

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

April 13, 2023

Company name: Morito Co., Ltd. Stock exchange listing: Tokyo Stock Exchange

Code number: 9837 URL: <https://www.morito.co.jp>

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Scheduled date of filing quarterly securities report: April 14, 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 First Quarter of the Fiscal Year Ending November 30, 2023 (December 1, 2022 to February 28, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q of FY 2023	11,804	2.1	619	1.5	661	0.9	516	14.9
1Q of FY 2022	11,561	8.8	610	28.9	655	35.0	449	55.6

(Note) Comprehensive income: 1Q of FY 2023 ¥(150) million [-%] 1Q of FY 2022 ¥537 million yen [97.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
1Q of FY 2023	19.31	-
1Q of FY 2022	16.53	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1Q of FY 2023	48,272	36,083	74.6
FY 2022	50,271	36,684	72.9

(Reference) Equity: 1Q of FY 2023 ¥36,034 million FY 2022 ¥36,628 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2022	-	13.50	-	18.50	32.00
FY 2023	-	-	-	-	-
FY 2023 (Forecast)	-	27.00	-	27.00	54.00

(Note) Revisions 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	50,000	3.1	2,300	8.6	2,450	4.6	1,800	7.5	67.40

(Note) Revisions to the latest announcement of performance forecast : None

* Notes:

(1) Changes in significant subsidiaries during the period under review : No

(changes in specified subsidiaries resulting in changes in the scope of consolidation)

(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):	February 28, 2023:	30,000,000	November 30, 2022:	30,000,000
2) Total number of treasury shares at the end of the period:	February 28, 2023:	3,232,200	November 30, 2022:	3,295,500
3) Average number of shares during the period:	1Q of the fiscal year ending November 30, 2023:	26,731,150	1Q of the fiscal year ended November 30, 2022	27,184,425

* 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 3.

The Company and some of the Morito Group companies have introduced the “Japanese version of the employee stock ownership plan (J-ESOP)” and the “officer remuneration board incentive plan (BIP) trust.” Consequently, the shares of the Company held by Custody Bank of Japan, Ltd. (trust account E) and The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account), respectively, are included in treasury shares.

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1. Qualitative Information for the Period under Review

(1) Overview of Business Results for the Period under Review

The operating environment during the first quarter of the fiscal year ending November 30, 2023 (from December 1, 2022 to February 28, 2023) showed signs of a gradual recovery due to the effects of various measures implemented under the “living with COVID-19” policy. However, the outlook for the future remains uncertain due to soaring raw material costs triggered by the situation in Ukraine and other factors, accelerating inflation across the globe, and currency fluctuations.

Working against this backdrop, the Morito Group (the “Group”), which is mainly engaged in apparel, product, and transportation businesses, faced difficult conditions, including soaring raw material prices for its mainstay products, production cutbacks by automakers due to semiconductor shortages, delays in marine transportation, and rising transportation costs, which all kept profits low, as well as stagnant demand caused by slowing consumption in Europe, the U.S., and China. 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. 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. In addition, the gross profit ratio improved significantly due to an improvement in the cost of sales ratio through price negotiations and an increase in sales of high value-added products. The Group expects profitability to continue to improve in the second quarter and beyond as it makes ongoing efforts to improve the efficiency of logistics operations.

As a result, for the first quarter of the fiscal year under review, net sales increased 2.1% year on year to ¥11,804 million. Operating profit was up 1.5% to ¥619 million, ordinary profit grew 0.9% to ¥661 million, and profit attributable to owners of the parent increased 14.9% to ¥516 million.

Exchange rates used for the conversion of revenue and expenses of the Group’s overseas subsidiaries during the preparation of consolidated financial statements for the first quarter of the fiscal year under review are as follows.

	1Q
USD	141.39 (113.71)
EUR	144.26 (130.04)
CNY	19.85 (17.78)
HKD	18.07 (14.60)
TWD	4.51 (4.09)
VND	0.0058 (0.0050)
THB	3.89 (3.41)
MXN	7.19 (5.48)

(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

In the Apparel Division, sales of accessories related to working wear and athletic shoes increased.

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

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

As a result, net sales grew 7.5% year on year to total ¥8,502 million, and segment profit rose 10.3% year on year to reach ¥527 million.

Asia

In the Apparel Division, sales of accessories for casual wear and working wear sold in the European and U.S. markets declined in China and Hong Kong due to China's zero-COVID policy despite growing sales of baby wear accessories in China and Hong Kong and athletic shoes accessories in Vietnam.

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.

As a result, net sales decreased 22.3% year on year to total ¥1,719 million, and segment profit dropped 0.3% year on year to total ¥219 million.

Europe and the U.S.

In the Apparel Division, sales of accessories related to casual wear declined while sales of accessories for leisure products increased.

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

As a result, net sales were up 10.2% year on year to total ¥1,582 million while segment loss came to ¥46 million (segment loss for the same period in the previous fiscal year was ¥18 million).

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

The consolidated financial forecast for the fiscal year ending November 30, 2023 remains unchanged from what was announced on January 13, 2023. In the event that COVID-19 or the situation in Ukraine is expected to affect the Group's business performance, information about such an impact will be disclosed as soon as it becomes evident.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of November 30, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	10,399,699	9,400,830
Notes and accounts receivable - trade	9,255,694	8,054,204
Electronically recorded monetary claims	2,847,664	3,512,924
Inventory	6,953,716	7,121,881
Other	1,076,907	877,818
Allowance for doubtful accounts	(52,481)	(43,594)
Total current assets	30,481,201	28,924,064
Non-current assets		
Property, plant and equipment		
Land	4,547,309	4,540,648
Other, net	5,619,621	5,297,073
Total property, plant and equipment	10,166,930	9,837,721
Intangible assets		
Goodwill	2,712,342	2,451,839
Other	1,154,268	1,042,216
Total intangible assets	3,866,611	3,494,055
Investments and other assets		
Investment securities	4,465,618	4,749,836
Retirement benefit assets	286,915	286,774
Other	1,150,405	1,111,376
Allowance for doubtful accounts	(145,760)	(131,179)
Total investments and other assets	5,757,179	6,016,807
Total non-current assets	19,790,721	19,348,585
Total assets	50,271,922	48,272,649
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,684,932	3,991,315
Electronically recorded obligations	940,625	990,602
Short-term borrowings	50,000	50,000
Current portion of long-term borrowings	280,008	280,008
Income taxes payable	577,794	371,131
Provision for bonuses	393,205	354,165
Provision for bonuses for directors (and other officers)	145,842	45,140
Other	2,237,096	1,875,711
Total current liabilities	9,309,505	7,958,074
Non-current liabilities		
Long-term borrowings	1,423,294	1,353,292
Provision for share awards	37,448	36,712
Provision for retirement benefits for directors (and other officers)	45,558	41,833
Provision for share awards for directors (and other officers)	88,468	91,474
Provision for environmental measures	25,968	23,796
Retirement benefit liability	862,554	871,766
Other	1,794,765	1,812,459
Total non-current liabilities	4,278,056	4,231,335
Total liabilities	13,587,562	12,189,410

(Thousand yen)

	As of November 30, 2022	As of February 28, 2023
Net assets		
Shareholders' equity		
Share capital	3,532,492	3,532,492
Capital surplus	2,962,803	2,980,337
Retained earnings	27,539,047	27,551,558
Treasury shares	(2,174,195)	(2,131,088)
Total shareholders' equity	31,860,146	31,933,298
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,274,715	1,502,616
Deferred gains or losses on hedges	(15,199)	(21,313)
Revaluation reserve for land	442,187	442,187
Foreign currency translation adjustment	3,023,530	2,138,539
Remeasurements of defined benefit plans	43,380	39,378
Total accumulated other comprehensive income	4,768,615	4,101,409
Share acquisition rights	55,597	48,531
Non-controlling interests	-	-
Total net assets	36,684,360	36,083,239
Total liabilities and net assets	50,271,922	48,272,649

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
The First Quarter accounting period

(Thousand yen)

	December 1, 2021 – February 28, 2022	December 1, 2022 – February 28, 2023
Net sales	11,561,273	11,804,902
Cost of sales	8,503,016	8,572,048
Gross profit	3,058,257	3,232,853
Selling, general and administrative expenses	2,448,105	2,613,475
Operating profit	610,151	619,378
Non-operating profit		
Interest income	2,244	3,257
Dividend income	10,204	9,524
Gain on redemption of investment securities	-	17,959
Rental income from real estate	18,945	18,890
Share of profit of entities accounted for using equity method	16,061	13,995
Subsidies for employment adjustment	1,054	-
Subsidy income	18,082	-
Other	8,754	20,451
Total non-operating profit	75,345	84,077
Non-operating expenses		
Interest expenses	2,224	2,459
Derivative losses	-	18,950
Foreign exchange losses	4,860	-
Other	22,800	20,238
Total non-operating expenses	29,885	41,648
Ordinary profit	655,612	661,807
Extraordinary income		
Gain on sale of non-current assets	261	824
Gain on sales of investment securities	-	141,392
Gain on reversal of share acquisition rights	525	420
Insurance claim income	70,016	-
Total extraordinary income	70,803	142,637
Extraordinary losses		
Loss on retirement of non-current assets	52	558
Total extraordinary losses	52	558
Profit before income taxes	726,363	803,887
Income taxes - current	258,805	261,914
Income taxes - deferred	18,308	25,672
Total income taxes	277,114	287,587
Profit	449,249	516,299
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	449,249	516,299

Quarterly Consolidated Statements of Comprehensive Income
The First Quarter accounting period

(Thousand yen)

	December 1, 2021 – February 28, 2022	December 1, 2022 – February 28, 2023
Profit	449,249	516,299
Other comprehensive income		
Valuation difference on available-for-sale securities	(175,215)	227,901
Deferred gains or losses on hedges	(3,483)	(6,119)
Foreign currency translation adjustment	263,828	(884,991)
Remeasurements of defined benefit plans, net of tax	3,406	(4,001)
Share of other comprehensive income of entities accounted for using equity method	(3)	5
Total other comprehensive income	88,531	(667,206)
Comprehensive income	537,781	(150,906)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	537,781	(150,906)
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 first quarter of the fiscal year ended November 30, 2022

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

(Thousand yen)

	Reportable Segment				Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe & the U.S.	Total		
Net sales						
Apparel	2,459,489	1,417,126	1,166,113	5,042,730	-	5,042,730
Product	4,354,531	186,903	13,833	4,555,268	-	4,555,268
Transportation	1,098,026	608,584	256,664	1,963,274	-	1,963,274
Revenue from contracts with customers	7,912,047	2,212,614	1,436,611	11,561,273	-	11,561,273
Net sales to external customers	7,912,047	2,212,614	1,436,611	11,561,273	-	11,561,273
Intersegment sales or transfers	376,825	763,000	23,710	1,163,536	(1,163,536)	-
Total	8,288,872	2,975,614	1,460,322	12,724,809	(1,163,536)	11,561,273
Segment profit (loss)	478,574	220,578	(18,182)	680,969	(70,817)	610,151

(Notes) 1 The adjustment of ¥(70,817) thousand to segment profit (loss) includes corporate expenses of ¥(52,084) thousand not allocated to the reportable segments, and other in the amount of ¥(18,733) thousand.

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

II For the first quarter of the fiscal year ending November 30, 2023

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

(Thousand yen)

	Reportable Segment				Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe & the U.S.	Total		
Net sales						
Apparel	2,548,835	1,367,384	1,242,761	5,158,981	-	5,158,981
Product	4,752,723	165,659	2,533	4,920,915	-	4,920,915
Transportation	1,201,413	186,146	337,444	1,725,004	-	1,725,004
Revenue from contracts with customers	8,502,971	1,719,191	1,582,739	11,804,902	-	11,804,902
Net sales to external customers	8,502,971	1,719,191	1,582,739	11,804,902	-	11,804,902
Intersegment sales or transfers	482,676	1,373,307	14,532	1,870,516	(1,870,516)	-
Total	8,985,648	3,092,498	1,597,271	13,675,418	(1,870,516)	11,804,902
Segment profit (loss)	527,680	219,863	(46,255)	701,289	(81,910)	619,378

(Notes) 1 The adjustment of ¥(81,910) thousand to segment profit (loss) includes corporate expenses of ¥(52,808) thousand not allocated to the reportable segments, and other in the amount of ¥(29,101) thousand.

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