

January 14, 2020

MORITO CO., LTD.
Financial Statement (Unaudited)
For the Fiscal Year ended November 30, 2019
(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)

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Representative Director and President

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Scheduled date of the annual general meeting of shareholders

February 26, 2020

Scheduled date of dividend payment:

February 27, 2020

Scheduled date of filling of Security Report:

February 27, 2020

Supplementary explanation material for quarterly financial results:

Yes

Presentation meeting for quarterly financial results:

Yes (for analyst and institution investors)

(Amounts rounded down)

1. Consolidated Financial Results for the Fiscal Year 2019(December 1, 2018, through November 30, 2019)**(1) Consolidated Financial Results**

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2019	45,987	4.7	1,734	0.5	1,779	△0.6	1,402	11.6
FY 2018	43,943	6.2	1,725	1.0	1,790	5.1	1,257	△62.0

(Note) Comprehensive income : 589 million yen (△44.6%) (FY 2019) 1,064 million yen (△78.2%)(FY 2018)

	Net income per share	Fully diluted net Income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2019	51.17	-	4.3	3.7	3.8
FY 2018	45.71	45.62	3.8	3.9	3.9

(Reference) Equity in earnings (losses) of affiliates: 69 million yen (FY 2019) 66 million yen (FY 2018)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY 2019	47,185	32,725	69.2	1,193.13
FY 2018	48,011	32,959	68.5	1,196.17

(Reference) Equity capital: 32,667 million yen (FY 2019) 32,905 million yen (FY 2018)

Note: Partial amendments to "Accounting Standard for Tax Effect Accounting" (Accounting Standard Board of Japan ("ASBJ") Statement no.28, February 16, 2018) were implemented from the current fiscal year. Regarding management indicators mainly related to the previous fiscal year, the indicators are based on applying the accounting policy

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2019	3,614	110	△2,694	9,442
FY 2018	626	△5,171	2,303	8,525

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividends Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter- end	Second quarter- end	Third quarter- end	Fiscal year- end	Annual			
	Yen	Yen	Yen	Yen	Yen			
FY 2018	-	12.50	-	12.50	25.00	701	54.7%	2.1%
FY 2019	-	13.00	-	13.00	26.00	725	50.8%	2.2%
FY 2020 (Forecast)	-	13.25	-	13.25	26.50		50.0%	

Note: In both FY2018 Second quarter-end and FY2018 fiscal year-end dividends, a 0.50 yen commemorative dividend for the celebration of the 110th anniversary of the company's founding is included.

3. Consolidated Forecast for FY 2020 (December 1, 2019, through November 30, 2020)

(Percentages represent changes from the corresponding period of the 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	47,000	2.2	1,900	9.6	1,900	6.8	1,450	3.4	52.96

***Notes**

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

Newly included: None

Extended company: None

(2) 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) : None

(iii) Changes in accounting estimates : None

(iv) Restatements : None

(3) Number of outstanding shares (common shares)

(i) The number of outstanding shares, including treasury shares at the end of the period:

30,800,000 shares (FY 2019)

30,800,000 shares (FY 2018)

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

3,420,060 shares (FY 2019)

3,290,700 shares (FY 2018)

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

27,415,898 shares (FY 2019)

27,505,500 shares (FY 2018)

*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 estimates and criteria conditioned upon the forecast, please refer to "1. Qualitative Information for the Period under Review (4) Outlook for the next fiscal year" on page 6.

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 stock.

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1. Qualitative Information for the Period under Review

(1) Overview of Business Performance

In the fiscal year ended November 30, 2019 (From 1st December 2018 to 30th November 2019), The Japanese economy's employment rate and the income environment have improved, while personal consumption is showing signs of modest recovery. Due to the prolongation of the US-China trade issues and the Brexit effects, the world economy's future remains unclear, and especially the uncertainty over the exporting industry is increasing.

Within this situation, our company group, which works mainly with apparel accessories and general-industrial materials, has decided that FY 2019 is the year of structural reform. We transitioned to a holding company structure as of June 1st, 2019, while holding to our management vision [Create Morito's existence value, Realize "New Morito Group"] and focusing on the development of high-value-added products from Japan and also expanding the earnings base globally. We will continue with the value realization our era requires and accelerate the business developments not only in our current markets in the ASEAN · China · United States and Europe but also in the business developments of untapped markets.

As a result, the current yearly performance reached net sales ¥45,987million (increased 4.7% compared to the same period of the previous year), operating income ¥1,734million (increased 0.5% compared to the same period of the previous year), ordinary income 1,779 million(decreased 0.6 % compared to the same period of the previous year), net income attributed to the parent company shareholders ¥1,402million (increased 11.6 % compared to the same period of the previous year).

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

	1Q Oct-Dec		2Q Jan-Mar		3Q Apr-Jun		4Q Jul-Sep	
USD	112.91	(112.98)	110.23	(108.23)	109.90	(109.10)	107.37	(111.43)
EUR	128.82	(133.01)	125.16	(133.15)	123.50	(130.03)	119.41	(129.54)
CNY	16.32	(17.08)	16.33	(17.04)	16.07	(17.13)	15.30	(16.36)
HKD	14.42	(14.47)	14.05	(13.83)	14.02	(13.90)	13.71	(14.20)
TWD	3.66	(3.75)	3.58	(3.70)	3.53	(3.67)	3.45	(3.64)
VND	0.0048	(0.0050)	0.0047	(0.0048)	0.0047	(0.0048)	0.0046	(0.0048)
THB	3.44	(3.43)	3.49	(3.43)	3.48	(3.42)	3.50	(3.38)
MXN	5.70	(-)	5.74	(-)	5.75	(-)	5.53	(-)

Notes 1: () is the exchange rate of FY2018.

2: MORITO SCOVILL MEXICO S.A. de C.V. has been included in the current fiscal year's net sales. The exchange rate used to convert the revenue and costs on the consolidated financial statements is Mexican Peso.

Segment information as follows,

[Japan]

As for the apparel component division, the sales for uniforms and working wear apparel accessories has increased.

In the consumer product division, the sales for products for single price retailers and automotive interior components increased.

Also, as from the 3Q of the previous fiscal year, the sales results of MANEUVERLINE CO., LTD., has been included in this financial statement. The importing and sales of marine leisure and snowboarding products have increased. As a result, the total net sales were ¥33,262 million (increased 6.2% compared to the same period of the previous year)

[Asia]

As for the apparel component division, sales of apparel components for Japanese apparel manufacturers in Shanghai increased, while sales for Europe and the US apparel manufacturers in Hong Kong decreased.

In the consumer product division, the sales of automotive interior components for Japanese manufacturers located in Shanghai and Thailand have increased. As a result, the total net sales was ¥ 6,963 million (increased

7.4% compared to the same period of the previous year)

[Europe and the USA]

As for the apparel component division, the sales of apparel components for American apparel manufacturers decreased. In the consumer product division, the sales of automotive interior components have increased. As a result, the total net sales were ¥ 5,762million (decreased 6.0% compared to the same period of the previous year).

(2) Overview of Financial Position

Total assets came to ¥47,185 million, decreased by ¥ 826 million compared to the previous consolidated fiscal year.

Total current assets came to ¥27,657 million, increased by ¥77 million compared to the previous consolidated fiscal year. This change was mainly due to the ¥373 million increase in cash and deposits, and the ¥235 million decrease of notes and accounts receivable.

Total fixed assets came to ¥19,522 million, decreased by ¥900 million compared to the previous consolidated fiscal year. This change was mainly due to the decrease in land ¥257 million, goodwill ¥357 million, and investment securities ¥330 million.

Total current liabilities came to ¥8,892 million, increased by ¥965 million compared to the previous consolidated fiscal year. This change was mainly due to the increase in notes and accounts payable ¥358 million, income taxes payable ¥312 million, and other accounts payable ¥367 million.

Total fixed liabilities came to ¥5,568 million, decreased by ¥1,558 million compared to the previous consolidated fiscal year. This change was mainly due to the decrease in corporate bonds ¥400 million, and long-term loans payable ¥ 992 million.

Total net assets came to ¥ 32,725 million, decreased by ¥233 million compared to the previous consolidated fiscal year.

The shareholders' equity ratio changed from 68.5% to 69.2%, increased by 0.7 points from the previous consolidated fiscal year.

(3) Overview of Cash Flows

The overall situation regarding cash flow during the fiscal year is as follows:

[Cash flows from operating activities]

Net cash provided by operating activities was ¥3,614 million (¥626 million provided in the same period of the previous fiscal year). This change was mainly due to the acquisition of net income before income taxes and depreciation costs.

[Cash flows from investing activities]

Net cash provided in investing activities was ¥110 million (¥5,171 million used in the same period of the previous fiscal year). This change was mainly due to the purchase and sales of tangible fixed assets and repayment of time deposits.

[Cash flows from financing activities]

Net cash used in financing activities was ¥2,694 million (¥ 2,303 million provided in the same period of the previous fiscal year). This change was mainly due to payments of dividends by repayment of long-term loans payable.

As a result, cash and cash equivalent was ¥ 9,442 million, increased by ¥ 916 million compared to the end of the previous fiscal year,

The following table shows financial indicators associated with cash flows.

	FY2017	FY2018	FY2019
Equity ratio	74.9%	68.5%	69.2%
Equity ratio (market value basis)	66.4%	46.5%	46.4%
Interest-bearing debt / cash flow ratio	89.4%	896.1%	106.0%
Interest coverage ratio	336.7	109.8	473.8

(Note)

Equity ratio = Equity capital / Total assets

Equity ratio (market value basis) = Market capitalization / Total Assets

Interest-bearing debt / cash flow ratio = Interest-bearing debt/net cash provided by operating activities

Interest coverage ratio = Operating cash flows / Interest paid

*Each indicator is calculated on a consolidated basis.

*Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end, not including treasury stocks.

*Operating cash flows refers to net cash provided by operating activities in the consolidated statement of cash flows.

*Interest-bearing debt includes bonds and loans payable on the consolidated balance sheet.

*The interest payments use the interest paid as recorded in the consolidated statement of cash flows.

(4) Outlook for the next fiscal year

Our eighth mid-term management plan is 『Create Morito's existence value, Realize "New Morito Group"』 (5 years, from December 1, 2020, through November 30, 2024). We will carry forward this plan to accelerate the expansion of our businesses.

The forecast for the consolidated results during this period is of net-sales ¥47 billion, operating income ¥1.9 billion, ordinary profit ¥ 1.9 billion and net income attributable to owners of the parent ¥1.45 billion (Exchange rate: US\$1.00 = ¥107.69).

(5) Basic policy on Payment of Dividends

The company's basic dividend policy is to return the profit to our shareholders by reinforced financial ground and improved profitability. Also, we will use the internal reserve to invest, and M&A for the long-term growth in the future.

The dividend was distributed in a manner that reflects the consolidated company result and financial standing.

- Continuous dividends payment
- Maintain DOE 1.5%
- Basic policy of dividend payout ratio more than 50%

(However, payment dividend will be determined with consideration of the impact in the case of that profit(loss) attributable to owners of the parent of the fiscal year fluctuates significantly due to extraordinary factors.)

The company will consider the purchase and retirement of treasury stock to enrich shareholders' returns promptly, based on the company's financial situation and share price.

During this fiscal year, we scheduled to propose the general meeting of shareholders held on February 26, 2020, to payout ¥13 per share as the dividend of year-ended.

As a result, dividends for the subject fiscal year amount to ¥26 per share, including the interim dividends of ¥13 per share. There will be an increase of ¥1 on dividends comparing to the previous year's amount of ¥25.

For the next fiscal year's dividends, the allocation of profits will be based on the above basic policy, with interim dividends of ¥13.25 and fiscal year-end dividends of ¥13.25. The total dividends per year will be ¥26.50.

2. Organization of the group

Our group consists of the parent company, 23 subsidiaries, and 2 affiliate companies. The group's primary business is sales and manufacturing of materials for daily-life: including apparel materials, parts for automotive, lifestyle goods, and rental and cleaning of kitchen appliances.

◎ Consolidated subsidiaries: 21 companies ○ Non-consolidated subsidiaries: 2 companies □ Affiliates: 1 company

(JAPAN)

- ◎ MORITO JAPAN CO., LTD: Selling apparel and daily-life materials
- ◎ ACE INDUSTRIAL MACHINERY CO., LTD.: Rental service, selling, and cleaning of kitchen appliances
- ◎ THREE RUNNERS CO., LTD.: Selling and manufacturing of sports supporters
- ◎ MATEX INC.: Manufacturing of apparel components, designing, printing, website creation, and design, printing and graphic design production planning
 - 52DESIGN CO., LTD.: Manufacturing and selling of bags, accessories, clothes, and miscellaneous goods.
 - ◎ MANEUVERLINE CO., LTD.: Imports and sells marine leisure, snowboarding, and skateboarding goods.
 - ◎ CANVAS CO., LTD.: A subsidiary of MANEUVERLINE CO., LTD.(100%). Imports and sells apparel goods.
 - ◎ FUSION CO., LTD.: A subsidiary of MANEUVERLINE CO., LTD.(100%). Imports and sells snowboarding goods.
- Kuraray Fastening Co., Ltd.: Selling and manufacturing of hook and loop fasteners

(ASIA)

- ◎ MORITO SCOVILL HONG KONG Co., LTD.: Selling of apparel components and consumer products
- ◎ MORITO (SHENZHEN) CO., LTD.: A subsidiary of MORITO SCOVILL HONG KONG Co., LTD.(100%)
Manufacturing of apparel components and consumer products
- ◎ TAIWAN MORITO CO., LTD.: Selling of apparel components and consumer products
- ◎ KANE-M SHANGHAI CO., LTD.: Selling of apparel components and consumer products
- ◎ KANE-M DANANG CO., LTD.: Selling and manufacturing of apparel components, consumer products, and operation of rental factories.
- ◎ KANE-M (THAILAND) CO., LTD.: Selling of apparel components and consumer products
- ◎ SHANGHAI NEW WORLD MATEX INTERNATIONAL TRADE CO., LTD.: A subsidiary of MATEX INC. (100%). Manufacturing and selling of apparel parts, design, and printing within China and overseas.
- MATEX BANGKOK CO., LTD.: A subsidiary of MATEX INC. (100%). Manufacturing and selling of apparel components, design, and printing within Thailand and overseas.
- ◎ GSG (SCOVILL) FASTENERS ASIA LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%). Selling of apparel components and consumer products.
- ◎ SCOVILL FASTENERS INDIA PVT. LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%). Selling of apparel components and consumer products.

(EUROPE AND USA)

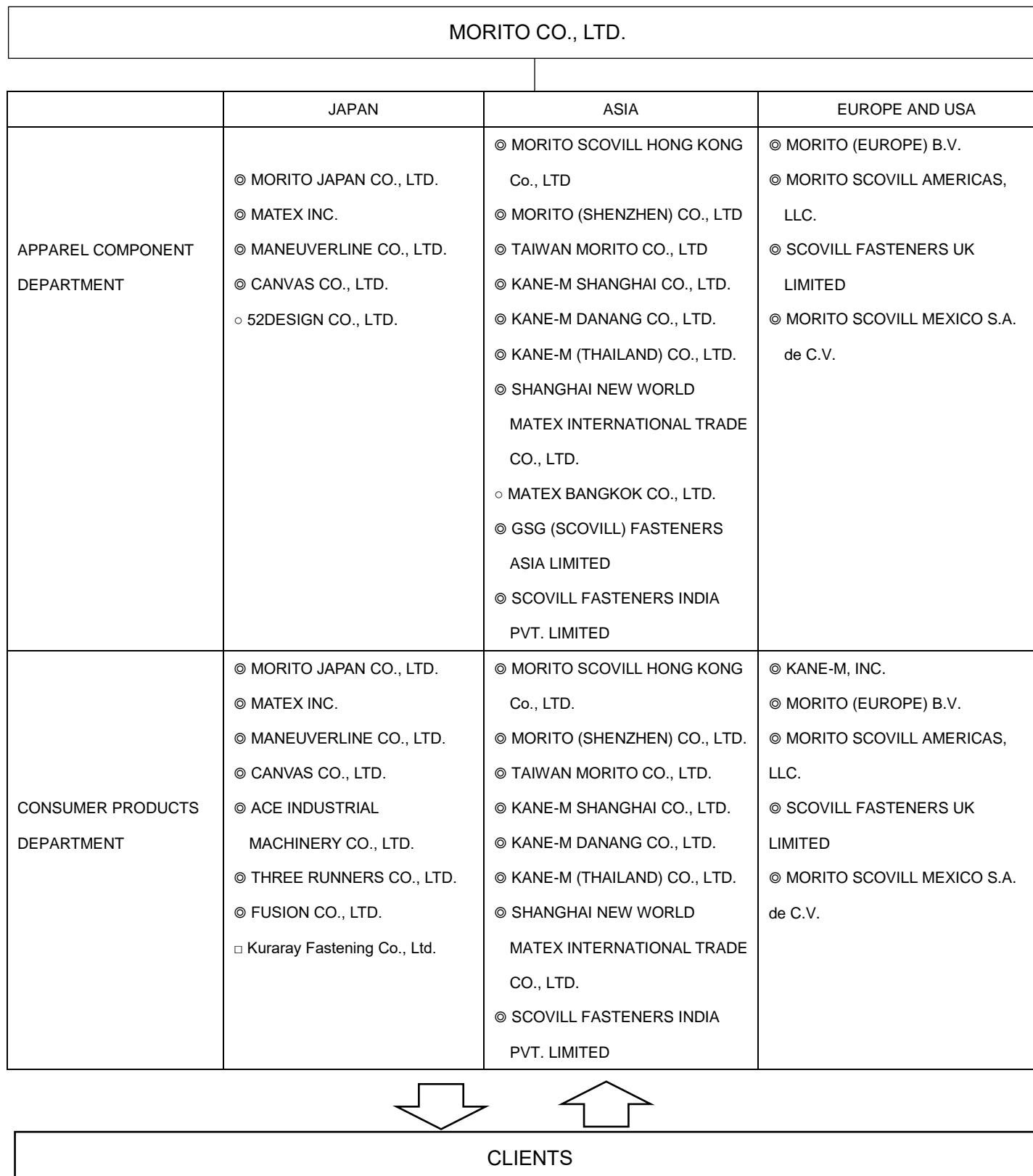
- ◎ KANE-M, INC.: Selling of apparel components and consumer products
- ◎ MORITO (EUROPE) B.V.: Selling of apparel components and consumer products
- ◎ MORITO SCOVILL AMERICAS, LLC.: Manufacturing and selling of apparel components and consumer products
- ◎ SCOVILL FASTENERS UK LIMITED: A subsidiary of MORITO SCOVILL AMERICAS, LLC. (100%). Selling of apparel components and consumer products
- ◎ MORITO SCOVILL MEXICO S.A. de C.V.: A subsidiary of KANE-M, INC. (89.4%) and MORITO SCOVILL AMERICAS, LLC (10.6%). Selling of automobile and apparel components.

(Note 1) MORITO SCOVILL MEXICO S.A. de C.V. is included in the scope consolidation from this consolidated fiscal year

(Note 2) Starting from December 1, 2018, the consolidated subsidiary, NIPPON SPORTS SUPPLY CO., LTD. has merged with also consolidated subsidiary MANEUVERLINE CO., LTD., therefore is not included in the scope consolidation.

(Note 3) Through a company split, we transitioned to a holding company structure from this consolidated fiscal year, managing all services by MORITO JAPAN CO., LTD., except for strategy planning and integrated management for each operated company.

Business Flow Chart



NOTE: ◎Consolidated subsidiaries ○: Non-consolidated subsidiaries □: Affiliate

3. Basic concept concerning the selection of accounting standards

We will continue adopting Japan's standard financial report for an easy comparison of periods and within companies. For IFRS implementation, we will consider the national and overseas situations and will adapt accordingly.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

	FY 2018 (As of November 30, 2018) Thousands of yen	FY 2019 (As of November 30, 2019) Thousands of yen
Assets		
Current assets		
Cash and deposits	9,343,274	9,716,355
Notes and accounts receivable	12,008,498	11,773,061
Commercial goods and finished goods	4,764,286	4,328,969
Work in process	236,619	390,137
Raw materials and supplies	405,985	364,573
Other current assets	859,513	1,115,458
Allowance for doubtful accounts	△38,224	△30,645
Total current assets	27,579,953	27,657,908
Fixed assets		
Tangible fixed assets		
Building and structures	7,510,858	7,473,810
Accumulated depreciation	△3,105,590	△3,230,638
Building and structures (net)	4,405,268	4,243,172
Machinery and delivery equipment	2,000,490	2,147,062
Accumulated depreciation	△1,280,361	△1,436,321
Machinery and delivery equipment (net)	720,129	710,740
Tools, furniture and fixtures	2,173,280	2,342,957
Accumulated depreciation	△1,672,556	△1,769,947
Tools, furniture and fixtures (net)	500,723	573,009
Land	4,332,821	4,074,904
Lease assets	219,354	238,524
Accumulated depreciation	△117,899	△143,691
Lease assets (net)	101,454	94,832
Construction-in-process-in-process	86,420	114,230
Total tangible fixed assets	10,146,818	9,810,890
Intangible fixed assets		
Goodwill	3,196,351	2,839,168
Lease assets	54,645	15,941
Other Intangible fixed assets	1,101,569	1,138,306
Total intangible fixed assets	4,352,566	3,993,417
Investments and other fixed assets		
Investment securities	4,727,033	4,396,289
Long-term loans	166,000	160,800
Deferred tax assets	121,481	409,360
Net defined benefit asset	237,765	268,300
Other fixed assets	745,652	550,348
Allowance for doubtful account	△75,148	△67,253
Total investments and other fixed assets	5,922,784	5,717,844
Total fixed assets	20,422,170	19,522,152
Deferred assets	9,802	5,601
Total assets	48,011,926	47,185,662

(Unaudited)

	FY 2018 (As of November 30, 2018) Thousands of yen	FY 2019 (As of November 30, 2019) Thousands of yen
Liabilities		
Current liabilities		
Notes and accounts payable	4,500,593	4,859,108
Short-term loans payable	200,000	50,000
Current portion of bonds	400,000	400,000
Current portion of long-term debt	749,146	506,666
Accrued tax payable	128,612	441,253
Reserve for bonuses	225,231	229,983
Reserve for director's bonuses	56,929	71,595
Other current liabilities	1,665,881	2,333,488
Total current liabilities	7,926,394	8,892,095
Fixed liabilities		
Bonds payable	600,000	200,000
Long-term debt	3,667,331	2,674,590
Deferred tax	1,047,951	1,229,287
Deferred tax assets for revaluation	329,031	275,959
Provision for retirement benefit by stock	26,501	31,824
Provision for director's retirement benefit	48,583	57,249
Provision for director's retirement benefit by stock	71,040	56,428
Provision for environmental measures	20,367	19,360
Net defined benefit liability	894,881	892,694
Other fixed liabilities	420,632	130,675
Total fixed liabilities	7,126,319	5,568,069
Total liabilities	15,052,714	14,460,164
Net Assets		
Shareholders' equity		
Capital	3,532,492	3,532,492
Capital surplus	3,498,724	3,503,243
Retained earnings	25,277,180	26,072,687
Treasury stock	△2,118,444	△2,222,696
Total shareholders' equity	30,189,951	30,885,726
Other comprehensive income		
Valuation difference on available-for-sale securities	1,409,695	1,185,435
Deferred gains or losses on hedges	451	946
Difference in revaluation of land	571,368	451,115
Foreign currency translation adjustment	802,769	170,300
Remeasurement of defined benefit plans	△68,550	△25,723
Total other comprehensive income	2,715,733	1,782,074
Subscription rights to shares	53,526	57,697
Minority interests	—	—
Total net assets	32,959,212	32,725,498
Total liabilities and net assets	48,011,926	47,185,662

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

Consolidated Statements of Income

	FY 2018 (December 1, 2017 through November 30, 2018) Thousands of yen	FY 2019 (December 1, 2018 through November 30, 2019) Thousands of yen
Net sales	43,943,632	45,987,996
Cost of sales	32,135,727	33,444,996
Gross profit	11,807,904	12,543,000
Selling, general and administrative expenses		
Salary	3,248,321	3,451,236
Bonus	619,448	636,178
Welfare expense	862,182	830,071
Retirement benefit	150,251	204,036
Provision of director's bonus	55,231	68,939
Provision of directors' retirement benefits	7,500	8,666
Provision for board incentive plan	19,488	21,331
Postage	135,206	134,594
Freightage and packing expense	1,447,845	1,596,694
Provision of allowance for doubtful account	4,875	511
Commission paid	795,147	821,058
Rental expense	390,663	309,623
Depreciation	330,284	449,196
Other selling, general and administrative expense	2,016,047	2,276,587
Total selling, general and administrative expense	10,082,494	10,808,726
Operating Income	1,725,409	1,734,274
Non-operating income		
Interest received	25,990	27,386
Dividends received	87,181	86,262
Rent on real estate	40,578	70,084
Commission received	772	731
Equity in earnings of affiliates	66,796	69,164
Other non-operating income	61,435	52,781
Total non-operating income	282,755	306,410
Non-operating expenses		
Interest paid	5,801	8,506
Cash discount on sales	82,830	83,660
Depreciation expense of assets lent	39,227	39,052
Foreign Exchange Loss	19,773	40,985
Others non-operating expense	70,306	89,171
Total non-operating expense	217,940	261,377
Ordinary Income	1,790,224	1,779,307
Extra ordinary income		
Gains on sales of fixed assets	36,409	325,159
Gains on sales of investment securities	9,405	85,339
Gain on reversal of subscription rights to shares		630
Total extra ordinary income	45,814	411,128
Extra ordinary loss		
Loss on sales of fixed assets	273	67
Loss on disposal of fixed assets	21,964	5,034
Loss on sale of investment securities	—	415
Loss on devaluation of investment securities	—	599
Loss of business restructuring	43,420	5,699
Total extra ordinary loss	65,659	11,816

(Unaudited)

	FY 2018 (December 1, 2017 through November 30, 2018) Thousands of yen	FY 2019 (December 1, 2018 through November 30, 2019) Thousands of yen
Net income before taxes and other adjustment	1,770,379	2,178,619
Corporate, inhabitant and business taxes	575,466	840,184
Adjustments to corporate and other taxes	△62,440	△64,504
Total income taxes	513,026	775,679
Income before minority interest	1,257,353	1,402,940
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	1,257,353	1,402,940

Consolidated Statements of Comprehensive Income

	FY 2018 (December 1, 2017 through November 30, 2018) Thousands of yen	FY 2019 (December 1, 2018 through November 30, 2019) Thousands of yen
Income before income taxes	1,257,353	1,402,940
Other comprehensive income		
Unrealized gain(loss) on available-for-sale securities	△167,322	△224,259
Deferred gains or losses on hedges	1,654	495
Foreign currency translation adjustment	12,885	△632,469
Adjustments to retirement benefit	△40,439	42,827
Equity equivalent to equity method affiliate	1	△0
Total other comprehensive income	△193,220	△813,406
Comprehensive income	1,064,132	589,533
(Breakdown)		
Comprehensive income attribute to the parent	1,064,132	589,533
Comprehensive income attribute to the minority shareholders	—	—

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2018 (December 1, 2017, through November 30, 2018)

(Thousands of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of current period	3,532,492	3,498,724	24,713,167	△122,115	29,622,267
Changes of items during the period					
Dividends from surplus			△743,597		△743,597
Profit (loss) attributable to owners of parent			1,257,353		1,257,353
Purchase of treasury stock					-
Disposal of treasury stock				3,670	3,670
Increase (decrease) amount resulting in change in scope of consolidation					-
Reversal of revaluation reserve for land			50,257		50,257
Net changes of items other than shareholders' equity					
Total changes of items during the period			564,012	3,670	567,683
Balance at the end of current period	3,532,492	3,498,724	25,277,180	△2,118,444	30,189,951

	Accumulated other comprehensive income						Stock option	Non-controlling shareholders' equity	Total net asset
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Difference in revaluation of land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	1,577,017	△1,203	621,625	789,883	△28,110	2,959,211	33,658	-	32,615,138
Changes of items during the period									
Dividends from surplus									△743,597
Profit (loss) attributable to owners of parent									1,257,353
Purchase of treasury stock									-
Disposal of treasury stock									3,670
Increase (decrease) amount resulting in change in scope of consolidation									-
Reversal of revaluation reserve for land									50,257
Net changes of items other than shareholders' equity	△167,322	1,655	△50,257	12,885	△40,439	△243,477	19,868	-	△223,609
Total changes of items during the period	△167,322	1,655	△50,257	12,885	△40,439	△243,477	19,868	-	344,074
Balance at the end of current period	1,409,695	451	571,368	802,769	△68,550	2,715,733	53,526	-	32,959,212

FY2019 (December 1, 2018, through November 30, 2019)

(Thousands of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of current period	3,532,492	3,498,724	25,277,180	△2,118,444	30,189,951
Changes of items during the period					
Dividends from surplus			△713,334		△713,334
Profit (loss) attributable to owners of parent			1,402,940		1,402,940
Purchase of treasury stock				△151,148	△151,148
Disposal of treasury stock		4,519		46,897	51,416
Increase (decrease) amount resulting in change in scope of consolidation			△14,350		△14,350
Reversal of revaluation reserve for land			120,252		120,252
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	4,519	795,507	△104,251	695,774
Balance at the end of current period	3,532,492	3,503,243	26,072,687	△2,222,696	30,885,726

	Accumulated other comprehensive income						Stock option	Non-controlling shareholders' equity	Total net asset
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Difference in revaluation of land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	1,409,695	451	571,368	802,769	△68,550	2,715,733	53,526	-	32,959,212
Changes of items during the period									
Dividends from surplus									△713,334
Profit (loss) attributable to owners of parent									1,402,940
Purchase of treasury stock									△151,148
Disposal of treasury stock									51,416
Increase (decrease) amount resulting in change in scope of consolidation									△14,350
Reversal of revaluation reserve for land									120,252
Net changes of items other than shareholders' equity	△224,259	495	△120,252	△632,469	42,827	△933,659	4,170	-	△929,488
Total changes of items during the period	△224,259	495	△120,252	△632,469	42,827	△933,659	4,170	-	△233,713
Balance at the end of current period	1,185,435	946	451,115	170,300	△25,723	1,782,074	57,697	-	32,725,498

(4) Consolidated Cash Flows

	FY 2018 (December 1, 2017 through November 30, 2018) Thousands of yen	FY 2019 (December 1, 2018 through November 30, 2019) Thousands of yen
Cash flows from operating activities		
Income (loss) before income taxes	1,770,379	2,178,619
Depreciation of amortization	714,633	860,463
Depreciation of goodwill	208,075	240,708
Change in provision for bonus	7,701	7,119
Changes in net defined benefit asset	△9,520	26,521
Changes net defined benefit liability	△18,553	2,485
Change in reverse for retirement benefits for officers	7,500	8,666
Changes in reverse for employee stock ownership plan	1,739	5,323
Changes in board incentive plan	19,488	△14,611
Change in allowance for doubtful accounts	1,973	△13,219
Interest income and dividends income	△113,171	△113,649
Interest paid	5,801	8,506
Equity in net income of affiliates	△66,796	△69,164
Gain on reversal of subscription rights to shares	—	△630
Gains from sale of fixed assets	△36,135	△325,092
Gains from sale of investment securities	△9,405	△84,924
Gains from valuation of investment securities	—	599
Loss on retirement of noncurrent assets	21,964	5,034
Loss of restructuring	43,420	5,699
Change in notes and accounts	△699,692	40,883
Change in inventory	△562,287	145,907
Change in account payable	13,713	502,316
Others	262,508	515,858
Subtotal	1,563,338	3,933,423
Proceed from interest and dividends income	114,891	115,404
Payment of interest	△5,709	△7,628
Payment of corporate tax	△1,045,732	△426,914
Net cash(used in)/provided by operating activities	626,787	3,614,285
Cash flows from investing activities		
Decrease in time deposit	△540,206	△28,211
Increase in time deposit	1,261,189	549,028
Purchase of investment securities	△139,863	△30,313
Increase of sale for investment securities	13,383	120,721
Purchase of stocks of affiliates	△101,442	—
Purchase of tangible fixed assets	△3,556,622	△901,293
Proceeds from sale for tangible fixed assets	154,274	615,253
Purchase of intangible assets	△69,556	△219,228
Proceeds from loans receivable	86,966	16,792
Payments of loans receivable	△100,000	△3,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	△2,154,961	—
Others	△24,580	△8,918
Net cash provided by (used in) investing activities	△5,171,418	110,828

(Unaudited)

	FY 2018 (December 1, 2017 through November 30, 2018) Thousands of yen	FY 2019 (December 1, 2018 through November 30, 2019) Thousands of yen
Cash flows from financing activities		
Changes in short-term debt	—	△150,000
Repayments of lease obligations	△82,729	△58,009
Proceeds from long-term loans	4,100,000	—
Repayment of long-term loans	△571,962	△1,235,221
Redemption of bonds	△400,000	△400,000
Proceeds from sale from treasury stock	1,870	—
Payments to acquire treasury stock	—	△151,148
Proceeds from execution of stock option	—	13,221
Payments of dividends	△743,597	△713,334
Net cash used in financing activities	2,303,581	△2,694,493
Effects of exchange rate on cash and cash equivalents	△9,774	△146,070
Net increase (decrease) in cash and cash equivalents	△2,250,823	884,549
Cash and cash equivalents at beginning of year	10,776,583	8,525,759
Increase in cash and cash equivalents from newly consolidated subsidiary	—	32,021
Cash and cash equivalents at fiscal year-end	8,525,759	9,442,330

(5) Notes regarding Consolidated Financial Statements

(Notes on assumption of going concern)

Not applicable.

(Changes on indication method)

Changes due to partial amendments to “Accounting Standard for Tax Effect Accounting.”

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standard Board of Japan (“ASBJ”) Statement no.28, February 16, 2018), has been implemented from the current fiscal year. Deferred tax assets have been added to the section of investments and other assets, and deferred tax liabilities have been added to the fixed liabilities section.

As a result, the “current assets’ deferred tax assets,” has decreased 124,068 thousand yen, compared to the previous consolidated fiscal year’s consolidated balance sheet. In contrast, “ investments and other assets’ deferred tax assets” have increased 76,612 thousand yen.

Also, fixed liabilities’ deferred tax liabilities, has decreased 47,456 thousand yen.

Moreover, the same taxable entities, deferred tax assets, and deferred tax liabilities are indicated as offset, decreasing the total assets by 47,456 thousand yen, compared to before these changes.

(Business Combinations)
(Transactions under common control)

Transition to a holding company structure through a company split

Our company has transitioned to a holding company structure under an absorption-type company split agreement on December 13, 2018, which was concluded on June 1, 2019 with MORITO JAPAN CO., LTD. As a result, as of June 1, 2019, we have transitioned to a holding company structure.

1. Company split overview

(1) Information on departments in question

Manufacturing and selling of apparel components and automotive interior components

(2) Date of business combination

June 1, 2019,

(3) Legal form of business combination

MORITO JAPAN CO., LTD. (100% subsidiary), has become the successor company in this absorption-type split.

(4) Company name after business combination

Split company: MORITO CO., LTD. Successor company: MORITO JAPAN CO., LTD.

(5) Purpose of company split:

The surrounding environment of our group is in the mid-to-long-term national demand decrease due to population decline in Japan, along with the creation of new and rapidly changing business models, including the usage of new technologies such as IoT (Internet of the Things) · AI (Artificial intelligence).

For this reason, as this new business environmental requires, we aim to create value and expand our earnings base globally under our company's management vision of [Create Morito's existence value, Realize "New Morito Group"].

Hereafter, to assure our group's further growth, we concluded the transition to a holding company structure.

Our purposes are as follows,

1) Strengthen the group's management strategic function

The holding company - focus on the management of our entire group and developing management strategies aiming for further expansion in new businesses, including M&A, and striving to maximize the group's company value by distributing the management resources in the best and most effective way.

2) Accelerate decision-making process by clarifying the authorities and responsibilities

By separating the organizations that supervise the group management and business developments, we aim to accelerate the decision-making process by defining the authorities and responsibilities and strengthen our competitiveness by developing businesses more flexibly.

3) Maximize our group's synergy

With a holding company structure as its core, we aim to maximize our group's synergy by making the best use of our management resources horizontally and effectively.

2. Overview of the implemented accounting process

This transaction was treated under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

3. Overview of departments' split

(1) Content of the departments' split

Apparel components and consumer products departments

(2) Operating results for the split departments fiscal year 2018 (December 1, 2017, through November 30, 2018)

	Split departments (a)	Achievements (non-consolidated) (b)	Ratio (a ÷ b)
Net Sales	¥27,769 million	¥27,769 million	100%

(3) Section and amount for the split assets and liabilities (as of, June 1, 2019)

Assets		Liabilities	
Section	Carrying amount	Section	Carrying amount
Current assets	¥11,325 million	Current assets	¥3,679 million
Fixed assets	¥809 million	Fixed assets	¥694 million
Total	¥12,134 million	Total	¥4,373 million

(4) Conditions after the split (as of, June 1, 2019)

	Split company	Successor company
(1) Name	MORITO CO., LTD,	MORITO JAPAN CO., LTD
(2) Address	4-2-4, MINAMI HOMMACHI, CHUO-KU, OSAKA 541-0054 JAPAN	4-2-4, MINAMI HOMMACHI, CHUO-KU, OSAKA 541-0054 JAPAN
(3) Representative's name and position	Representative Director and President Takaki Ichitsubo	Representative Director and President Masato Kimoto
(4) Business content	Integrated management and group's strategy planning	Manufacturing and selling of apparel components, automotive interior components and other parts
(5) Capital	¥3,532 million	¥310 million
(6) Fiscal period	November 30th	November 30th

(Segment Information)

1. Fiscal year 2018 (December 1, 2017, through November 30, 2018)

The information on net sales, income or loss, assets, and other items by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1,3)	Consolidated Statement Amount (Note 2)
	Japan	Asia	EU and US	Total		
Net Sales						
Sales to external customers	31,326,136	6,484,696	6,132,799	43,943,632	-	43,943,632
Inter segment sales and transfer	2,515,242	3,345,322	36,064	5,896,629	△5,896,629	-
Total	33,841,378	9,830,018	6,168,864	49,840,262	△5,896,629	43,943,632
Segment income	1,361,395	469,331	305,800	2,136,527	△411,117	1,725,409
Segment asset	35,523,056	6,837,501	7,227,915	49,588,473	△1,529,090	48,059,383
Other						
Depreciation	400,713	144,851	169,067	714,633	-	714,633
Increase in tangible fixed assets	3,464,358	200,988	73,363	3,738,710	-	3,738,710

(Notes)

1. Adjustment of △411,117 thousand yen includes △277,815 thousand yen corporate expenses that are not distributed to each reportable segment and others △133,302 thousand yen.
2. 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.
3. The adjustment for segment asset includes the elimination of intersegment transaction △9,925,250 thousand yen and corporate asset 8,396,160 thousand yen that have not been distributed to reportable segment. Corporate assets consist mainly of assets not belonging to a specific segment (cash and cash equivalent and investments in securities) and assets related to administrative operations.

2. Fiscal Year 2019(December 1, 2018, through November 30, 201)

(1) The information on net sales, income or loss, assets, and other items by reportable segment

(Thousands of yen)

	Reportable Segment				Adjustment (Note 1,3)	Consolidated Statement Amount (Note 2)
	Japan	Asia	Europe and the USA	Total		
Net Sales						
Sales to external customers	33,262,134	6,963,361	5,762,501	45,987,996	-	45,987,996
Inter segment sales and transfer	2,364,981	3,070,111	31,396	5,466,489	△5,466,489	-
Total	35,627,115	10,033,473	5,793,897	51,454,486	△5,466,489	45,987,996
Segment income	1,509,267	524,407	13,173	2,046,848	△312,574	1,734,274
Segment asset	32,734,371	6,874,226	6,319,317	45,927,914	1,257,747	47,185,662
Other						
Depreciation	541,001	169,539	149,923	860,463	-	860,463
Increase in tangible fixed assets	482,649	208,675	277,493	968,818	-	968,818

(Notes)

1. Adjustment of △312,574 thousand yen includes △298,112 thousand yen corporate expenses that are not distributed to each reportable segment and other △14,461 thousand yen.
2. 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.
3. The adjustment for segment assets includes the elimination of intersegment transactions △8,820,399 thousand yen and corporate asset 10,078,147 thousand yen that have not been distributed to reportable segment. Corporate assets consist mainly of financial assets the holding company possesses (cash and cash equivalent and investments in securities).

(2) Reportable segments changes

(Changes regarding the measuring method of the reportable segments' profits or losses)

Due to the transition to a holding company structure, from this consolidated fiscal year, the company's cost allocation bases have changed.

Mainly, the group's management costs generated by the holding company is not allocated to each reporting segment and is indicated as the total company's cost.

Due to these changes, compared to the original method, the [JAPAN] segment profits have decreased 52,881 thousand yen, and the adjusted segment profits have increased 52,881 thousand yen.

(Per share data)

Item	FY2018	FY2019
	(December 1, 2017, through November 30, 2018)	(December 1, 2018, through November 30, 2019)
Net assets per share	1,196.17 yen	1,193.13 yen
Net income per share	45.71 yen	51.17 yen
Diluted net income per share	45.62 yen	-

(Notes)

- No statement is made of the amount of current net profit per share after adjusting for residual stocks because there were no residual stocks that had a dilution effect.
The amount of treasury stock to calculate the net assets per share and the weighted-average number of common shares to calculate net income per share and net income per share after adjustment for dilutive securities included the company's shares owned by Trust & Custody Services Bank, Ltd (for J-ESOP, FY2018, 377 thousand shares, FY2019, 376 thousand shares), and The Master Trust Bank Of Japan, LTD (for BIP, FY2018, 173 thousand shares, FY2019, 153 thousand shares).
- In this consolidated fiscal year, there were no diluted stocks. Therefore there is no entry in the diluted net income per share adjusted section.

(Notes)The basis for calculating

1. Net assets per share

Item	FY2018	FY2019
	(As of November 30, 2018)	(As of November 30, 2019)
The total net assets in the consolidated balance sheet (Thousands of yen)	32,959,212	32,725,498
Deducted amount from total net asset (Thousands of yen)	53,526	57,697
(Stock Option (Thousands of yen))	(53,526)	(57,697)
(Non-controlling interests (Thousands of yen))	-	-
The net assets associated with common stock (Thousands of yen)	32,905,685	32,667,801
Number of issued stock (Thousand shares)	30,800	30,800
Number of treasury stock (Thousand shares)	3,290	3,420
Number of common stock for calculating the net assets per share (Thousand shares)	27,509	27,379

(Note)

The amount of treasury stock of common stock to calculate the net asset per share is included the stock of Trust & Custody Services Bank, Ltd. and Master Trust Bank Of Japan, LTD owned.

2. Net income per share and Diluted net income per share

Item	FY2018	FY2019
	(December 1, 2017, through November 30, 2018)	(December 1, 2018, through November 30, 2019)
Net income per share		
Profit (loss) attributable to owners of parent (Thousands of yen)	1,257,353	1,402,940
Share unallocated to common stock (Thousand shares)	-	-
Profit (loss) attributable to owners of parent relating to common stock	1,257,353	1,402,940
Shares on the average during the fiscal year (Thousand shares)	27,505	27,415
Diluted net income per share adjusted		
Net income adjustment attributable to parent company shareholder (Thousands of yen)	-	-
The number of increase in common stock (Thousand shares)	53	-
(Stock Option (Thousands of yen))	53	-
Details of shares not included in the calculation of fully diluted net income per share due to non-dilutive effect	-	General meeting of shareholders and board of directors for stock acquisition rights 549,500 common stocks (Date: February 25, 2016)

(Note)

The weighted-average number of common shares to calculate the net income per share is included the stock of Trust & Custody Services Bank, Ltd. and The Master Trust Bank of Japan, Ltd. owned.

5. Others**(1) Changes in Senior Management**

(i) Changes in President
Not applicable.

(ii) Changes in other officers
Not applicable.