

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending November 30, 2022 [Japanese GAAP]

July 14, 2022

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Scheduled date of filing quarterly securities report: July 15, 2022 Scheduled date of commencing dividend payments: August 9, 2022

Availability of supplementary briefing material on quarterly financial results : Available

Schedule of quarterly financial results briefing session : Yes (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending November 30, 2022 (December 1, 2021 to May 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	%
2Q of FY2022	23,207	9.3	1,117	44.1	1,219	37.8	879	64.9
2Q of FY2021	21,225	0.1	775	87.9	885	120.4	533	245.6

(Note) Comprehensive income: 2Q of FY2022 ¥1,577million [12.7%] 2Q of FY2021 ¥1,399million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
2Q of FY2022	32.51	-
2Q of FY2021	19.49	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
2Q of FY2022	46,764	34,652	74.0
FY2021	45,938	33,914	73.7

(Reference) Equity: 2Q of FY2022 ¥34,596Million yen FY2021 ¥33,858Million yen

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 : Yes

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 : Yes

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in the scope of consolidation) : No
- (2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements : No
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards : Yes
 - 2) Changes in accounting policies other than 1) above : No
 - 3) Changes in accounting estimates : No
 - 4) Retrospective restatement : No
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):
May 31, 2022: 30,800,000 shares
FY2021 30,800,000 shares
 - 2) Total number of treasury shares at the end of the period:
May 31, 2022: 3,974,500 shares
FY2021 3,510,000 shares
 - 3) Average number of shares during the period:
May 31, 2022: 27,064,114 shares
2Q of the fiscal year ended November 30, 2021: 27,381,454 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

The operating environment during the first six months of the fiscal year ending November 30, 2022 (December 1, 2021 to May 31, 2022) saw signs of recovery in economic activity in Japan following Europe and the United States. However, a combination of various risks, such as the lockdown in Shanghai, China, due to the spread of COVID-19, soaring raw material costs associated with rising crude oil prices triggered by the situation in Ukraine and other factors, as well as currency fluctuations, has made the outlook for the future more uncertain than ever.

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 business related to medical wear and working wear, which are unaffected by trends, remained firm. The Group focused on winning new business contracts as well as the development and sales of high-value-added products, such as accessories and products with superior functionality, including yoga, fishing, and other sporting goods, medical device-related products, as well as environmentally friendly accessories and products, which are being promoted across the Group. The Group also made ongoing efforts to cut transportation and other costs, and this substantially improved its profitability.

As a result, for the first six months of the fiscal year under review, net sales increased 9.3% year on year to ¥23,207 million. Operating profit was up 44.1% to ¥1,117 million, ordinary profit grew 37.8% to ¥1,219 million, and profit attributable to owners of the parent increased 64.9% to ¥879 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 ¥260 million in net sales, ¥34 million in operating profit, and ¥10 million in ordinary profit and profit attributable to owners of the parent respectively for the first six 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 six months of the fiscal year under review are as follows.

	1Q		2Q	
USD	113.71	(104.51)	116.34	(106.09)
EUR	130.04	(124.58)	130.40	(127.80)
CNY	17.78	(15.81)	18.31	(16.38)
HKD	14.60	(13.48)	14.90	(13.68)
TWD	4.09	(3.67)	4.16	(3.78)
VND	0.0050	(0.0045)	0.0051	(0.0046)
THB	3.41	(3.42)	3.52	(3.50)
MXN	5.48	(5.08)	5.67	(5.21)

(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 products related to snowboarding and surfing.

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

As a result, net sales grew 10.0% year on year to total ¥16,108 million, and segment profit grew 29.0% year on year to reach ¥864 million.

Due to the adoption of the Accounting Standard for Revenue Recognition, etc., net sales and segment profit fell ¥260 million and ¥34 million respectively.

Asia

In China and Hong Kong apparel operations, sales of working wear accessories for the European and U.S. markets 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 grew 0.5% year on year to total ¥4,097 million, and segment profit jumped 112.5% year on year to reach ¥314 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 grew 19.7% year on year to total ¥3,000 million, and segment profit was up 72.2% year on year to reach ¥85 million.

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

In the consolidated financial forecast for the fiscal year ending November 30, 2022, figures are expected to be higher than initially announced.

For more information, see "Notice Concerning Revision of Consolidated Financial Forecast for the Fiscal Year Ending November 30, 2022 and Revision of Year-end Dividend Forecast (Dividend Increase)" announced today (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 May 31, 2022
Assets		
Current assets		
Cash and deposits	11,103,207	10,093,903
Notes and accounts receivable - trade	10,649,689	10,960,903
Inventory	4,540,605	5,713,684
Other	707,446	899,526
Allowance for doubtful accounts	(43,235)	(48,375)
Total current assets	26,957,713	27,619,641
Non-current assets		
Property, plant and equipment		
Land	4,594,174	4,534,989
Other, net	5,282,796	5,511,809
Total property, plant and equipment	9,876,970	10,046,799
Intangible assets		
Goodwill	2,432,266	2,484,182
Other	1,037,483	1,109,092
Total intangible assets	3,469,750	3,593,275
Investments and other assets		
Investment securities	4,485,900	4,249,734
Retirement benefit asset	241,832	239,660
Other	1,014,733	1,151,205
Allowance for doubtful accounts	(108,676)	(136,228)
Total investments and other assets	5,633,790	5,504,371
Total non-current assets	18,980,511	19,144,446
Total assets	45,938,224	46,764,088
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,453,854	4,614,012
Short-term borrowings	50,000	50,000
Current portion of long-term borrowings	394,620	280,008
Income taxes payable	483,951	634,804
Provision for bonuses	286,425	282,640
Provision for bonuses for directors (and other officers)	86,065	63,792
Other	1,752,857	1,910,106
Total current liabilities	7,507,774	7,835,366
Non-current liabilities		
Long-term borrowings	1,703,302	1,563,298
Provision for share awards	32,274	39,022
Provision for retirement benefits for directors (and other officers)	32,158	36,408
Provision for share awards for directors (and other officers)	91,650	92,369
Provision for environmental measures	20,075	21,951
Retirement benefit liability	911,731	881,890
Other	1,724,387	1,641,645
Total non-current liabilities	4,515,579	4,276,585
Total liabilities	12,023,354	12,111,951

(Thousand yen)

	As of November 30, 2021	As of May 31, 2022
Net assets		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	3,507,603	3,507,603
Retained earnings	26,726,521	27,114,320
Treasury shares	(2,289,615)	(2,628,578)
Total shareholders' equity	31,477,001	31,525,837
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,321,667	1,128,481
Deferred gains or losses on hedges	4,612	(5,204)
Revaluation reserve for land	451,115	442,187
Foreign currency translation adjustment	641,116	1,535,189
Remeasurements of defined benefit plans	(36,922)	(30,110)
Total accumulated other comprehensive income	2,381,589	3,070,543
Share acquisition rights	56,280	55,755
Non-controlling interests	-	-
Total net assets	33,914,870	34,652,136
Total liabilities and net assets	45,938,224	46,764,088

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

The first six-month period

(Thousand yen)

	December 1, 2020 – May 31, 2021	December 1, 2021 – May 31, 2022
Net sales	21,225,009	23,207,081
Cost of sales	15,733,368	17,093,342
Gross profit	5,491,641	6,113,739
Selling, general and administrative expenses	4,715,777	4,995,766
Operating profit	775,864	1,117,973
Non-operating profit		
Interest income	4,861	5,158
Dividend income	36,832	30,569
Rental income from real estate	32,849	38,524
Share of profit of entities accounted for using equity method	22,665	47,418
Subsidies for employment adjustment	57,914	3,413
Subsidy income	12,350	18,082
Other	16,776	12,192
Total non-operating profit	184,251	155,361
Non-operating expenses		
Interest expenses	5,419	5,649
Sales discounts	29,103	-
Foreign exchange losses	1,052	594
Other	39,328	47,213
Total non-operating expenses	74,904	53,458
Ordinary profit	885,211	1,219,876
Extraordinary income		
Gain on sale of non-current assets	-	123,161
Gain on sales of investment securities	52	-
Gain on reversal of share acquisition rights	420	525
Insurance claim income	-	70,016
Total extraordinary income	472	193,703
Extraordinary losses		
Loss on sale of non-current assets	29	569
Loss on retirement of non-current assets	279	648
Restructuring loss	17,063	-
Complaint settlement	-	48,648
Total extraordinary losses	17,371	49,866
Profit before income taxes	868,311	1,363,712
Income taxes - current	414,187	590,479
Income taxes - deferred	(79,561)	(106,710)
Total income taxes	334,626	483,768
Profit	533,685	879,944
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	533,685	879,944

Quarterly Consolidated Statements of Comprehensive Income

The first six-month period

(Thousand yen)

	December 1, 2020 – May 31, 2021	December 1, 2021 – May 31, 2022
Profit	533,685	879,944
Other comprehensive income		
Valuation difference on available-for-sale securities	412,767	(193,185)
Deferred gains or losses on hedges	(38)	(9,819)
Foreign currency translation adjustment	440,841	894,073
Remeasurements of defined benefit plans, net of tax	12,483	6,812
Share of other comprehensive income of entities accounted for using equity method	1	1
Total other comprehensive income	866,053	697,882
Comprehensive income	1,399,739	1,577,826
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,399,739	1,577,826
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	December 1, 2020 – May 31, 2021	December 1, 2021 – May 31, 2022
Cash flows from operating activities		
Profit before income taxes	868,311	1,363,712
Depreciation	464,810	503,354
Amortization of goodwill	117,167	123,620
Increase (decrease) in provision for bonuses	(27,705)	(10,650)
Decrease (increase) in retirement benefit asset	7,175	22,688
Increase (decrease) in retirement benefit liability	16,968	(4,554)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3,800	4,250
Increase (decrease) in provision for share-based remuneration	(2,518)	6,747
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	5,797	719
Increase (decrease) in allowance for doubtful accounts	(2,059)	24,610
Interest and dividend income	(41,693)	(35,728)
Interest expenses	5,419	5,649
Subsidies for employment adjustment	(57,914)	(3,413)
Subsidy income	(12,350)	(18,082)
Share of loss (profit) of entities accounted for using equity method	(22,665)	(47,418)
Gain on reversal of share acquisition rights	(420)	(525)
Loss (gain) on sales of non-current assets	29	(122,591)
Loss (gain) on sales of investment securities	(52)	-
Loss on retirement of non-current assets	279	648
Decrease (increase) in trade receivables	(42,864)	(32,248)
Decrease (increase) in inventories	310,584	(939,221)
Increase (decrease) in trade payables	(157,823)	(42,783)
Other	42,724	(257,214)
Subtotal	1,475,000	541,569
Interest and dividends received	41,676	35,728
Interest paid	(5,530)	(5,689)
Subsidies for employment adjustment received	38,900	17,708
Subsidies received	12,350	18,082
Income taxes paid	(73,026)	(445,699)
Net cash provided by (used in) operating activities	1,489,370	161,699
Cash flows from investing activities		
Payments into time deposits	-	(82,325)
Proceeds from withdrawal of time deposits	4,798	87,123
Purchase of investment securities	(19,456)	(11,321)
Proceeds from sales of investment securities	1,402	-
Purchase of property, plant and equipment	(680,577)	(352,858)
Proceeds from sales of property, plant and equipment	449	211,863
Purchase of intangible assets	(48,108)	(55,454)
Proceeds from collection of loans receivable	3,600	3,000
Other	(991)	(4,035)
Cash flows from investing activities	(738,885)	(204,009)

(Thousand yen)

	December 1, 2020 – May 31, 2021	December 1, 2021 – May 31, 2022
Cash flows from financing activities		
Repayments of lease obligations	(98,951)	(110,744)
Repayments of long-term borrowings	(265,000)	(254,616)
Redemption of bonds	(200,000)	-
Purchase of treasury shares	-	(349,117)
Dividends paid	(132,676)	(473,272)
Net cash provided by (used in) financing activities	(696,627)	(1,187,750)
Effect of exchange rate change on cash and cash equivalents	108,574	215,028
Net increase (decrease) in cash and cash equivalents	162,432	(1,015,031)
Cash and cash equivalents at beginning of period	10,052,070	11,020,111
Cash and cash equivalents at end of period	10,214,503	10,005,079

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Adoption of 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 ¥260,081 thousand, cost of sales by ¥169,270 thousand, selling, general and administrative expenses by ¥56,007 thousand, operating profit by ¥34,804 thousand, and ordinary profit and profit before income taxes by ¥10,019 thousand yen respectively in the first six 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 six 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 six 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 second quarter 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	14,638,044	4,079,188	2,507,776	21,225,009	-	21,225,009
Intersegment sales or transfers	860,556	1,078,157	25,468	1,964,182	(1,964,182)	-
Total	15,498,601	5,157,345	2,533,244	23,189,192	(1,964,182)	21,225,009
Segment profit	670,258	147,977	49,616	867,853	(91,988)	775,864

(Note) 1 The adjustment of ¥(91,988) thousand to segment profit includes corporate expenses of ¥(99,599) thousand not allocated to the reportable segments, and other in the amount of ¥7,610 thousand.

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

II For the second quarter 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	5,434,191	2,665,632	2,468,123	10,567,947	-	10,567,947
Product	8,603,897	352,043	25,692	8,981,633	-	8,981,633
Transportation	2,070,761	1,079,910	506,829	3,657,501	-	3,657,501
Revenue from contracts with customers	16,108,850	4,097,585	3,000,645	23,207,081	-	23,207,081
Net sales to external customers	16,108,850	4,097,585	3,000,645	23,207,081	-	23,207,081
Intersegment sales or transfers	919,484	1,490,219	38,323	2,448,027	(2,448,027)	-
Total	17,028,335	5,587,805	3,038,968	25,655,109	(2,448,027)	23,207,081
Segment profit	864,814	314,388	85,439	1,264,642	(146,669)	1,117,973

(Note) 1 The adjustment of ¥(146,669) thousand to segment profit includes corporate expenses of ¥(101,425) thousand not allocated to the reportable segments, and other in the amount of ¥(45,244) 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 six months of the fiscal year under review are respectively ¥260,081 thousand and ¥34,804 thousand less than what they would be when calculated using the previous method.