

October 11, 2017

MORITO CO., LTD.
Financial Statement (Unaudited)
For the Third Quarter of the Fiscal Year ended November 30, 2017
(Translated from the Japanese original)

Corporate Information

Code : 9837 Listings in First Section of the Tokyo Stock Exchange

(URL [http : www.morito.co.jp/english/index.html](http://www.morito.co.jp/english/index.html))

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Representative Director and President

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Scheduled date of filing of Quarterly Report

October 13, 2017

Scheduled date of dividend payment:

None

Supplementary explanation material for quarterly financial results:

No

Presentation meeting for quarterly financial results:

No

(Amounts rounded down)

1. Consolidated Financial Results for the Third Quarter of Fiscal Year 2017(December 1, 2016 through August 31, 2017)

(1) Consolidated Financial Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q of FY 2017	30,102	3.0	1,029	6.0	1,047	33.0	3,381	577.9
3Q of FY 2016	29,221	Δ9.7	971	Δ21.4	787	Δ43.6	498	Δ37.4

(Note) Comprehensive income : 4,575million yen (—%) (3Q of FY 2017) Δ1,702million yen (Δ166.6%) (3Q of FY 2016)

	Net income Per share	Fully diluted net Income per share
	Yen	Yen
3Q of FY 2017	121.74	121.70
3Q of FY 2016	17.51	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q of FY 2017	43,183	32,302	74.7
FY 2016	40,853	29,260	71.6

(Reference) Equity capital : 32,274million yen (3Q of FY 2017) 29,246 million yen (FY 2016)

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total (Annual)
	Yen	Yen	Yen	Yen	Yen
FY 2016	—	8.00	—	9.00	17.00
FY 2017	—	14.00			
FY 2017 (Forecast)			—	14.00	28.00

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

3. Consolidated Forecast for FY 2017 (December 1, 2016 through November 30, 2017)

(Percentages represent changes from corresponding period of previous year)

	Net Sales		Operating income		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	43,000	7.3	1,800	1.8	1,700	3.3	3,000	154.0	105.44

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

***Notes**

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation) : None

Newly included : None

Extended company : None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies caused by revision of accounting standards : None

(ii) Changes in accounting policies other than (i) : Yes

(iii) Changes in accounting estimates : None

(iv) Restatements : None

(Note) For details, please refer to 'Matters Concerning Summary Information (Note) (3) Changes in accounting policy, Changes in accounting estimates and Revision restated' on page 6.

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares, including treasury shares at end of period:

30,800,000 shares (as of August 31, 2017)

30,800,000 shares (as of November 30, 2016)

(ii) Number of shares of treasury stock at end of period:

3,300,100 shares (as of August 31, 2017)

2,349,000 shares (as of November 30, 2016)

(iii) Average outstanding number of shares during the period:

27,778,878 shares (The 3Q of FY 2017)

28,497,136 shares (The 3Q of FY 2016)

*This financial summary does not need to undergo an audit.

***Disclosure and other special notes regarding performance forecasts**

The forecast in this statement is based on information available to management as of the date on which these performance-related figures were disclosed, and various factors may cause actual results to differ from these forecasts. For issues to keep in mind when using the forecasts and criteria conditioned upon the forecasts, please refer to "1. Qualitative Information for the Period under Review (2) Forecast of Consolidated Business Results and Other Forward-looking Information." on page 5. We have also introduced "Stock Granting Trust (J-ESOP)" and "Board Incentive Plan (BIP)". Consequently, the shares held by Trust and Custody Service Bank, Ltd. and The Master Trust Bank of Japan, Ltd. are included in the treasury shares.

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1. Qualitative Information for the Period under Review

(1) Business Performance

In the Third quarter (From 1st December, 2016 to 31st August, 2017) of the fiscal year ended November 30th, 2017, the Japanese economy has shown signs of modest recovery by improving employment situation and capital investment because corporate performance has continued stable.

In the global economy, it was stable due to mainly driven by China and emerging country, although political uncertainty in the US was increased, EU economy was uncertain due to Brexit, and a volatile international situation in Asia was increased.

In such a situation, our group is accelerating a growth strategy by the development of value-added Japanese items, expansion of a global sales channel under 7th mid-term management plan, and will promote the realization of value creation which the era seeks, expand our business in not only existing market such ASEAN, china, western, but also in untapped market.

As a result, in the current quarterly performance reaches net sales ¥30,102million (increased by 3.0% from a year earlier), operating income ¥1,029 million (increased by 6.0% from a year earlier), ordinary income ¥1,047 million (increased by 33.0% from a year earlier), net income ¥3,381 million (increased by 577.9% from a year earlier).

The exchange rate used for the oversea subsidiaries' consolidated financial statement of the current quarter end as below:

	1Q Oct-Dec	2Q Jan-Mar	3Q Apr-Jun
USD	109.43 (120.54)	113.61 (112.69)	111.10 (102.96)
EUR	117.86 (131.67)	121.04 (127.57)	122.26 (114.36)
RMB	15.99 (18.34)	16.56 (17.39)	16.21 (15.46)
HKD	14.11 (15.55)	14.64 (14.53)	14.27 (13.27)
TWD	3.45 (3.68)	3.66 (3.50)	3.67 (3.19)
VND	0.0048 (0.0053)	0.0050 (0.0050)	0.0048 (0.0046)
THB	3.09 (3.35)	3.24 (3.20)	3.24 (2.93)

*() is the exchange rate of FY2016.

*We have changed the method which is that Income and Expense in overseas subsidiaries has been converted by average number of exchange rate into Japanese yen is applied from the first quarter of this fiscal year. Please refer to "2. Matters Concerning Summary Information, (3) Changes in accounting policy, Changes in accounting estimates and Revision restated" on page 6.

Segment information as below

[Japan]

As for the apparel division, sales of the accessories for sports apparel manufacturer which was strong in same period a year earlier was decreased, however sales of the accessories for ladies wear, uniform/working wear and mass retailer were increased.

In the consumer product division, sales of the accessories for shoes and video equipment were decreased, but sales of accessories for health-related items, automobile interior components, rental and cleanup of kitchen supplies were increased.

As a result, net sales were ¥20,617 million (increased by 1.3% from a year earlier).

[Asia]

As for the apparel division, sales of the accessories for EU and the US apparel manufacturers in Hong Kong were decreased, however sales of the accessories for Japanese apparel manufacturers in Shanghai was increased.

In the consumer product division, sales of accessories for video equipment in Thailand was decreased, but sales of accessories for video equipment in Hong Kong and sales of the automobile interior component for Japanese auto makers in Shanghai were increased.

As a result, net sales were ¥5,235 million (increased by 9.8% from a year earlier) including effect of Japan yen depreciation.

[Europe and the U.S.]

As for the apparel division, sales of the accessories for EU and the US were increased.

In the consumer product division, sales of automobile interior article for Japanese auto maker in the US and sales of the accessories for video equipment were decreased, however sales of automobile interior article for Japanese auto maker in Europe was increased.

As a result, net sales were ¥4,249 million (increased by 3.5% from a year earlier) including effect of Japan yen depreciation.

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

Currently, there has been no change in the consolidated forecast of FY2017.

2. Matters Concerning Summary Information

(1) Changes in Important Subsidiaries during the period under Review

Not applicable

(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statement

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Revision Restated

Changes in the method of foreign currency conversion for Income and Expense in overseas subsidiaries
Income and Expense in overseas subsidiaries has been converted by an exchange rate as of accounting date into Japanese yen up to now. However, the method, which is that Income and Expense in overseas subsidiaries has been converted by average number of exchange rate into Japanese yen, is applied from the first quarter of this fiscal year. The purpose for this change was to take a financial result of overseas subsidiaries more appropriately in consolidated accounting, because it will be becoming more important for consolidated accounting.

As a result, retroactive application was not implemented since the effect on the Third quarter of previous year and the term to beginning of this fiscal year caused by this change was minor.

(4) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets
Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Statement No.26 of March 28, 2016), have been applied from the first quarter of the fiscal year under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	FY 2016 (As of November 30, 2016) Thousands of yen	FY 2017 (As of August 31, 2017) Thousands of yen
Assets		
Current assets		
Cash and deposits	9,442,122	12,202,953
Notes and accounts receivable	10,583,460	10,068,742
Inventory	4,034,245	4,674,042
Other current assets	1,097,177	812,776
Allowance for doubtful accounts	△29,950	△30,806
Total current assets	25,127,055	27,727,708
Fixed assets		
Tangible fixed assets		
Land	3,224,579	2,567,574
Other tangible fixed assets	3,151,432	3,176,980
Total tangible fixed assets	6,376,011	5,744,555
Intangible fixed assets		
Goodwill	3,000,353	3,090,245
Other Intangible fixed assets	1,239,174	1,293,200
Total intangible fixed assets	4,239,528	4,383,445
Investments and other fixed assets		
Investment securities	4,055,364	4,250,804
Net defined benefit asset	221,830	223,417
Other fixed assets	890,628	908,966
Allowance for doubtful account	△74,988	△70,190
Total investments and other fixed as	5,092,834	5,312,998
Total fixed assets	15,708,375	15,440,998
Deferred assets	18,205	15,054
Total assets	40,853,636	43,183,762
Liabilities		
Current liabilities		
Notes and accounts payable	4,262,005	4,299,641
Short-term loans payable	180,000	130,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	375,396	254,930
Accrued tax payable	379,220	505,877
Reserve for bonuses	175,722	266,565
Reserve for director's bonuses	79,232	69,882
Other current liabilities	1,465,489	995,228
Total current liabilities	7,317,066	6,922,125
Fixed liabilities		
Bonds payable	1,400,000	1,200,000
Long-term debt	161,081	—
Provision for retirement benefit by stock	17,375	24,773
Provision for director's retirement benefit	30,433	38,533
Provision for director's retirement benefit by st	35,059	47,889
Provision for environmental measures	18,133	20,084
Net defined benefit liability	918,021	912,870
Other fixed liabilities	1,695,603	1,714,528
Total fixed liabilities	4,275,706	3,958,679
Total liabilities	11,592,772	10,880,805

	FY 2016 (As of November 30, 2016) Thousands of yen	FY 2017 (As of August 31, 2017) Thousands of yen
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,498,724
Retained earnings	23,966,197	24,789,600
Treasury stock	△1,230,960	△2,122,115
Total shareholders' equity	29,766,453	29,698,701
Other comprehensive income		
Valuation difference on available-for-sale sect	1,336,046	1,440,480
Deferred gains or losses on hedges	861	△4,779
Difference in revaluation of land	△1,280,438	621,625
Foreign currency translation adjustment	△463,484	604,759
Remeasurement of defined benefit plans	△112,982	△86,439
Total other comprehensive income	△519,998	2,575,645
Subscription rights to shares	14,408	28,609
Minority interests	—	—
Total net assets	29,260,863	32,302,956
Total liabilities and net assets	40,853,636	43,183,762

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

Quarterly Consolidated statements of income
The Third Quarter accounting period

	FY 2016 (December 1, 2015 through August 31, 2016) Thousands of yen	FY 2017 (December 1, 2016 through August 31, 2017) Thousands of yen
Net sales	29,221,515	30,102,502
Cost of sales	21,553,440	22,023,035
Gross profit	7,668,075	8,079,466
Total selling, general and administrative expense	6,696,191	7,049,481
Operating Income	971,883	1,029,985
Non-operating income		
Interest received	17,800	18,396
Dividends received	57,879	50,893
Rent on real estate	58,381	37,083
Equity in earnings of affiliates	43,519	33,109
Other non-operating income	30,534	37,694
Total non-operating income	208,115	177,177
Non-operating expenses		
Interest paid	12,598	4,813
Cash discount on sales	65,177	63,304
Foreign Exchange Loss	235,507	11,229
Others non-operating expense	79,180	80,131
Total non-operating expense	392,463	159,478
Ordinary Income	787,535	1,047,684
Extra ordinary income		
Gains on sales of fixed assets	7,365	3,291,825
Gains on sales of investment securities	24,254	—
Gains on liquidation of affiliates	15,903	—
Total extra ordinary income	47,523	3,291,825
Extra ordinary loss		
Loss on sales of fixed assets	11,644	3,075
Loss on disposal of fixed assets	2,025	53,488
Impairment loss	—	57,270
Loss of business restructuring	—	18,097
Loss on golf membership rights	—	700
Total extra ordinary loss	13,669	132,631
Net income before taxes and other adjustment	821,389	4,206,878
Corporate, inhabitant and business taxes	514,119	804,400
Adjustments to corporate and other taxes	△191,611	20,706
Total income taxes	322,507	825,107
Net income	498,881	3,381,770
Profit(Loss) attributable to non-controlling interests	—	—
Profit(Loss) attributable to owners of parent	498,881	3,381,770

(Unaudited)

	FY 2016 (December 1, 2015 through August 31, 2016) Thousands of yen	FY 2017 (December 1, 2016 through August 31, 2017) Thousands of yen
Net Income	498,881	3,381,770
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	△467,436	104,433
Deferred gains or losses on hedges	△3,890	△5,640
Land revaluation difference amount	20,050	—
Foreign currency translation adjustment	△1,726,278	1,068,243
Adjustments to retirement benefit	△24,021	26,543
Total other comprehensive income	△2,201,576	1,193,580
Comprehensive income	△1,702,695	4,575,350
(Breakdown)		
Comprehensive income attribute to the parent	△1,702,695	4,575,350
Comprehensive income attribute to the minority shareholders	—	—

(3) Notes regarding Quarterly Consolidated Financial Statements

[Notes on assumption of going concern]

Not applicable.

[Notes on a Significant Change in Shareholders' Equity]

Not applicable

[Segment Information]

1. The Third quarter of FY 2016 (December 1, 2015 through August 31, 2016)

(1) The information on net sales, income or loss by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	20,344,393	4,769,977	4,107,143	29,221,515	—	29,221,515
Inter segment sales and transfer	1,747,294	1,385,063	41,692	3,174,050	Δ3,174,050	—
Total	22,091,688	6,155,041	4,148,836	32,395,566	Δ3,174,050	29,221,515
Segment income	680,640	260,891	230,358	1,171,889	Δ200,006	971,883

(Notes)

- Adjustment of ¥Δ200,006 thousand includes ¥Δ237,378 thousand -corporate expenses that are not distributed to each reportable segment and other ¥37,372 thousand.
- The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

(2) The information on impairment loss for fix asset and goodwill by reportable segment

Not applicable

2. The Third Quarter of FY 2017 (December 1, 2016 through August 31, 2017)

(1) The information on net sales, income or loss by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	20,617,370	5,235,656	4,249,475	30,102,502	—	30,102,502
Inter segment sales and transfer	1,705,316	1,856,960	59,320	3,621,597	Δ3,621,597	—
Total	22,322,687	7,092,617	4,308,795	33,724,099	Δ3,621,597	30,102,502
Segment income	770,297	296,619	207,248	1,274,165	Δ244,176	1,029,985

(Notes)

- Adjustment of ¥Δ244,179 thousand includes ¥Δ234,515 thousand-corporate expenses that are not distributed to each reportable segment and other ¥Δ9,664 thousand.
- The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the consolidated profit and loss statement.

(2) The information on impairment loss for fix asset and goodwill by reportable segment

(Impairment loss on fix asset)

In Japan segment, ¥57,270 thousand for impairment loss on land as idle assets was booked in the third quarter of FY2017 (December 1, 2016 through August 31, 2017).