

**MORITO CO., LTD.**

**Presentation Materials for the Nine  
Months of the Fiscal Year Ending  
November 30, 2023, Financial Results**

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Prime Market of TSE: 9837

October 2023

Where innovation is the norm

**MORITO**

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# Company Profile

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# Morito Group Values

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## Founding Principles

**Active and Steadfast**

## Corporate Principle

**DESIGN YOUR BRIGHT FUTURE WITH OUR VARIOUS PARTS.**

## Corporate Vision

**Create Morito's existence value,  
Realize "New Morito Group"**

# Company Profile

## ● Founded in 1908

- Began operating in Osaka as a broker of eyelets and snap fasteners
- Later expanded operations mainly for sales of MAGIC TAPE® and other clothing accessories, automotive interior components, etc.

## ● Trading company with manufacturing functions

- A specialized trading company that handles everything from planning and development to manufacturing, wholesale, and distribution
- Operating 19 locations around the world

## ● Operating three businesses

- Apparel, product, and transportation businesses form the core of our operations
- Ratio of in-house production and procurement is 3:7



Eyelets

Snap fasteners



MAGIC TAPE®

\*Eyelet: A metal ring attached to a hole in shoes, clothing, etc. through which a lace or cord is threaded



# Operations by Business

## Apparel Business

<Examples of products handled>



Snap fasteners    MAGIC TAPE®    Buttons



Tape    Eyelets and shoelaces    In-house brands

<Applications>  
 Casual wear/shoes  
 Sportswear/shoes  
 Workwear/shoes  
 Medical wear, baby wear  
 Formal wear/shoes, bags

## Product Business

<Examples of products handled>



MAGIC TAPE®    Resin parts    Insoles



Straps    Skateboards, snowboards, and surfboards    In-house brands

<Applications>  
 Insoles and shoe care products  
 Video equipment-related products such as camera and PC cases, braces and supports, safety products, teaching tools and stationery, skateboards, surfboards, etc.  
 Active sports products

## Transportation Business

<Examples of products handled>



Snap fasteners    MAGIC TAPE®    Nets



Emblems    Trunk floor lining    Door armrests

<Applications>  
 Automotive interior components  
 Railway and Shinkansen interior components  
 Aircraft interior components

(FY2022)

# Morito's Strengths

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- **Lines of business for daily necessities, which are unaffected by trends**

Since we deal in parts for things that are vital to people's daily lives, many of our businesses are essentially immune to trends or economic downturns and can continue to operate as usual.

- **Stable performance with a diversified portfolio**

Operating worldwide with three core businesses focused on apparel, products, and transportation, we have maintained a stable financial performance without falling into the red despite the impact of the oil crises (in the 1970s), the 2008 financial crisis, and the COVID-19 pandemic.

- **Enjoying high market share for various products targeting niche areas**

Many products dominate the market in their respective industry.

We have the top market share for metal snap fasteners in Japan, and the highest or second-highest in the world.

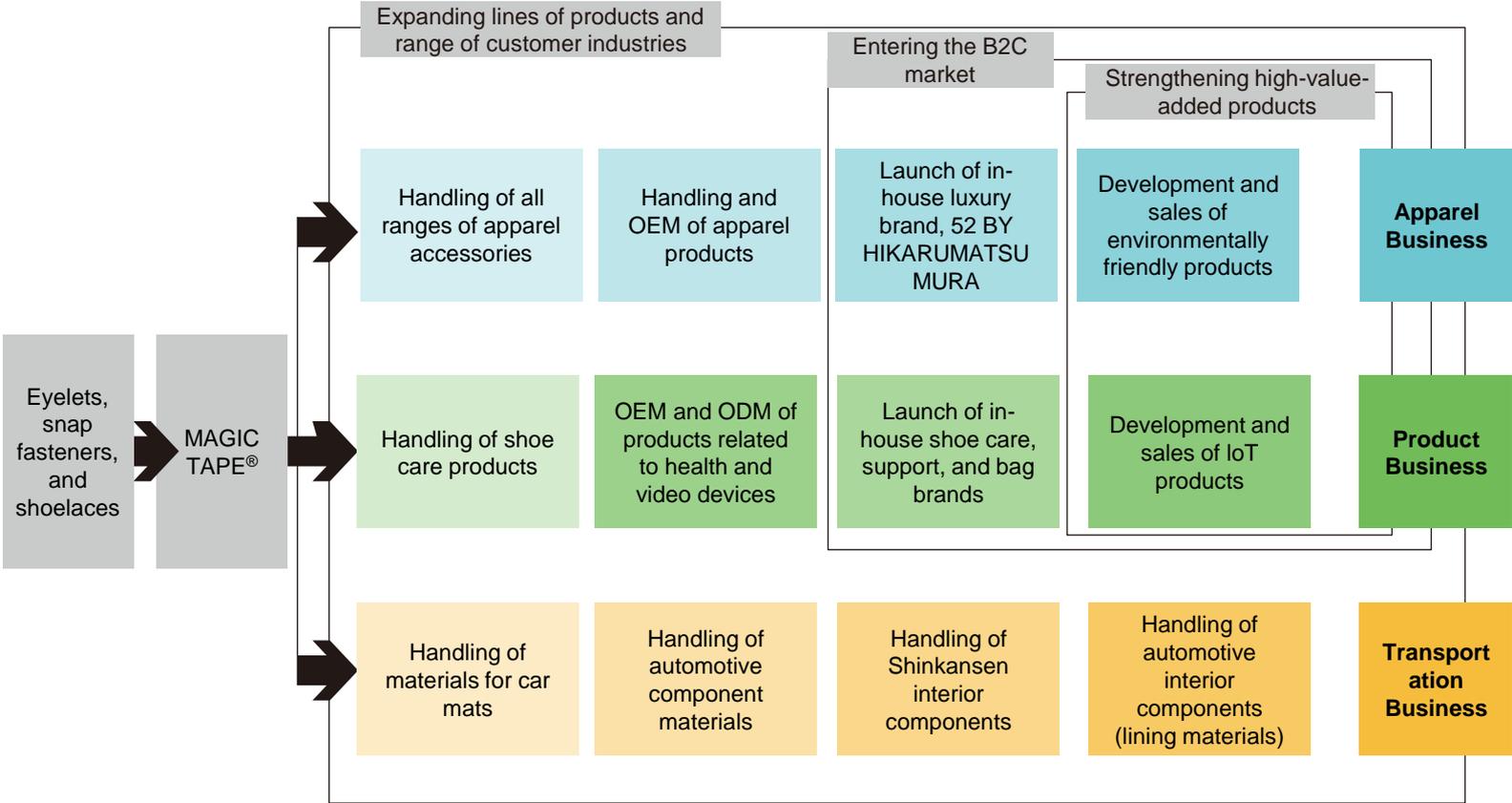
- **Global manufacturing, procurement, and sales capabilities**

In addition to our own locations, we have partner plants and distributors all over the world, giving us close proximity to our customers and the ability to respond to their every need.

# 2

## Medium- and Long-term Policy

# Past Efforts to Become a “Global Niche Top Company”



# Past Efforts to Become a “Global Niche Top Company”

## Building global network

Sales and procurement

Hong Kong, USA, Netherlands, China (Shanghai), Thailand, Myanmar, Mexico

Manufacturing

China (Shenzhen), USA (Georgia), Vietnam (Da Nang)

M&A

Scovill (USA), Matex (Japan), Maneuverline (Japan)

## Enhancing profitability

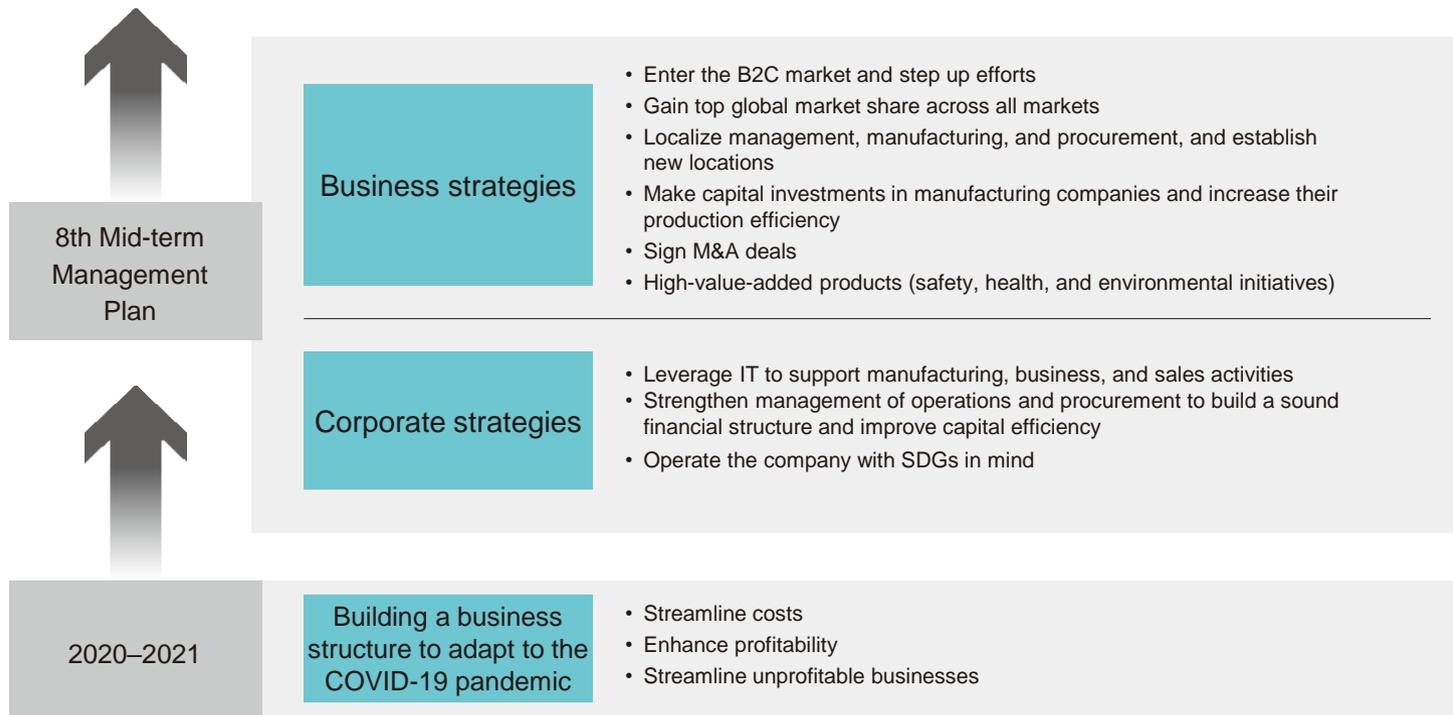
- Establishing a global quality assurance system
- Establishing an in-house logistics center
- Transitioning to a holding company structure
- Splitting operating company, Morito Japan

## Strengthening management system

- Diversity and work style reform
- Personnel strategies, including hiring mid-career workers

# Medium- and Long-term Policy      Morito's Vision

**Become a global niche top company that keeps making a big difference in the world with small parts**



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# 8th Mid-term Management Plan

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# 8th Mid-term Management Plan (Running through FY2026)

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Made partial changes to the 8th Mid-term Management Plan in January 2023

## Key Changes

- 1. Formulated a sustainability policy** ▶ [https://www.morito.co.jp/sustainability\\_en/](https://www.morito.co.jp/sustainability_en/)
- 2. Revised capital policy**

Build a stable and well-balanced financial capital structure in order to procure and manage funds necessary for corporate activities in a stable and efficient manner over the long run

## Strategies

- (1) Improve medium- to long-term capital efficiency (ROE) -> Adopt efficient management practices
- (2) Add stability to the performance-based capital return to shareholders -> Distribute profits appropriately
- (3) Improve asset efficiency -> Streamline balance sheet, create cash flows, and actively invest funds
- (4) Optimize capital structure -> Utilize financial leverage

# 8th Mid-term Management Plan (Running through FY2026)

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Made partial changes to the 8th Mid-term Management Plan in January 2023

## Key Changes

### 3. Change in shareholder return policy

Determine based on the Basic Dividend Policy below, taking into consideration investment projects and financial conditions (beginning in FY2023)

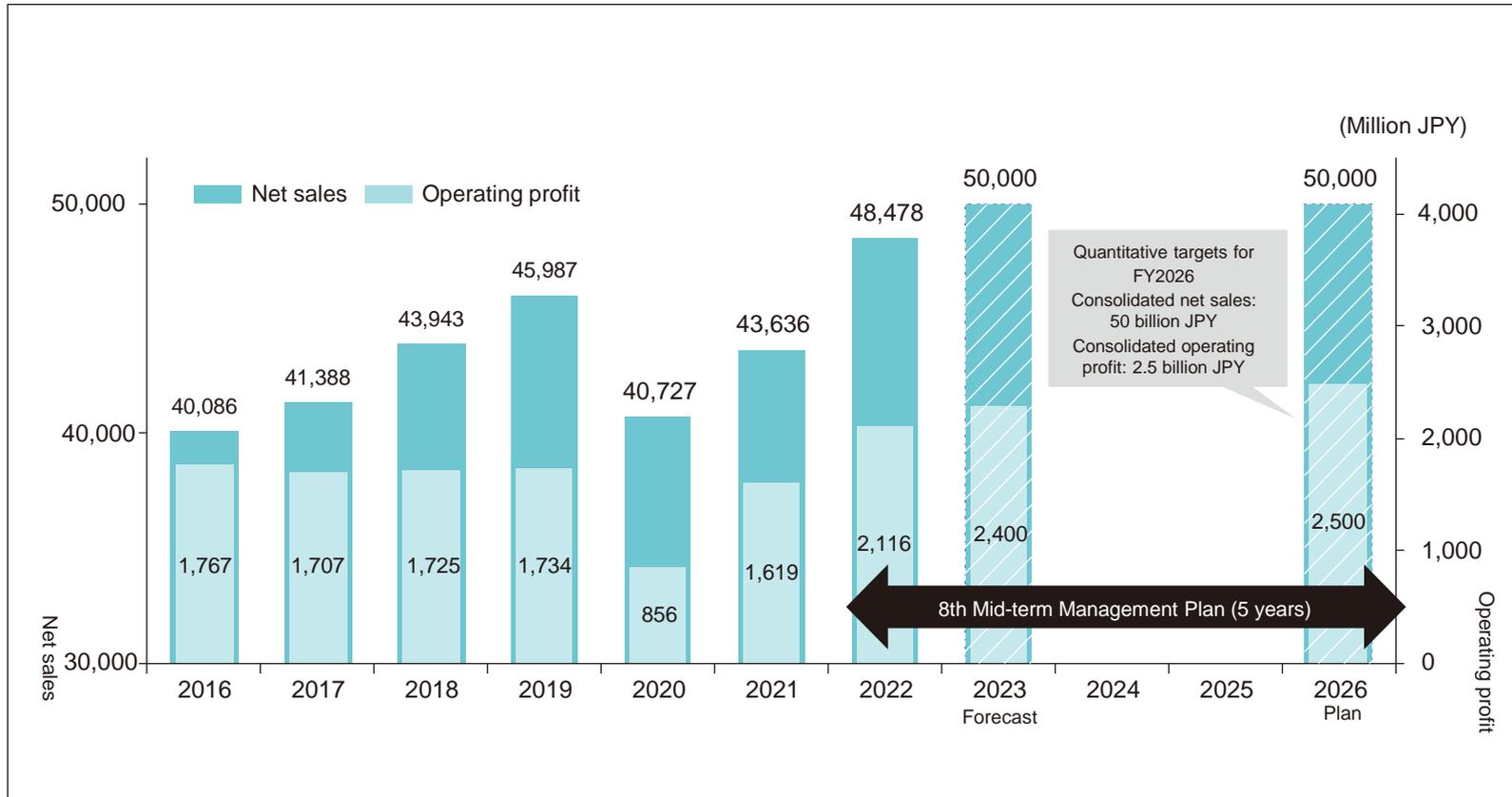
- **Realize stable and continuous dividend payments**
- **Dividend payout ratio of 50% or more on a consolidated basis in relation to profit attributable to owners of parent**
- **Dividend on equity (DOE) ratio target of 4.0% on a consolidated basis**

However, in a fiscal year with a significant fluctuation in after-tax profit attributable to owners of parent due to special factors such as extraordinary income or losses, the dividend amount will be determined in light of the corresponding impact.

# 8th Mid-term Management Plan Qualitative Targets (up to FY2026)

Set FY2022–FY2026 quantitative targets for net sales and operating profit at 50,000 million JPY and 2,500 million JPY respectively

\*If both net sales and operating profit reach the target figures early, revise them.



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## **FY2023.11 3Q Financial Results**

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## FY2023 3Q Highlights

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- Demand in Japan remained firm despite sluggish demand due to a slowdown in consumption in Europe, the U.S., and China, which mostly affected the apparel business.
- Sales of accessories and products with superior functionality were strong.
- Awareness about boosting profit margins has continued to increase since the company split.
- Net sales, operating profit, and ordinary profit for the first nine months hit all-time record highs since we began reporting quarterly results.

# FY2023 3Q

# Summary of Financial Results

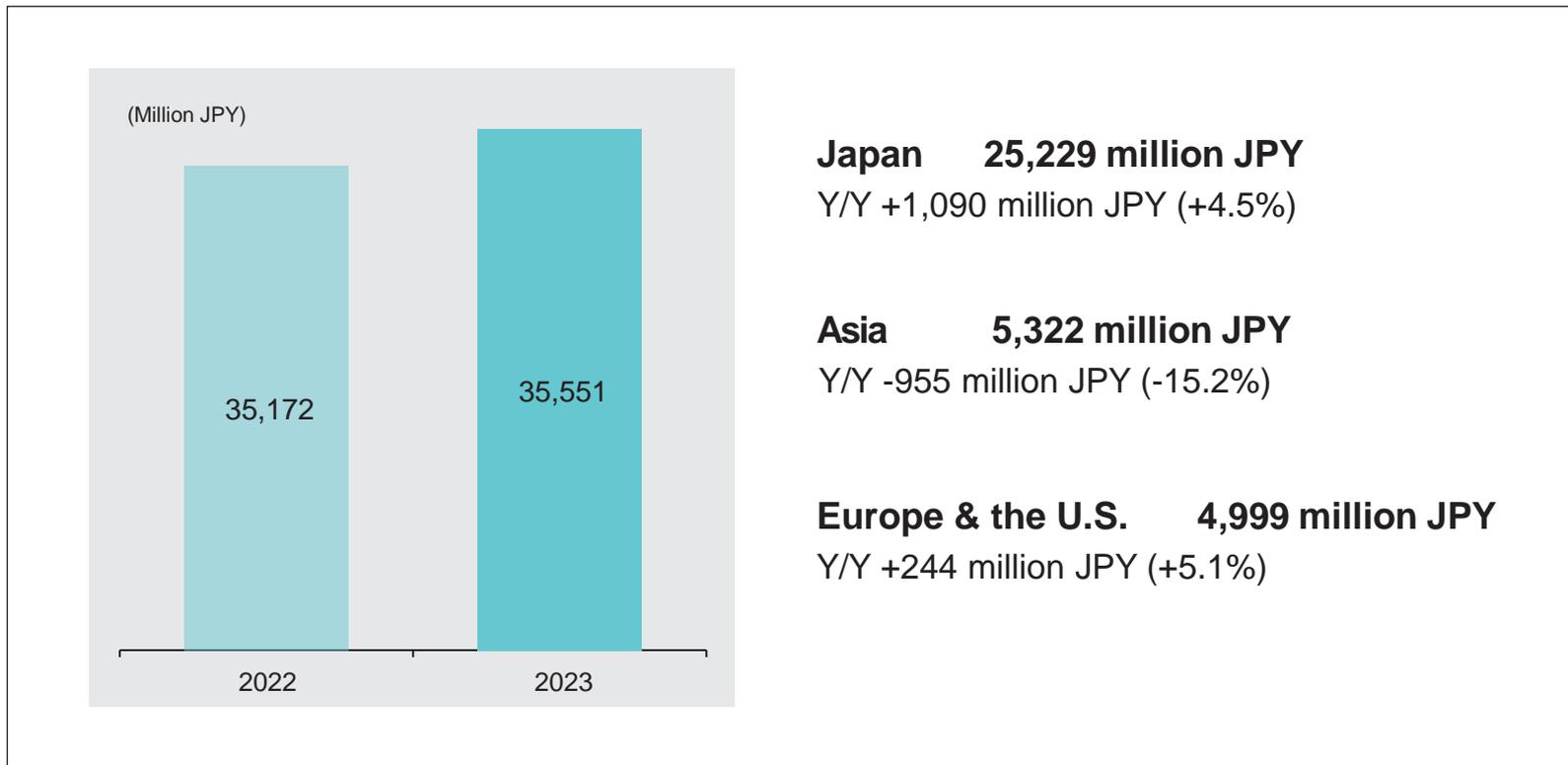
(Million JPY)

	FY2022	FY2023	Increase/Decrease	Y/Y
Net sales	35,172	35,551	+379	+1.1%
Gross profit	9,135	9,607	+472	+5.2%
Gross profit ratio	26.0%	27.0%		
Cost	7,549	7,856	+307	+4.1%
Cost ratio	21.5%	22.1%		
Operating profit	1,586	1,750	+164	+10.3%
Operating profit ratio	4.5%	4.9%		
Ordinary profit	1,747	1,993	+246	+14.0%
Ordinary profit ratio	5.0%	5.6%		
Net income	1,242	1,729	+487	+39.2%
Net income ratio	3.5%	4.9%		

# FY2023 3Q Net Sales

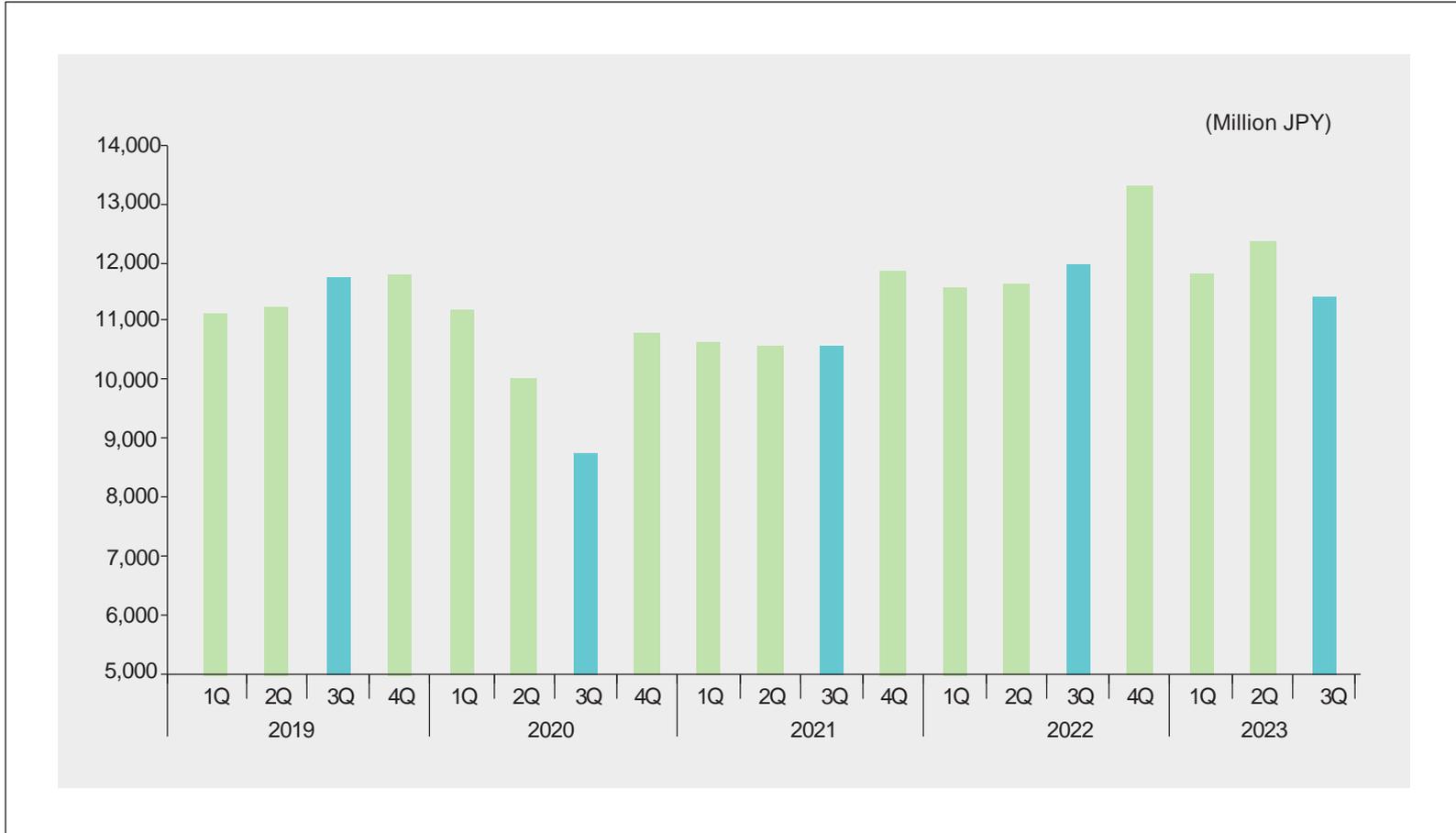
Net sales: 35,551 million JPY Y/Y: +379 million JPY (+1.1%)

Despite the impact of sluggish demand in Europe, the U.S., and China as well as the streamlining of unprofitable businesses in China, overall sales increased due to stable domestic demand and a recovery in the transportation businesses in Europe and the U.S.



# FY2023 3Q Quarterly Financial Trends

Demand slumped in Europe, the U.S., and China in 3Q mainly for the apparel business.

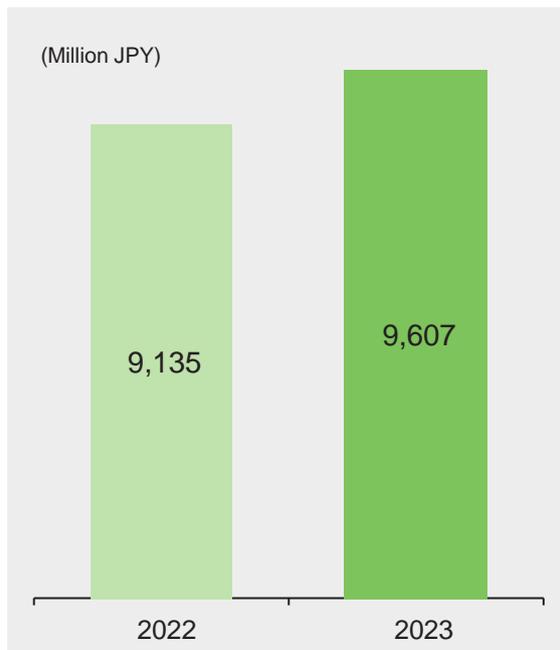


# FY2023 3Q Gross Profit

Gross profit: 9,607 million JPY Y/Y: +472 million JPY (+5.2%)

Increased due to higher sales and improved gross profit ratio.

Since Morito Japan's split last year, awareness of profit margins has continued to increase among corporate managers and sales personnel of each company.

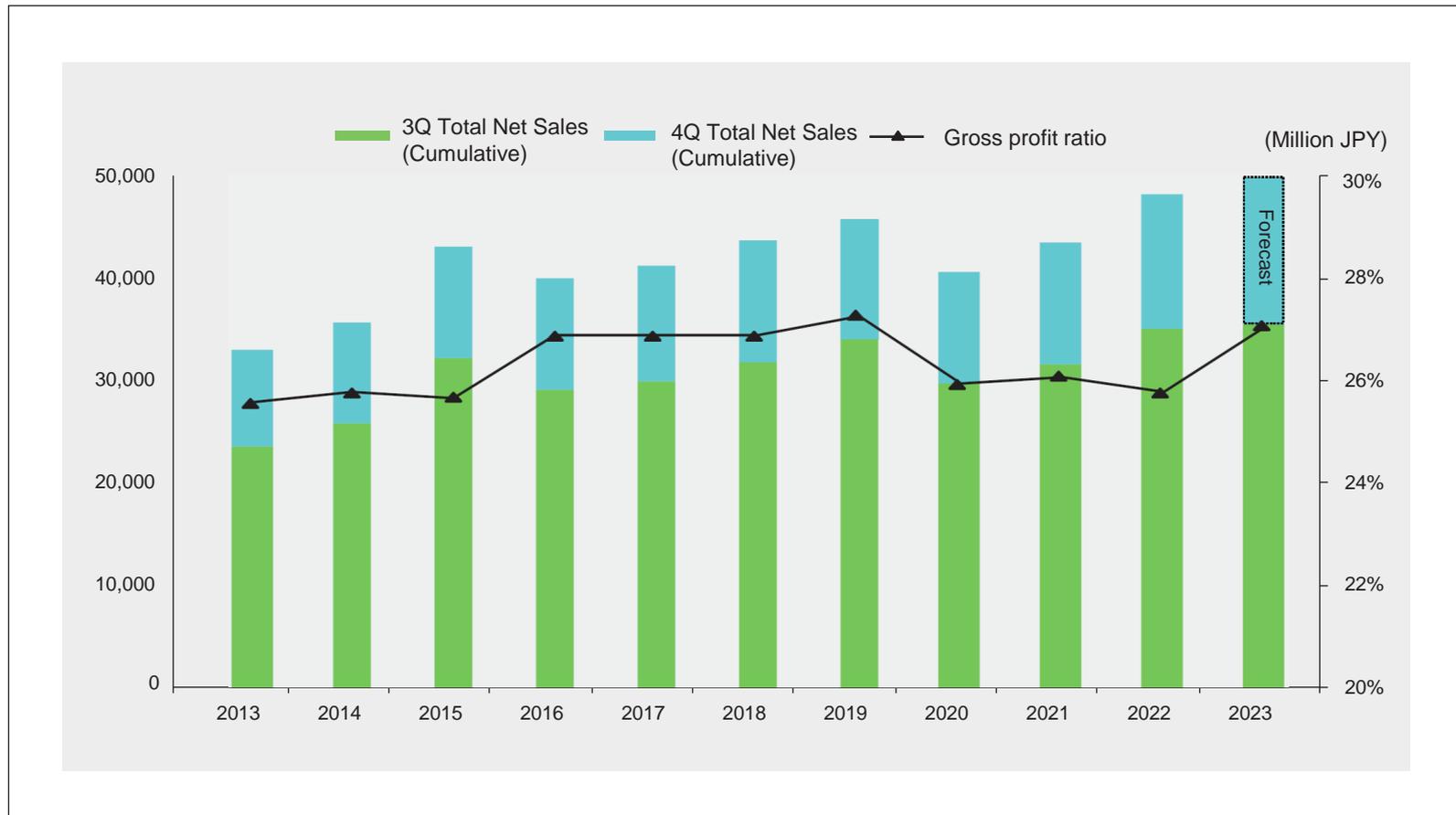


(Million JPY)

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# FY2023 3Q Trends in Net Sales & Gross Profit Ratio

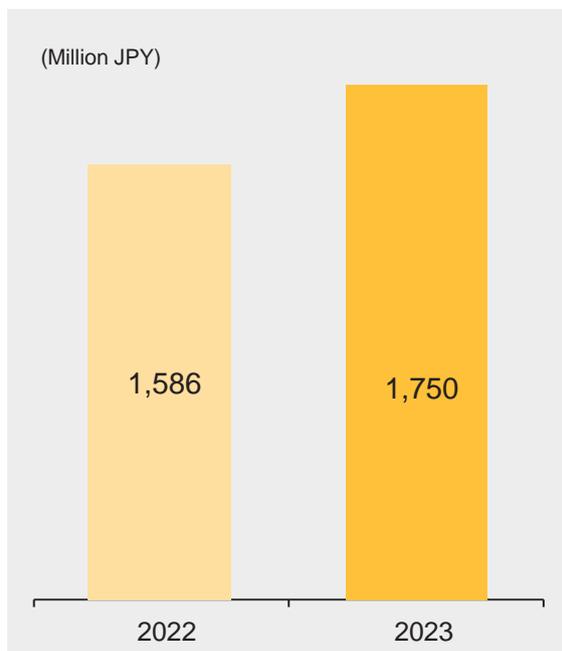
The gross profit ratio improved due to rising awareness of profit margins as well as increased sales of high value-added products.



# FY2023 3Q Operating Profit

Operating profit: 1,750 million JPY Y/Y: +164 million JPY (+10.3%)

Increased due to higher gross profit. The efficiency of logistics operations continued to improve although there was an increase in personnel costs.



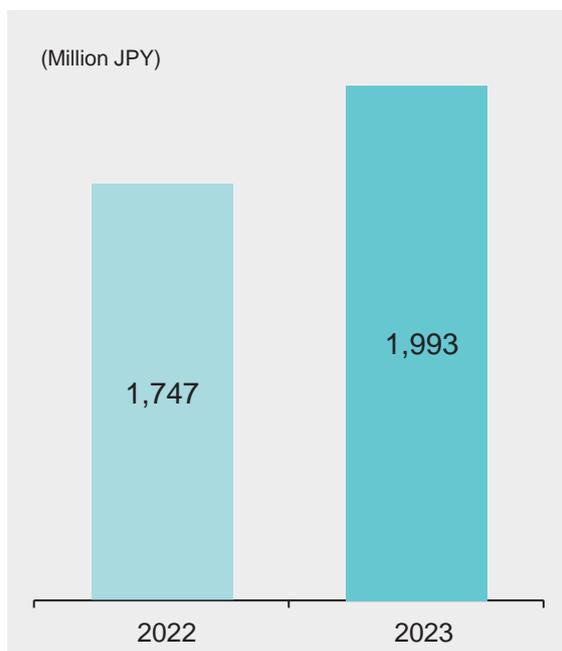
(Million JPY)

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Ordinary profit	1,747	1,993	+246	+14.0%
Net income	1,242	1,729	+487	+39.2%

# FY2023 3Q Ordinary Profit

Ordinary profit: 1,993 million JPY Y/Y: +246 million JPY (+14.0%)

Increased due to higher operating profit.



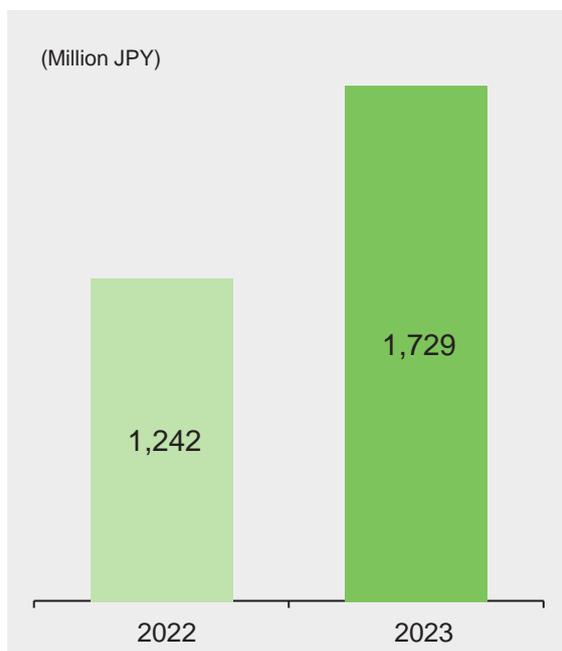
(Million JPY)

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# FY2023 3Q Net Income

**Net Income: 1,729 million JPY Y/Y: +487 million JPY (+39.2%)**

**Increased due to an increase in extraordinary income as a result of sale of investment securities, etc.**



(Million JPY)

	FY2022	FY2023	Increase/Decrease	Y/Y
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<b>Net income</b>	<b>1,242</b>	<b>1,729</b>	<b>+487</b>	<b>+39.2%</b>
<b>Net income ratio</b>	<b>3.5%</b>	<b>4.9%</b>		

# FY2023 3Q Consolidated Balance Sheet

	2022 4Q	2023 3Q		2022 4Q	2023 3Q
<b>Assets</b>			<b>Liabilities</b>		
Current assets	30,481	29,958 (- 523)	Current liabilities	9,309	7,986 (-1,323)
Fixed assets	19,790	20,321 (+531)	Fixed liabilities	4,278	4,398 (+120)
<b>Total assets</b>	<b>50,271</b>	<b>50,279 (+8)</b>	<b>Total liabilities</b>	<b>13,587</b>	<b>12,384 (- 1,203)</b>
			<b>Net assets</b>		
			Shareholders' equity	31,860	32,312 (+452)
			Accumulated other comprehensive income	4,768	5,553 (+785)
			Share acquisition rights	55	29 (- 26)
			<b>Total net assets</b>	<b>36,684</b>	<b>37,894 (+1,210)</b>
			<b>Total liabilities and net assets</b>	<b>50,271</b>	<b>50,279 (+8)</b>

(Million JPY)

Equity ratio 75.3% (FY2022 4Q 72.9%)

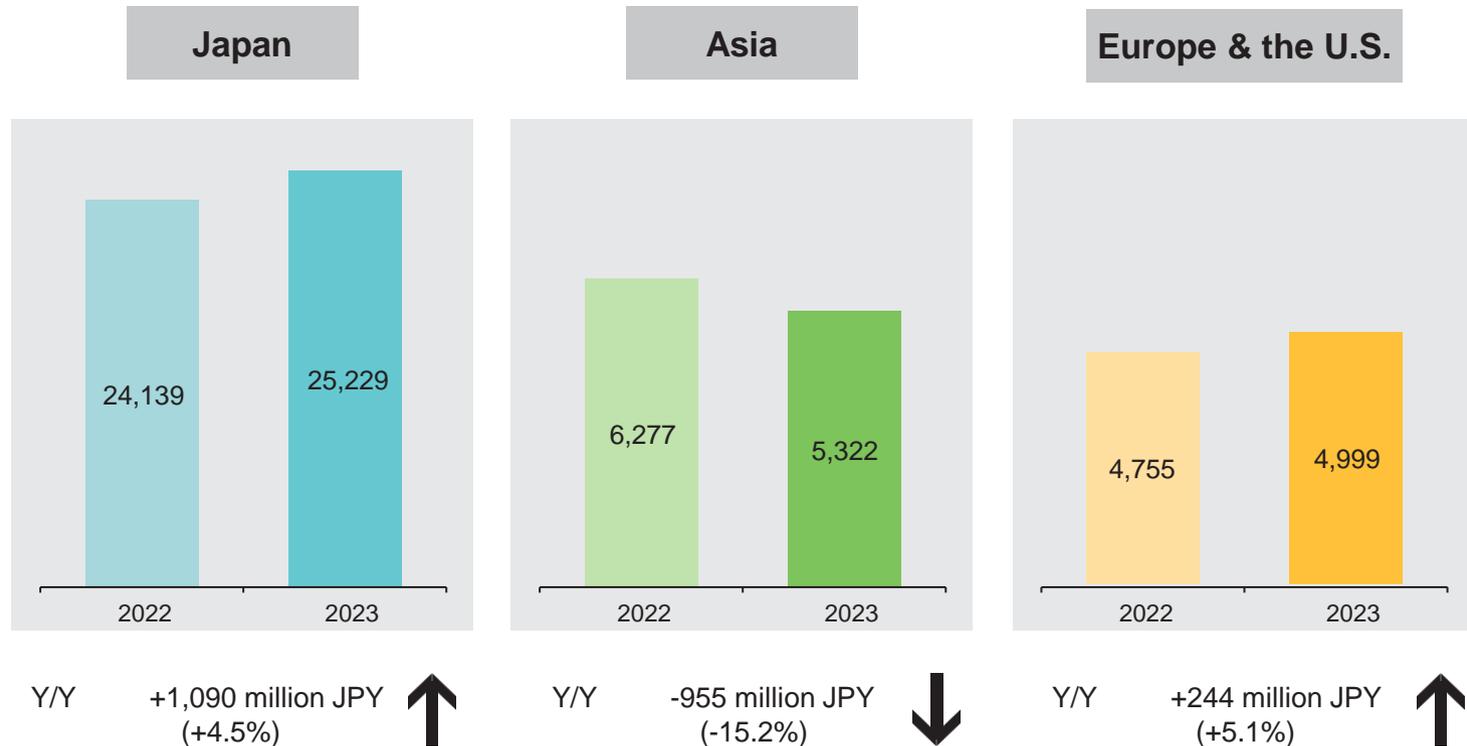
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# **FY2023.11 3Q Business Overview**

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# FY2023 3Q Sales Composition by Region

(Million JPY)

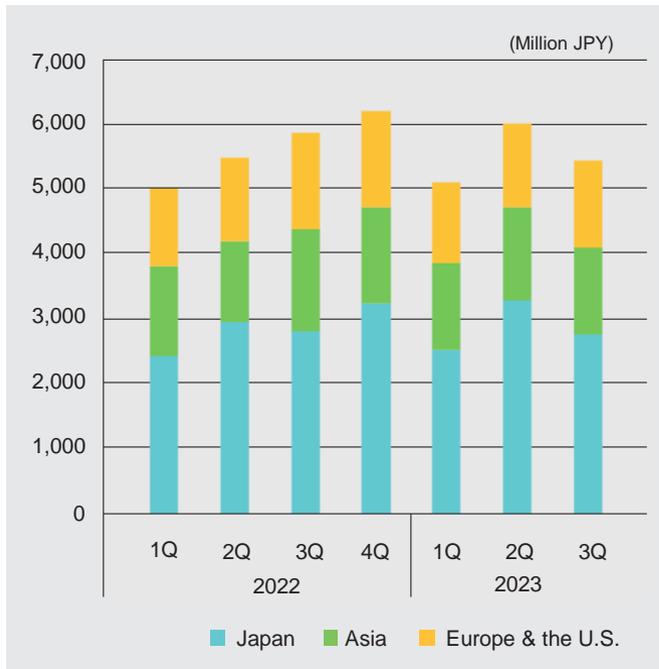


# FY2023 3Q Net Sales for Apparel Business

Net sales: 16,750 million JPY Y/Y: +241 million JPY (+1.5%)

Sales of accessories for athletic shoes were strong.

Demand remained stagnant and inventories continued to pile up as consumption dropped off, especially for products sold in the European and the U.S. markets.



## Japan

- Decrease in accessories for medical wear sold in Europe and the U.S.
- Increase in accessories for workwear, athletic shoes, and bags

## Asia

- Increase in accessories for baby wear in China and Hong Kong
- Increase in accessories for athletic shoes and workwear-related products in Vietnam
- In China and Hong Kong, decrease in accessories for casual wear and workwear sold in Europe and the U.S.

## Europe & the U.S.

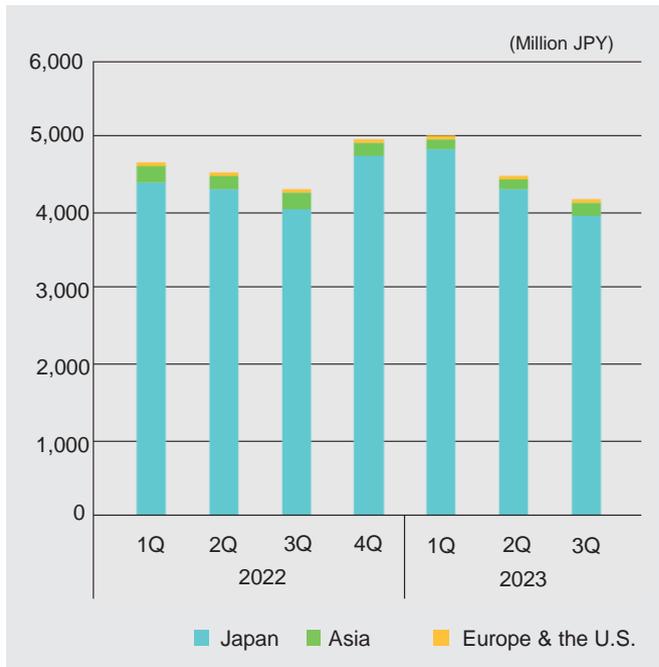
- Decrease in accessories for casual wear and workwear

# FY2023 3Q Net Sales for Product Business

Net sales: 13,383 million JPY Y/Y: +208 million JPY (+1.6%)

Demand remained steady for products sold in Japan.

Sales were also robust for kitchen appliance-related services as well as medical device-related and other high-value-added products.



## Japan

- Decrease in surfboard-related products
- Increase in medical device-related products
- Increase in products for one-coin shops
- Increase in kitchen appliance rental, sales, and cleaning business

## Asia

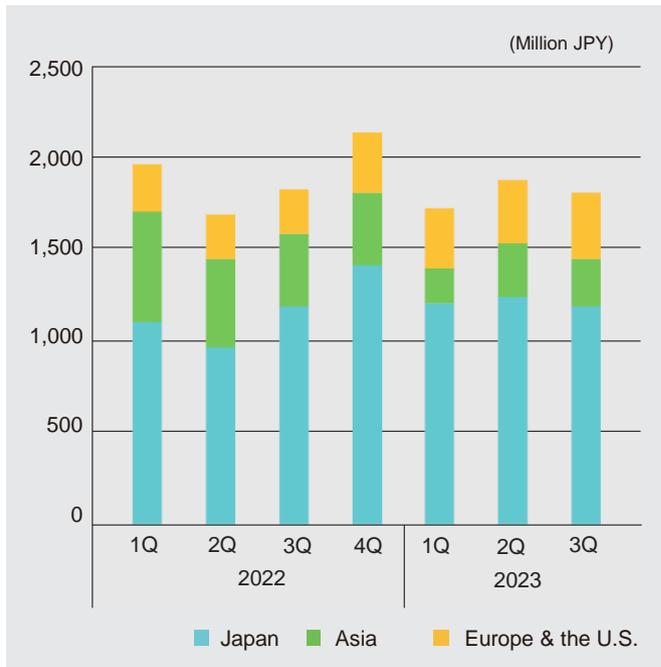
- On a par with last year

# FY2023 3Q Net Sales for Transportation Business

Net sales: 5,417 million JPY Y/Y: -70 million JPY (-1.3%)

Automotive production was still below the pre-pandemic level, but the impact of the semiconductor shortage continued to lessen.

In China, however, sales declined due to the withdrawal from unprofitable businesses.



## Japan

- Increase in automotive interior components for Japanese automotive manufacturers

## Asia

- Decrease in automotive interior components for Japanese automotive manufacturers in China

## Europe & the U.S.

- Increase in automotive interior components for Japanese automotive manufacturers

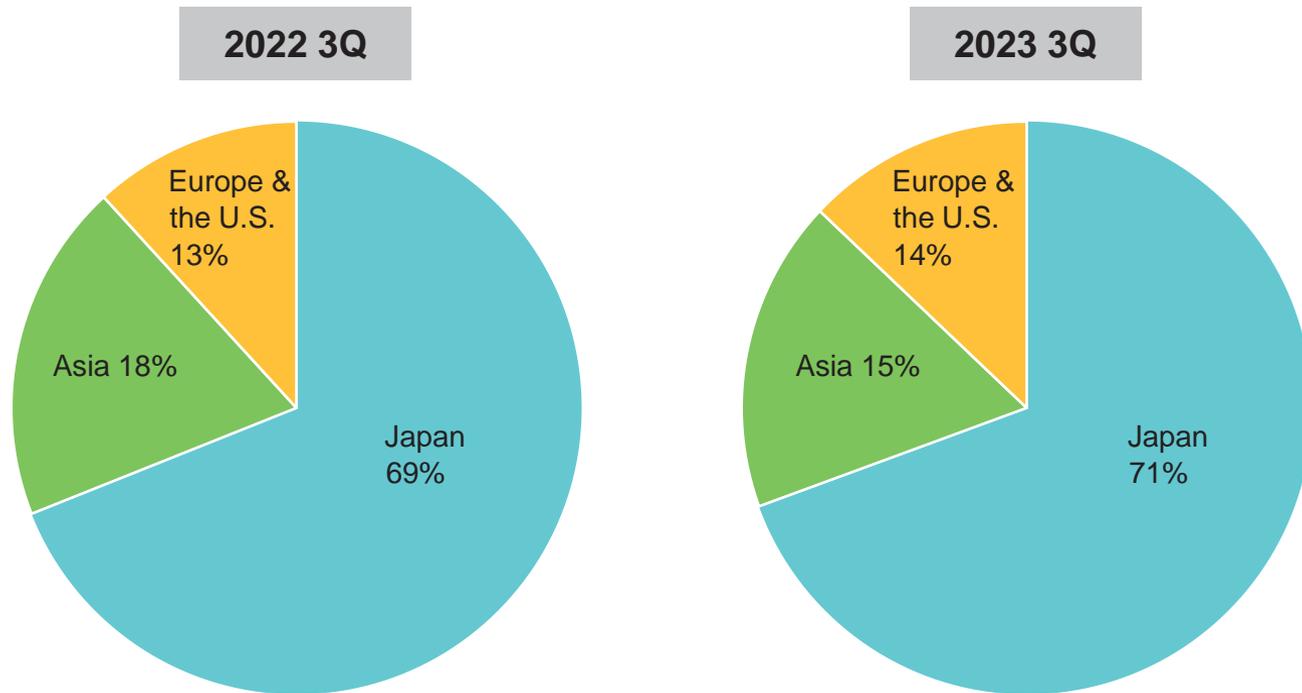
# FY2023 3Q Net Sales by Region (Quarterly)

(Million JPY)

FY2023							
	1Q	2Q	3Q	Nine-month total	Composition	Increase/Decrease	Y/Y
Japan	8,502	8,826	7,901	25,229	71.0%	+1,090	+4.5%
Asia	1,719	1,864	1,739	5,322	15.0%	-955	-15.2%
Europe & the U.S.	1,582	1,654	1,763	4,999	14.0%	+244	+5.1%
<b>Total</b>	<b>11,804</b>	<b>12,344</b>	<b>11,403</b>	<b>35,551</b>	<b>100.0%</b>	<b>+379</b>	<b>+1.1%</b>

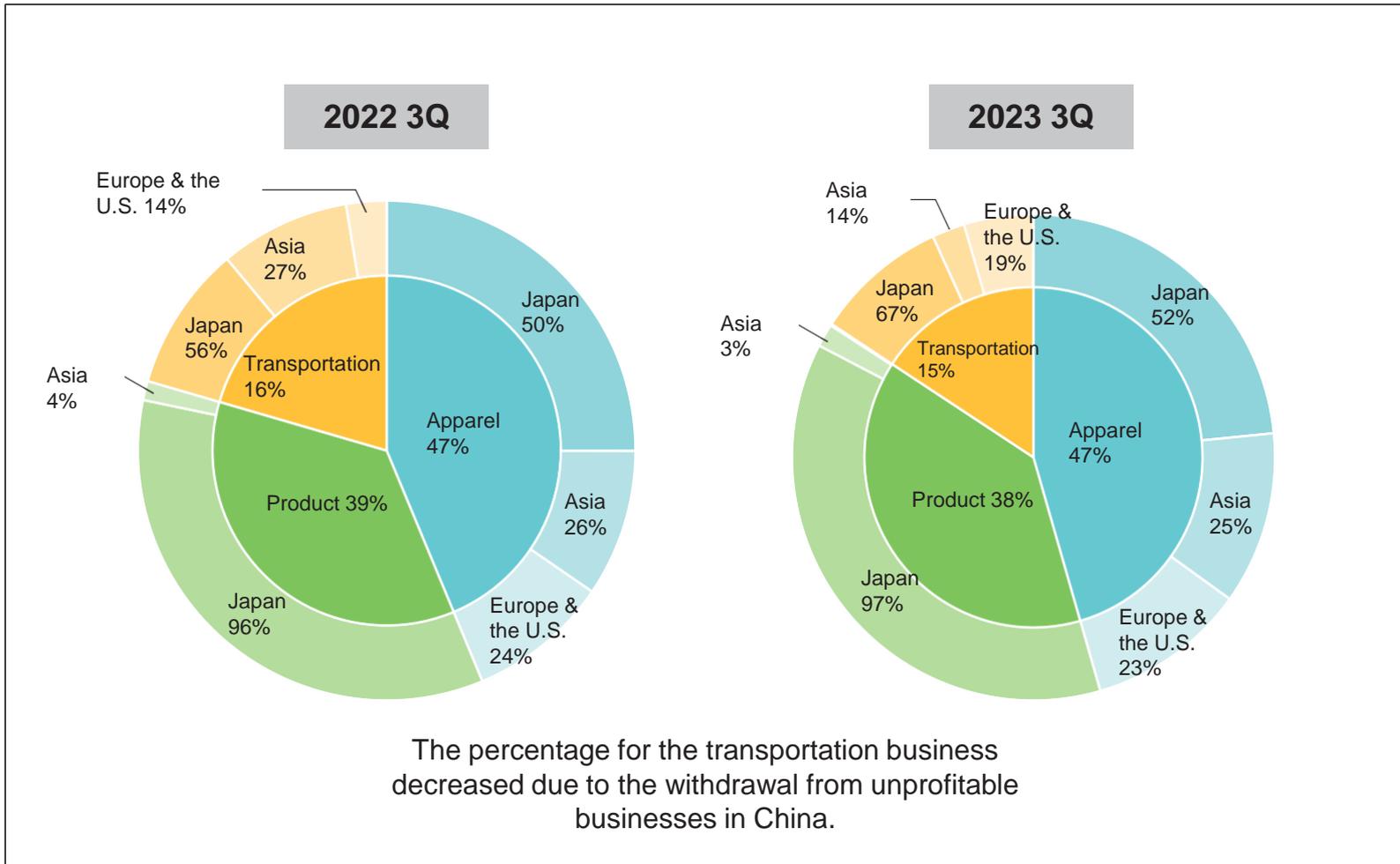
FY2022									
	1Q	2Q	3Q	Nine-month total	4Q	Full year	Composition	Increase/Decrease	Y/Y
Japan	7,912	8,196	8,031	24,139	9,377	33,516	69.1%	+3,287	+10.9%
Asia	2,212	1,885	2,180	6,277	2,063	8,340	17.2%	+286	+3.6%
Europe & the U.S.	1,436	1,564	1,755	4,755	1,866	6,621	13.7%	+1,268	+23.7%
<b>Total</b>	<b>11,561</b>	<b>11,646</b>	<b>11,965</b>	<b>35,172</b>	<b>13,306</b>	<b>48,478</b>	<b>100.0%</b>	<b>+4,842</b>	<b>+11.1%</b>

# FY2023 3Q Sales Composition by Region



The percentage for Asia, where we mainly operate transportation and apparel businesses targeting the European and the U.S. markets, declined. The Japanese market recovered.

# FY2023 3Q Sales Composition by Region & Business



## Revised FY2023 Full-Year Forecast (Consolidated)

Sales of kitchen appliance-related services as well as accessories and products with superior functionality, including athletic shoes- and medical device-related products, will be strong. Operating profit will improve as a result of the enhanced efficiency of logistics operations and the streamlining of unprofitable businesses. Net income is also expected to exceed the initial forecast due to the reorganization of overseas subsidiaries and reduction of cross-shareholdings.

(Million JPY)

	Initial FY2023 Forecast	Revised FY2023 Forecast	Increase/Decrease	Y/Y
Net sales	50,000	50,000	+0	0.0%
Operating profit	2,300	2,400	+100	4.3%
Operating profit ratio	4.6%	4.8%		
Ordinary profit	2,450	2,700	+250	10.2%
Ordinary profit ratio	4.9%	5.4%		
Net income	1,800	2,200	+400	22.2%
Net income ratio	3.6%	4.4%		

# FY2023 3Q Forecast & Progress

	FY2023 3Q	FY2023 Full-Year Forecast	Progress
Net sales	35,551	50,000	71.1%
Operating profit	1,750	2,400	72.9%
Operating profit ratio	5.4%	4.8%	
Ordinary profit	1,993	2,700	73.8%
Ordinary profit ratio	6.0%	5.4%	
Net income	1,729	2,200	78.6%
Net income ratio	5.4%	4.4%	

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## **Business Topics**

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# Environmental Initiatives “Rideeco®”

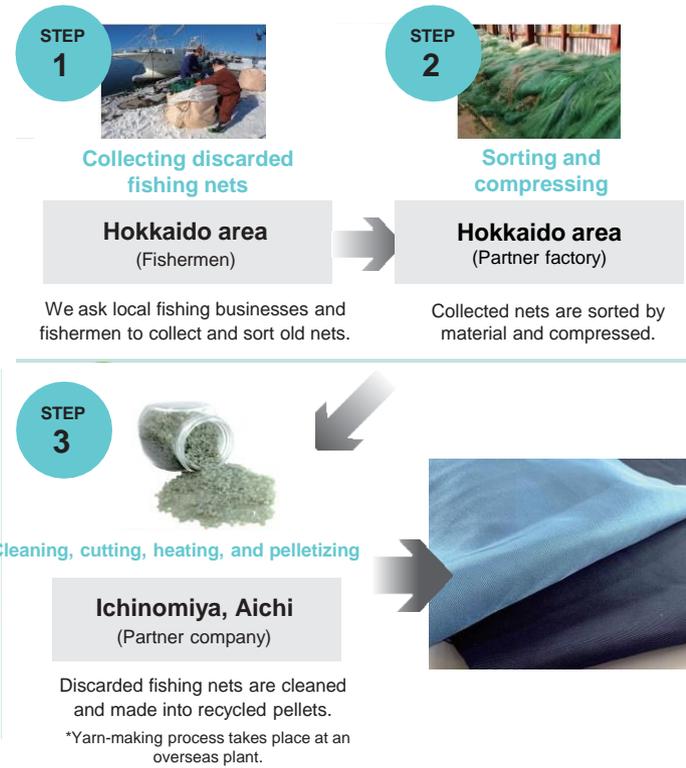
We continued to focus on the development and sales of products using fabrics and materials made from discarded fishing nets, and our products were adopted by DOCTORAIR, a total body care brand, for its Blue Life line of products.



Right: BLUE LIFE Premium 3D Neck Massager  
Left: BLUE LIFE 3D Massage Pillow

Click here for more information

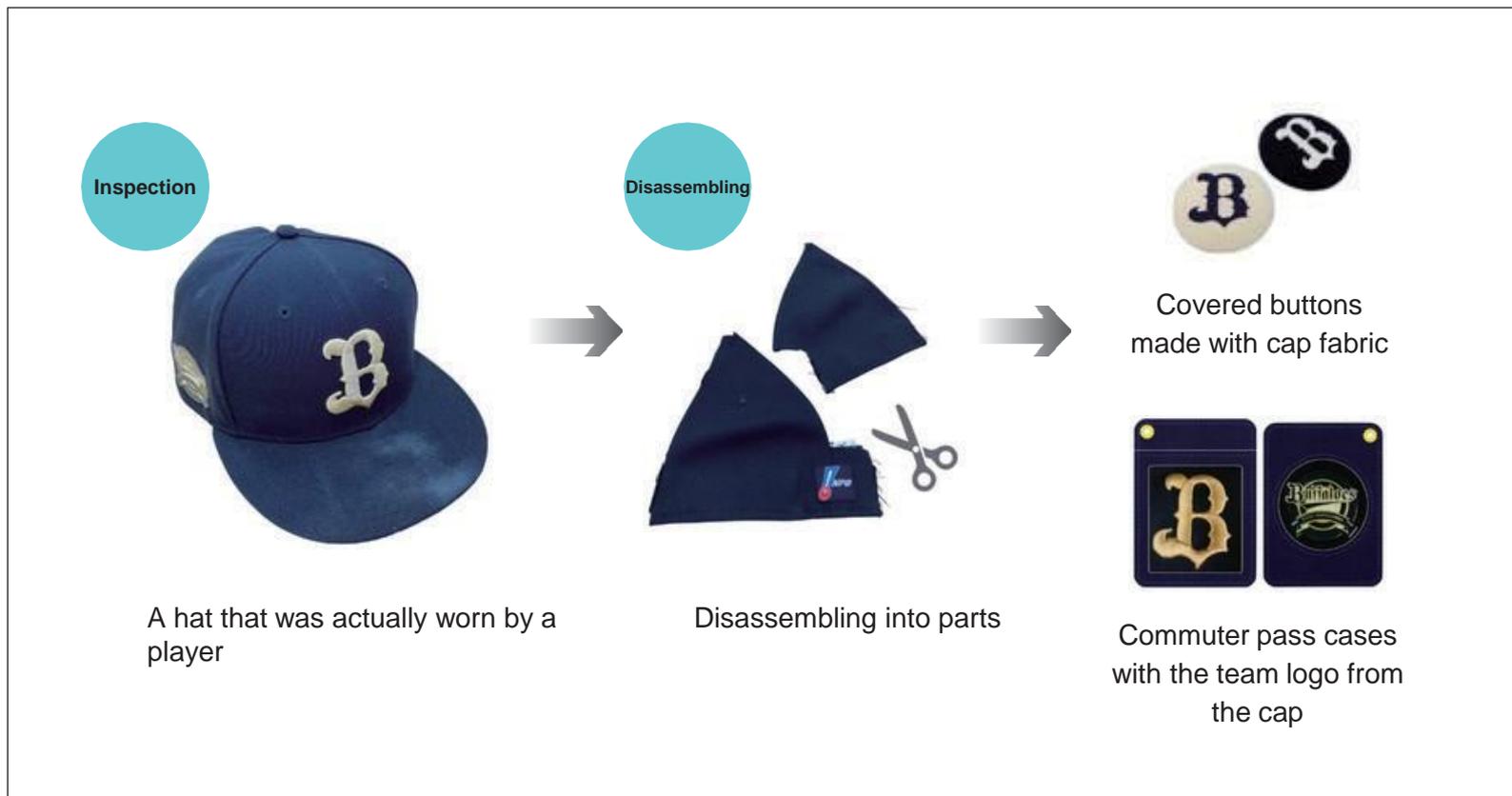
▶ <https://www.dr-air.com/jp/ja/bluelife/>



## Environmental Initiatives

## Upcycling with Orix Buffaloes

We started upcycling baseball caps that are going to be discarded after being used by Orix Buffaloes players. Upcycled products will be given to children when team officials visit schools.



## August 2 Happy Parts Day

On August 2, which is designated by the Japan Anniversary Association as Happy Parts Day, we distributed free samples featuring Morito parts at our PR booth in Kyocera Dome and ZOZO Marine Stadium to increase recognition of the Morito brand. We also hosted an event for group employees to enjoy watching a baseball game in commemoration of our 115th anniversary.



These are glove holder straps made with all sorts of Morito parts such as tape made from discarded fishing nets as well as snap fasteners. Visitors experienced attaching snap fasteners by themselves.



At both stadiums we gave away zipper pulls that can be attached to a fastener.

Click here to learn more about the event  
▶ [https://note.com/morito\\_official/n/nbe57a0270bf0](https://note.com/morito_official/n/nbe57a0270bf0)

# Group Company Matex Inc.(Apparel Business)

Matex's main business is printing. In addition to providing general commercial printing services, the company delivers packaged apparel materials, including labels and tags to be attached to finished products, worldwide. It developed ASUKAMI®, a mixed paper made from fabric scraps generated during production at our apparel-related business partners, for upcycling into paper bags and tags. Matex is also working with high schools and universities on industry-academia collaboration projects using ASUKAMI®.

Unwanted paper, fabric scraps generated from the production process, collected clothes, etc.

Waste materials

Collection

Grinding and paper making

Finished paper

Reuse as new paper products!

Scrap materials are pulverized and then incorporated into the papermaking process at a paper company to produce original recycled paper.

Fabric scraps containing synthetic fibers are made into tags and paper bags for apparel products.

We hosted an event featuring ASUKAMI® jointly with Kobe Women's University at Suma Aqualife Park Kobe.

Notebooks and flashcards made with ASUKAMI®, which were developed jointly with Kansai University Hokuyo Senior High School

# MORITO DANANG Still Going Strong (Apparel and Product related Businesses)

MORITO DANANG, our group company based in Da Nang, Vietnam, continues to enjoy growing sales of its athletic shoes, medical uniforms, as well as sanitary hats used in food, pharmaceutical, and precision machinery factories, etc. The company produces and sells high-quality products across the globe to meet the needs of Japanese manufacturers that use the China Plus One strategy (It is to avoid investing only in China and diversify business into other countries).



## (FYI) Media Coverage

- An article about our joint initiative with Orix Buffaloes was published on Yahoo! News, etc.

<https://news.yahoo.co.jp/articles/0c82079d2eb6ca28841175fa2541f3236f4c1610>

- Our products and fabrics made from discarded fishing nets were featured on FNN Prime Online, etc.

<https://www.fnn.jp/articles/-/550252>

<https://www.youtube.com/watch?v=N0EkrOS-0rY>



- Our “is-fit” heel cushion pad was featured in the October issue of “LDK the Beauty” as an editor-recommended product.

<https://is-fit.jp/products/footcare/products-76/>



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## Shareholder Returns

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# Basic Dividend Policy

The basic policy was revised in FY2023.

We regard returning profits to shareholders as one of the most important management issues, and determine the amount of dividends based on the following policy, taking into consideration investment projects and financial conditions (net assets, etc.). (Beginning in FY2023)

Realize stable and continuous dividend payments

Dividend payout ratio of 50% or more

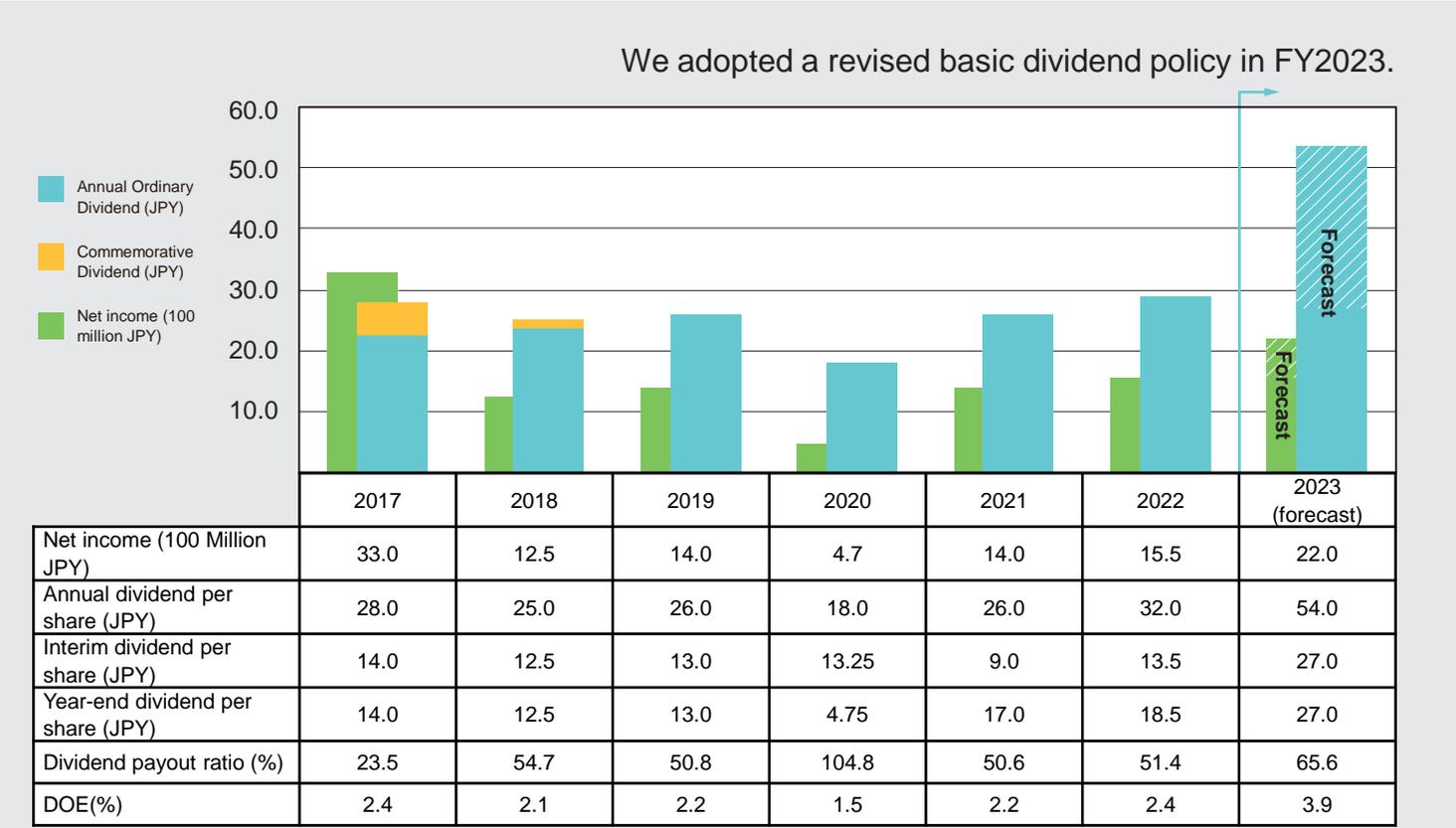
in relation to profit attributable to owners of parent is the standard\*

Aim for a dividend on equity (DOE) ratio of 4.0%

(on a consolidated basis)

\* In a fiscal year with a significant fluctuation in after-tax profit attributable to owners of parent due to special factors such as extraordinary income or losses, the dividend amount will be determined in consideration of the corresponding impact.

# Trends of Dividend, Dividend Payout Ratio & DOE



# Disclaimer

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This handout has been prepared only for information purposes and is not intended to solicit investment.

Although this handout is made with extreme care, its completeness cannot be guaranteed.

We assume no responsibility whatsoever for any damages resulting from the contents.

The financial results forecasts and forward-looking statements in this presentation are made with information known as of the day of presentation and contain some potential risks and uncertainties.

Therefore, please be aware that the content of the forecasts may differ significantly from actual results, due to various factors such as changes in the business environment.

## Contact

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