044 |
| Intangible fixed assets | | |
| Goodwill | 2,561,362 | 2,460,828 |
| Other Intangible fixed assets | 1,089,779 | 1,052,122 |
| Total intangible fixed assets | 3,651,142 | 3,512,950 |
| Investments and other fixed assets | | |
| Investment securities | 3,940,908 | 4,072,491 |
| Net defined benefit asset | 221,671 | 221,399 |
| Other fixed assets | 889,879 | 861,869 |
| Allowance for doubtful account | (67,945) | (67,929) |
| Total investments and other fixed assets | 4,984,514 | 5,087,831 |
| Total fixed assets | 18,201,643 | 18,018,826 |
| Deferred assets | 1,400 | 350 |
| Total assets | 43,699,454 | 43,919,333 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 4,255,918 | 4,641,805 |
| Short-term loans payable | 50,000 | 50,000 |
| Current portion of bonds | 200,000 | 200,000 |
| Current portion of long-term debt | 530,000 | 553,334 |
| Accrued tax payable | 98,125 | 170,280 |
| Reserve for bonuses | 184,683 | 166,124 |
| Reserve for director's bonuses | 50,841 | 21,762 |
| Other current liabilities | 1,557,809 | 1,347,208 |
| Total current liabilities | 6,927,378 | 7,150,515 |
| Fixed liabilities | | |
| Long-term debt | 2,097,922 | 1,965,422 |
| Provision for retirement benefit by stock | 37,453 | 36,110 |
| Provision for director's retirement benefit | 62,099 | 64,058 |
| Provision for director's retirement benefit by stock | 75,432 | 76,021 |
| Provision for environmental measures | 18,974 | 18,563 |
| Net defined benefit liability | 918,297 | 913,493 |
| Other fixed liabilities | 1,546,555 | 1,540,410 |
| Total fixed liabilities | 4,756,735 | 4,614,079 |
| Total liabilities | 11,684,114 | 11,764,595 |

(Thousand yen)

| | FY 2020 (As of November 30, 2020) Thousands of yen | FY 2021 (As of February 28, 2021) Thousands of yen |
|---|--|--|
| Net Assets | | |
| Shareholders' equity | | |
| Capital | 3,532,492 | 3,532,492 |
| Capital surplus | 3,507,603 | 3,507,603 |
| Retained earnings | 25,703,378 | 25,859,364 |
| Treasury stock | (2,227,056) | (2,226,392) |
| Total shareholders' equity | <u>30,516,416</u> | <u>30,673,067</u> |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 945,536 | 1,034,229 |
| Deferred gains or losses on hedges | 118 | 10 |
| Difference in revaluation of land | 451,115 | 451,115 |
| Foreign currency translation adjustment | 112,743 | 1,084 |
| Remeasurement of defined benefit plans | (67,659) | (61,417) |
| Total other comprehensive income | <u>1,441,855</u> | <u>1,425,022</u> |
| Subscription rights to shares | 57,067 | 56,647 |
| Minority interests | — | — |
| Total net assets | <u>32,015,339</u> | <u>32,154,737</u> |
| Total liabilities and net assets | <u>43,699,454</u> | <u>43,919,333</u> |

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

(Thousand yen)

| | FY 2020 (December 1, 2019 through February 29, 2020) Thousands of yen | FY 2021 (December 1, 2020 through February 28, 2021) Thousands of yen |
|--|--|--|
| Net sales | 11,171,357 | 10,629,541 |
| Cost of sales | 8,236,318 | 7,834,483 |
| Gross profit | 2,935,039 | 2,795,057 |
| Total selling, general and administrative expense | 2,598,468 | 2,321,769 |
| Operating Income | 336,571 | 473,288 |
| Non-operating income | | |
| Interest received | 4,822 | 2,766 |
| Dividends received | 10,672 | 9,300 |
| Rent on real estate | 16,520 | 16,087 |
| Equity in earnings of affiliates | 11,556 | 4,158 |
| Employment adjustment subsidy | — | 24,955 |
| Other non-operating income | 4,036 | 8,424 |
| Total non-operating income | 47,609 | 65,692 |
| Non-operating expenses | | |
| Interest paid | 3,688 | 2,601 |
| Cash discount on sales | 19,743 | 14,840 |
| Foreign Exchange Loss | 27,064 | 12,360 |
| Others non-operating expense | 27,472 | 23,427 |
| Total non-operating expense | 77,969 | 53,230 |
| Ordinary Income | 306,211 | 485,750 |
| Extra ordinary income | | |
| Gains on sales of fixed assets | 408 | — |
| Gain on reversal of subscription rights to shares | 105 | 420 |
| Total extra ordinary income | 513 | 420 |
| Extra ordinary loss | | |
| Loss on sales of fixed assets | — | 29 |
| Loss on disposal of fixed assets | 1,994 | 171 |
| Loss on sales of golf club memberships | 1,080 | — |
| Loss on valuation of golf club membership | 5,374 | — |
| Total extra ordinary loss | 8,448 | 200 |
| Net income before taxes and other adjustment | 298,276 | 485,969 |
| Corporate, inhabitant and business taxes | 154,369 | 189,894 |
| Adjustments to corporate and other taxes | (25,132) | 7,412 |
| Total income taxes | 129,236 | 197,306 |
| Net income | 169,039 | 288,663 |
| Profit(Loss) attributable to non-controlling interests | — | — |
| Profit(Loss) attributable to owners of parent | 169,039 | 288,663 |

Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

| | FY 2020 (December 1, 2019 through February 29, 2020) Thousands of yen | FY 2021 (December 1, 2020 through February 28, 2021) Thousands of yen |
|---|--|--|
| Net Income | 169,039 | 288,663 |
| Other comprehensive income | | |
| Unrealized gain(loss) on available-for-sale securities | (475,027) | 88,693 |
| Deferred gains or losses on hedges | (1,338) | (110) |
| Foreign currency translation adjustment | 204,096 | (111,659) |
| Adjustments to retirement benefit | 2,372 | 6,241 |
| Share of other comprehensive income of associates accounted for using equity method | 1 | 2 |
| Total other comprehensive income | (269,894) | (16,832) |
| Comprehensive income | (100,854) | 271,830 |
| (Breakdown) | | |
| Comprehensive income attribute to the parent | (100,854) | 271,830 |
| Comprehensive income attribute to the minority shareholders | — | — |

(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.

(Additional Information)

(Impact of COVID-19 pandemic on accounting estimates)

In the first quarter (from December 1, 2020 to February 28, 2021) of the fiscal year ended November 30th, 2021 (From December 1, 2020 to November 30, 2021), the business environment has remained unpredictable due to COVID-19 global pandemic, even though in some regions, such as the U.S. and China it tended to recover by success of economic measures.

Amid such circumstances, the assumptions used in the accounting estimates for the COVID-19 in Japan, Asia, Europe and the U.S. have not changed from the additional information in the financial statements for the previous fiscal year.

(Segment Information, etc.)

[Segment information]

I. For the First Quarter of the fiscal year ended November 30, 2020
Information on amounts of net sales, profit (loss) by reportable segment

(Thousand yen)

| | Reportable Segment | | | | Adjustment (Notes 1) | Amount recorded in Consolidated Financial Statements (Note 2) |
|----------------------------------|--------------------|-----------|------------------------|------------|-------------------------|--|
| | Japan | Asia | Europe and the U.S. | Total | | |
| Net sales | | | | | | |
| Net sales to external customers | 7,902,692 | 2,026,554 | 1,242,110 | 11,171,357 | — | 11,171,357 |
| Inter-segment sales or transfers | 362,167 | 682,398 | 12,921 | 1,057,487 | (1,057,487) | — |
| Total | 8,264,860 | 2,708,953 | 1,255,031 | 12,228,845 | (1,057,487) | 11,171,357 |
| Segment profit | 348,605 | 114,823 | (55,010) | 408,417 | (71,846) | 336,571 |

- (Notes) 1. The adjustment of ¥(71,846) thousand to segment profit includes corporate expenses of ¥(50,788) thousand not allocated to the reportable segments, and other in the amount of ¥(21,057) thousand.
2. The amount of segment profit has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.

II. For the First Quarter of the fiscal year ended November 30, 2021
Information on amounts of net sales, profit (loss) by reportable segment

(Thousand yen)

| | Reportable Segment | | | | Adjustment (Notes 1) | Amount recorded in Consolidated Financial Statements (Note 2) |
|----------------------------------|--------------------|-----------|------------------------|------------|-------------------------|--|
| | Japan | Asia | Europe and the U.S. | Total | | |
| Net sales | | | | | | |
| Net sales to external customers | 7,347,816 | 2,083,234 | 1,198,490 | 10,629,541 | — | 10,629,541 |
| Inter-segment sales or transfers | 403,514 | 530,745 | 9,263 | 943,522 | (943,522) | — |
| Total | 7,751,330 | 2,613,979 | 1,207,754 | 11,573,064 | (943,522) | 10,629,541 |
| Segment profit | 384,893 | 57,180 | 22,892 | 464,965 | 8,322 | 473,288 |

- (Notes) 1. The adjustment of ¥8,322 thousand to segment profit includes corporate expenses of ¥(49,034) thousand not allocated to the reportable segments, and other in the amount of ¥57,356 thousand.
2. The amount of segment profit has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.