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MORITO



Consolidated Financial Results for the Nine Months of the Fiscal Year Ending November 30, 2023 [Japanese GAAP]

October 13, 2023

Company name: MORITO CO., LTD. Stock exchange listing: Tokyo Stock Exchange
Code number: 9837 URL: <https://www.morito.co.jp>
Representative: Takaki Ichitsubo, Representative Director, CEO
Kiyomi Akui, Director, Senior Executive Officer, Division Manager of
Contact: Corporate Administrative Division and Division Manager of Business (Phone) +81-6-6252-3551
Management Division

Scheduled date of filing quarterly securities report: October 16, 2023 Scheduled date of commencing 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 Nine Months of the Fiscal Year Ending November 30, 2023 (December 1, 2022 to August 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended August 31, 2023	35,551	1.1	1,750	10.3	1,993	14.0	1,729	39.2
Nine months ended August 31, 2022	35,172	10.6	1,586	43.7	1,747	38.7	1,242	64.1

(Note) Comprehensive income: Nine months ended August 31, 2,537 million yen[(16.4)%] ended August 31, 3,034 million yen[85.9%]
2023 2022

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended August 31, 2023	64.70	64.55
Nine months ended August 31, 2022	46.08	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Nine months ended August 31, 2023	50,279	37,894	75.3
FY2022	50,271	36,684	72.9

(Reference) Equity: Nine months ended August 31, 2023 37,865 million yen FY2022 36,628 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	-	13.50	-	18.50	32.00
FY2023	-	27.00	-	-	-
FY2023(Forecast)	-	-	-	27.00	54.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 30, 2023 (December 1, 2022 to November 30, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	50,000	3.1	2,400	13.4	2,700	15.3	2,200	31.4	82.29

(Note) Revision 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):	August 31, 2023:	30,000,000	November 30, 2022:	30,000,000
2) Total number of treasury shares at the end of the period:	August 31, 2023:	3,323,100	November 30, 2022:	3,295,500
3) Average number of shares during the period:	For the nine months of the fiscal year ending November 30, 2023:	26,736,150	For the nine months of the fiscal year ended November 30, 2022:	26,960,430

* 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

For the nine months of the fiscal year ending November 30, 2023 (December 1, 2022 to August 31, 2023) saw economic activity steadily return to normal as the impact of the COVID-19 pandemic eased. However, the outlook for the future remains uncertain due to a sharp rise in raw material prices caused by the situation in Ukraine and other factors, accelerating global inflation and the possibility of an economic slowdown overseas, particularly in Europe and the U.S., as well as exchange rate fluctuations.

Working against this backdrop, the Morito Group (the “Group”), which is mainly engaged in the apparel, product, and transportation businesses, faced an uphill battle due to soaring raw material prices for its mainstay products and other factors, which all kept profits low, as well as stagnant demand caused by slowing consumption in Europe, the U.S., and Asia. On the other hand, the Group enjoyed favorable sales of accessories and products with superior functionality, including athletic shoes- and medical device-related products, which are unaffected by trends, while the performance of its kitchen appliance and related service business remained upbeat. Under its “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 also enjoyed higher operating profit thanks to increased sales of high-value-added products and the enhanced efficiency of logistics operations.

As a result, for the nine months of the fiscal year under review, net sales increased 1.1% year on year to 35,551 million yen. Operating profit was up 10.3% to 1,750 million yen, ordinary profit grew 14.0% to 1,993 million yen, and profit attributable to owners of the parent increased 39.2% to 1,729 million yen.

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 nine months of the fiscal year under review are as follows.

	1Q		2Q		3Q	
USD	141.39	(113.71)	132.43	(116.34)	137.49	(129.73)
EUR	144.26	(130.04)	142.17	(130.40)	149.58	(138.25)
CNY	19.85	(17.78)	19.35	(18.31)	19.56	(19.60)
HKD	18.07	(14.60)	16.89	(14.90)	17.54	(16.53)
TWD	4.51	(4.09)	4.36	(4.16)	4.48	(4.41)
VND	0.0058	(0.0050)	0.0056	(0.0051)	0.0059	(0.0056)
THB	3.89	(3.41)	3.91	(3.52)	3.99	(3.77)
MXN	7.19	(5.48)	7.11	(5.67)	7.79	(6.48)

(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 workwear and athletic shoes as well as for bags although sales of medical wear accessories for the European and the U.S. markets declined.

The Product Division enjoyed increases in sales of medical device-related products and products for one-coin shops (like 100-yen stores) as well as higher revenues for the kitchen appliance rental, sales, and cleaning business, despite declined sales of surfboard-related products.

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

As a result, net sales grew 4.5% year on year to total 25,229 million yen, and segment profit rose 31.1% year on year to reach 1,531 million yen.

Asia

The Apparel Division enjoyed growing sales of baby wear accessories in China and Hong Kong as well as athletic shoe accessories and workwear-related products in Vietnam although sales of casual wear and workwear accessories for the European and the U.S. markets declined in China and Hong Kong.

In the Transportation Division, sales of automotive interior components to Japanese automotive manufacturers decreased in China due to the semiconductor shortage and China's zero-COVID policy in addition to the restructuring of unprofitable businesses.

As a result, net sales decreased 15.2% year on year to total 5,322 million yen while segment profit dropped 9.9% year on year to total 497 million yen.

Europe and the U.S.

In the Apparel Division, sales of accessories for casual wear and workwear decreased.

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

As a result, net sales increased 5.1% year on year to total 4,999 million yen while segment loss came to 42 million yen (segment profit for the same period in the previous fiscal year was 126 million yen).

(2) Forecast of Consolidated Business Results and Other Forward-Looking Information

In the consolidated financial forecast for the fiscal year ending November 30, 2023, 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, 2023" announced today (October 13, 2023).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of November 30, 2022	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	10,399,699	11,660,557
Notes and accounts receivable - trade	9,255,694	7,620,926
Electronically recorded monetary claims - operating	2,847,664	3,017,377
Inventories	6,953,716	6,728,934
Other	1,076,907	999,931
Allowance for doubtful accounts	(52,481)	(69,186)
Total current assets	30,481,201	29,958,542
Non-current assets		
Property, plant and equipment		
Land	4,547,309	4,498,240
Other, net	5,619,621	5,483,833
Total property, plant and equipment	10,166,930	9,982,074
Intangible assets		
Goodwill	2,712,342	2,499,957
Other	1,154,268	1,065,328
Total intangible assets	3,866,611	3,565,285
Investments and other assets		
Investment securities	4,465,618	5,507,622
Retirement benefit asset	286,915	287,265
Other	1,150,405	1,113,401
Allowance for doubtful accounts	(145,760)	(134,317)
Total investments and other assets	5,757,179	6,773,971
Total non-current assets	19,790,721	20,321,332
Total assets	50,271,922	50,279,874
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,684,932	3,609,363
Electronically recorded obligations - operating	940,625	996,117
Short-term borrowings	50,000	50,000
Current portion of long-term borrowings	280,008	280,008
Income taxes payable	577,794	405,922
Provision for bonuses	393,205	536,683
Provision for bonuses for directors (and other officers)	145,842	83,341
Other	2,237,096	2,025,150
Total current liabilities	9,309,505	7,986,587
Non-current liabilities		
Long-term borrowings	1,423,294	1,213,288
Provision for share awards	37,448	49,253
Provision for retirement benefits for directors (and other officers)	45,558	50,083
Provision for share awards for directors (and other officers)	88,468	97,487
Provision for environmental measures	25,968	26,000
Retirement benefit liability	862,554	864,044
Other	1,794,765	2,098,128
Total non-current liabilities	4,278,056	4,398,287
Total liabilities	13,587,562	12,384,875

(Thousands of yen)

	As of November 30, 2022	As of August 31, 2023
Net assets		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	2,962,803	3,031,906
Retained earnings	27,539,047	28,049,918
Treasury shares	(2,174,195)	(2,302,049)
Total shareholders' equity	31,860,146	32,312,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,274,715	2,080,959
Deferred gains or losses on hedges	(15,199)	43,789
Revaluation reserve for land	442,187	419,773
Foreign currency translation adjustment	3,023,530	2,977,759
Remeasurements of defined benefit plans	43,380	31,374
Total accumulated other comprehensive income	4,768,615	5,553,656
Share acquisition rights	55,597	29,074
Non-controlling interests	-	-
Total net assets	36,684,360	37,894,999
Total liabilities and net assets	50,271,922	50,279,874

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
The nine-month period

(Thousands of yen)

	For the nine months ended August 31, 2022	For the nine months ended August 31, 2023
Net sales	35,172,332	35,551,815
Cost of sales	26,036,399	25,944,746
Gross profit	9,135,932	9,607,069
Selling, general and administrative expenses	7,549,389	7,856,431
Operating profit	1,586,542	1,750,637
Non-operating income		
Interest income	6,644	13,288
Dividend income	51,998	58,046
Gain on redemption of investment securities	-	28,809
Rental income from real estate	58,719	55,128
Foreign exchange gains	11,342	87,961
Share of profit of entities accounted for using equity method	56,470	41,486
Subsidies for employment adjustment	4,205	-
Subsidy income	18,082	2,459
Other	23,021	69,851
Total non-operating income	230,484	357,032
Non-operating expenses		
Interest expenses	8,771	8,481
Loss on derivatives	-	68,757
Other	60,315	37,158
Total non-operating expenses	69,087	114,397
Ordinary profit	1,747,939	1,993,272
Extraordinary income		
Gain on sale of non-current assets	123,184	20,462
Gain on sales of investment securities	68,444	299,156
Gain on reversal of share acquisition rights	577	787
Gain on sale of golf membership	466	-
Insurance claim income	70,016	-
Gain on liquidation of subsidiaries	-	130,102
Total extraordinary income	262,689	450,508
Extraordinary losses		
Loss on sale of non-current assets	569	0
Loss on retirement of non-current assets	861	4,850
Loss on valuation of golf club membership	-	1,690
Claim settlement money	48,648	-
Total extraordinary losses	50,079	6,541
Profit before income taxes	1,960,550	2,437,239
Income taxes - current	759,305	795,340
Income taxes - deferred	(41,008)	(87,852)
Total income taxes	718,297	707,487
Profit	1,242,253	1,729,751
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,242,253	1,729,751

Quarterly Consolidated Statements of Comprehensive Income
The nine-month period

(Thousands of yen)

	For the nine months ended August 31, 2022	For the nine months ended August 31, 2023
Profit	1,242,253	1,729,751
Other comprehensive income		
Valuation difference on available-for-sale securities	(119,290)	806,243
Deferred gains or losses on hedges	(10,952)	58,989
Foreign currency translation adjustment	1,912,587	(45,771)
Remeasurements of defined benefit plans, net of tax	10,218	(12,005)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	1,792,562	807,454
Comprehensive income	3,034,815	2,537,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,034,815	2,537,206
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)

Not applicable.

(Changes in Accounting Policies)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) 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 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has decided to apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively. This has no effect on the quarterly consolidated financial statements.

(Segment Information, Etc.)

Segment information

I For the nine months of the fiscal year ended November 30, 2022

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

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

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

II For the nine months of the fiscal year ending November 30, 2023

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

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe & the U.S.	Total		
Net sales						
Apparel	8,651,175	4,171,822	3,927,225	16,750,223	-	16,750,223
Product	12,938,696	423,784	21,473	13,383,954	-	13,383,954
Transportation	3,639,732	727,083	1,050,820	5,417,637	-	5,417,637
Revenue from contracts with customers	25,229,605	5,322,690	4,999,519	35,551,815	-	35,551,815
Net sales to external customers	25,229,605	5,322,690	4,999,519	35,551,815	-	35,551,815
Intersegment sales or transfers	1,347,648	3,249,967	69,752	4,667,368	(4,667,368)	-
Total	26,577,254	8,572,658	5,069,271	40,219,184	(4,667,368)	35,551,815
Segment profit (loss)	1,531,635	497,918	(42,665)	1,986,888	(236,251)	1,750,637

(Note) 1 The adjustment of (236,251) thousand yen to segment profit (loss) includes corporate expenses of (172,500) thousand yen not allocated to the reportable segments, and other in the amount of (63,750) thousand yen.

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